



City of Torrance, California

Comprehensive Annual

Financial Report



Torrance City Hall

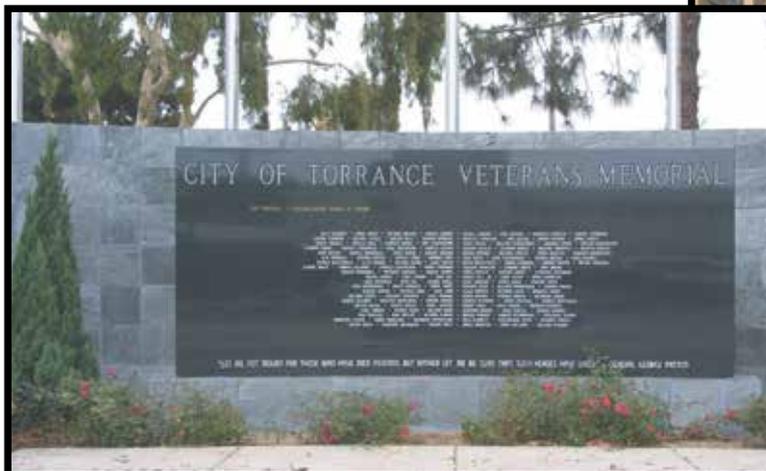


Twin Towers Flag - 43rd Armed Forces Day Parade

Fiscal Year Ended June 30, 2014
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, 2014

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, 2014

❖ INTRODUCTORY SECTION ❖

December 29, 2014

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

Via:  Roy 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, 2014. 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 eighth largest city, by population, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City has a population of 147,706 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 2013-14, the City of Torrance continued to provide quality services and programs to its residents and citizens. There was a total of \$283.3 million budgeted for 2013 -14 for operations to support the City's many services and programs.

Completed Projects:

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

Public Safety:

Public Safety Dispatch Center Refurbishment

The Police Department completed the refurbishment of the Public Safety Dispatch Center this fiscal year. This project included replacement of workstations, infrastructure and the Vesta 911 communications system.

Mobile Data Replacement

The Police Department replaced sixty mobile data computers in police vehicles. These replaced the devices that have outlived their useful lives and that had been in service since 2006.

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.

Maple Avenue at Sepulveda Boulevard

This project constructed a designated southbound right-turn lane on Maple Avenue at Sepulveda Boulevard and was funded by the South Bay Measure R Highway Program.

Sewer Manhole Monitoring Systems

Smartcovers which are sewer manhole covers that continuously monitors sewer flow levels were installed and completed this year. These covers provide early detection of potential sanitary sewer overflows. A web based map interface allows the technicians to review flow levels and history. In the event of a sewer flow surcharge, ultrasonic sensors send a high water alarm to Wastewater technicians by way of satellite communications. Early detection of potential sanitary sewer problems will allow City crews to quickly respond and potentially prevent sewer overflows.

Transit:

The Torrance Transit Park and Ride Regional Transit Terminal project completed its environmental assessment. This project interfaces 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. The construction date of this project is tentatively set in the summer of 2015 with approximate completion date at the end of 2016.

Accomplishments:

Culture and Recreation

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

Library:

- The Torrance Public Library completed the annual Progress Report outlining changes in library programs, collections and services with the new Plan of Service and setting goals for 2014. Progress included adding a week to the Summer Reading Program, adding more programs for young children, and enhancing technology assistance for older adults.
- Completed the American Disabilities Act (ADA) renovations of El Retiro and Southeast Libraries.
- The Library Division received several grants for enhanced services, for families with special needs and for technology training. Over \$100,000 in donations for programs and collections were received to serve the community.

- The Torrance Public Library hosted a patron video contest, targeted historical presentations and gala event to celebrate the Library's "Century of Service" to the Torrance community.

Recreational:

- The City developed the 250,000 square feet of vacant property at 555 Maple into a recreational youth sports field. This complex was named Toyota Sports Complex. Within Torrance we have more than 15,000 Torrance youth currently using our city parks for sports practices and games. It is anticipated that the current demand for sports field usage will continue to increase in the future. The 2014 AYSO (American Youth Soccer Organization) National Games was hosted on this complex last June 29-July 7, 2014.

Economic Development Highlights:

Simon Property Group has begun the comprehensive transformational redevelopment of the Del Amo Fashion Center. The Center commenced construction on the renovation of the existing mall. The renovation will include demolition of a portion of the existing mall and completely rebuilding it to include a new major entry. Also included will be a new Nordstrom Store, a new parking structure, a renovation to the façade of the mall and several site improvements.

Auto dealerships continue to play an integral role in Torrance. Construction of a new Ferrari dealership started and this new dealership will be located on Hawthorne Boulevard south of Lomita Boulevard and is tentatively set to open for business next year. Several other dealerships on Hawthorne Boulevard upgraded their facilities. Mazda commenced construction to convert a building of what used to be the former Nissan dealership into their new home. The existing Martin Chevrolet also upgraded their facility with improvements to their service area and a new facade for the main building. Scott Robinson Honda is underway with a major expansion and upgrade to its facility at Hawthorne and Del Amo Boulevard.

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 \$163 million in fiscal year 2013-14. The General Fund revenues grew 5.8% in fiscal year 2013-14 compared to last fiscal

year. Revenues exceeded operating expenditures in the General Fund each year, with the exception of the recent recessionary years of 2009-10.

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 a modest growth of approximately 3 to 4% annually. The forecast closely parallels the economic recovery of the local economy. A major reconstruction to the local mall is on the way with plans of including major upscale department stores. Additionally, two new high end auto dealerships are being built which will have a significant impact to 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, 2013. The City has received this award annually since 1987.

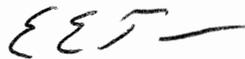
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal 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, 2014. This section also provides an overview of the City's financial activities at year end.

Respectfully submitted,



Eric E. Tsao
Finance Director

CITY OF TORRANCE DIRECTORY OF CITY OFFICIALS

June 30, 2014

CITY COUNCIL

Frank Scotto, Mayor

Gene Barnett	Heidi Ann Ashcraft
Tom Brewer	Kurt Weideman
Patrick Furey	Bill Sutherland

CITY CLERK

Sue Herbers

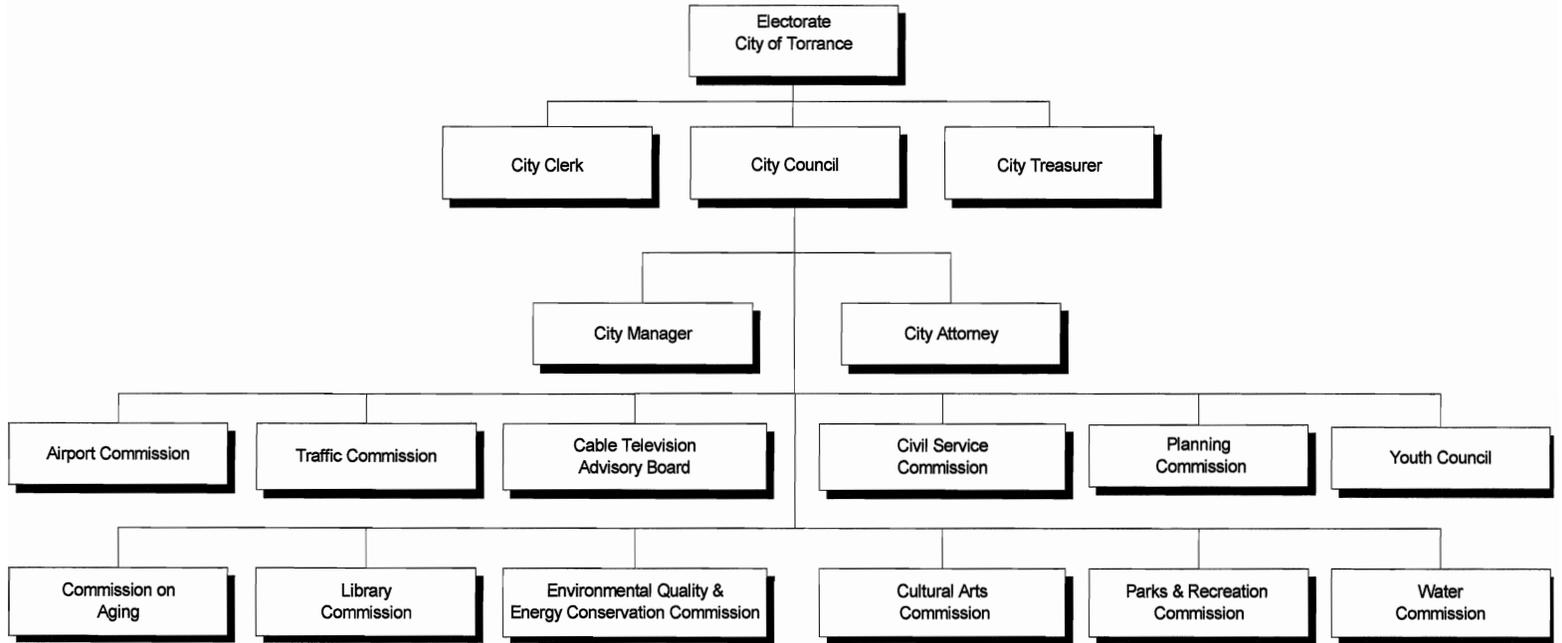
CITY TREASURER

Dana Cortez

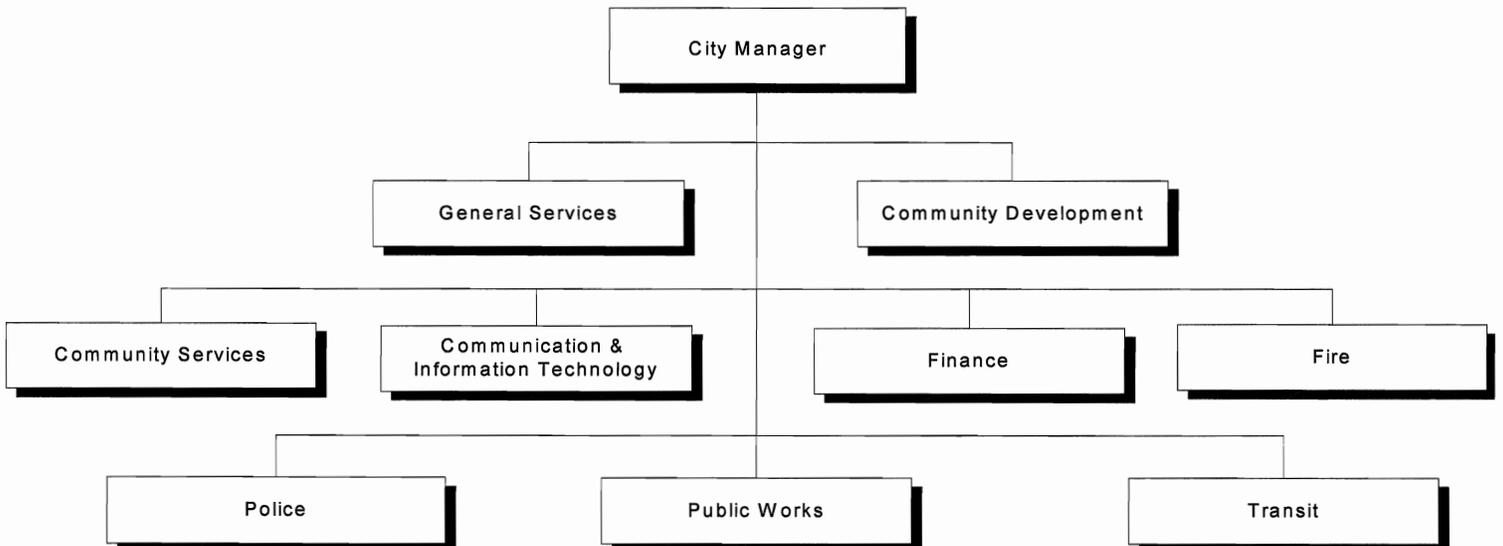
ADMINISTRATION

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
Mark Matsuda, 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, 2013

Executive Director/CEO

City OF Torrance



COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2014

❖ FINANCIAL SECTION ❖



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, 2014, 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, 2014, 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

The financial statements for the year ended June 30, 2014, reflect prior period adjustments as described further in notes 18 and 22 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 *introductory section*, the *combining and individual nonmajor fund financial statements*, the *continuing disclosure information*, 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*, the *continuing disclosure information*, 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 19, 2014 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 19, 2014

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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, 2014. 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, 2014.

FINANCIAL HIGHLIGHTS

- The City's total assets (all funds) exceeded its liabilities at the close of fiscal year 2013-14 by \$511.3 million dollars (net position). This is a 6.4% or \$34.8 million dollars decrease from last fiscal year net position of \$546.1 million. The decline is primarily due to an adverse interpretation of AB 1484 made by the California Department of Finance (DOF). AB 1484 allowed Cities to recognize City loans made to the former Redevelopment Agency (RDA) 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 Comprehensive Annual Financial Report (CAFR) using the interest rates which were stated on each agreement. In fiscal year 2014, the DOF issued a ruling that adjusted the amount of the interest rates that were on the agreements to an amount equivalent to the Local Agency investment Fund rate. The DOF adjustment resulted in accrued interest earnings being reduced by \$35.8 million. This interpretation by the DOF will most likely end up being decided by the Courts.
- During the year, the City's expenditures (all funds) exceeded revenues and net transfers for governmental activities by \$40.7 million.
- In the City's business-type activities, revenues and transfers exceeded expenditures by \$5.6 million.
- The General Fund reported an excess of revenues over expenditures of \$13.7 million before a net transfers out of \$4.4 million resulting in an increase to its fund balance of \$9.3 million during the year.
- The City kept General Fund expenditures within spending limits and actual General Fund expenditures on a budgetary basis were \$5.5 million less than budget. The General Fund revenues were within 99.3% of budget projections, about \$1.3 million less than budget below budgetary basis, which was attributable to lower than expected sales and use tax revenues.

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, and occupancy 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 enterprise—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.
- Enterprise funds are funds that account for the City’s operations that are financed and operated in a manner similar to a private business enterprise. Enterprise 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 enterprise 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 enterprise 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 2013-14 compared to 2012-13 is shown in Table 1:

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$199.0	\$226.4	\$55.7	\$48.9	\$254.7	\$275.3
Capital assets	310.6	307.8	144.0	143.0	454.6	450.8
Total assets	509.6	534.2	199.7	191.9	709.3	726.1
Deferred refunding charge	1.9	-	-	-	1.9	-
Long-term debt	(137.0)	(119.4)	(1.5)	(2.1)	(138.5)	(121.5)
Other liabilities	(44.8)	(44.1)	(16.6)	(14.5)	(61.4)	(58.6)
Total liabilities	(181.8)	(163.5)	(18.1)	(16.6)	(199.9)	(180.1)
Net assets						
Invested in capital assets, net of related debt	262.6	254.1	142.6	141.5	405.2	395.6
Restricted	43.3	41.1	-	-	43.3	41.1
Unrestricted	23.8	75.5	39.0	33.8	62.8	109.3
Net Position	\$329.7	\$370.7	\$181.6	\$175.3	\$511.3	\$546.0

Net position of the City's governmental activities amounted to \$329.7 million. Of the \$329.7 million, \$262.6 million is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$43.3 million is restricted for streets & highways, capital projects, community development, and public safety; and \$23.8 million is unrestricted. The net position of the City's governmental activities decreased by \$41.0 million (\$329.7 million compared to \$370.7 million in 2012-13). The decrease of fund balance is primarily due to an adverse interpretation of AB 1484 made by the California Department of Finance (DOF). 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 using the interest rates which were stated on each agreement. In fiscal year 2014, the DOF issued a ruling that adjusted the amount of the interest rates that were on the agreements to an amount equivalent to the Local Agency Investment Fund rate. The DOF adjustment resulted in accrued interest earnings being reduced by \$35.8 million.

Net position of the City's business-type activities amounted to \$181.6 million. \$142.6 million is invested in capital assets, and \$39.0 million is unrestricted. The net position of the City's business-type activities increased by \$6.3 million (\$181.6 million compared to \$175.3 million in 2012-13). The primary reason for the increase in fund balance is due to increased water revenues, and water capital assets.

Changes in net position. The City's total revenues are \$297.2 million and total costs of all programs and services are \$296.8 and extraordinary loss of \$35.4 million (Note 21) which amounted to a change in net position of \$35.0 million during the year (See Table 2).

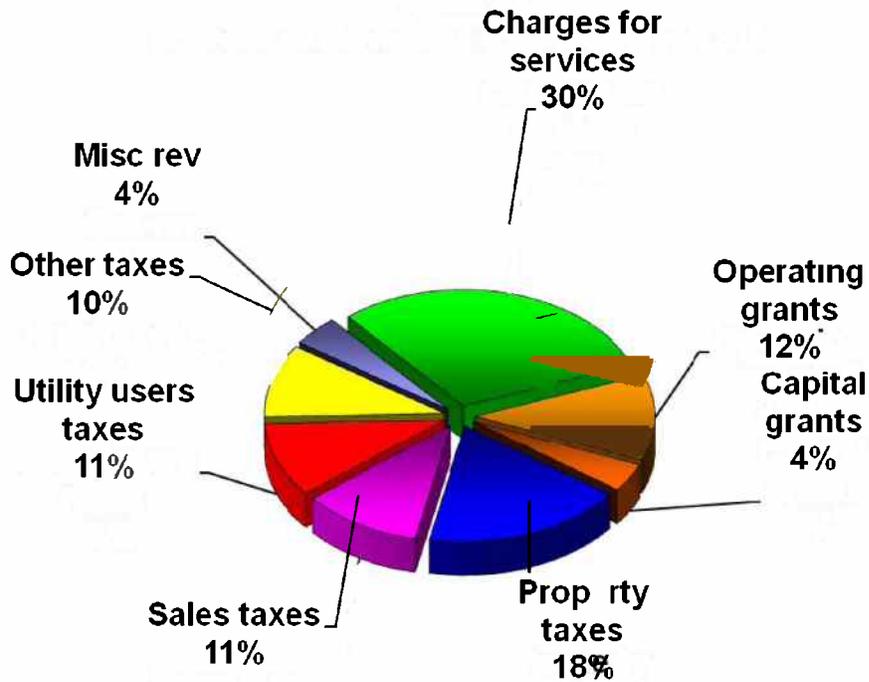
Table 2
Change in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$12.2	\$10.7	\$77.9	\$72.5	\$90.1	\$83.2
Operating grants/contr	14.6	13.5	21.1	20.0	35.7	33.5
Capital grants/contr	10.7	5.4	1.1	5.7	11.8	11.1
General revenues:						
Property taxes	53.6	51.5	-	-	53.6	51.5
Sales Tax	32.0	31.8	-	-	32.0	31.8
Other taxes	61.4	56.3	-	-	61.4	56.3
Investment earnings	6.5	5.1	0.7	0.3	7.2	5.4
Motor vehicle tax (unrestricted)	0.1	0.1	-	-	0.1	0.1
Miscellaneous	4.8	5.6	0.5	0.2	5.3	5.8
Total revenues	195.9	180.0	101.3	98.7	297.2	278.7
Expenses						
General government	25.5	25.6	-	-	25.5	25.6
Public safety	110.0	94.2	-	-	110.0	94.2
Public works	29.7	33.6	-	-	29.7	33.6
Culture and recreation	18.1	14.6	-	-	18.1	14.6
Community development	10.4	10.7	-	-	10.4	10.7
Interest on long term debt	1.5	3.0	-	-	1.5	3.0
Airport	-	-	5.5	5.3	5.5	5.3
Transit	-	-	26.2	24.7	26.2	24.7
Water	-	-	35.4	32.9	35.4	32.9
Sewer	-	-	4.4	4.7	4.4	4.7
Sanitation	-	-	11.0	11.4	11.0	11.4
Cultural Arts	-	-	1.9	2.0	1.9	2.0
Parks and Recreation	-	-	6.5	7.3	6.5	7.3
Emergency Medical Services	-	-	10.7	10.3	10.7	10.3
Total expenses	195.2	181.7	101.6	98.6	296.8	280.3
Excess of revenues over expenses before transfers and extraordinary gain (loss)	0.7	(1.7)	(0.3)	0.1	0.4	(1.6)
Transfers	(6.0)	(7.2)	6.0	7.2	-	-
Extraordinary Gain (loss)	(35.4)	-	-	-	(35.4)	-
Increase (decrease) in net assets	(\$40.7)	(\$8.9)	\$5.7	\$7.3	(\$35.0)	(\$1.6)
Net Assets-beginning	370.7	335.2	175.3	168	546.0	503.2
Prior Period adjustment	(0.3)	44.4	0.6	-	0.3	44.4
Net Assets-ending	\$329.7	\$370.7	\$181.6	\$175.3	\$511.3	\$546.0

The City's total revenues of \$297.2 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; ten percent (10%) 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 four percent (4%) from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues increased by \$18.5 million-governmental type activities increased by \$15.9 million while business type activities increased by \$2.6 million.

Figure A-1
Sources of Revenues for Fiscal Year 2014



The total costs of all programs and services are \$296.8 million. Thirty seven percent (37%) of functional expenses are related to public safety; nine percent (9%) relates to general government; ten percent (10%) to public works; six percent (6%) to culture and recreation; three percent (3%) to community development; one percent (1%) to interest on debt; and thirty four percent (34%) to business-type activities (See Figure A-2). The total cost of the City's programs and services increase by \$16.5 million.

**Figure A-2
Functional Expenses for Fiscal Year 2014**

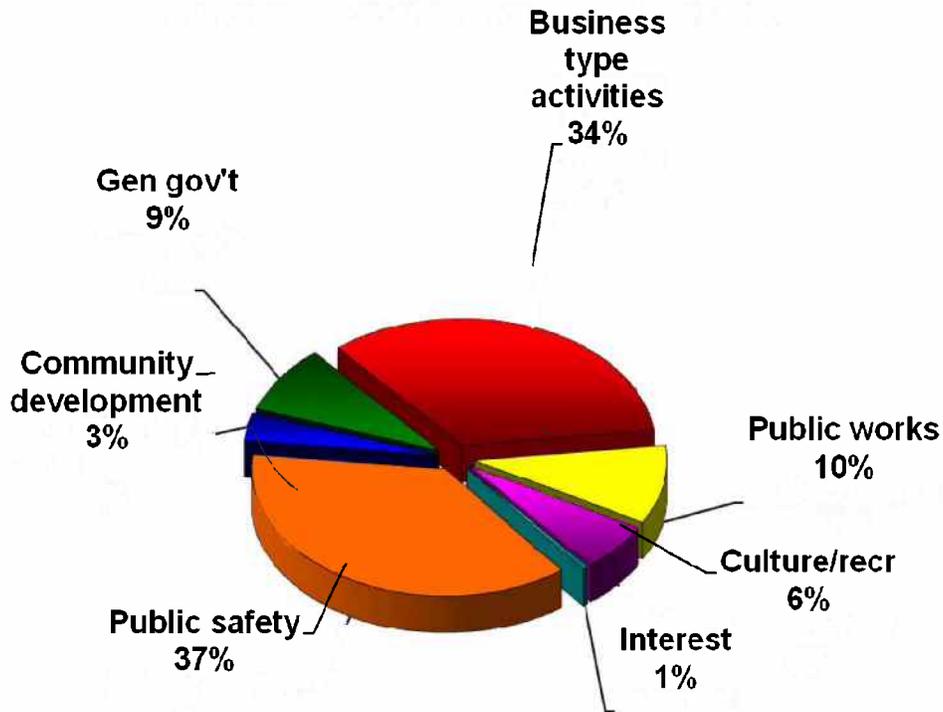


Table 2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

Governmental Activities

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

Revenues for the City's governmental activities increase by 8.8 percent or \$15.9 million. This was primarily due to the increase in property taxes, operating grants and capital grants.

The total expenses of the governmental activities increase by 7.4 percent or \$13.5 million. The increase was primarily due to the increase in expenditures related to public safety.

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 \$195.2 million. \$157.7 million of these activities were paid through City taxes, sales taxes, investment earnings and other miscellaneous fees; \$12.2 million was paid by those who directly benefited from the programs; and \$25.3 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	
	2014	2013	2014	2013
General government	\$25.5	\$25.6	\$22.2	\$22.4
Public safety *	110.0	94.2	101.1	87.3
Public works	29.7	33.6	11.2	21.4
Culture and recreation	18.1	14.6	17.3	13.9
Community development	10.4	10.7	4.4	4.1
Others	1.5	3.0	1.5	3.0
Total	\$195.2	\$181.7	\$157.7	\$152.1

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

Business-type Activities

Revenues of the City’s business-type activities amounts to \$101.3 million and expenses are \$101.6 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues increased by \$2.6 million (\$101.3 million compared to \$98.7 million in 2012-13). This is primarily due to the increase in water revenues. The excess of expenses over revenues before transfers is \$0.3 million and with a net transfer in of \$6.0 million, the business-type activities had an increase of \$5.7 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 \$117.6 million.

Major funds reported are General Fund and Capital Improvement Fund.

The increase in General fund balance is \$9.3 million this year primarily due to property taxes, utility users taxes, occupancy taxes, and change in market value of investments.

The Capital Improvement Fund reported a decrease of \$3.2 million in fund balance. The decrease was due primarily to the increase in capital expenditures during the year.

Enterprise funds

The Enterprise 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 \$0.6 million this year primarily due to operating grants received during the year.

The Water Fund increased its fund equity by \$5.5 million this year. This was caused by the increase in water sales during the year.

The Sewer Fund decreased its fund equity by \$1.1 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 0.5 Account Clerk to the City Treasurer’s Department
- Final Phase of the Fire Prevention Reorganization
- Addition of 1.0 Lead Airport Worker
- Reallocation of 2.0 Business Managers to Senior Business Managers-General Services and Police Departments

Mid-Year program modification that was approved:

- Addition of 1.0 Assistant Engineer position in the Community Development Department

Although the City amended its expenditure budget, actual expenditures were \$5.5 million below the final adopted budget amounts due to salary savings caused by vacancies in various departments and savings from materials, supplies and services during the year. However, the resources available for appropriation were \$1.3 million below the final adopted budgeted amount. The decrease in actual revenues over budget was due primarily to the sales tax revenues that were below budgeted amount.

The City’s General Fund balance of \$100.2 million (before prior period adjustment of \$39.1 million) differs from the General Fund’s budgetary fund balance of \$99.0 million reported in the budgetary comparison schedule. The difference in the two fund balances is because budgetary fund balance includes \$1.2 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, 2014 amounts to \$454.6 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	
	2014	2013	2014	2013	2014	2013
Land	\$64.3	\$64.3	\$6.9	\$6.9	\$71.2	\$71.2
Right of Way	19.3	19.3	1.7	1.7	21.0	21.0
Buildings and improvements	45.1	43.0	4.2	4.6	49.3	47.6
Equipment	22.9	19.7	23.2	22.7	46.1	42.4
Infrastructure	150.7	152.3	97.4	98.3	248.1	250.6
Construction in progress	8.3	9.2	10.6	8.8	18.9	18.0
Total	\$310.6	\$307.8	\$144.0	\$143.0	\$454.6	\$450.8

The total capital assets in the governmental activities increased by \$2.8 million (\$310.6 million compared to \$307.8 million in 2012-13) and the business activities increased by \$1.0 million (\$144.0 million to \$143.0 million in 2012-13). 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 \$58.0 million as shown in Table 5. More detailed information about the City's long-term liabilities is presented in Note 6 of the notes to the basic financial statements.

Table 5
Outstanding Debt
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
	Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 58.0	\$59.2	\$ -	\$ 0.6	\$ 58.0

During fiscal year 2013-14 the total debt of the City decreased by \$1.8 million. The decrease is primarily due to the defeasance of the 1998, 2004A and 2004B Refunding Certificates of Participation, and principal payments made on the 2014 Refunding Certificates of Participation and Water Revenue Bonds.

The City of Torrance Public Financing Authority 2009 Certificates of Participation bonds received an A1 bond rating from Moody's and AA from Standard and Poor's. The Public Property Financing Corporation 2014 Refunding Certificates of Participation received an AA bond rating from Standard & Poor's.

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 \$897.6 million which is in excess of the City's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key Highlights of the 2014-15 Budget

The City Council adopted in May 2014, the second year (2014-15 fiscal year) of the 2013-15 Two Year Operating budget. This budget is balanced and requires no reductions, and continues to address long-term strategies. It is a reflection of City policies and goals and is consistent with the City's Strategic Plan.

Employee Compensation:

This budget includes compensation increases for City employees, the first wage package since 2009 for most rank-and-file employees.

Police:

Budget includes an additional police officer in January 2015, the fifth sworn position added since 2011.

Strategic Plan:

Public opinion surveys of residential and business communities, conducted as part of the City's 10-year Strategic Plan, reflected a positive view of Torrance, however, there was growing concern over the maintenance of local streets and sidewalks. The 2014-15 budget set aside \$1 million in one-time and \$450,000 in ongoing funding to address these concerns. The five-year Capital Plan also includes \$700,000 in funding for local streets and sidewalks in 2014-15, for a \$2.2 million impact.

Cultural Arts Center:

A one-year pilot program of a pricing structure based on "peak" and "non-peak" hours was implemented. "Non-peak" hours will be Monday through Thursday, 10am to 10pm. Rates will be reduced by 15-30% in hopes of increasing activity during those times.

Employee Pensions:

Several key policy changes have been implemented over the last several years to mitigate pension costs. Anticipated rate increases from CalPERS' recent actuarial changes have been incorporated into this budget and the City's five-year forecast.

Pension Reform:

FY2010-11 – Increased Employee Contribution (EPMC)*

The City negotiated to require new employees to contribute to EPMC costs to the pension plan

- 9% for Fire and Police safety employees
- 7% for Miscellaneous employees
- This change has saved the City \$1.3M to date
- This is projected to save \$760,000 annually

*Employer Paid Member Contributions

FY2013-14 – Revised Pension Plan Formulas

The 2013 Public Pension Reform Act (PEPRA) affects new employees hired after January 1, 2013 who are new to the CalPERS system. It reduces pension formulas and City's cost.

- New retirement formulas
 - From 3% at 50 to 2.7% at 57 for Fire and Police safety employees
 - From 2% at 55 to 2% at 62 for Miscellaneous employees
- Employees responsible for half the "normal costs" of benefits
 - Fire safety employees contribute 12.5%
 - Police safety employees contribute 15%
 - Miscellaneous employees contribute 6.75%
 - Normal costs are not in addition to EPMC costs
- These changes will reduce City costs as current employees retire and new employees are hired with new reduced benefit formulas.

FY2013-14 – Industrial Disability Cost Reduction

The Industrial Disability Allowance has been reduced from 90% to 50% for all Fire and Police safety employees hired after January 1, 2014.

- This will reduce the city's and employees' current share of normal pension costs for new hires:
 - From 12.5% to 11.25% for Fire
 - From 15.0% to 12.75% for Police

Reorganizations:

To maintain a balanced budget, a series of internal reorganizations have occurred over the past several years. These difficult and necessary changes have been focused on maintaining high quality efficient service delivery and include the following:

Internal Reorganizations:

- Community Services Department-A Senior Recreation Supervisor position and the Farmers Market Program were reassigned to Cultural Services Division. The Madrona Marsh Program was reassigned to Park Services Division. A vacant Program Coordinator was reallocated to a full-time Aquatics Program Coordinator, resulting in the deletion of a part-time Pool Manager.

- Civil Service-Upgraded 1.0 Human Resources Technician to 1.0 Human Resources Analyst, added 0.2 Human Resources Technician and added 0.5 Intern II.
- Human Resources-The HR Department was transitioned to a division within the City Manager's office with two major divisions: HR Operations and Department Support. The Risk Management Division was moved to Finance Department.
- Water Operations-Higher requirements for Water Operations Superintendent and Water Services Supervisor were established. All senior level positions now require a Grade 5 level Water Distribution certification.
- Fire Prevention Division-A career ladder was developed for position within the Fire Prevention Division by expanding the scope of the division, modifying job classifications, and adding Certified Unified Program Agency (CUPA) responsibilities to Fire and Senior Fire Prevention Officer positions.
- Public Works-Capital Projects-2.0 Public Works-Capital Projects positions were created to assist with increased project workload related to Measure R-the half-cent sales tax increase to fund transportation projects and improvements.

Pending Reorganizations:

- Library-The City is looking at staffing changes to better meet the needs of the library patrons of the City's 6 libraries.
- Transit-This will transition current Transit Dispatchers to Dispatch Coordinators and create 3.0 Transit Mechanic positions in the Maintenance Division to increase support for the addition of two expansion services and 12 new buses.
- Clerical Series Study-The objective of the study is to update job titles, knowledge and skills to reflect the current job market.
- Water Apprenticeship Program-Public Works Department is developing a Water Apprenticeship Program to prepare participants for Water Tech 1 positions.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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City OF Torrance



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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Pooled cash and investments (note 2)	\$ 148,139,099	\$ 44,561,019	\$ 192,700,118
Cash and cash equivalents with fiscal agents (note 2)	3,745,849	—	3,745,849
Accounts receivable	10,742,830	11,084,709	21,827,539
Accrued interest receivable	454,405	143,855	598,260
Due from successor agency (note 22)	182,852	—	182,852
Due from other governments (note 15)	7,538,460	3,308,110	10,846,570
Advance to successor agency (note 22)	18,518,678	1,616,994	20,135,672
Notes receivable (note 4)	69,055	—	69,055
Internal balances	6,898,872	(6,898,872)	—
Inventories, at cost	1,193,003	1,870,735	3,063,738
Prepays and other assets	1,376,506	13,539	1,390,045
Net pension asset	132,000	—	132,000
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	8,318,526	10,559,991	18,878,517
Infrastructure, net of accumulated depreciation	150,756,049	97,477,967	248,234,016
Building and improvements, net of accumulated depreciation	45,064,580	4,158,294	49,222,874
Equipment, net of accumulated depreciation	22,890,203	23,182,750	46,072,953
Total Assets	<u>509,623,527</u>	<u>199,714,854</u>	<u>709,338,381</u>
Deferred Outflows of Resources			
Deferred refunding charge	1,882,730	—	1,882,730
Total Deferred Outflows of Resources	<u>1,882,730</u>	<u>—</u>	<u>1,882,730</u>
Liabilities			
Accounts payable	5,238,868	6,166,687	11,405,555
Accounts payable-contract retention	177,330	7,453	184,783
Accrued liabilities	8,567,205	3,244,317	11,811,522
Due to other governments	10,305	—	10,305
Notes payable (note 5)	30,000,000	—	30,000,000
Unearned revenue (note 16)	—	7,067,191	7,067,191
Deposits and guarantees	269,384	217,891	487,275
Interest payable	483,162	—	483,162
Long term liabilities-portion due or payable within one year (notes 6, 7 and 14)	18,220,120	—	18,220,120
Long term liabilities-portion due or payable after one year (notes 6, 7 and 14)	118,804,594	1,452,900	120,257,494
Total Liabilities	<u>181,770,968</u>	<u>18,156,439</u>	<u>199,927,407</u>
Net Position			
Net investment in capital assets	262,638,816	142,561,865	405,200,681
Restricted for:			
Streets & highways	25,679,110	—	25,679,110
Capital projects	4,101,344	—	4,101,344
Community development	9,662,130	—	9,662,130
Public safety	3,867,674	—	3,867,674
Unrestricted	23,786,215	38,996,550	62,782,765
Total Net Position	<u>\$ 329,735,289</u>	<u>\$ 181,558,415</u>	<u>\$ 511,293,704</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Activities and Changes in Net Position
Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 25,545,391	\$ 2,978,487	\$ 382,293	\$ —
Public safety	109,958,629	7,507,599	1,347,747	—
Public works	29,675,423	1,085,204	6,729,606	10,677,277
Culture and recreation	18,139,297	611,604	235,410	—
Community development	10,368,268	—	5,950,606	—
Interest on long term debt	1,498,803	—	—	—
Total Governmental Activities	195,185,811	12,182,894	14,645,662	10,677,277
Business-Type Activities:				
Airport	5,529,834	12,139,309	—	—
Transit	26,164,275	3,387,435	20,849,255	1,103,996
Water	35,415,509	40,669,699	—	—
Sewer	4,418,036	3,220,859	—	—
Sanitation	10,984,899	11,395,641	80,254	—
Cultural arts	1,928,716	912,081	108,707	—
Parks and recreation	6,464,452	3,950,542	22,778	—
Emergency medical service	10,698,017	2,229,575	—	—
Total Business-Type Activities	101,603,738	77,905,141	21,060,994	1,103,996
Total Primary Government	\$ 296,789,549	\$ 90,088,035	\$ 35,706,656	\$ 11,781,273

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

Extraordinary Loss (note 21)

Change in Net Position

Net Position - beginning

Prior Period Adjustment (note 18)

Net Position - ending

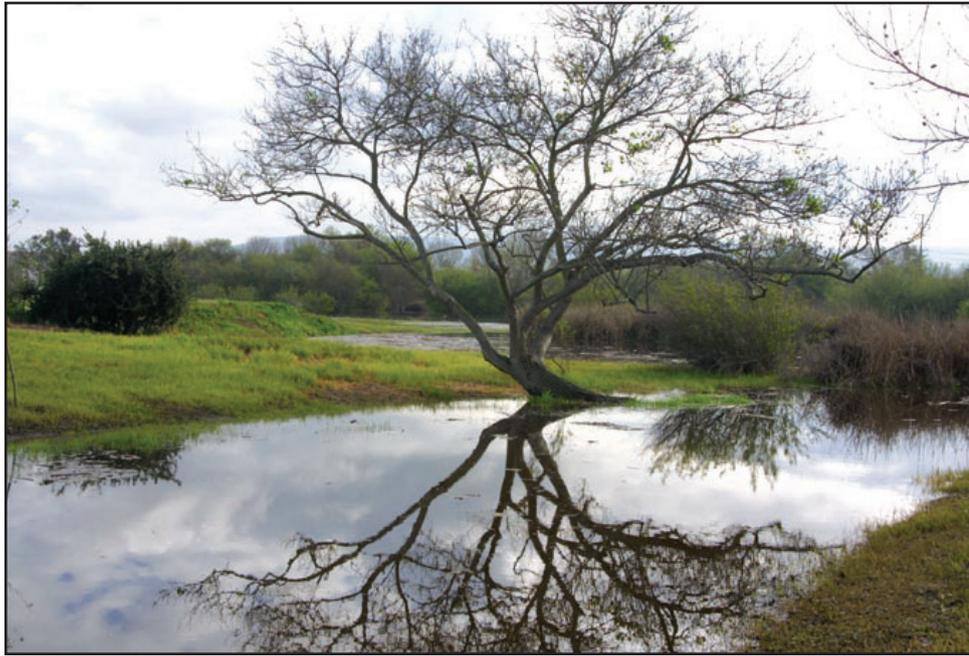
See accompanying notes to the basic financial statements.

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (22,184,611)	\$ —	\$ (22,184,611)
(101,103,283)	—	(101,103,283)
(11,183,336)	—	(11,183,336)
(17,292,283)	—	(17,292,283)
(4,417,662)	—	(4,417,662)
(1,498,803)	—	(1,498,803)
<u>(157,679,978)</u>	<u>—</u>	<u>(157,679,978)</u>
—	6,609,475	6,609,475
—	(823,589)	(823,589)
—	5,254,190	5,254,190
—	(1,197,177)	(1,197,177)
—	490,996	490,996
—	(907,928)	(907,928)
—	(2,491,132)	(2,491,132)
—	(8,468,442)	(8,468,442)
<u>—</u>	<u>(1,533,607)</u>	<u>(1,533,607)</u>
<u>(157,679,978)</u>	<u>(1,533,607)</u>	<u>(159,213,585)</u>
53,575,684	—	53,575,684
31,963,111	—	31,963,111
31,345,769	—	31,345,769
9,291,675	—	9,291,675
8,321,688	—	8,321,688
12,482,540	—	12,482,540
6,509,123	677,452	7,186,575
63,517	—	63,517
4,849,201	545,934	5,395,135
(5,960,745)	5,960,745	—
<u>152,441,563</u>	<u>7,184,131</u>	<u>159,625,694</u>
<u>(35,438,740)</u>	<u>—</u>	<u>(35,438,740)</u>
(40,677,155)	5,650,524	(35,026,631)
370,757,334	175,319,489	546,076,823
(344,890)	588,402	243,512
<u>\$ 329,735,289</u>	<u>\$ 181,558,415</u>	<u>\$ 511,293,704</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, 2014

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Pooled cash and investments (note 2)	\$ 60,562,920	\$ 15,564,428	\$ 37,757,865	\$ 113,885,213
Cash and cash equivalents with fiscal agents (note 2)	—	—	3,745,849	3,745,849
Accounts receivable	8,194,733	—	2,519,926	10,714,659
Accrued interest receivable	271,787	—	88,665	360,452
Due from other funds (note 12)	965,282	—	—	965,282
Due from other governments (note 15)	7,405,507	—	132,953	7,538,460
Interfund advances receivable (note 12)	24,978,265	—	600,000	25,578,265
Notes receivable (note 4)	—	—	69,055	69,055
Prepays	1,376,506	—	—	1,376,506
Total Assets	<u>\$ 103,755,000</u>	<u>\$ 15,564,428</u>	<u>\$ 44,914,313</u>	<u>\$ 164,233,741</u>
Liabilities				
Accounts payable	\$ 1,906,872	\$ 473,678	\$ 2,085,270	\$ 4,465,820
Accounts payable-contract retention	—	81,327	96,003	177,330
Accrued liabilities	6,728,107	—	779,791	7,507,898
Due to other funds (note 12)	—	—	343,145	343,145
Interfund advances payable (note 12)	600,000	—	—	600,000
Due to other governments	—	—	10,305	10,305
Notes payable (note 5)	30,000,000	—	—	30,000,000
Deposits and guarantees	111,328	158,056	—	269,384
Total Liabilities	<u>39,346,307</u>	<u>713,061</u>	<u>3,314,514</u>	<u>43,373,882</u>
Deferred Inflows of Resources:				
Unavailable revenue	3,284,125	—	—	3,284,125
Total Deferred Inflows of Resources	<u>3,284,125</u>	<u>—</u>	<u>—</u>	<u>3,284,125</u>
Fund Balances				
Nonspendable:				
Advances, net	21,094,140	—	—	21,094,140
Prepays	1,376,506	—	—	1,376,506
Restricted for:				
Public safety	—	—	3,787,611	3,787,611
Public works	—	—	28,605,209	28,605,209
Culture and recreation	478,941	—	4,101,344	4,580,285
Community development	—	—	1,359,786	1,359,786
Debt service	—	—	3,745,849	3,745,849
Assigned to:				
Culture and recreation	4,897,304	—	—	4,897,304
Public safety	69,947	—	—	69,947
Special project reserves	4,353,354	—	—	4,353,354
Capital projects	7,654,677	14,851,367	—	22,506,044
Unassigned	21,199,699	—	—	21,199,699
Total Fund Balances	<u>61,124,568</u>	<u>14,851,367</u>	<u>41,599,799</u>	<u>117,575,734</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 103,755,000</u>	<u>\$ 15,564,428</u>	<u>\$ 44,914,313</u>	<u>\$ 164,233,741</u>

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, 2014

Total fund balances for governmental funds \$ 117,575,734

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	8,318,526	
Infrastructure net of \$152,227,814 accumulated depreciation	150,756,049	
Buildings and fixtures, net of \$47,171,985 accumulated depreciation	45,064,580	
Machinery and equipment, net of \$17,421,593 accumulated depreciation	<u>13,909,752</u>	
		301,651,467

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)	(17,245,819)	
Torrance Public Financing Authority refunding certificates of participation	(17,595,000)	
Public Property Financing Corporation refunding certificates of participation	(40,445,000)	
Certificates of participation premium	(661,216)	
Deferred refunding charge	<u>1,882,730</u>	
		(74,064,305)

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 Funds Balance Sheet.

Accrued interest payable on bonded debt	<u>(483,162)</u>	
		(483,162)

Accrued interest receivable on advance to Successor Agency is considered unavailable revenue and is reported as a deferred inflow in the Governmental Funds Balance Sheet. The interest receivable is included in the governmental activities in the Statement of Net Position as additional advance to Successor Agency.

Deferred inflows of resources-unavailable revenue	<u>3,284,125</u>	
		3,284,125

Net pension asset produced by overpayment of pension obligation in governmental activities is not a current financial resource and therefore is not reported in the Governmental Funds Balance Sheet.

Net pension asset	<u>132,000</u>	
		132,000

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.

(18,360,570)

Net Position of Governmental Activities **\$ 329,735,289**

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, 2014

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 146,866,492	\$ —	\$ 1,298,920	\$ 148,165,412
Licenses, fees and permits	2,893,100	—	903,850	3,796,950
Fines, forfeitures and penalties	1,075,432	—	728,208	1,803,640
Use of money and property	2,386,431	—	4,942,226	7,328,657
Intergovernmental	318,023	—	23,544,402	23,862,425
Charges for current services	7,904,101	—	—	7,904,101
Other revenues	1,897,953	930,629	218,374	3,046,956
Total revenues	<u>163,341,532</u>	<u>930,629</u>	<u>31,635,980</u>	<u>195,908,141</u>
Expenditures:				
Current expenditures:				
General government	17,119,409	4,024,493	1,211,390	22,355,292
Nondepartmental	5,477,858	—	—	5,477,858
Public safety	97,391,758	197,640	1,786,513	99,375,911
Public works	11,372,329	266,753	11,494,489	23,133,571
Culture and recreation	14,539,491	253,256	730,468	15,523,215
Community development	3,747,524	58,622	6,505,960	10,312,106
Debt service:				
Principal retirement (note 7)	—	—	7,370,000	7,370,000
Interest and fiscal charges	—	—	958,794	958,794
Bond issuance costs	—	—	538,237	538,237
Payment to refunded bond escrow agent	—	—	4,537,795	4,537,795
Total expenditures	<u>149,648,369</u>	<u>4,800,764</u>	<u>35,133,646</u>	<u>189,582,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,693,163</u>	<u>(3,870,135)</u>	<u>(3,497,666)</u>	<u>6,325,362</u>
Other financing sources (uses):				
Transfers in (note 13)	19,676,580	737,112	9,593,287	30,006,979
Transfers out (note 13)	(24,052,142)	(29,559)	(15,984,272)	(40,065,973)
Payment to refunded bond escrow agent	—	—	(31,539,935)	(31,539,935)
Proceeds from bonds	—	—	40,445,000	40,445,000
Premium on refunding bonds	—	—	661,216	661,216
Total other financing sources (uses)	<u>(4,375,562)</u>	<u>707,553</u>	<u>3,175,296</u>	<u>(492,713)</u>
Net change in fund balances	9,317,601	(3,162,582)	(322,370)	5,832,649
Fund balances, July 1, 2013	90,874,722	18,013,949	41,922,169	150,810,840
Prior period adjustment (note 18)	<u>(39,067,755)</u>	<u>—</u>	<u>—</u>	<u>(39,067,755)</u>
Fund balances, June 30, 2014	<u>\$ 61,124,568</u>	<u>\$ 14,851,367</u>	<u>\$ 41,599,799</u>	<u>\$ 117,575,734</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, 2014

Net change in fund balances-total governmental funds \$ 5,832,649

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)	\$ (9,462,817)	
Asset additions funded by Governmental Funds	12,413,216	
Asset transfer from Enterprise Fund	8,000	
		2,958,399

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	7,370,000	
Payment to bond escrow - principal	34,195,000	
Payment to bond escrow - deferred charge	1,882,730	
Bond premium	(661,216)	
Bond proceeds	(40,445,000)	
		2,341,514

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	(1,772)	
		(1,772)

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)	(518,615)	
		(518,615)

The California Department of Finance made an adjustment to the accrued interest associated with loans previously made by the City of Torrance to the City's former redevelopment agency. The expense is reported with the governmental activities.

Department of Finance adjustment of accrued interest	(35,438,740)	
		(35,438,740)

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

(15,850,590)

Change in Net Position of governmental activities

\$ (40,677,155)

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, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Budgetary fund balance, July 1, 2013	\$ 90,874,722	\$ 90,874,722	\$ 90,874,722	\$ —
Resources (inflows):				
Taxes:				
Property taxes:				
Current secured taxes	27,572,970	27,572,970	27,430,123	(142,847)
Current unsecured taxes	1,204,000	1,204,000	1,163,197	(40,803)
Prior years' secured taxes	133,900	133,900	(163,133)	(297,033)
Prior years' unsecured taxes	144,200	144,200	41,494	(102,706)
Property/sales flip taxes	11,220,000	11,220,000	11,610,578	390,578
VLF swap and repayment taxes	11,768,780	11,768,780	11,754,649	(14,131)
Penalties and interest	257,500	257,500	207,405	(50,095)
Supplemental prior year secured taxes	51,500	51,500	—	(51,500)
Supplemental current secured	494,400	494,400	820,135	325,735
Redemption	966,400	966,400	550,984	(415,416)
Aircraft assessment tax	185,400	185,400	160,252	(25,148)
	<u>53,999,050</u>	<u>53,999,050</u>	<u>53,575,684</u>	<u>(423,366)</u>
Taxes other than property:				
Sales and use tax	34,511,188	34,511,188	31,963,111	(2,548,077)
Prop 172 sales tax	1,485,260	1,485,260	1,472,586	(12,674)
Business license tax	8,807,884	8,807,884	8,321,688	(486,196)
Business permit tax	478,007	478,007	399,613	(78,394)
Utility users' tax	30,997,105	30,997,105	31,345,769	348,664
Construction tax	816,000	816,000	1,459,566	643,566
Real property transfer tax	636,000	636,000	723,552	87,552
Franchise tax – all other	7,158,000	7,158,000	6,715,580	(442,420)
Public education government fees	360,000	360,000	369,289	9,289
Occupancy tax	8,962,348	8,962,348	9,291,675	329,327
Oil severance tax	10,000	10,000	24,238	14,238
Cogeneration tax	1,020,000	1,020,000	1,067,350	47,350
Alarm permit fees	84,872	84,872	136,791	51,919
	<u>95,326,664</u>	<u>95,326,664</u>	<u>93,290,808</u>	<u>(2,035,856)</u>
Total taxes	<u>149,325,714</u>	<u>149,325,714</u>	<u>146,866,492</u>	<u>(2,459,222)</u>
Licenses, fees and permits:				
Fire permits	133,926	133,926	116,073	(17,853)
Construction/excavation permits	30,000	30,000	53,276	23,276
Grading permits	60,000	60,000	47,589	(12,411)
Building permits	894,744	894,744	1,334,962	440,218
Plumbing permits	100,000	100,000	61,732	(38,268)
Electrical permits	94,860	94,860	102,663	7,803
Mechanical permits	61,200	61,200	55,125	(6,075)
Special energy inspection fees	353,736	353,736	768,277	414,541
Sign permits and filing fees	41,616	41,616	61,479	19,863
Other licenses and permits	—	—	1,576	1,576
NPDES building permit fees	147,084	147,084	255,139	108,055
Building TEQECC filing fees	31,212	31,212	23,774	(7,438)
Oversized vehicle permit fees	20,808	20,808	11,435	(9,373)
Total licenses, fees and permits	<u>1,969,186</u>	<u>1,969,186</u>	<u>2,893,100</u>	<u>923,914</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	\$ 579,965	\$ 79,965
Traffic fines	480,000	480,000	329,537	(150,463)
General fines	350,000	350,000	165,930	(184,070)
Total fines, forfeitures and penalties	1,330,000	1,330,000	1,075,432	(254,568)
Revenue from use of money and property:				
Investment earnings	1,305,800	1,305,800	1,025,760	(280,040)
Rents and concessions	1,466,662	1,466,662	1,360,671	(105,991)
Total revenue from use of money and property	2,772,462	2,772,462	2,386,431	(386,031)
Revenue from other intergovernmental agencies:				
State motor vehicle licenses	—	—	63,517	63,517
State homeowners' property tax relief	250,000	250,000	212,744	(37,256)
Other state grants	120,000	120,000	41,762	(78,238)
Total revenue from other intergovernmental agencies	370,000	370,000	318,023	(51,977)
Charges for current services:				
TUSD collection fees	11,600	11,600	14,346	2,746
Planning and zoning fees	253,700	253,700	281,197	27,497
Traffic signal maintenance	182,000	182,000	179,254	(2,746)
Environmental review and appeal fees	—	—	7,354	7,354
Vacation processing fees	5,800	5,800	2,119	(3,681)
Large family daycare unit	500	500	523	23
State encroach collection fees	2,700	2,700	1,942	(758)
Grading	33,400	33,400	31,135	(2,265)
Plan check fees – building	705,400	705,400	1,228,264	522,864
Plan check fees – engineering	9,900	9,900	12,027	2,127
Oil-related inspection fees	700	700	8,652	7,952
Appeal fees	1,800	1,800	2,440	640
Other inspection fees	278,800	278,800	617,021	338,221
Engineering mapping fees	9,600	9,600	15,177	5,577
Engineering inspection fees	153,200	153,200	210,025	56,825

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	\$ 2,055	\$ 55
Microfilming fees	204,600	204,600	229,847	25,247
Police charges – copies and photos	10,200	10,200	11,538	1,338
Police charges – fingerprinting and other	460,800	460,800	452,785	(8,015)
Fire department fees	847,300	847,300	651,633	(195,667)
Fire department fees – hazardous materials fees	700,000	700,000	695,516	(4,484)
Parks and recreational fees	427,400	427,400	483,333	55,933
Miscellaneous	21,300	21,300	16,897	(4,403)
Library revenues	139,300	139,300	131,021	(8,279)
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>7,062,000</u>	<u>7,062,000</u>	<u>7,904,101</u>	<u>842,101</u>
Other revenues:				
Donations – private sources	10,000	105,394	116,710	11,316
Miscellaneous	1,238,505	1,238,505	1,243,943	5,438
Premium Tax Revenue Anticipation Notes	500,000	500,000	537,300	37,300
Total other revenues	<u>1,748,505</u>	<u>1,843,899</u>	<u>1,897,953</u>	<u>54,054</u>
Transfers in	<u>13,112,773</u>	<u>19,676,580</u>	<u>19,676,580</u>	<u>—</u>
Amounts available for appropriation	<u>268,565,362</u>	<u>275,224,563</u>	<u>273,892,834</u>	<u>(1,331,729)</u>
Charges to appropriations (outflows)				
General government:				
City council	417,832	437,032	416,181	20,851
Commissions and committees:				
Parks and recreation	30,739	32,239	28,146	4,093
Planning	14,645	13,145	11,518	1,627
Environmental quality	5,400	5,400	2,907	2,493
Cultural arts	9,352	9,352	9,236	116
Traffic	5,810	5,810	3,044	2,766
Youth council	9,748	19,748	14,849	4,899
Civil service	163,978	176,977	155,162	21,815
Commission on aging	5,552	5,552	2,357	3,195
Library	6,223	6,223	5,623	600
Disaster council	2,594	1,594	—	1,594
City manager	4,157,990	4,406,453	4,285,077	121,376
City attorney	2,269,976	2,283,467	2,224,694	58,773
City clerk	1,139,485	1,261,485	1,172,635	88,850
City treasurer	947,164	897,727	860,779	36,948
Finance	4,380,576	4,091,874	3,634,450	457,424
Human resources	2,283,734	2,389,296	2,110,182	279,114
Civil service	182,439	182,439	132,535	49,904
Communications & Info Tech	5,194,952	5,214,475	4,915,576	298,899
General services	3,973,547	3,973,547	3,436,565	536,982
Less indirect cost allocation, other funds	<u>(5,910,069)</u>	<u>(5,910,069)</u>	<u>(5,674,444)</u>	<u>(235,625)</u>
Total general government	<u>19,291,667</u>	<u>19,503,766</u>	<u>17,747,072</u>	<u>1,756,694</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	\$ 23,203	\$ 1,797
Community promotion	163,500	183,500	101,205	82,295
Employee benefits (net after charges to departments)	1,339,030	1,184,486	795,939	388,547
Other	907,440	907,440	680,191	227,249
Leaseback payments	4,098,960	4,098,960	3,895,697	203,263
Total nondepartmental	6,533,930	6,399,386	5,496,235	903,151
Community Development	4,009,490	4,003,578	3,951,583	51,995
Public safety:				
Police	68,196,096	68,225,749	67,543,325	682,424
Fire	26,503,557	26,838,469	26,869,418	(30,949)
Building and safety	3,302,537	3,491,531	3,102,100	389,431
Total public safety	98,002,190	98,555,749	97,514,843	1,040,906
Public works	11,519,807	11,595,552	11,500,735	94,817
Culture and recreation	14,659,935	14,846,934	14,664,126	182,808
Transfers out	24,614,415	25,562,169	24,052,142	1,510,027
Total Charges to appropriations	178,631,434	180,467,134	174,926,736	5,540,398
Budgetary Fund Balance, July 1, 2014	\$ 89,933,928	\$ 94,757,429	\$ 98,966,098	\$ 4,208,669

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	\$	273,892,834
Differences - budget to GAAP The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes		(90,874,722)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.		<u>(19,676,580)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>163,341,532</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$	174,926,736
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		(1,226,225)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(24,052,142)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>149,648,369</u></u>

City OF Torrance



Zamperini Field - Torrance Municipal Airport

Enterprise Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

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CITY OF TORRANCE, CALIFORNIA
Statement of Net Position
Enterprise Funds
June 30, 2014

Assets	Business Type Enterprise Funds					Governmental Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Current assets:						
Pooled cash and investments (note 2)	\$ 12,548,820	\$ 17,152,520	\$ 7,553,317	\$ 7,306,362	\$ 44,561,019	\$ 34,253,886
Accounts receivable	54,813	7,865,837	593,238	2,570,821	11,084,709	28,171
Accrued interest receivable	38,561	52,532	23,070	29,692	143,855	93,953
Inventory	1,449,808	420,927	—	—	1,870,735	1,193,003
Due from other governments (note 15)	3,255,347	—	—	52,763	3,308,110	—
Prepays	700	6,139	6,700	—	13,539	—
Total current assets	17,348,049	25,497,955	8,176,325	9,959,638	60,981,967	35,569,013
Noncurrent assets:						
Advance to successor agency (note 12)	—	1,197,966	419,028	—	1,616,994	—
Capital assets, net (note 3)	22,927,401	72,255,721	42,097,738	6,733,905	144,014,765	8,980,451
Total noncurrent assets	22,927,401	73,453,687	42,516,766	6,733,905	145,631,759	8,980,451
Total Assets	40,275,450	98,951,642	50,693,091	16,693,543	206,613,726	44,549,464
Liabilities						
Current liabilities:						
Accounts payable	726,685	4,871,288	133,226	435,488	6,166,687	773,048
Contract retainage payable	1,140	—	—	6,313	7,453	—
Deposits payable	—	40,570	—	177,321	217,891	—
Accrued liabilities	1,428,827	621,458	293,421	900,611	3,244,317	5,484,825
Capital lease payable	—	—	—	—	—	83,956
Accrued liabilities for self-insurance claims - current (note 14)	—	—	—	—	—	7,068,546
Due to other funds (note 12)	—	127,778	—	311,507	439,285	—
Unearned revenues (note 16)	6,204,927	—	—	862,264	7,067,191	—
Total current liabilities	8,361,579	5,661,094	426,647	2,693,504	17,142,824	13,410,375
Noncurrent liabilities						
Interfund advance payable (note 12)	—	6,459,587	—	—	6,459,587	—
Long-term obligations (notes 6 and 7)	—	1,452,900	—	—	1,452,900	155,300
Accrued Liability for self-insurance claims long-term (note 14)	—	—	—	—	—	32,821,758
Accrued Liability for net postemployment benefits - long-term (note 9)	—	—	—	—	—	16,522,601
Total noncurrent liabilities	—	7,912,487	—	—	7,912,487	49,499,659
Total liabilities	8,361,579	13,573,581	426,647	2,693,504	25,055,311	62,910,034
Net Position						
Net investment in capital assets	22,927,401	70,802,821	42,097,738	6,733,905	142,561,865	8,741,195
Unrestricted	8,986,470	14,575,240	8,168,706	7,266,134	38,996,550	(27,101,765)
Total Net Position	\$ 31,913,871	\$ 85,378,061	\$ 50,266,444	\$ 14,000,039	\$ 181,558,415	\$ (18,360,570)

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
Year ended June 30, 2014

	Business Type					Governmental
	Enterprise Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 3,223,436	\$ 39,262,022	\$ 3,141,765	\$ 30,761,852	\$ 76,389,075	\$ 8,655,442
Other	551,117	1,463,596	45,234	52,712	2,112,659	—
Total operating revenues	<u>3,774,553</u>	<u>40,725,618</u>	<u>3,186,999</u>	<u>30,814,564</u>	<u>78,501,734</u>	<u>8,655,442</u>
Operating expenses:						
Salaries and employee benefits	13,357,343	4,950,053	1,749,408	21,387,531	41,444,335	7,166,573
Services and supplies	3,009,415	1,547,433	313,066	5,373,466	10,243,380	321,753
Other professional services	1,848,675	817,702	429,250	3,683,860	6,779,487	178,046
Depreciation /amortization	2,856,199	1,443,390	1,044,192	393,869	5,737,650	1,602,232
Insurance and claims	1,745,171	104,703	482,456	134,849	2,467,179	19,450,731
City charges	3,197,026	1,895,944	393,617	4,353,382	9,839,969	130,580
Cost of water	—	24,282,552	—	—	24,282,552	—
Other	150,446	317,184	6,047	217,345	691,022	215,770
Total operating expenses	<u>26,164,275</u>	<u>35,358,961</u>	<u>4,418,036</u>	<u>35,544,302</u>	<u>101,485,574</u>	<u>29,065,685</u>
Operating income (loss)	<u>(22,389,722)</u>	<u>5,366,657</u>	<u>(1,231,037)</u>	<u>(4,729,738)</u>	<u>(22,983,840)</u>	<u>(20,410,243)</u>
Nonoperating revenues (expenses):						
Investment earnings	117,974	228,319	148,254	108,170	602,717	495,619
Gain (loss) on sale of capital assets	46,854	—	—	—	46,854	23,449
Assistance from other governments	20,849,255	—	—	—	20,849,255	—
Interest expense	—	(56,548)	—	(61,616)	(118,164)	(49,665)
Grants	—	—	—	188,961	188,961	—
Total nonoperating revenues(expenses) net	<u>21,014,083</u>	<u>171,771</u>	<u>148,254</u>	<u>235,515</u>	<u>21,569,623</u>	<u>469,403</u>
Income (loss) before contributions and operating transfers	<u>(1,375,639)</u>	<u>5,538,428</u>	<u>(1,082,783)</u>	<u>(4,494,223)</u>	<u>(1,414,217)</u>	<u>(19,940,840)</u>
Capital grants	1,103,996	—	—	—	1,103,996	—
Transfer of fixed assets	—	—	—	(8,000)	(8,000)	—
Transfers in (note 13)	914,000	—	—	12,810,444	13,724,444	4,110,327
Transfers out (note 13)	<u>(43,559)</u>	<u>(15,520)</u>	<u>(2,446)</u>	<u>(7,694,174)</u>	<u>(7,755,699)</u>	<u>(20,077)</u>
Change in net position	598,798	5,522,908	(1,085,229)	614,047	5,650,524	(15,850,590)
Total net position - July 1, 2013	31,315,073	79,266,751	51,351,673	13,385,992	175,319,489	(2,509,980)
Prior period adjustment (note 18)	—	588,402	—	—	588,402	—
Total net position - June 30, 2014	<u>\$ 31,913,871</u>	<u>\$ 85,378,061</u>	<u>\$ 50,266,444</u>	<u>\$ 14,000,039</u>	<u>\$ 181,558,415</u>	<u>\$ (18,360,570)</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Cash Flows
Enterprise Funds
Year ended June 30, 2014

	Business Type					Governmental
	Enterprise Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flow from operating activities:						
Receipts from customers	\$ 3,223,436	\$ 38,212,984	\$ 3,181,076	\$ 30,663,708	\$ 75,281,204	\$ 10,094,204
Cash payments to suppliers for goods and services	(10,223,405)	(28,347,846)	(1,653,376)	(14,290,043)	(54,514,670)	(6,527,864)
Cash payments to employees for services	(13,315,107)	(4,903,631)	(1,735,772)	(21,377,265)	(41,331,775)	(3,761,866)
Internal activity payments from/to funds	—	—	—	65,797	65,797	—
Cash received from donations	—	—	—	22,778	22,778	—
Other receipts	551,117	1,463,596	—	4,149	2,018,862	—
Net cash provided by (used in) operating activities	<u>(19,763,959)</u>	<u>6,425,103</u>	<u>(208,072)</u>	<u>(4,910,876)</u>	<u>(18,457,804)</u>	<u>(195,526)</u>
Cash flows from noncapital financing activities:						
Cash received from noncapital grants and subsidies	22,585,492	—	—	150,448	22,735,940	—
Cash received from other funds	914,000	—	—	12,810,444	13,724,444	4,110,326
Cash transfers paid to other funds	(43,559)	(15,520)	(2,446)	(7,694,174)	(7,755,699)	(20,077)
Cash paid for noncapital interest	—	—	—	(9,149)	(9,149)	—
Net cash provided by (used in) noncapital financing activities	<u>23,455,933</u>	<u>(15,520)</u>	<u>(2,446)</u>	<u>5,257,569</u>	<u>28,695,536</u>	<u>4,090,249</u>
Cash flows from capital financing activities:						
Cash received from capital grants and subsidies	1,103,996	—	—	—	1,103,996	—
Payments for capital additions	(1,080,928)	(3,904,775)	(1,222,819)	(25,704)	(6,234,226)	(1,514,658)
Proceeds from capital advances	—	6,550,000	—	—	6,550,000	—
Proceeds from the sale of capital assets	59,150	—	—	—	59,150	49,100
Payments for long-term obligations - principal & interest	—	—	—	(50,200)	(50,200)	—
Payments for long-term bonds - principal & interest	—	(647,450)	—	—	(647,450)	—
Net cash provided by (used in) capital financing activities	<u>82,218</u>	<u>1,997,775</u>	<u>(1,222,819)</u>	<u>(75,904)</u>	<u>781,270</u>	<u>(1,465,558)</u>
Cash flows from investing activities:						
Cash received from interest on investments	110,934	165,925	127,442	111,579	515,880	421,135
Net cash provided by investing activities	<u>110,934</u>	<u>165,925</u>	<u>127,442</u>	<u>111,579</u>	<u>515,880</u>	<u>421,135</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	3,885,126	8,573,283	(1,305,895)	382,368	11,534,882	2,850,300
Cash and cash equivalents, July 1, 2013	8,663,694	8,579,237	8,859,212	6,923,994	33,026,137	31,403,586
Cash and cash equivalents, June 30, 2014	<u>\$ 12,548,820</u>	<u>\$ 17,152,520</u>	<u>\$ 7,553,317</u>	<u>\$ 7,306,362</u>	<u>\$ 44,561,019</u>	<u>\$ 34,253,886</u>
Reconciliation of cash and cash equivalents:						
Pooled cash and investments	\$ 12,548,820	\$ 17,152,520	\$ 7,553,317	\$ 7,306,362	\$ 44,561,019	\$ 34,253,886
Cash and cash equivalents with fiscal agents	—	—	—	—	—	—
Total cash and cash equivalents	<u>\$ 12,548,820</u>	<u>\$ 17,152,520</u>	<u>\$ 7,553,317</u>	<u>\$ 7,306,362</u>	<u>\$ 44,561,019</u>	<u>\$ 34,253,886</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (22,389,722)	\$ 5,366,657	\$ (1,231,037)	\$ (4,729,738)	\$ (22,983,840)	\$ (20,410,243)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	2,856,199	1,443,390	1,044,192	393,869	5,737,650	1,602,232
Change in assets and liabilities:						
Accounts receivable	14,775	(1,049,037)	(5,923)	(56,912)	(1,097,097)	(11,246)
Due from other government	—	—	—	(14,250)	(14,250)	—
Prepays and other assets	295	27,039	(6,625)	2,151	22,860	687,423
Inventories	(421,415)	66,255	—	—	(355,160)	18,759
Accounts payable	124,813	536,057	(22,315)	(114,546)	524,009	263,649
Due to other funds	—	—	—	(347,225)	(347,225)	—
Accrued insurance/claims	—	—	—	—	—	13,486,557
Accrued salaries and benefits	41,444	46,421	13,636	8,542	110,043	4,167,343
Contract retainage payable	1,140	—	—	—	1,140	—
Other accrued liabilities	8,512	(20,679)	—	—	(12,167)	—
Deposits and guarantees	—	9,000	—	(13,974)	(4,974)	—
Unearned revenues	—	—	—	(38,793)	(38,793)	—
Net cash provided by (used in) operating activities	<u>\$ (19,763,959)</u>	<u>\$ 6,425,103</u>	<u>\$ (208,072)</u>	<u>\$ (4,910,876)</u>	<u>\$ (18,457,804)</u>	<u>\$ (195,526)</u>

Noncash, investing, capital, and financing activities:
During fiscal year 2013-14, 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, 2014

Assets	Private- Purpose Trust Fund	Total Agency Funds
	<u> </u>	<u> </u>
Pooled cash and investments (note 2)	\$ 1,850,876	\$ 2,149,257
Cash and cash equivalents with fiscal agents (note 2)	2,920,378	—
Accrued interest receivable	76	415
Total assets	<u>\$ 4,771,330</u>	<u>\$ 2,149,672</u>
Liabilities		
Due to City (note 12)	\$ 182,852	\$ —
Deposits payable	—	2,149,672
Interest payable	468,892	—
Advances from City (note 12)	20,135,671	—
Long-term debt:		
Due within one year (note 22)	1,130,000	—
Due in more than one year (note 22)	37,860,347	—
Total Liabilities	<u>\$ 59,777,762</u>	<u>\$ 2,149,672</u>
Net Position		
Held in trust for successor agency	<u>\$ (55,006,432)</u>	

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Changes in Net Position - Trust Funds
Year Ended June 30, 2014

		Private- Purpose Trust Fund
Additions		<u> </u>
Property taxes	\$	2,552,477
Use of money and property		<u>13,595</u>
Total additions		<u>2,566,072</u>
Deductions		
Residual commitments of former redevelopment agency		569,154
Debt service		
Interest and fiscal charges of former redevelopment agency		<u>1,570,999</u>
Total deductions		<u>2,140,153</u>
Extraordinary gain (note 21)		<u>35,535,749</u>
Change in net position		35,961,668
Net position - beginning		(91,312,990)
Prior period adjustment (note 21)		344,890
Net position - ending	\$	<u><u>(55,006,432)</u></u>

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, 2014

(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 22). 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, 2014

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, enterprise funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements, major individual governmental funds and major individual enterprise 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 enterprise 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, 2014

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 Enterprise 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 that was discontinued in 2013, 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 22).

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

The *Enterprise 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.

Enterprise 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 an enterprise 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 System 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 enterprise 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, 2014

For purposes of reporting cash flows for Enterprise 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 System 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 Enterprise 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, 2014

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, 2014

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. In Section 3 of the Operating Budget Resolution of the City of Torrance, City Council delegated authority to assign amounts for specific purposes to the City Manager.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications. The General Fund is the only fund that reports positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

department without an amendment to the budget approved by the City Council. All operating appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered. Capital project appropriations lapse when individual projects are completed or canceled.

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

(2) Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$	192,700,118
Cash and investments held by bond trustee		3,745,849
Fiduciary funds:		
Cash and investments		4,000,133
Cash and investments held by bond trustee		<u>2,920,378</u>
Total cash and investments	\$	<u><u>203,366,478</u></u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$	21,410
Deposits with financial institutions		4,568,551
Investments		<u>198,776,517</u>
Total cash and investments	\$	<u><u>203,366,478</u></u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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

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

Investment Types Authorized by State Law	Authorized By Investment <u>Policy</u>	*Maximum <u>Maturity</u>	*Maximum Percentage <u>Of Portfolio</u>	*Maximum Investment <u>In One Issuer</u>
Local Agency Bonds	Yes	5 years	10%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	75%	30%
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	20%	None
Repurchase Agreements	Yes	30 days	10%	None
Reverse Repurchase Agreements	No	N/A	N/A	None
Medium-Term Notes	Yes	5 years	20%	None
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	None	None
Mortgage Pass-Through Securities	No	N/A	N/A	None
County Pooled Investment Funds	No	N/A	N/A	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$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 following table 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, 2014

<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>
U.S. treasury notes	\$ 4,979,736	-	-	4,979,736	-
Federal agency securities	107,666,110	3,000,070	10,204,600	94,461,440	-
Corporate medium term notes	22,614,445	4,000,175	3,987,151	14,627,119	-
Certificate of deposit	7,350,000	490,000	1,960,000	4,900,000	-
State investment pool	49,500,000	49,500,000	-	-	-
Subtotal	192,110,291	56,990,245	16,151,751	118,968,295	-
<u>Held by bond trustee:</u>					
Money market funds	6,666,226	6,666,226	-	-	-
Total	<u>\$ 198,776,517</u>	<u>63,656,471</u>	<u>16,151,751</u>	<u>118,968,295</u>	<u>-</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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		Rating as of Year End			
		Legal Rating	Exempt from Disclosure	AAA	AA	A	Not Rated
U.S. Treasury notes	\$ 4,979,736	N/A	4,979,736	-	-	-	-
Federal agency securities	107,666,110	N/A	-	-	107,666,110	-	-
Corporate medium term notes	22,614,445	A	-	-	18,613,614	4,000,831	-
Certificate of deposit	7,350,000	N/A	-	-	-	-	7,350,000
State investment pool	49,500,000	N/A	-	-	-	-	49,500,000
SUBTOTAL	192,110,291		4,979,736	-	126,279,724	4,000,831	56,850,000
Held by bond trustee:							
Money market funds	6,666,226	A	-	5,371,137	-	1,295,089	-
TOTAL	\$ 198,776,517		4,979,736	5,371,137	126,279,724	5,295,920	56,850,000

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 is 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	\$ 14,499,725
Federal Farm Credit Agency	Federal agency securities	20,098,115
Federal Home Loan Bank	Federal agency securities	24,105,138
Federal Home Loan Mortgage Corp	Federal agency securities	33,038,772
Federal National Mortgage Assoc.	Federal agency securities	15,924,360

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Torrance investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2014, \$2,641,729 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, 2014, City of Torrance held no investments by the same broker-dealer (counterparty) that was used by the City of Torrance to buy the securities.

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

Investment in State Investment Pool

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

(3) Capital Assets

Infrastructure Assets at June 30, 2014 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$ 277,252	\$ (144,367)	\$ 132,885
Storm drain system	25,732	(7,861)	17,871
Sewer lines	71,558	(33,302)	38,256
Water system	95,798	(36,576)	59,222
	<u>\$ 470,340</u>	<u>\$ (222,106)</u>	<u>\$ 248,234</u>

Capital Asset activity for the year ended June 30, 2014 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 64,258	\$ -	\$ -	\$ 64,258
Right of Way	19,344	-	-	19,344
Construction in progress	9,159	4,237	(5,077)	8,319
Total capital assets not being depreciated	<u>92,761</u>	<u>4,237</u>	<u>(5,077)</u>	<u>91,921</u>
Capital assets being depreciated:				
Land improvements and buildings	88,047	4,190	-	92,237
Machinery and equipment	52,260	7,498	(1,172)	58,586
Infrastructure	299,589	4,970	(1,575)	302,984
Total capital assets being depreciated	<u>439,896</u>	<u>16,658</u>	<u>(2,747)</u>	<u>453,807</u>
Less accumulated depreciation for:				
Land improvements and buildings	(45,031)	(2,141)	-	(47,172)
Machinery and equipment	(32,623)	(4,101)	1,028	(35,696)
Infrastructure	(147,245)	(5,963)	980	(152,228)
Total accumulated depreciation	<u>(224,899)</u>	<u>(12,205)</u>	<u>2,008</u>	<u>(235,096)</u>
Total capital assets being depreciated, net	<u>214,997</u>	<u>4,453</u>	<u>(739)</u>	<u>218,711</u>
Governmental activities capital assets, net	<u>\$ 307,758</u>	<u>\$ 8,690</u>	<u>\$ (5,816)</u>	<u>\$ 310,632</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	\$ 6,941	\$ -	\$ -	\$ 6,941
Construction in progress *	9,335	3,400	(2,175)	10,560
Total capital assets not being depreciated	<u>16,276</u>	<u>3,400</u>	<u>(2,175)</u>	<u>17,501</u>
Capital assets being depreciated:				
Infrastructure	165,902	1,942	(488)	167,356
Right of Way	1,743	-	-	1,743
Land improvements and buildings	15,930	-	-	15,930
Machinery and equipment	46,692	3,465	(11,414)	38,743
Furniture and fixtures	1,106	-	-	1,106
Total capital assets being depreciated	<u>231,373</u>	<u>5,407</u>	<u>(11,902)</u>	<u>224,878</u>
Less accumulated depreciation for:				
Infrastructure	(67,572)	(2,351)	45	(69,878)
Right of Way	(48)	-	-	(48)
Land improvements and buildings	(11,355)	(416)	-	(11,771)
Machinery and equipment	(24,525)	(2,861)	11,393	(15,993)
Furniture and fixtures	(565)	(109)	-	(674)
Total accumulated depreciation	<u>(104,065)</u>	<u>(5,737)</u>	<u>11,438</u>	<u>(98,364)</u>
Total capital assets being depreciated, net	<u>127,308</u>	<u>(330)</u>	<u>(464)</u>	<u>126,514</u>
Business-type activities capital assets, net	<u>\$ 143,584</u>	<u>\$ 3,070</u>	<u>\$ (2,639)</u>	<u>\$ 144,015</u>

* Construction in progress beginning balance has been restated. See note 18.

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 \$1,543,309 and asset deductions amounted to \$894,000.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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

Governmental Activities:		
General government	\$	4,118
Public safety		1,264
Public works		6,104
Culture and recreation		719
		<hr/>
Total depreciation expense - governmental activities	\$	<u>12,205</u>
Business-type activities:		
Water	\$	1,443
Sewer		1,044
Cultural Arts Center		25
Emergency Medical Services		12
Parks & Recreation		1
Airport		356
Transit		2,856
		<hr/>
Total depreciation expense - business-type activities	\$	<u>5,737</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 \$1,602,232 and retirements of \$868,348 or net addition to accumulated depreciation in the amount of \$733,884.

(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, 2014 is \$69,055.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

(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 \$30,000,000 and was purchased with a net original issue premium of \$537,300 and an underwriter discount of \$7,500. 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, 2014:

	<u>Beginning fiscal year balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending fiscal year balance</u>
Tax and revenue anticipation notes	\$ 32,500,000	30,000,000	(32,500,000)	\$ 30,000,000

(6) Long-term Debt

a) Water Fund Revenue Bonds

In December 2004, the City of Torrance issued \$5,050,000 in Water Revenue Refunding Bonds, Series A, to provide funds for the redemption of its \$8,065,000 1994 Water Revenue Refunding Bonds and for the construction of various water projects and related facilities for the City’s water system. This debt is considered to be capital related.

The refunding bonds bear interest rates ranging from 3.0% to 5.0%. Interest is payable semiannually on March 1 and September 1. Among the provisions of the bond resolutions, the Water Fund covenants require that fees and charges for water services must be sufficient to yield net revenues equal to at least 125% of debt service for each fiscal year.

On March 1, 2014, the Water Revenue Refunding Bonds, Series A matured and were satisfied with the final principal payment of \$620,000 and interest at 4%. As of March 1, 2014, net revenues of the City’s water system are no longer pledged with regard to this debt.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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 Torrance Public Financing Authority (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 1998 refunding certificates of participation for \$10,300,000 were dated December 1, 1998. The principal matured December 1 of each year through 2013 when the certificates were paid in full. On December 2, 2013, the Authority paid the certificates of participation outstanding balance of \$5,785,000. At June 30, 2014, all 1998 certificates have been redeemed and there are no certificates outstanding.

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. This debt is considered to be capital related.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

2004 A Refunding Certificates of Participation

The refunding certificates of participation for series A in the amount of \$19,215,000 were dated October 13, 2004. The principal matured June 1 of each year through 2014 when the certificates were paid in full. In 2014, the certificates were defeased by placing the proceeds of the new 2014 certificates in an irrevocable trust to provide for all future debt service payments on the 2004A certificates. At June 30, 2014, all the 2004A certificates have been redeemed and there are no certificates outstanding. Debt service requirements that have been defeased are \$10,280,000.

2004 B Refunding Certificates of Participation

The refunding certificates of participation for series B in the amount of \$23,915,000 were dated January 5, 2005. The principal was to commence maturing June 1, 2015. In 2014, the certificates were defeased by placing the proceeds of the new 2014 certificates in an irrevocable trust to provide for all future debt service payments on the 2004B certificates. At June 30, 2014, all the 2004B certificates have been redeemed and there are no certificates outstanding. Debt service requirements that have been defeased are \$23,915,000

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 each year through 2039 at variable amounts ranging from \$310,000 to \$1,220,000. Interest is payable on March 1 and September 1 with interest rates ranging from 2% to 4.5% and \$17,595,000 remains outstanding as of June 30, 2014.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2015	\$ 345	\$ 910	\$ 1,255
2016	360	896	1,256
2017	375	882	1,257
2018	390	866	1,256
2019	405	850	1,255
2020 to 2024	2,335	3,946	6,281
2025 to 2029	3,025	3,254	6,279
2030 to 2034	3,945	2,329	6,274
2035 to 2039	5,195	1,081	6,276
2040	1,220	33	1,253
	<u>\$ 17,595</u>	<u>\$ 15,047</u>	<u>\$ 32,642</u>

2014 Refunding Certificates of Participation

In 2014, the City of Torrance, with the Public Property Financing Corporation of California, issued \$40,445,000 of refunding certificates of participation to refinance the 2004 Series A and 2004 Series B certificates of participation issued by the Torrance Public Financing Authority to construct certain maintenance and entertainment facilities within the City. Debt proceeds and the 2004 A and B certificates of participation reserves of \$2,754,195 were deposited in an irrevocable trust with an escrow agent to redeem the 2004 A and B certificates of participation on April 17, 2014. As a result, the 2004 A and B certificates of participation are considered defeased, and the related liability has been removed from the books. The undiscounted cash flows required to service the 2014 Refunding Certificates of Participation that were issued during the year ended June 30, 2014 will be \$6,508,548 more than the cash flows that would have been required to service the defeased 2004 Series A and B Certificates. The 2014 Refunding Certificates of Participation extend the debt service period by ten years through fiscal year 2043/44. The economic gain (difference between the present values of the old and the new debt service payments) resulting from this transaction was \$1,993,494. A portion (\$6,550,000) of the 2014 Refunding Certificates of Participation was transferred to the General Fund of the City for the purpose of making an interfund loan to the Water Fund of the City. The refunding certificates of participation debt is considered to be capital related.

The 2014 certificates of participation principal matures June 1 commencing in 2015 and is due June 1 each year after until 2044 at variable amounts ranging from \$550,000 to \$2,360,000. Interest is payable on June 1 and December 1 with interest rates ranging from 2.50% to 5.25% commencing December 1, 2014 and \$40,445,000 remains outstanding as of June 30, 2014.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2014	\$ 550	\$ 1,926	\$ 2,476
2015	765	1,702	2,467
2016	790	1,679	2,469
2017	820	1,656	2,476
2018	845	1,627	2,472
2019 to 2023	4,705	7,655	12,360
2024 to 2028	5,620	6,751	12,371
2029 to 2033	6,930	5,443	12,373
2034 to 2038	8,580	3,789	12,369
2039 to 2040	10,840	1,506	12,346
	<u>\$ 40,445</u>	<u>\$ 33,734</u>	<u>\$ 74,179</u>

c) Capital Lease

In September 2012, the City of Torrance entered into a five 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, 2014 are as follows (in thousands):

	Governmental Activities
Asset:	
Vehicles	\$ 412
Less: Accumulated Depreciation	<u>(165)</u>
Total	<u>\$ 247</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

The future minimum lease obligations at June 30, 2014 are as follows (in thousands):

	<u>Governmental Activities</u>
Year ending June 30:	
2015	\$ 84
2016	90
2017	65
Total minimum lease payments	<u>\$ 239</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 as of June 30, 2014 is \$1,695,050. 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, 2014 are as follows (in thousands):

	<u>Water Enterprise Fund</u>
Year ending June 30:	
2015	\$ -
2016	-
2017	-
2018	58
2019	58
2020 to 2024	291
2025 to 2029	291
2030 to 2034	291
2035 to 2039	290
2040 to 2042	174
	<u>\$ 1,453</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

(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, 2014 (in thousands):

Governmental Activities:	Balance June 30, 2013	Incurred or Issued	Satisfied or Matured	Balance June 30, 2014	Amounts due within One Year	Amounts Due in more than One Year
Compensated absences payable	\$ 20,432	11,426	10,187	\$ 21,671	10,172	11,499
Net postemployment benefits payable	13,088	5,827	2,392	16,523	-	16,523
Capital lease payable	310	-	71	239	84	155
Claims & judgments	26,404	18,485	4,999	39,890	7,069	32,821
Certificates of Participation:						
1998 Police and Fire refunding certificates	6,045	-	6,045	-	-	-
2004 A refunding certificates	11,270	-	11,270	-	-	-
2004 B refunding certificates	23,915	-	23,915	-	-	-
2009 land acquisition certificates	17,930	-	335	17,595	345	17,250
2014 refunding certificates	-	40,445	-	40,445	550	39,895
2014 premium	-	661	-	661	-	661
Total Governmental Activities	\$119,394	76,844	59,214	\$ 137,024	18,220	118,804
Business-Type Activities:						
Easement payable - Water Fund	\$ 1,453	-	-	\$ 1,453	-	1,453
Revenue Bonds - Water Fund	620	-	620	-	-	-
Total Business-Type Activities	\$ 2,073	-	620	\$ 1,453	-	1,453

Compensated Absences

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, totaling \$4,425,518, is recorded in the Internal Service Funds. The unfunded portion, amounting to \$17,245,819 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 10. The long-term liability for net postemployment benefits has been included in the governmental activities in the Government-wide Statement of Net Position.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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 Position.

(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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

Funding Policy

Safety and miscellaneous plan members are required to contribute 9% and 7%, respectively, of their annual covered salary, which the City assumes on behalf of substantially all of their employees hired prior to fiscal year 2010-2011. At various dates in fiscal year 2010-2011, employee group agreements were changed and employees hired after these dates are required to pay their contribution themselves. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2014 was 13.615% for miscellaneous employees, 42.642% for fire employees and 47.944% 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, 2014 the City's APC and its actual contributions were \$36,571,774. The City contributed \$28,240,180 on behalf of their employees. Employees directly contributed \$8,331,594. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014. The ARC for the year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry-age-normal-actuarial-cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% discount rate (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members and from 3.30% to 14.20% for safety members; (c) 3.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75% 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 fifteen year period. 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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

Three-Year Trend Information for the Plan

Fiscal year ended June 30	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligations
Misc:			
2012	\$11,957,160	100%	—
2013	11,708,856	100%	—
2014	12,621,754	100%	—
Safety:			
2012	\$23,342,029	100%	—
2013	22,583,189	100%	—
2014	23,950,020	100%	—
Total:			
2012	\$35,299,189	100%	—
2013	34,292,045	100%	—
2014	36,571,774	100%	—

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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:						
2011	\$ 461.9	\$ 416.9	\$ 45.0	90.3%	\$ 59.7	75.4%
2012	476.9	432.7	44.2	90.7	60.6	72.9
2013	<u>492.4</u>	<u>398.1</u>	<u>94.3</u>	<u>80.9</u>	<u>60.7</u>	<u>155.4</u>
Safety:						
2011	\$ 680.9	\$ 504.1	\$ 176.8	74.0%	\$ 43.2	408.8%
2012	709.6	520.5	189.1	73.3	43.1	439.0
2013	<u>735.0</u>	<u>477.7</u>	<u>257.3</u>	<u>65.0</u>	<u>42.3</u>	<u>608.0</u>
Total:						
2011	\$ 1,142.8	\$ 921.0	\$ 221.8	80.6%	\$ 102.9	215.5%
2012	1,186.5	953.2	233.3	80.3	103.7	225.0
2013	<u>1,227.4</u>	<u>875.8</u>	<u>351.6</u>	<u>71.4</u>	<u>103.0</u>	<u>341.5</u>

(9) PARS Enhanced Retirement Defined Benefit Pension Plan

Pursuant to a Plan Document dated January 25, 2004, the City provides an enhanced retirement benefit to members of the Torrance Professional and Supervisory Association (TPSA), the Engineer Bargaining Unit, the Fiscal Bargaining Unit, and certain Information Technology Specialists who migrated to the TPSA on October 19, 2004. This benefit takes the form of a single employer defined benefit pension plan. The authority to establish and amend the funding policy is the City Council. Currently it is the City's policy to annually fund an amount budgeted to approximate the required annual contribution for that fiscal year.

Benefits are available to members hired on or before January 25, 2004 that retire from the City at an age of 55 or greater and with five or more years of City service. Benefits are available to members hired after January 25, 2004 that retire from the City at an age of 55 or greater and with five or more years of service specific to the eligible bargaining unit, as identified above. New hires after December 31, 2012 are not eligible for this benefit.

Generally, the enhanced benefit is expressed as .46951% times years of CalPERS eligible service times the member's highest annual compensation while a bargaining group member.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

The annual pension cost for the year ended June 30, 2014 was based upon an actuarial valuation as of June 30, 2011. The discount rate used was 6.25%. The actuarial cost method used was the entry age normal level percentage of payroll method. The actuarial value of assets reflected a method of spreading investment gains and losses over a five year rolling period with a corridor of not less than 80% of market value or more than 120% of market value. For the initial UAAL, the City uses a 30 year fixed (closed) period that began on July 1, 2007. Gains and losses are amortized over a fixed (closed) 15 year period. Plan amendments, method changes, and assumption changes are amortized over a 15 year fixed (closed) period.

Assumptions associated with the actuarial valuation are a 2% cost of living adjustment, an investment rate of return of 6.25%, an inflation adjustment of 3%, and annual payroll increases of 3.25% per year.

The City's annual pension cost (expense) is calculated based on the *annual required contribution* of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual pension cost for this benefit for the year ended June 30, 2014, the amount actually contributed to the plan, and changes in the City's net pension obligation (asset) for this benefits (in thousands):

Annual required contribution	\$ 1,688
Interest on net pension asset	(33)
Adjustment to annual required contribution	<u>45</u>
Annual pension cost (expense)	1,700
Contributions	<u>(1,311)</u>
Increase in net pension obligation (asset)	389
Net pension obligation (asset) —beginning of year	<u>(521)</u>
Net pension obligation (asset) —end of year	<u>\$ (132)</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

The City's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation (asset) for the current fiscal year and the two preceding years were as follows (in thousands):

Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual pension Cost (APC)	Percentage of APC Contributed	Net Obligation (Asset)
2012	\$ 1,241	101%	(934)
2013	1,657	75%	(522)
2014	1,700	77%	(132)

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. 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 immediately following this paragraph presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$3,911	\$16,204	\$12,293	24.1%	\$19,634	62.6%
6/30/2011	6,111	20,822	14,711	29.3%	21,126	69.6%
6/30/2013	8,350	23,764	15,414	35.1%	21,127	73.0%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

(10) Other Post Employment Benefits

Funding Policy

Below are the 2013/14 ARC (Annual Required Contribution), AOC (Annual Other Post Employment Benefit OPEB Cost), and the estimated June 30, 2014 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, 2013, there were 1,260 active participants potentially eligible for the benefit and 1,107 total service and disability retirees currently receiving benefits.

Annual Required Contribution (ARC)

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

The 2013/14 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	\$2,523
▪ UAAL Amortization	3,444
▪ Total	<u>\$5,967</u>
▪ Payroll	105,114
▪ ARC%	
• Normal Costs	2.4%
• UAAL Amort	3.3%
• Total	5.7%

Annual OPEB Cost (AOC)

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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 2013/14 is determined as follows (Amounts in \$000's):

▪ ARC	\$5,967
▪ Interest on NOO	476
▪ Amortization of NOO	<u>(616)</u>
▪ Total AOC	\$5,827
▪ AOC as % of Payroll	5.54%

Net OPEB Obligation (NOO)

The NOO is the historical difference between the ARC and actual contributions. If an agency has always contributed the ARC, then the NOO equals zero. However, contributions have not been "made" for purposes of GASB 45 unless they have been segregated in an irrevocable trust for the sole purpose of paying plan benefits. To date the City has not funded contributed any amounts into an irrevocable trust. Pursuant to established City practice and employee MOUs, the postemployment benefits are funded on a "pay as you go" basis. For fiscal year 2014, 41.1% of the ARC was contributed in the form of benefit payments made.

Based on the AOC developed above, the estimated June 30, 2014 NOO is (Amounts in \$000's):

Annual required contribution	\$ 5,967
Interest on net OPEB obligation	476
Adjustment to annual required obligation	<u>(616)</u>
Annual OPEB cost (expense)	\$ 5,827
Contributions made (including benefits paid)	<u>(2,392)</u>
Increase in net OPEB obligation	\$ 3,435
Net OPEB obligation-beginning of year	<u>13,088</u>
Net OPEB obligation-end of year	<u>\$16,523</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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 two preceding years were as follows (Amounts in \$000's):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 4,925	46.4%	\$ 10,228
6/30/13	\$ 5,187	49.9%	\$ 13,088
6/30/14	\$ 5,827	41.1%	\$ 16,523

Amortization Payments

(Amounts in 000's)

<u>Amortization Payment</u>	<u>06/30/11 Valuation</u>		<u>06/30/13 Valuation</u>	
	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
06/30/11 Valuation Fresh Start	\$ 2,824	\$ 3,040	\$ -	\$ -
06/30/13 Valuation Fresh Start	-	-	3,444	3,728
Total	\$ 2,824	\$ 3,040	\$ 3,444	\$ 3,728

Actuarial Methods

Method

June 30, 2013 Valuation

- Plan Assets - None
- Cost Method - Entry Age Normal Level of Pay
- Amortization Period - 24 years-Closed
- Amortization Method - Level percent of payroll
- Funding Policy - Pay-As-You-Go
- Future New Entrants - None-Closed group
- Unfunded Liability Amortization - 24 years-Closed

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

Actuarial Assumptions

Valuation Date	
• June 30, 2013	
Discount Rate	
• 4.00% (assets invested in General Fund, not pre-funded)	
Inflation	
• 3.0% per annum	
Aggregate Payroll Increase	
• 3.25% per annum	
Cap Increases	
• 0% for all groups except Police yearly stipend	
<u>Year</u>	<u>Increase</u>
1-5	2.7%
6-10	2.5%
11-15	3.0%
16-20	3.7%
21+	3.25%
Mortality, Withdrawal, and Disability	
- CalPERS 1997-2011 Experience Study	
- Mortality Projection Scale AA	
Retirement	
• Calpers 1997-2011 Experience Study	
• Classical Members PEPRA Members	
Miscellaneous	
Level 2% @ 55	Level 2% @ 62
EA 33.4	EA 36.7
ERA 60.6	ERA 61.5
Safety	
Level 3% @ 50	Level 2.7% @ 57
EA (F) 26.3	EA n/a
EA (P) 26.5	EA n/a
ERA (F) 55.8	
ERA (P) 53.9	

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

Medical Trend				
<u>Year</u>	Non-Medicare		Medicare	
	<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	70%	56%
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, 2014

Actuarial Obligations
4.00% Discount Rate
06/30/2013
(Amounts in \$000's)

▪ Present Value of Benefits	
• Actives	\$ 59,071
• Retirees	41,929
• Total	<u>101,000</u>
▪ Actuarial Accrued Liability	
• Actives	31,286
• Retirees	41,929
• Total	<u>73,215</u>
▪ Normal Cost	2,523
▪ Pay-as-you-go-Cost	2,392

Funded Status and Funding Progress. The funded status of the plan as of the date of June 30, 2013, was as follows (Amounts in \$000's):

Actuarial accrued liability (AAL)	\$73,215
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$73,215</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$105,114
UAAL as a percentage of covered payroll	69.7%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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 (Amounts in \$000's):

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
06/30/13	\$0	\$73,215	\$73,215	0%	\$105,114	69.7%
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%

(11) 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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.

(12) Other Required Individual Fund Disclosures

Interfund Transactions – Due to/Due from other funds

Interfund receivable and payable balances at June 30, 2014 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 343
	Water Fund	128
	Nonmajor Enterprise Funds	311
	Successor Agency Trust	183
		<u>\$ 965</u>

The receivables from the governmental and enterprise funds represent short-term loans to cover negative cash balances in various funds. The receivable from the Water Fund represents accrued interest and short term principal on the capital projects loan. The receivable from the Successor Agency Trust (former redevelopment agency fund) represents a short-term loan to cover miscellaneous expenditures of the Successor Agency Trust. More information regarding the Successor Agency Trust can be found in Note 22.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

Interfund Transactions - Advances

The balances of advances between funds at June 30, 2014 were as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	\$ 6,459
General Fund	Successor Agency Trust	18,519
Water Fund	Successor Agency Trust	1,198
Sewer Fund	Successor Agency Trust	419
Nonmajor Governmental Funds	General Fund	600
		<u>\$27,195</u>

The advance to the Water Fund (an enterprise fund) represents a loan to fund capital project improvements.

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 22.

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, 2014

(13) Transfers In and Out

The balances of transfers between funds at June 30, 2014 were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	\$ 537
	Nonmajor Enterprise Funds	12,788
	Internal Service Funds	3,959
	Nonmajor Governmental Funds	<u>6,768</u>
		24,052
Capital Improvement Fund	General Fund	30
Water Enterprise Fund	General Fund	16
Sewer Enterprise Fund	General Fund	2
Transit Enterprise Fund	General Fund	41
	Nonmajor Enterprise Funds	<u>3</u>
		44
Internal Service Funds	General Fund	11
	Nonmajor Enterprise Funds	<u>9</u>
		20
Nonmajor Enterprise Funds	General Fund	7,317
	Capital Improvement Fund	190
	Internal Service Funds	151
	Nonmajor Enterprise Funds	10
	Nonmajor Governmental Funds	<u>26</u>
		7,694
Nonmajor Governmental Funds	General Fund	12,260
	Capital Improvement Fund	10
	Transit Enterprise Fund	914
	Nonmajor Governmental Funds	<u>146</u>
		<u>13,330</u>
Total		\$ <u><u>45,188</u></u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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 enterprise 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 Torrance Public Financing Fund (a nonmajor governmental fund) represent contributions to redeem outstanding debt;
- Transfers to the General Fund from the Municipal Airport Fund (a nonmajor enterprise fund) represent transfers to fund operations and equipment replacement;
- Transfers to the General Fund from the Measure R Local Return and Highway Fund (a nonmajor governmental fund) represent contributions to various capital projects;
- Transfers to the General Fund from the Torrance Debt Service Fund (a nonmajor governmental fund) to fund an interfund loan to the Water Fund of the City.

(14) 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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

Crime: The City purchases crime (bond type) insurance up to \$15,000,000 per occurrence for the loss of money and securities caused by employees and or others.

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

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

As of June 30, 2014, \$33,157,543 and \$6,732,761 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>
2012-13	\$ 26,404	3,088	(3,088)	\$ 26,404
2013-14	\$ 26,404	18,485	(4,999)	\$ 39,890

(15) Due from Other Governments

Amounts due from other governments consisted of the following at June 30, 2014 (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	\$5,753	—	1,642	11	\$7,406
Special Revenue Funds:					
Air Quality Improvement Fund	—	—	—	47	47
Grants & Donation Fund	—	22	30	—	52
Street Lighting District Fund	—	—	13	—	13
Asset Forfeiture Fund	—	—	6	15	21
Enterprise Funds:					
Emergency Medical Services Fund	14	—	—	—	14
Sanitation Fund	39	—	—	—	39
Transit System	—	2,397	835	23	3,255
Total	<u>\$5,806</u>	<u>2,419</u>	<u>2,526</u>	<u>96</u>	<u>\$10,847</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

(16) Unearned Revenue

The table below shows activity for the City’s unearned revenue accounts as of June 30, 2014. The unearned revenue in the Transit Fund represents amounts that will be recognized when eligible purchases occur. The Airport rents received in June for July will be recognized in July. In May and June of 2014, 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, 2014
(in thousands)

	Balance at July 1, 2013	Additions	Deductions	Balance at June 30, 2014
Governmental Funds:				
General Fund	\$ 10	\$ -	\$ 10	\$ -
Total governmental funds	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>
Enterprise Funds:				
Transit Security Reserve	462	115	-	577
Transit Prop 1B	3,055	594	-	3,649
Transit Prop C (MOSIP)	974	945	91	1,828
Transit Measure R Capital	-	151	-	151
Airport Rents received for July	265	170	265	170
Parks & Recreation Enterprise Fund revenues received in May and June for July classes	636	692	636	692
Total enterprise funds	<u>5,392</u>	<u>2,667</u>	<u>992</u>	<u>7,067</u>
Total	<u>\$ 5,402</u>	<u>\$ 2,667</u>	<u>\$ 1,002</u>	<u>\$ 7,067</u>

(17) Deficit Fund Equity (Accumulated Deficit)

The Self-Insurance Internal Service Fund reflected an accumulated deficit of \$35,689,938 at June 30, 2014. 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, 2014

The Postemployment/Compensated Absences Fund has an accumulated deficit of \$10,617,353 as of June 30, 2014. 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 \$225,150 as of June 30, 2014. The deficit has been reduced through planned rightsizing begun this fiscal year. Further reductions to accumulated deficit are expected in future years.

The Emergency Medical Services Fund has an accumulated deficit of \$79,374 as of June 30, 2014. This deficit will be reduced by future transfers from the General Fund as liabilities are paid.

(18) Prior Period Adjustment

During the year ended June 30, 2014, the City adjusted the beginning fund balance of the General Fund. This was done to reflect the establishment of deferred inflows of resources for interest accrued on long-term interfund advances that are not expected to be collected during the availability period established for governmental funds. This adjustment essentially reclassifies certain amounts previously classified as nonspendable fund balance as deferred inflows of resources. In addition, the beginning fund balance of the General Fund and the Private Purpose Trust Fund were adjusted to correct the amount previously reported for a long-term loan owed to the City. The effects of these adjustments on the total amounts of fund balances as of the beginning of the year are indicated below.

	General Fund	Private Purpose Trust Fund
Fund balance, beginning, as previously reported	\$90,874,722	\$(91,312,990)
Adjustment of deferred inflows of resources	(38,722,865)	-
Adjustment of City loan outstanding	<u>(344,890)</u>	<u>344,890</u>
Fund balance, beginning, as restated	<u>\$51,806,967</u>	<u>\$(90,968,100)</u>

During the year ended June 30, 2014, the City adjusted the beginning net position of the Water Fund. This was done to capitalize a project to construct water wells that was expensed in prior year financial statements.

Net position for the Water Fund, beginning	\$ 79,266,751
Adjustment to construction in progress	<u>588,402</u>
Net position for the Water Fund, beginning, as adjusted	<u>\$ 79,855,153</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

(19) Commitments and Contingencies

The City has various outstanding contracts and purchase orders for services, supplies, materials and capital projects that have not been completed as of fiscal year-end. These commitments total \$12,196,199 at June 30, 2014.

The balances of encumbrances and other commitments by funds at June 30, 2014 were as follows (in thousands):

Governmental Funds	
General fund	\$ 1,226
Capital Improvement Funds	10,964
Nonmajor governmental funds	6
Total governmental funds	<u>\$ 12,196</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.

(20) Fund Balance Policies of the General Fund

Included in the unassigned fund balance of the General Fund is an economic anomaly reserve (\$14,534,645) and a program contingency reserve (\$489,492). The funding goal of the economic anomaly reserve is 10% of the combined net adopted 2014-15 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 \$4,353,354 of special project reserves.

(21) DOF Adjustment of Accrued Interest

The accompanying financial statements reflect an adjustment made by the California Department of Finance to the accrued interest that is associated with loans previously made by the City of Torrance to the City's former redevelopment agency. Section 34191.4(b)(2) of the California Health and Safety Code states that the interest associated with such loans must be "at the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF)". The California Department of Finance has taken the position that this language should be understood to be the quarterly LAIF interest rate that was in effect on the day that the loan was approved by the Oversight Board as an enforceable obligation. During the 2013/14 fiscal year, the California

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

Department of Finance directed the City of Torrance to reduce the amount of accrued interest reported on the City's Recognized Obligation Payment Schedule. This reduction has been recognized as an extraordinary item in the accompanying financial statements. The state-wide dissolution of California redevelopment agencies was both unusual and infrequent. Accordingly, management reports the gains, losses, and adjustments associated with this dissolution process as extraordinary items.

(22) 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 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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).

a) Long-term Debt – Successor Agency Bonds

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

1998 Series A Bonds, to fund a reserve account and to pay the costs of issuing the Series C Bonds.

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
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	1,395	1,097	2,492
2020 to 2024	8,245	4,197	12,442
2025 to 2029	10,810	1,566	12,376
	<u>\$ 25,365</u>	<u>\$ 11,962</u>	<u>\$ 37,327</u>

Advances and Notes Payable

At June 30, 2014, 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. In September, 2013, the principal balance outstanding of \$910,787 and the accrued interest of \$912,550 were paid for total debt service of \$1,823,337.

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, 2014 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, 2014

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 Principal and Interest)	Debt Service as a Percentage of RPTTF Revenue
Successor Agency Revenues (RPTTF)	\$3,455,293	\$3,051,102	88%

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, 2014 (in thousands):

Trust Activities:	Balance June 30, 2013	Incurred or Issued	Satisfied or Matured	Balance June 30, 2014	Amounts due within One Year	Amounts Due in more than One Year
Advances and notes payable						
American Honda Motor Co.	1,823	-	1,823	-	-	-
County of Los Angeles	13,625	-	-	13,625	-	13,625
Tax Allocation Bonds:						
Downtown project refunding	6,085	-	245	5,840	260	5,580
Industrial project refunding	20,880	-	1,355	19,525	870	18,655
Total Trust Activities	\$ 42,413	-	3,423	\$ 38,990	1,130	37,860

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2014

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 \$55,006,433 as of June 30, 2014, 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, 2014, the Successor Agency Trust adjusted the beginning fund balance. This was done to correct the amount previously reported for a long-term loan (Downtown) owed to the City.

Fund balance, beginning, as previously reported	\$(91,312,990)
Adjustment of City loan outstanding	<u>344,890</u>
Fund balance, beginning, as restated	<u>\$(90,968,100)</u>

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, 2014

Assets	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 37,757,865	\$ —	\$ —	\$ 37,757,865
Cash and cash equivalents with fiscal agents	—	—	3,745,849	3,745,849
Accounts receivable	2,519,926	—	—	2,519,926
Accrued interest receivable	88,665	—	—	88,665
Due from other governments	132,953	—	—	132,953
Interfund advances receivable	600,000	—	—	600,000
Notes receivable	69,055	—	—	69,055
Total Assets	\$ 41,168,464	\$ —	\$ 3,745,849	\$ 44,914,313
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,085,270	\$ —	\$ —	\$ 2,085,270
Accounts payable-contract retention	96,003	—	—	96,003
Accrued liabilities	779,791	—	—	779,791
Due to other funds	343,145	—	—	343,145
Due to other governments	10,305	—	—	10,305
Total Liabilities	3,314,514	—	—	3,314,514
Fund Balances:				
Restricted for:				
Public safety	3,787,611	—	—	3,787,611
Public works	28,605,209	—	—	28,605,209
Culture and recreation	4,101,344	—	—	4,101,344
Community development	1,359,786	—	—	1,359,786
Debt service	—	—	3,745,849	3,745,849
Total Fund Balances	37,853,950	—	3,745,849	41,599,799
Total Liabilities and Fund Balances	\$ 41,168,464	\$ —	\$ 3,745,849	\$ 44,914,313

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2014

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Fund
Revenues:				
Taxes	\$ 1,298,920	\$ —	\$ —	\$ 1,298,920
Licenses, fees and permits	903,850	—	—	903,850
Fines, forfeitures and penalties	728,208	—	—	728,208
Use of money and property	589,877	—	4,352,349	4,942,226
Intergovernmental	23,544,402	—	—	23,544,402
Other revenues	218,374	—	—	218,374
Total revenues	27,283,631	—	4,352,349	31,635,980
Expenditures:				
General government	—	1,211,390	—	1,211,390
Public safety	1,786,513	—	—	1,786,513
Public works	11,494,489	—	—	11,494,489
Culture and recreation	730,468	—	—	730,468
Community development	6,505,960	—	—	6,505,960
Debt service:				
Principal retirement	—	—	7,370,000	7,370,000
Interest and fiscal charges	—	—	958,794	958,794
Bond issuance costs	—	—	538,237	538,237
Payment to refunded bond escrow agent	—	—	4,537,795	4,537,795
Total expenditures	20,517,430	1,211,390	13,404,826	35,133,646
Excess (deficiency) of revenues over (under) expenditures	6,766,201	(1,211,390)	(9,052,477)	(3,497,666)
Other financing sources (uses):				
Transfers in	1,737,857	—	5,201,235	6,939,092
Transfers out	(6,780,077)	—	(6,550,000)	(13,330,077)
Payment to refunded bond escrow agent	—	—	(31,539,935)	(31,539,935)
Proceeds from bonds	—	—	40,445,000	40,445,000
Premium on refunding bonds	—	—	661,216	661,216
Total other financing sources (uses)	(5,042,220)	—	8,217,516	3,175,296
Net change in fund balances	1,723,981	(1,211,390)	(834,961)	(322,370)
Fund balances, July 1, 2013	36,129,969	\$ 1,211,390	\$ 4,580,810	41,922,169
Fund balances, June 30, 2014	\$ 37,853,950	\$ —	\$ 3,745,849	\$ 41,599,799

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 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 AIR QUALITY MANAGEMENT DISTRICT 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 and for specific infrastructure projects.

The COMMUNITY DEVELOPMENT BLOCK GRANT FUND is used to account for the funds allocated by the US Department of Housing and Urban Development to the City for community and infrastructure development.

The FEDERAL HOUSING AND REHABILITATION FUND is used to account for the activities of the Federal Housing and Rehabilitation 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, 2014

Assets	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Pooled cash and investments	\$ 665,016	\$ 513,712	\$ 130,887	\$ 249,565	\$ 19,444
Accounts receivable	—	—	—	—	—
Accrued interest receivable	2,041	—	402	—	—
Due from other governments	—	—	—	12,733	—
Interfund advances receivable	600,000	—	—	—	—
Notes receivable	—	—	—	—	—
Total assets	<u>\$ 1,267,057</u>	<u>\$ 513,712</u>	<u>\$ 131,289</u>	<u>\$ 262,298</u>	<u>\$ 19,444</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 19,616	\$ 349	\$ 91,406	\$ 143,031	\$ —
Accounts payable – contract retention	897	—	—	—	—
Accrued liabilities	—	9,146	—	—	—
Due to other funds	—	—	—	—	—
Due to other governments	—	10,305	—	—	—
Total liabilities	<u>20,513</u>	<u>19,800</u>	<u>91,406</u>	<u>143,031</u>	<u>—</u>
Fund balances:					
Restricted for:					
Public safety	—	—	—	—	—
Public works	—	—	39,883	119,267	19,444
Culture and recreation	1,246,544	—	—	—	—
Community development	—	493,912	—	—	—
Total fund balances	<u>1,246,544</u>	<u>493,912</u>	<u>39,883</u>	<u>119,267</u>	<u>19,444</u>
Total liabilities and fund balances	<u>\$ 1,267,057</u>	<u>\$ 513,712</u>	<u>\$ 131,289</u>	<u>\$ 262,298</u>	<u>\$ 19,444</u>

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
\$ 2,911,119	\$ 4,100,618	\$ 5,146,978	\$ 19,777	\$ 14,881	\$ 16,798	\$ 1,375,933
—	—	913,063	—	—	2,100	—
8,935	12,586	18,144	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>\$ 2,920,054</u>	<u>\$ 4,113,204</u>	<u>6,078,185</u>	<u>\$ 19,777</u>	<u>\$ 14,881</u>	<u>\$ 18,898</u>	<u>\$ 1,375,933</u>
\$ 59,254	\$ 15,868	\$ 157,152	\$ 18,889	\$ —	\$ 13,039	\$ 738,757
6,000	—	1,427	—	14,881	—	—
—	—	108,111	888	—	5,859	—
—	—	225,000	—	—	—	—
—	—	—	—	—	—	—
<u>65,254</u>	<u>15,868</u>	<u>491,690</u>	<u>19,777</u>	<u>14,881</u>	<u>18,898</u>	<u>738,757</u>
—	—	—	—	—	—	—
—	4,097,336	5,586,495	—	—	—	637,176
2,854,800	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>2,854,800</u>	<u>4,097,336</u>	<u>5,586,495</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>637,176</u>
<u>\$ 2,920,054</u>	<u>\$ 4,113,204</u>	<u>\$ 6,078,185</u>	<u>\$ 19,777</u>	<u>\$ 14,881</u>	<u>\$ 18,898</u>	<u>\$ 1,375,933</u>

(continued)

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

Assets	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund
Pooled cash and investments	\$ 14,317	\$ 14,953,576	\$ 197,223	\$ 53,574	\$ 44,339
Accounts receivable	—	433,783	—	36,089	—
Accrued interest receivable	—	45,908	434	—	136
Due from other governments	—	—	47,312	—	—
Interfund advances receivable	—	—	—	—	—
Notes receivable	—	—	—	—	—
Total assets	<u>\$ 14,317</u>	<u>\$ 15,433,267</u>	<u>\$ 244,969</u>	<u>\$ 89,663</u>	<u>\$ 44,475</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	\$ 78,385	\$ 8,873	\$ 1,345	\$ —
Accounts payable – contract retention	—	8,855	—	—	—
Accrued liabilities	—	21,125	660	—	—
Due to other funds	—	—	—	—	—
Due to other governments	—	—	—	—	—
Total liabilities	<u>—</u>	<u>108,365</u>	<u>9,533</u>	<u>1,345</u>	<u>—</u>
Fund balances:					
Restricted for:					
Public safety	—	—	—	—	44,475
Public works	14,317	15,324,902	235,436	—	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	88,318	—
Total fund balances	<u>14,317</u>	<u>15,324,902</u>	<u>235,436</u>	<u>88,318</u>	<u>44,475</u>
Total liabilities and fund balances	<u>\$ 14,317</u>	<u>\$ 15,433,267</u>	<u>\$ 244,969</u>	<u>\$ 89,663</u>	<u>\$ 44,475</u>

Grants and Donations Fund	Community Development Block Grant Fund	Federal Housing and Community Development Fund	Asset Forfeiture Fund	Proposition 1B Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
\$ 1,891,919	\$ —	\$ 708,501	\$ 3,760,980	\$ 955,540	\$ 13,168	\$ 37,757,865
986,754	148,137	—	—	—	—	2,519,926
79	—	—	—	—	—	88,665
51,911	—	—	20,997	—	—	132,953
—	—	—	—	—	—	600,000
—	—	69,055	—	—	—	69,055
<u>\$ 2,930,663</u>	<u>\$ 148,137</u>	<u>\$ 777,556</u>	<u>\$ 3,781,977</u>	<u>\$ 955,540</u>	<u>\$ 13,168</u>	<u>\$ 41,168,464</u>
\$ 259,287	\$ 9,099	\$ —	\$ 48,769	\$ 421,261	\$ 890	\$ 2,085,270
8,119	53,474	—	2,350	—	—	96,003
628,366	3,023	—	—	2,613	—	779,791
35,604	82,541	—	—	—	—	343,145
—	—	—	—	—	—	10,305
<u>931,376</u>	<u>148,137</u>	<u>—</u>	<u>51,119</u>	<u>423,874</u>	<u>890</u>	<u>3,314,514</u>
—	—	—	3,730,858	—	12,278	3,787,611
1,999,287	—	—	—	531,666	—	28,605,209
—	—	—	—	—	—	4,101,344
—	—	777,556	—	—	—	1,359,786
<u>1,999,287</u>	<u>—</u>	<u>777,556</u>	<u>3,730,858</u>	<u>531,666</u>	<u>12,278</u>	<u>37,853,950</u>
<u>\$ 2,930,663</u>	<u>\$ 148,137</u>	<u>\$ 777,556</u>	<u>\$ 3,781,977</u>	<u>\$ 955,540</u>	<u>\$ 13,168</u>	<u>\$ 41,168,464</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2014

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ 1,298,920	\$ —
Licenses, fees and permits	33,550	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—
Revenue from use of money and property	8,675	5,570	971	—	—
Revenue from other intergovernmental agencies	—	5,948,201	—	—	—
Other revenues	—	2,405	1,820	—	—
Total revenues	<u>42,225</u>	<u>5,956,176</u>	<u>2,791</u>	<u>1,298,920</u>	<u>—</u>
Expenditures:					
Public safety	—	—	—	—	—
Public works	—	—	—	2,685,793	—
Culture and recreation	268,547	—	—	—	—
Community development	—	6,263,245	—	—	—
Total expenditures	<u>268,547</u>	<u>6,263,245</u>	<u>—</u>	<u>2,685,793</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	(226,322)	(307,069)	2,791	(1,386,873)	—
Other financing sources (uses):					
Transfers in	—	—	—	1,479,079	—
Transfers out	—	—	—	—	—
Net change in fund balances	(226,322)	(307,069)	2,791	92,206	—
Fund balances, July 1, 2013	<u>1,472,866</u>	<u>800,981</u>	<u>37,092</u>	<u>27,061</u>	<u>19,444</u>
Fund balances, June 30, 2014	\$ <u>1,246,544</u>	\$ <u>493,912</u>	\$ <u>39,883</u>	\$ <u>119,267</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
145,600	—	—	—	—	253,538	471,162
—	—	—	—	—	—	—
62,163	48,148	63,320	—	1,544	—	117,760
—	2,065,024	7,353,410	25,906	297,627	—	—
—	—	—	54,638	—	5,829	—
<u>207,763</u>	<u>2,113,172</u>	<u>7,416,730</u>	<u>80,544</u>	<u>299,171</u>	<u>259,367</u>	<u>588,922</u>
—	—	—	—	—	372,474	—
—	187,473	1,920,944	—	299,280	—	226,412
461,921	—	—	—	—	—	—
—	—	—	226,215	—	—	—
<u>461,921</u>	<u>187,473</u>	<u>1,920,944</u>	<u>226,215</u>	<u>299,280</u>	<u>372,474</u>	<u>226,412</u>
(254,158)	1,925,699	5,495,786	(145,671)	(109)	(113,107)	362,510
—	—	—	145,671	—	113,107	—
—	(1,229,670)	(4,500,000)	—	—	—	—
<u>(254,158)</u>	<u>696,029</u>	<u>995,786</u>	<u>—</u>	<u>(109)</u>	<u>—</u>	<u>362,510</u>
3,108,958	3,401,307	4,590,709	—	109	—	274,666
<u>\$ 2,854,800</u>	<u>\$ 4,097,336</u>	<u>\$ 5,586,495</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 637,176</u>

(continued)

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

	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, fees and permits	—	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—
Revenue from use of money and property	—	165,411	2,185	70,323	586
Revenue from other intergovernmental agencies	—	4,631,438	182,439	—	—
Other revenues	—	—	—	—	9,197
Total revenues	<u>—</u>	<u>4,796,849</u>	<u>184,624</u>	<u>70,323</u>	<u>9,783</u>
Expenditures:					
Public safety	—	—	—	—	28,248
Public works	—	2,119,632	151,970	—	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	16,500	—
Total expenditures	<u>—</u>	<u>2,119,632</u>	<u>151,970</u>	<u>16,500</u>	<u>28,248</u>
Excess (deficiency) of revenues over expenditures	—	2,677,217	32,654	53,823	(18,465)
Other financing sources (uses):					
Transfers in	—	—	—	—	—
Transfers out	—	(1,040,000)	—	(10,407)	—
Net change in fund balances	—	1,637,217	32,654	43,416	(18,465)
Fund balances, July 1, 2013	<u>14,317</u>	<u>13,687,685</u>	<u>202,782</u>	<u>44,902</u>	<u>62,940</u>
Fund balances, June 30, 2014	<u>\$ 14,317</u>	<u>\$ 15,324,902</u>	<u>\$ 235,436</u>	<u>\$ 88,318</u>	<u>\$ 44,475</u>

<u>Grants and Donations Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Federal Housing and Community Development Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Proposition 1B Fund</u>	<u>DNA Sampling Fund</u>	<u>Total Nonmajor Special Revenue Fund</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,298,920
—	—	—	—	—	—	903,850
—	—	—	728,208	—	—	728,208
9,705	—	—	33,516	—	—	589,877
1,789,528	1,250,829	—	—	—	—	23,544,402
131,035	—	—	1,600	—	11,850	218,374
<u>1,930,268</u>	<u>1,250,829</u>	<u>—</u>	<u>763,324</u>	<u>—</u>	<u>11,850</u>	<u>27,283,631</u>
—	—	—	1,330,894	—	54,897	1,786,513
1,369,869	1,250,829	—	—	1,282,287	—	11,494,489
—	—	—	—	—	—	730,468
—	—	—	—	—	—	6,505,960
<u>1,369,869</u>	<u>1,250,829</u>	<u>—</u>	<u>1,330,894</u>	<u>1,282,287</u>	<u>54,897</u>	<u>20,517,430</u>
560,399	—	—	(567,570)	(1,282,287)	(43,047)	6,766,201
—	—	—	—	—	—	1,737,857
—	—	—	—	—	—	(6,780,077)
560,399	—	—	(567,570)	(1,282,287)	(43,047)	1,723,981
1,438,888	—	777,556	4,298,428	1,813,953	55,325	36,129,969
<u>\$ 1,999,287</u>	<u>\$ —</u>	<u>\$ 777,556</u>	<u>\$ 3,730,858</u>	<u>\$ 531,666</u>	<u>\$ 12,278</u>	<u>\$ 37,853,950</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, 2014

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

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Project Funds

Year ended June 30, 2014

	<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	1,211,390	1,211,390
Total expenditures	<u>1,211,390</u>	<u>1,211,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,211,390)</u>	<u>(1,211,390)</u>
Net change in fund balances	(1,211,390)	(1,211,390)
Fund balances, July 1, 2013	<u>1,211,390</u>	\$ <u>1,211,390</u>
Fund balances, June 30, 2014	<u><u>\$ —</u></u>	<u><u>\$ —</u></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 DEBT 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, 2014

Assets	Torrance Debt Service Fund	Total Nonmajor Debt Service Funds
Cash and cash equivalents with fiscal agents	\$ 3,745,849	\$ 3,745,849
Total assets	<u>\$ 3,745,849</u>	<u>\$ 3,745,849</u>
Liabilities and Fund Balances		
Liabilities:		
Total liabilities	\$ —	\$ —
Fund balances:		
Restricted – debt service	3,745,849	3,745,849
Total fund balances	<u>3,745,849</u>	<u>3,745,849</u>
Total liabilities and fund balances	<u>\$ 3,745,849</u>	<u>\$ 3,745,849</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year ended June 30, 2014

	Torrance Debt Service Fund	Total Nonmajor Debt Service Funds
Revenues:		
Use of money and property	\$ 4,352,349	\$ 4,352,349
Total revenues	4,352,349	4,352,349
Expenditures:		
Debt Service:		
Principal retirement	7,370,000	7,370,000
Interest and fiscal charges	958,794	958,794
Bond issuance costs	538,237	538,237
Payment to refunded bond escrow agent	4,537,795	4,537,795
Total expenditures	13,404,826	13,404,826
Excess (deficiency) of revenues over (under) expenditures	(9,052,477)	(9,052,477)
Other financing sources (uses):		
Transfers in	5,201,235	5,201,235
Transfers out	(6,550,000)	(6,550,000)
Payment to refunded bond escrow agent	(31,539,935)	(31,539,935)
Refunding bond proceeds	40,445,000	40,445,000
Premium on refunding bonds	661,216	661,216
Total other financing sources (uses)	8,217,516	8,217,516
Net change in fund balances	(834,961)	(834,961)
Fund balances, July 1, 2013	4,580,810	4,580,810
Fund balances, June 30, 2014	\$ 3,745,849	\$ 3,745,849

City OF *Torrance*



James Armstrong Theatre

Non-Major Enterprise Funds

❖ DEPARTMENT OF FINANCE ❖

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CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Net Position
 Nonmajor Enterprise Funds
 June 30, 2014

Assets	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Enterprise Funds
Current assets:						
Pooled cash and investments	\$ —	\$ —	\$ 6,673,094	\$ 633,268	\$ —	\$ 7,306,362
Accounts receivable	96,418	2,093,207	336,030	11,584	33,582	2,570,821
Accrued interest receivable	—	6,738	21,018	1,936	—	29,692
Due from other governments	14,250	38,513	—	—	—	52,763
Total current assets	<u>110,668</u>	<u>2,138,458</u>	<u>7,030,142</u>	<u>646,788</u>	<u>33,582</u>	<u>9,959,638</u>
Noncurrent assets:						
Capital assets, net	15,564	—	6,264,758	14,833	438,750	6,733,905
Total noncurrent assets	<u>15,564</u>	<u>—</u>	<u>6,264,758</u>	<u>14,833</u>	<u>438,750</u>	<u>6,733,905</u>
Total Assets	<u>126,232</u>	<u>2,138,458</u>	<u>13,294,900</u>	<u>661,621</u>	<u>472,332</u>	<u>16,693,543</u>
Liabilities						
Current liabilities:						
Accounts payable	19,046	209,628	27,461	114,527	64,826	435,488
Deposits payable	—	—	44,909	—	132,412	177,321
Contract retainage payable	—	—	6,313	—	—	6,313
Accrued liabilities	186,560	426,351	119,785	79,621	88,294	900,611
Due to other funds	—	245,710	—	—	65,797	311,507
Unearned revenues	—	—	169,641	692,623	—	862,264
Total current liabilities	<u>205,606</u>	<u>881,689</u>	<u>368,109</u>	<u>886,771</u>	<u>351,329</u>	<u>2,693,504</u>
Total Liabilities	<u>205,606</u>	<u>881,689</u>	<u>368,109</u>	<u>886,771</u>	<u>351,329</u>	<u>2,693,504</u>
Net Position						
Investment in capital assets	15,564	—	6,264,758	14,833	438,750	6,733,905
Unrestricted	<u>(94,938)</u>	<u>1,256,769</u>	<u>6,662,033</u>	<u>(239,983)</u>	<u>(317,747)</u>	<u>7,266,134</u>
Total Net Position	<u>\$ (79,374)</u>	<u>\$ 1,256,769</u>	<u>\$ 12,926,791</u>	<u>\$ (225,150)</u>	<u>\$ 121,003</u>	<u>\$ 14,000,039</u>

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Revenues, Expenses and Changes in Fund Net Position
 Nonmajor Enterprise Funds
 Year ended June 30, 2014

	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Enterprise Funds
Operating revenues:						
Charges for services	\$ 2,229,575	\$ 11,395,641	\$ 12,165,143	\$ 4,059,412	\$ 912,081	\$ 30,761,852
Other	—	25,018	766	26,927	1	52,712
Total operating revenues	<u>2,229,575</u>	<u>11,420,659</u>	<u>12,165,909</u>	<u>4,086,339</u>	<u>912,082</u>	<u>30,814,564</u>
Operating expenses:						
Salaries and employee benefits	10,292,944	4,090,014	1,490,484	4,109,836	1,404,253	21,387,531
Services and supplies	307,234	3,815,564	322,390	859,703	68,575	5,373,466
Other professional services	16,350	2,191,774	455,562	727,828	292,346	3,683,860
Depreciation and amortization	11,827	—	355,789	500	25,753	393,869
Insurance and claims	—	119,407	15,442	—	—	134,849
City charges	—	742,482	2,740,330	761,030	109,540	4,353,382
Other	69,662	16,025	99,637	5,555	26,466	217,345
Total operating expenses	<u>10,698,017</u>	<u>10,975,266</u>	<u>5,479,634</u>	<u>6,464,452</u>	<u>1,926,933</u>	<u>35,544,302</u>
Operating income (loss)	<u>(8,468,442)</u>	<u>445,393</u>	<u>6,686,275</u>	<u>(2,378,113)</u>	<u>(1,014,851)</u>	<u>(4,729,738)</u>
Nonoperating revenues (expenses):						
Investment earnings	—	—	101,658	6,512	—	108,170
Grants	—	80,254	—	—	108,707	188,961
Interest expense	—	(9,633)	(50,200)	—	(1,783)	(61,616)
Total nonoperating revenues, net	<u>—</u>	<u>70,621</u>	<u>51,458</u>	<u>6,512</u>	<u>106,924</u>	<u>235,515</u>
Income (loss) before transfers	<u>(8,468,442)</u>	<u>516,014</u>	<u>6,737,733</u>	<u>(2,371,601)</u>	<u>(907,927)</u>	<u>(4,494,223)</u>
Transfer of fixed assets	(8,000)	—	—	—	—	(8,000)
Transfers in	9,261,711	163,511	—	2,624,681	760,541	12,810,444
Transfers out	(800,000)	(158,101)	(6,680,255)	(43,967)	(11,851)	(7,694,174)
Change in net position	<u>(14,731)</u>	<u>521,424</u>	<u>57,478</u>	<u>209,113</u>	<u>(159,237)</u>	<u>614,047</u>
Total net position - July 1, 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>
Total net position - June 30, 2014	<u>\$ (79,374)</u>	<u>\$ 1,256,769</u>	<u>\$ 12,926,791</u>	<u>\$ (225,150)</u>	<u>\$ 121,003</u>	<u>\$ 14,000,039</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year ended June 30, 2014

	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:						
Receipts from customers	\$ 2,204,067	\$ 11,456,778	\$ 11,990,282	\$ 4,121,874	\$ 890,707	\$ 30,663,708
Cash payments to suppliers for goods and services	(386,630)	(7,411,786)	(3,629,578)	(2,370,238)	(491,811)	(14,290,043)
Cash payments to employees for services	(10,279,148)	(4,084,669)	(1,501,072)	(4,109,836)	(1,402,540)	(21,377,265)
Internal activity-payments from (to) other funds	—	—	—	—	65,797	65,797
Cash received from donations	—	—	—	22,778	—	22,778
Other receipts	—	—	—	4,149	—	4,149
Net cash provided by (used in) operating activities	(8,461,711)	(39,677)	6,859,632	(2,331,273)	(937,847)	(4,910,876)
Cash flows from noncapital financing activities:						
Cash received from grants and subsidies	—	41,741	—	—	108,707	150,448
Cash received from other funds	9,261,711	163,511	—	2,624,681	760,541	12,810,444
Cash paid to other funds	(800,000)	(158,101)	(6,680,255)	(43,967)	(11,851)	(7,694,174)
Cash paid for noncapital interest	—	(7,474)	—	—	(1,675)	(9,149)
Net cash provided by (used in) noncapital financing activities	8,461,711	39,677	(6,680,255)	2,580,714	855,722	5,257,569
Cash flows from capital financing activities:						
Payments for long-term obligations - principal & interest	—	—	(50,200)	—	—	(50,200)
Payments for capital additions	—	—	(25,704)	—	—	(25,704)
Net cash provided by (used in) capital financing activities	—	—	(75,904)	—	—	(75,904)
Cash flows from investing activities:						
Cash received from interest on investments	—	—	107,003	4,576	—	111,579
Net cash provided by (used in) investing activities	—	—	107,003	4,576	—	111,579
Net increase (decrease) in cash, restricted cash and cash equivalents	—	—	210,476	254,017	(82,125)	382,368
Cash and cash equivalents, July 1, 2013	—	—	6,462,618	379,251	82,125	6,923,994
Cash and cash equivalents, June 30, 2014	\$ —	\$ —	\$ 6,673,094	\$ 633,268	\$ —	\$ 7,306,362
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (8,468,442)	\$ 445,393	\$ 6,686,275	\$ (2,378,113)	\$ (1,014,851)	\$ (4,729,738)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	11,827	—	355,789	500	25,753	393,869
Change in assets and liabilities:						
Accounts receivable	(11,258)	36,119	(81,501)	5,623	(5,895)	(56,912)
Due from other government	(14,250)	—	—	—	—	(14,250)
Prepays and other assets	34	—	1,806	311	—	2,151
Accounts payable	6,582	(113,512)	1,977	(14,593)	5,000	(114,546)
Due to other funds	—	(413,022)	—	—	65,797	(347,225)
Accrued salaries and benefits	13,796	5,345	(10,588)	(1,840)	1,829	8,542
Deposits and guarantees	—	—	1,506	—	(15,480)	(13,974)
Unearned revenues	—	—	(95,632)	56,839	—	(38,793)
Net cash provided by (used in) operating activities	\$ (8,461,711)	\$ (39,677)	\$ 6,859,632	\$ (2,331,273)	\$ (937,847)	\$ (4,910,876)

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.

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CITY OF TORRANCE, CALIFORNIA

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

Assets	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
Current assets:				
Pooled cash and investments	\$ 4,649,645	\$ 18,693,266	\$ 10,910,975	\$ 34,253,886
Accounts receivable	26,585	1,586	-	28,171
Accrued interest receivable	-	57,142	36,811	93,953
Inventories	-	1,193,003	-	1,193,003
Total current assets	<u>4,676,230</u>	<u>19,944,997</u>	<u>10,947,786</u>	<u>35,569,013</u>
Capital assets, net	<u>7,266</u>	<u>8,973,185</u>	<u>-</u>	<u>8,980,451</u>
Total assets	<u>4,683,496</u>	<u>28,918,182</u>	<u>10,947,786</u>	<u>44,549,464</u>
Liabilities				
Current liabilities:				
Accounts payable	469,085	303,963	-	773,048
Accrued salaries and benefits	14,045	428,242	5,042,538	5,484,825
Capital lease payable - current	-	83,956	-	83,956
Accrued liability for self-insurance claims – current	<u>7,068,546</u>	<u>-</u>	<u>-</u>	<u>7,068,546</u>
Total current liabilities	<u>7,551,676</u>	<u>816,161</u>	<u>5,042,538</u>	<u>13,410,375</u>
Capital lease payable - long-term	-	155,300	-	155,300
Accrued liability for self-insurance claims – long-term	32,821,758	-	-	32,821,758
Accrued liability for net postemployment benefits - long-term	-	-	16,522,601	16,522,601
Total liabilities	<u>40,373,434</u>	<u>971,461</u>	<u>21,565,139</u>	<u>62,910,034</u>
Net Position				
Net position:				
Net investment in capital assets	7,266	8,733,929	-	8,741,195
Unrestricted	<u>(35,697,204)</u>	<u>19,212,792</u>	<u>(10,617,353)</u>	<u>(27,101,765)</u>
Total net position	<u>\$ (35,689,938)</u>	<u>\$ 27,946,721</u>	<u>\$ (10,617,353)</u>	<u>\$ (18,360,570)</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Funds
Year ended June 30, 2014

	<u>Self-Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Postemployment/ Compensated Absences Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 2,610,743	\$ 6,044,699	\$ -	\$ 8,655,442
Total operating revenues	<u>2,610,743</u>	<u>6,044,699</u>	<u>-</u>	<u>8,655,442</u>
Operating expenses:				
Salaries and benefits	678,869	3,052,704	3,435,000	7,166,573
Materials and services	10,751	311,002	-	321,753
Other professional services	110,933	67,113	-	178,046
Insurance and claims	19,443,176	7,555	-	19,450,731
Depreciation	2,356	1,599,876	-	1,602,232
City charges	19,660	110,920	-	130,580
Other	3,398	212,372	-	215,770
Total operating expenses	<u>20,269,143</u>	<u>5,361,542</u>	<u>3,435,000</u>	<u>29,065,685</u>
Operating income (loss)	<u>(17,658,400)</u>	<u>683,157</u>	<u>(3,435,000)</u>	<u>(20,410,243)</u>
Nonoperating revenues (expenses):				
Investment earnings	-	300,290	195,329	495,619
Gain on sale of capital assets	-	35,465	-	35,465
Loss on disposal of capital assets	-	(12,016)	-	(12,016)
Interest expense	-	(49,665)	-	(49,665)
Total nonoperating revenues (expenses)	<u>-</u>	<u>274,074</u>	<u>195,329</u>	<u>469,403</u>
Net income (loss) before transfers	<u>(17,658,400)</u>	<u>957,231</u>	<u>(3,239,671)</u>	<u>(19,940,840)</u>
Transfers in	2,031,000	704,327	1,375,000	4,110,327
Transfers out	<u>(2,094)</u>	<u>(17,983)</u>	<u>-</u>	<u>(20,077)</u>
Change in fund net position	<u>(15,629,494)</u>	<u>1,643,575</u>	<u>(1,864,671)</u>	<u>(15,850,590)</u>
Net position, July 1, 2013	<u>(20,060,444)</u>	<u>26,303,146</u>	<u>(8,752,682)</u>	<u>(2,509,980)</u>
Net position, June 30, 2014	<u>\$ (35,689,938)</u>	<u>\$ 27,946,721</u>	<u>\$ (10,617,353)</u>	<u>\$ (18,360,570)</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2014

	<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	\$ 2,601,082	\$ 6,043,113	\$ 1,450,009	\$ 10,094,204
Cash payments to suppliers for goods and services	(5,859,207)	(668,657)	-	(6,527,864)
Cash payments to employees for services	(675,834)	(3,086,032)	-	(3,761,866)
Net Cash provided by (used in) operating activities	<u>(3,933,959)</u>	<u>2,288,424</u>	<u>1,450,009</u>	<u>(195,526)</u>
Cash flows from noncapital financing activities				
Cash received from other funds	2,031,000	704,326	1,375,000	4,110,326
Cash paid to other funds	(2,094)	(17,983)	-	(20,077)
Net Cash provided by (used in) noncapital financing	<u>2,028,906</u>	<u>686,343</u>	<u>1,375,000</u>	<u>4,090,249</u>
Cash flows from capital financing activities				
Payments for capital additions	-	(1,514,658)	-	(1,514,658)
Proceeds from sale of capital assets	-	49,100	-	49,100
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(1,465,558)</u>	<u>-</u>	<u>(1,465,558)</u>
Cash flows from investing activities:				
Cash received from interest on investments	<u>-</u>	<u>262,617</u>	<u>158,518</u>	<u>421,135</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	(1,905,053)	1,771,826	2,983,527	2,850,300
Cash and cash equivalents, July 1, 2013	<u>6,554,698</u>	<u>16,921,440</u>	<u>7,927,448</u>	<u>31,403,586</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 4,649,645</u>	<u>\$ 18,693,266</u>	<u>\$ 10,910,975</u>	<u>\$ 34,253,886</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (17,658,400)	\$ 683,157	\$ (3,435,000)	\$ (20,410,243)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,356	1,599,876	-	1,602,232
Change in assets and liabilities:				
Accounts receivable	(9,660)	(1,586)	-	(11,246)
Prepays and other assets	50	-	687,373	687,423
Inventories	-	18,759	-	18,759
Accounts payable	242,103	21,546	-	263,649
Accrued insurance/claims	13,486,557	-	-	13,486,557
Accrued salaries and benefits	3,035	(33,328)	4,197,636	4,167,343
Net cash provided by (used in) operating activities	<u>\$ (3,933,959)</u>	<u>\$ 2,288,424</u>	<u>\$ 1,450,009</u>	<u>\$ (195,526)</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, 2014

	Municipal Area Express Fund	Special Deposits Fund	Flexible Benefits Fund	Environmental Trust Fund	Property Room Evidence Fund	Torrance Tourism Business Improvement District Fund	Total Agency Funds
Assets							
Pooled cash and investments	\$ —	\$ 1,307,991	\$ 337,545	\$ 135,411	\$ 296,223	\$ 72,087	\$ 2,149,257
Accrued interest receivable	—	—	—	415	—	—	415
Total assets	<u>\$ —</u>	<u>\$ 1,307,991</u>	<u>\$ 337,545</u>	<u>\$ 135,826</u>	<u>\$ 296,223</u>	<u>\$ 72,087</u>	<u>\$ 2,149,672</u>
Liabilities							
Deposits payable	\$ —	\$ 1,307,991	\$ 337,545	\$ 135,826	\$ 296,223	\$ 72,087	\$ 2,149,672
Total liabilities	<u>\$ —</u>	<u>\$ 1,307,991</u>	<u>\$ 337,545</u>	<u>\$ 135,826</u>	<u>\$ 296,223</u>	<u>\$ 72,087</u>	<u>\$ 2,149,672</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2014

	<u>Balance for fiscal year ended June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2014</u>
Municipal Area Express Fund				
ASSETS				
Pooled cash and investments	\$ 178,795	\$ 89,787	\$ (268,582)	\$ —
Accounts receivable	3,970	—	(3,970)	—
Due from other governments	6,433	—	(6,433)	—
Total assets	<u>\$ 189,198</u>	<u>\$ 89,787</u>	<u>\$ (278,985)</u>	<u>\$ —</u>
LIABILITIES				
Deposits payable	\$ 189,198	\$ 89,787	\$ (278,985)	\$ —
Total liabilities	<u>\$ 189,198</u>	<u>\$ 89,787</u>	<u>\$ (278,985)</u>	<u>\$ —</u>
Special Deposits Fund				
ASSETS				
Pooled cash and investments	\$ 1,205,001	\$ 995,827	\$ (892,837)	\$ 1,307,991
Prepayments	909	—	(909)	—
Total assets	<u>\$ 1,205,910</u>	<u>\$ 995,827</u>	<u>\$ (893,746)</u>	<u>\$ 1,307,991</u>
LIABILITIES				
Deposits payable	\$ 1,205,910	\$ 995,827	\$ (893,746)	\$ 1,307,991
Total liabilities	<u>\$ 1,205,910</u>	<u>\$ 995,827</u>	<u>\$ (893,746)</u>	<u>\$ 1,307,991</u>
Flexible Benefits Fund				
ASSETS				
Pooled cash and investments	\$ 312,464	\$ 25,081	\$ —	\$ 337,545
Total assets	<u>\$ 312,464</u>	<u>\$ 25,081</u>	<u>\$ —</u>	<u>\$ 337,545</u>
LIABILITIES				
Deposits payable	\$ 312,464	\$ 25,081	\$ —	\$ 337,545
Total liabilities	<u>\$ 312,464</u>	<u>\$ 25,081</u>	<u>\$ —</u>	<u>\$ 337,545</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2014
(continued)

	<u>Balance for fiscal year ended June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2014</u>
Environmental Trust Fund				
ASSETS				
Pooled cash and investments	\$ 133,716	\$ 1,695	\$ —	\$ 135,411
Accrued interest receivable	573	415	(573)	415
Total assets	<u>\$ 134,289</u>	<u>\$ 2,110</u>	<u>\$ (573)</u>	<u>\$ 135,826</u>
LIABILITIES				
Deposits payable	\$ 134,289	\$ 2,110	\$ (573)	\$ 135,826
Total liabilities	<u>\$ 134,289</u>	<u>\$ 2,110</u>	<u>\$ (573)</u>	<u>\$ 135,826</u>
Property Room Evidence Fund				
ASSETS				
Pooled cash and investments	\$ 497,545	\$ 72,292	\$ (273,614)	\$ 296,223
Total assets	<u>\$ 497,545</u>	<u>\$ 72,292</u>	<u>\$ (273,614)</u>	<u>\$ 296,223</u>
LIABILITIES				
Deposits payable	\$ 497,545	\$ 72,292	\$ (273,614)	\$ 296,223
Total liabilities	<u>\$ 497,545</u>	<u>\$ 72,292</u>	<u>\$ (273,614)</u>	<u>\$ 296,223</u>
Torrance Tourism Business Improvement District Fund				
ASSETS				
Pooled cash and investments	\$ 66,642	\$ 672,159	\$ (666,714)	\$ 72,087
Total assets	<u>\$ 66,642</u>	<u>\$ 672,159</u>	<u>\$ (666,714)</u>	<u>\$ 72,087</u>
LIABILITIES				
Deposits payable	\$ 66,642	\$ 672,159	\$ (666,714)	\$ 72,087
Total liabilities	<u>\$ 66,642</u>	<u>\$ 672,159</u>	<u>\$ (666,714)</u>	<u>\$ 72,087</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2014

Assets	Balance for fiscal year ended June 30, 2013	Additions	Deductions	Balance for fiscal year ended June 30, 2014
Pooled cash and investments	\$ 2,394,163	\$ 1,856,841	\$ (2,101,747)	\$ 2,149,257
Accounts receivable	3,970	—	(3,970)	—
Accrued interest receivable	573	415	(573)	415
Due from other governments	6,433	—	(6,433)	—
Prepayments	909	—	(909)	—
Total assets	<u>\$ 2,406,048</u>	<u>\$ 1,857,256</u>	<u>\$ (2,113,632)</u>	<u>\$ 2,149,672</u>
Liabilities				
Deposits payable	<u>\$ 2,406,048</u>	<u>\$ 1,857,256</u>	<u>\$ (2,113,632)</u>	<u>\$ 2,149,672</u>
Total liabilities	<u>\$ 2,406,048</u>	<u>\$ 1,857,256</u>	<u>\$ (2,113,632)</u>	<u>\$ 2,149,672</u>

City OF Torrance



Other Supplemental
Information

COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2014

(Not covered by Accountants' Report)

❖ OTHER SUPPLEMENTAL INFORMATION ❖

**Continuing Disclosure Reporting
City of Torrance**

**\$18,880,000
CITY OF TORRANCE
CERTIFICATES OF PARTICIPATION,
SERIES 2009
(LAND ACQUISITION PROJECT)**

**\$40,445,000
CITY OF TORRANCE
CERTIFICATES OF PARTICIPATION,
SERIES 2014
(REFUNDING AND CAPITAL PROJECTS)**

SECTION 4(b) – Content of Annual Reports

(i) General fund summary of revenues and expenditures:

City of Torrance General Fund - Audited Revenues, Expenditures and Fund Balances For Fiscal Years 2010-11 through 2013-14				
	Audited FY 2010-11	Audited FY 2011-12	Audited FY 2012-13	Audited FY 2013-14
Revenues:				
Taxes	\$ 130,522,827	\$ 134,698,431	\$ 142,048,398	\$ 146,866,492
Licenses, fees and permits	1,639,218	1,919,074	2,044,556	2,893,100
Fines, forfeitures and penalties	1,084,493	1,225,781	1,009,813	1,075,432
Use of money and property	5,853,273	6,345,471	1,459,391	2,386,431
Intergovernmental	1,020,138	412,071	384,721	318,023
Charges for current services	7,174,101	6,727,769	6,906,785	7,904,101
Other revenues	1,595,982	1,609,802	367,026	1,897,953
Total Revenues	148,890,032	152,938,399	154,220,690	163,341,532
Expenditures:				
Current operating:				
General government	22,361,415	21,283,272	16,731,643	17,119,409
Nondepartmental	8,121,363	6,427,951	5,597,878	5,477,858
Public safety	90,971,257	92,933,698	95,665,694	97,391,758
Public works	10,570,914	9,121,333	11,103,789	11,372,329
Cultural and recreation	13,965,663	13,507,550	13,499,223	14,539,491
Community development	—	—	3,916,116	3,747,524
Capital outlays	96,457	196,521	—	—
Total Expenditures	146,087,069	143,470,325	146,514,343	149,648,369
Excess (deficiency) of revenues over expenditures	2,802,963	9,468,074	7,706,347	13,693,163
Other financing sources (uses)				
Operating transfers in	11,451,187	10,501,978	9,436,987	19,676,580
Operating transfers out	(17,540,135)	(19,010,308)	(17,996,011)	(24,052,142)
Total other financing sources (uses)	(6,088,948)	(8,508,330)	(8,559,024)	(4,375,562)
Excess (deficiency) of revenues and other financing sources over expenditures	(3,285,985)	959,744	(852,677)	9,317,601
Fund balance, July 1	51,212,447	51,737,301	52,697,045	90,874,722
Prior period adjustment	3,810,839	—	39,030,354	(39,067,755)
Fund balance, June 30	\$ 51,737,301	\$ 52,697,045	\$ 90,874,722	\$ 61,124,568

(ii) General fund balance sheet:

City of Torrance
General Fund – Audited Balance Sheet
As of June 30 for Fiscal Years 2010-11 through 2013-14

	Audited FY 2010-11	Audited FY 2011-12	Audited FY 2012-13	Audited FY 2013-14
Assets:				
Pooled cash and investments	\$ 58,260,422	\$ 64,416,869	\$ 58,161,227	\$ 60,562,920
Accounts receivable	6,740,258	7,465,291	8,834,645	8,194,733
Accrued interest receivable	431,279	494,413	418,668	271,787
Due from other funds	2,245,797	3,500,188	1,599,140	965,282
Due from other governments	6,120,539	8,125,962	7,749,795	7,405,507
Advances to other funds	15,516,788	15,271,956	54,302,310	24,978,265
Prepays and other assets	337,552	1,000,567	256,761	1,376,506
Total Assets	\$ 89,652,635	\$ 100,275,246	\$ 131,322,546	\$ 103,755,000
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 2,143,239	\$ 2,738,675	\$ 1,542,393	\$ 1,906,872
Accrued liabilities	2,153,018	6,239,298	5,781,624	6,728,107
Interfund advances payable	600,000	600,000	600,000	600,000
Notes payable	33,000,000	38,000,000	32,500,000	30,000,000
Unearned revenue	—	—	9,722	—
Deposits and guarantees	19,077	228	14,085	111,328
Total Liabilities	37,915,334	47,578,201	40,447,824	39,346,307
Deferred Inflows of Resources:				
Unavailable revenue	—	—	—	3,284,125
Total Deferred Inflows of Resources:	—	—	—	3,284,125
Fund Balance:				
Nonspendable:				
Advances, net	15,516,788	—	53,702,310	21,094,140
Prepays	337,552	1,000,567	256,761	1,376,506
Restricted for:				
Culture and recreation	772,425	1,128,008	1,252,662	478,941
Assigned to:				
Culture and recreation	2,851,538	3,183,286	3,706,213	4,897,304
Public safety	691,319	170,162	146,320	69,947
Special project reserves	9,602,211	9,943,482	9,388,503	4,353,354
Capital projects	7,809,103	6,499,983	6,956,112	7,654,677
Unassigned	14,156,365	30,771,557	15,465,841	21,199,699
Total Fund Balance	51,737,301	52,697,045	90,874,722	61,124,568
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 89,652,635	\$ 100,275,246	\$ 131,322,546	\$ 103,755,000

(iii) General fund budget:

City of Torrance
General Fund - Comparison of Budgeted and Actual Revenues, Expenditures
and Fund Balances (Budgetary Basis)
For Fiscal Years 2011-12 through 2013-14

	Budgeted FY 2011-12	Audited FY 2011-12	Budgeted FY 2012-13	Audited FY 2012-13	Budgeted FY 2013-14	Audited FY 2013-14
Fund Balance, July 1	\$51,737,301	\$51,737,301	\$52,697,045	\$52,697,045	\$90,874,722	\$90,874,722
Revenues:						
Taxes	135,021,000	134,698,431	144,752,308	142,048,398	149,325,714	146,866,492
Licenses, fees and permits	2,050,000	1,919,074	1,932,900	2,044,556	1,969,186	2,893,100
Fines, forfeitures and penalties	1,330,000	1,225,781	1,330,000	1,009,813	1,330,000	1,075,432
Use of money and property	7,230,000	6,345,471	2,881,200	1,459,391	2,772,462	2,386,431
Intergovernmental	980,000	412,071	370,000	384,721	370,000	318,023
Charges for current services	7,166,000	6,727,769	7,431,500	6,906,785	7,062,000	7,904,101
Other revenues	2,220,315	1,609,802	1,529,548	367,026	1,843,899	1,897,953
Transfers in	12,925,266	10,501,978	9,336,921	9,436,987	19,676,580	19,676,580
Total Revenues	168,922,581	163,440,377	169,564,377	163,657,677	184,349,841	183,018,112
Expenditures:						
Current operating:						
General government	23,550,198	22,009,080	19,103,972	17,486,060	19,503,766	17,747,072
Nondepartmental	7,799,060	6,439,179	6,570,112	5,602,408	6,399,386	5,496,235
Public safety	94,052,971	93,212,870	96,963,999	95,741,625	98,555,749	97,514,843
Public works	10,822,637	9,488,498	11,810,581	11,523,315	11,595,552	11,500,735
Cultural and recreation	13,926,066	13,615,679	13,971,582	13,602,978	14,846,934	14,664,126
Community development	—	—	3,963,680	4,036,860	4,003,578	3,951,583
Capital outlays	17,209	196,521	—	—	—	—
Transfers out	20,263,950	19,010,308	18,790,981	17,996,011	25,562,169	24,052,142
Total Expenditures	170,432,091	163,972,135	171,174,907	165,989,257	180,467,134	174,926,736
Fund balance, June 30	\$50,227,791	\$51,205,543	\$51,086,515	\$50,365,465	\$94,757,429	\$98,966,098

(iv) General fund tax revenues by source:

City of Torrance
General Fund - Tax Revenues by Source
For Fiscal Years 2009-10 through 2013-14

Source	Audited FY 2009-10	Audited FY 2010-11	Audited FY 2011-12	Audited FY 2012-13	Audited FY 2013-14
Property taxes	\$ 47,109,505	\$ 47,935,430	\$ 49,017,500	\$ 51,533,859	\$ 53,575,684
Sales and use tax	25,103,636	28,965,148	30,163,249	31,804,636	31,963,111
Utility users tax	31,347,850	31,357,562	30,348,324	30,530,728	31,345,769
Other taxes	20,456,965	22,264,687	25,169,358	28,179,175	29,981,928
Licenses, fees and permits	1,617,719	1,639,218	1,919,074	2,044,556	2,893,100
Fines, forfeitures and penalties	1,039,810	1,084,493	1,225,781	1,009,813	1,075,432
Use of money and property	5,008,322	5,853,273	6,345,471	1,459,391	2,386,431
Intergovernmental	827,100	1,020,138	412,071	384,721	318,023
Current service charges & other revenues	8,951,285	8,770,083	8,337,571	7,273,811	9,802,054
Total	\$141,462,192	\$148,890,032	\$152,938,399	\$154,220,690	\$163,341,532

(v) Sales tax rates:

**City of Torrance
Current Sales Tax Rates**

State General Fund	6.50%
County	0.25%
City	0.75%
Los Angeles County Transportation Commission	1.50%
Total	9.00%

Source: California State Board of Equalization

(vi) Assessed valuation of property in the City and current property tax levy and collections:

**City of Torrance
Historical Assessed Valuation
For Fiscal Years 2004-05 through 2013-14
(Dollars in Thousands)**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2004-05	\$16,526,406	\$8,416	\$1,017,445	\$17,552,267	-
2005-06	17,836,645	6,264	995,440	18,838,349	7.3%
2006-07	19,513,908	5,418	1,012,554	20,531,880	9.0%
2007-08	20,963,741	2,270	1,037,399	22,003,410	7.2%
2008-09	22,121,342	2,270	1,076,589	23,200,201	5.4%
2009-10	22,621,364	13,724	1,127,722	23,762,810	2.4%
2010-11	22,388,556	2,656	1,059,577	23,450,789	-1.3%
2011-12	21,709,424	5	994,043	22,703,472	-3.2%
2012-13	21,944,550	5	956,343	22,900,898	0.9%
2013-14	22,966,213	5	969,386	23,935,604	4.5%

**City of Torrance
Secured Property Tax Levies and Tax Collections
For Fiscal Years 2009-10 through 2013-14**

Fiscal Year	Secured Tax Levy (as of June 30)	Amount Delinquent (as of June 30)	% Delinquent (as of June 30)
2009-10	\$26,089,110	\$926,517	3.6%
2010-11	25,842,962	640,998	2.5%
2011-12	26,432,270	572,661	2.2%
2012-13	26,690,685	488,550	1.8%
2013-14	28,085,401	423,177	1.5%

**City of Torrance
Property Tax Levies and Tax Collections
For Fiscal Years 2009-10 through 2013-14
(Dollars in Thousands)**

Fiscal Year	Total Current Tax Levy	Collections of Secured & Unsecured Taxes for Current Fiscal Year	% of Levy Collected During Fiscal Year	Total Tax Collections (Including Delinquencies)	Collections as % of Current Levy	Outstanding Delinquent Taxes	Delinquent Taxes as % of Current Levy
2009-10	\$27,657	\$26,601	96.2%	\$26,856	97.1%	\$1,056	3.8%
2010-11	27,264	26,487	97.2%	26,728	98.0%	777	2.8%
2011-12	27,920	27,283	97.7%	27,271	97.7%	637	2.3%
2012-13	28,101	27,508	97.9%	28,195	100.3%	593	2.1%
2013-14	29,533	28,995	98.2%	28,873	97.8%	538	1.8%

(vii) Updated description of outstanding general fund debt and lease obligations:

This information can be found beginning on page 56 of this CAFR.

(viii) The outstanding principal amount and balance in the Reserve Fund as of January 1 next preceding the date of such Annual Report:

Outstanding Principal Amount (as of January 1, 2015)	
Certificates of Participation, Series 2009	\$17,250,000
Certificates of Participation, Series 2014	\$40,445,000

Reserve Fund Balance (estimated as of January 1, 2015)	
Certificates of Participation, Series 2009	\$1,258,018.76
Certificates of Participation, Series 2014	\$2,478,135.49

(ix) Table of direct and overlapping debt:

A table showing direct and overlapping debt information can be found on page 147 of this CAFR.

(x) Summary of the City's investment portfolio for the preceding fiscal year:

**City of Torrance
Investment Portfolio Summary
(as of June 30, 2014)**

Type of Investment	Book Value	Market Value	% of Portfolio
LAIF	49,500,000	49,500,000	25.77%
Federal Agency Issues	107,666,110	107,469,350	56.04%
CD Collateralized-Insured	7,350,000	7,367,216	3.83%
Treasury Securities - Coupon	4,979,736	4,991,350	2.59%
Medium Term Notes	22,614,445	22,844,531	11.77%
Total	192,110,291	192,172,447	100%

(xi) The following information relating to the City's retirement system: (a) the total annual pension cost for the preceding fiscal year, (b) the City's contribution to the pension plan on behalf of its employees, (c) the funded ratio of the pension plan and (d) the investment gains/losses in CalPERS for the most recent fiscal year for which the information is available:

Details for the City's retirement system can be found beginning on page 63 of this CAFR.

(xii) The following information relating to the City's OPEB system: (a) the total annual required contribution for the preceding fiscal year, (b) the City's contribution to the OPEB cost and (c) the net OPEB liability:

Details for the City's OPEB system can be found beginning on page 69 of this CAFR.

SECTION 5 – Reporting of Significant Events

There were no significant events that occurred during the Fiscal Year ended June 30, 2014. According to the Continuing Disclosure Certificate, significant events include:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Certificate calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

**Continuing Disclosure Reporting
Successor Agency to the City of Torrance Redevelopment Agency**

**\$8,500,000
(DOWNTOWN REDEVELOPMENT PROJECT)
TAX ALLOCATION REFUNDING BONDS
1998 SERIES A**

**\$12,770,000
TAX ALLOCATION SUBORDINATE LIEN
REFUNDING BONDS
1998 SERIES B (UNINSURED)
(TORRANCE INDUSTRIAL REDEVELOPMENT
PROJECT)**

**\$18,500,000
TAX ALLOCATION SENIOR LIEN FORWARD
REFUNDING BONDS
1999 SERIES C (INSURED)
(TORRANCE INDUSTRIAL REDEVELOPMENT
PROJECT)**

SECTION 4 – Content of Annual Reports

The Issuer's Annual Report shall contain or incorporate by reference the following:

- a) Audited Financial Statements of the Agency:

In June 2011, Assembly Bill No. X1 26 (“AB 26”) was passed by both houses of the California State Legislature and signed by Governor Brown. AB 26 authorized the dissolution of redevelopment agencies within the State of California effective October 1, 2011. On December 29, 2011, the California Supreme Court upheld the legislation with its ruling on California Redevelopment Association v. Ana Matosantos and revised the effective dissolution date to February 1, 2012.

As a result, no separate audited financial statements are prepared for the Agency. Commencing with the audited financial statements of the City of Torrance (“City”) for the fiscal year ended June 30, 2012, the assets and activities of the dissolved redevelopment agency will be reported as a fiduciary trust fund as part of the City’s audited financial statements.

- b) Financial information and operating data:

- a. Summary of Agency indebtedness payable from tax increment generated in the Project Areas, including the amount outstanding as of June 30 of the most recent fiscal year:

A summary of Agency indebtedness can be found beginning on page 85 of this CAFR.

Outstanding Principal Amount (as of June 30, 2014)	
1998 Series A (Downtown)	\$5,840,000
1998 Series B (Industrial)	\$6,490,000
1999 Series C (Industrial)	\$13,035,000

- b. Information about pending and successful appeals of assessed values in the Industrial Redevelopment Project Area exceeding, in the aggregate, 5% of assessed value in the Project Area:

Pending and successful appeals did not exceed 5% of the total assessed value for either Project Area for the fiscal year ending June 30, 2014.

c. Summary of assessed values and incremental assessed values and Tax Increment Revenues in the Project Areas:

**Successor Agency to the City of Torrance Redevelopment Agency
Downtown Redevelopment Project
Assessed Values and Tax Increment Revenues**

Assessed Values	1978-79 (Base Year)	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Secured:										
Land	\$ 7,527,039	\$66,480,109	\$79,958,737	\$85,934,323	\$92,481,845	\$91,017,597	\$89,044,391	\$89,863,069	\$89,463,399	\$92,847,560
Improvements	7,392,401	68,914,040	75,419,063	77,701,124	80,438,321	80,975,943	80,229,196	84,670,725	87,355,983	90,863,112
Personal Property	641,133	81,410	181,410	183,730	183,730	183,730	158,477	158,477	158,477	154,777
Public Utility		30,905	25,409	—	—	—	—	—	—	—
Exemptions	(288,120)	(2,441,179)	(2,625,445)	(2,713,189)	(2,805,823)	(2,836,163)	(2,831,815)	(2,810,581)	(2,826,427)	(2,834,612)
Total Secured	15,272,453	133,065,285	152,959,174	161,105,988	170,298,073	169,341,107	166,600,249	171,881,690	174,151,432	181,030,837
Unsecured:										
Improvements	—	13,111,978	12,542,590	7,204,722	11,826,039	9,774,544	9,560,067	9,068,450	10,139,109	12,764,339
Personal Property	3,686,640	11,699,925	12,187,704	12,283,939	14,931,998	12,158,952	9,706,822	9,190,682	10,699,630	9,880,815
Exemptions	(8,700)	(8,500)	(11,500)	(11,500)	(11,500)	(11,500)	(26,500)	(27,000)	(27,000)	(27,000)
Total Unsecured	3,677,940	24,803,403	24,718,794	19,477,161	26,746,537	21,921,996	19,240,389	18,232,132	20,811,739	22,618,154
Grand Total	18,950,393	157,868,688	177,677,968	180,583,149	197,044,610	191,263,103	185,840,638	190,113,822	194,963,171	203,648,991
Less Base Year	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)
Incremental Assessed Value	—	138,918,295	158,727,575	161,632,756	178,094,217	172,312,710	166,890,245	171,163,429	176,012,778	184,698,598
<hr/>										
Gross Tax Increment Revenues	—	1,389,183	1,587,276	1,616,328	1,780,942	1,723,127	1,668,902	1,711,634	1,760,128	2,102,420
Less County Pass-Through	—	(177,364)	(319,685)	(305,491)	(458,717)	(216,300)	(352,370)	(1,189,574)	(1,115,575)	(1,204,686)
Less SB 2557 Admin. Fee	—	(23,425)	(23,425)	(22,940)	(24,579)	(26,079)	(29,286)	(27,836)	(30,182)	(28,715)
Less Housing Set-Aside	—	(277,837)	(317,455)	(323,266)	(356,188)	(344,625)	(333,780)	—	—	—
Available for Debt Service	\$ —	\$ 910,557	\$ 926,711	\$ 964,631	\$ 941,458	\$ 1,136,123	\$ 953,466	\$ 494,224	\$ 614,371	\$ 869,019

Source: MumServices, LLC and County of Los Angeles

**Successor Agency to the City of Torrance Redevelopment Agency
Industrial Redevelopment Project
Assessed Values and Tax Increment Revenues**

Assessed Values	1982-83 (Base Year)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Secured:							
Land	\$ 45,694,325	\$ 226,769,460	\$ 233,870,121	\$ 215,921,995	\$ 212,621,429	\$ 191,370,968	\$ 201,390,708
Improvements	17,326,416	389,506,406	407,504,896	396,441,659	378,541,948	318,184,293	335,468,266
Personal Property	27,645,795	79,271,493	81,874,898	80,022,104	74,562,405	70,024,354	53,542,725
Public Utility	—	298,505	13,718,745	2,650,745	2,566,095	6,213,855	116,755
Exemptions	(185,006)	(332,882)	(364,819)	(371,342)	(372,850)	(376,886)	(381,003)
Total Secured	90,481,530	695,512,982	736,603,841	694,665,161	667,919,027	585,416,584	590,137,451
Unsecured:							
Improvements	—	13,132,612	11,013,774	11,863,823	8,988,891	8,220,797	8,516,576
Personal Property	22,492,461	65,864,744	62,732,420	53,861,113	49,205,553	44,908,933	48,316,895
Exemptions	—	(27,505,000)	(27,505,000)	(27,505,000)	(27,505,000)	(27,505,000)	(27,505,000)
Total Unsecured	22,492,461	51,492,356	46,241,194	38,219,936	30,689,444	25,624,730	29,328,471
Grand Total	112,973,991	747,005,338	782,845,035	732,885,097	698,608,471	611,041,314	619,465,922
Less Base Year	(112,973,991)	(112,973,991)	(112,973,991)	(112,973,991)	(112,973,991)	(112,973,991)	(112,973,991)
Incremental Assessed Value	—	634,031,347	669,871,044	619,911,106	585,634,480	498,067,323	506,491,931
Gross Tax Increment Revenues							
Gross Tax Increment Revenues	—	6,340,313	6,698,710	6,199,111	5,856,345	4,980,673	4,964,102
Project Area Sales Tax Revenues	—	1,699,356	1,562,633	1,662,056	1,776,019	1,932,400	1,644,154
Less County Pass-Through	—	(2,312,500)	(2,188,025)	(1,836,885)	(971,326)	(1,860,808)	(1,866,956)
Less SB 2557 Admin. Fee	—	(85,049)	(98,408)	(99,939)	(87,492)	(73,612)	(72,684)
Less Housing Set-Aside	—	(1,268,063)	(1,339,742)	(1,239,822)	—	—	—
Available for Debt Service	\$ —	\$ 4,374,057	\$ 4,635,168	\$ 4,684,521	\$ 6,573,546	\$ 4,978,653	\$ 4,668,616

Source: MuniServices, LLC and County of Los Angeles

d. Summary of sales tax revenues collected in the most recent fiscal year:

**Successor Agency to the City of Torrance
Redevelopment Agency
Industrial Redevelopment Project
Sales Tax Revenues
Fiscal Years 2008-09 through 2013-14**

Fiscal Year	Sales Tax Revenues	Percent Change
2008-09	\$ 1,699,356	--
2009-10	1,562,633	-8.0%
2010-11	1,662,056	6.4%
2011-12	1,776,019	6.9%
2012-13	1,932,400	8.8%
2013-14	1,644,154	-14.9%

e. Debt service coverage for the most recent fiscal year:

**Successor Agency to the City of Torrance Redevelopment Agency
Downtown Redevelopment Project
Actual/Estimated Debt Service Coverage**

Year Ending June 30	Project Area Gross Tax Increment Revenues	Less: County Pass-Throughs	Less: SB 2557 Charge	Less: Housing Set-Aside Requirements	Project Area Net Tax Increment Revenues	Series A Bond Debt Service	Debt Service Coverage
2014*	\$ 2,102,420	\$ (1,204,686)	\$ (28,715)	\$ —	\$ 869,019	\$ 578,114	1.50
2015	2,144,468	(1,228,780)	(36,773)	—	878,915	579,100	1.52
2016	2,187,357	(1,253,356)	(37,508)	—	896,493	579,254	1.55
2017	2,231,104	(1,278,423)	(38,258)	—	914,423	578,575	1.58
2018	2,275,726	(1,303,991)	(39,023)	—	932,712	577,064	1.62
2019	2,321,241	(1,330,071)	(39,804)	—	951,366	574,720	1.66
2020	2,367,666	(1,356,672)	(40,600)	—	970,394	576,320	1.68
2021	2,415,019	(1,383,805)	(41,412)	—	989,802	576,720	1.72
2022	2,463,319	(1,411,481)	(42,240)	—	1,009,598	576,000	1.75
2023	2,512,585	(1,439,711)	(43,085)	—	1,029,789	574,160	1.79
2024	2,562,837	(1,468,505)	(43,947)	—	1,050,385	571,200	1.84
2025	2,614,094	(1,497,875)	(44,825)	—	1,071,394	571,980	1.87
2026	2,666,376	(1,527,833)	(45,722)	—	1,092,821	571,360	1.91
2027	2,719,704	(1,558,390)	(46,636)	—	1,114,678	569,340	1.96
2028	2,774,098	(1,589,558)	(47,569)	—	1,136,971	570,780	1.99
2029	2,829,580	(1,621,349)	(48,521)	—	1,159,710	570,540	2.03

Source: MuniServices, LLC

* Based on actual

Successor Agency to the City of Torrance Redevelopment Agency

Industrial Redevelopment Project

Projected Debt Service Coverage

Year Ending June 30	Project Area Gross Tax Increment Revenues	Project Area Sales Tax Revenues	Less: County Pass-Throughs	Less: SB 2557 Charge	Less: Housing Set-Aside Requirements	Pledged Tax Revenues	Series A & C (Senior Lien) Bonds Debt Service*	Senior Lien Debt Service Coverage	Pledged Tax Revenues Available After Senior Lien Debt Service	Series B Bond Debt Service	Subordinate Lien Debt Service Coverage
2014*	\$ 4,964,102	\$ 1,644,154	\$ (1,866,956)	\$ (72,684)	\$ —	\$ 4,668,616	\$ 1,280,285	\$ 3.65	\$ 3,388,331	\$ 1,192,703	2.84
2015	5,063,384	1,677,037	(1,904,295)	(74,834)	—	4,761,292	1,284,356	3.71	3,476,936	642,047	5.42
2016	5,164,652	1,710,578	(1,942,381)	(76,331)	—	4,856,518	1,281,656	3.79	3,574,862	645,453	5.54
2017	5,267,945	1,744,790	(1,981,229)	(77,858)	—	4,953,648	1,282,185	3.86	3,671,463	642,875	5.71
2018	5,373,304	1,779,686	(2,020,854)	(79,415)	—	5,052,721	1,280,806	3.94	3,771,915	644,313	5.85
2019	5,480,770	1,815,280	(2,061,271)	(81,003)	—	5,153,776	1,277,520	4.03	3,876,256	639,766	6.06
2020	5,590,385	1,851,586	(2,102,496)	(82,623)	—	5,256,852	1,277,000	4.12	3,979,852	639,234	6.23
2021	5,702,193	1,888,618	(2,144,546)	(84,276)	—	5,361,989	1,274,100	4.21	4,087,889	642,437	6.36
2022	5,816,237	1,926,390	(2,187,437)	(85,961)	—	5,469,229	1,273,863	4.29	4,195,366	639,375	6.56
2023	5,932,562	1,964,918	(2,231,186)	(87,680)	—	5,578,614	1,271,150	4.39	4,307,464	640,047	6.73
2024	6,051,213	2,004,216	(2,275,810)	(89,434)	—	5,690,185	1,270,825	4.48	4,419,360	639,312	6.91
2025	6,172,237	2,044,300	(2,321,326)	(91,223)	—	5,803,988	1,272,613	4.56	4,531,375	637,172	7.11
2026	6,295,682	2,085,186	(2,367,753)	(93,047)	—	5,920,068	1,271,375	4.66	4,648,693	638,484	7.28
2027	6,421,596	2,126,890	(2,415,108)	(94,908)	—	6,038,470	1,267,113	4.77	4,771,357	638,109	7.48
2028	6,550,028	2,169,428	(2,463,410)	(96,806)	—	6,159,240	1,264,688	4.87	4,894,552	636,047	7.70
2029	6,681,029	2,212,817	(2,512,678)	(98,742)	—	6,282,426	1,263,825	4.97	5,018,601	632,297	7.94

Source: MumServices, LLC and City of Torrance

* Based on actual

f. Additional material information:

None.

SECTION 5 – Reporting of Significant Events

(11) Rating changes

On September 9, 2013, Moody’s Investors Service downgraded the underlying rating for the 1998 Series A Bonds (Downtown Project Area) from “Ba1” to “Ba2.”

There were no additional significant events that occurred during the Fiscal Year ended June 30, 2014. According to the Continuing Disclosure Certificate, significant events include:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

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City
OF
Torrance



COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2014

(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 government'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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$ 262,639	\$ 254,085	\$ 252,519	\$ 239,087	\$ 227,870	\$ 216,501	\$ 210,615	\$ 224,386	\$ 215,731	\$ 220,620
Restricted	43,310	41,153	40,321	46,817	68,033	70,578	70,770	58,553	50,441	61,456
Unrestricted	23,786	75,519	42,384	(18,920)	(35,557)	(18,834)	(12,952)	(23,536)	(24,079)	(49,575)
Total governmental activities net position	<u>\$ 329,735</u>	<u>\$ 370,757</u>	<u>\$ 335,224</u>	<u>\$ 266,984</u>	<u>\$ 260,346</u>	<u>\$ 268,245</u>	<u>\$ 268,433</u>	<u>\$ 259,403</u>	<u>\$ 242,093</u>	<u>\$ 232,501</u>
Business-type activities										
Net investment in capital assets	\$ 142,562	\$ 141,472	\$ 137,492	\$ 128,307	\$ 127,617	\$ 122,331	\$ 122,144	\$ 120,780	\$ 121,301	\$ 120,513
Restricted	-	-	-	555	536	592	566	529	692	684
Unrestricted	38,997	33,848	30,500	28,492	27,299	32,936	35,993	38,519	35,981	37,043
Total business-type activities net position	<u>\$ 181,559</u>	<u>\$ 175,320</u>	<u>\$ 167,992</u>	<u>\$ 157,354</u>	<u>\$ 155,452</u>	<u>\$ 155,859</u>	<u>\$ 158,703</u>	<u>\$ 159,828</u>	<u>\$ 157,974</u>	<u>\$ 158,240</u>
Primary government										
Net investment in capital assets	\$ 405,201	\$ 395,557	\$ 390,011	\$ 367,394	\$ 355,487	\$ 338,832	\$ 332,759	\$ 345,166	\$ 337,032	\$ 341,133
Restricted	43,310	41,153	40,321	47,372	68,569	71,170	71,336	59,082	51,133	62,140
Unrestricted	62,783	109,367	72,884	9,572	(8,258)	14,102	23,041	14,983	11,902	(12,532)
Total primary government net position	<u>\$ 511,294</u>	<u>\$ 546,077</u>	<u>\$ 503,216</u>	<u>\$ 424,338</u>	<u>\$ 415,798</u>	<u>\$ 424,104</u>	<u>\$ 427,136</u>	<u>\$ 419,231</u>	<u>\$ 400,067</u>	<u>\$ 390,741</u>

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

Financial Trends
Exhibit 2

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	\$ 25,545	\$ 25,608	\$ 24,064	\$ 23,358	\$ 36,479	\$ 39,594	\$ 41,464	\$ 39,434	\$ 26,324	\$ 25,771
Public safety	109,959	94,153	94,889	93,170	93,924	89,966	88,256	82,078	80,672	76,576
Public works	29,676	33,598	33,837	29,070	25,401	23,617	20,166	19,206	20,102	18,743
Culture and recreation	18,139	14,568	12,423	13,936	15,220	12,115	14,615	10,532	13,178	10,569
Nondepartmental ¹	—	—	—	—	—	—	—	—	5,179	6,135
Community development	10,368	10,723	8,221	10,610	12,580	10,086	8,600	10,910	12,620	13,138
Interest on long term debt	1,499	3,035	4,596	6,460	5,474	5,708	5,045	6,012	5,123	5,685
Total governmental activities expenses	195,186	181,685	178,030	176,604	189,078	181,086	178,146	168,172	163,198	156,617
Business-type activities:										
Airport	5,530	5,331	5,405	5,334	5,535	5,630	5,241	4,997	5,060	6,018
Transit	26,164	24,667	23,643	21,899	21,802	21,265	21,005	19,743	20,687	19,516
Water	35,416	32,915	31,355	29,334	26,772	25,662	23,283	23,778	21,884	21,376
Sewer	4,418	4,682	4,781	2,365	2,263	2,439	1,952	1,752	3,566	2,019
Sanitation	10,985	11,396	11,326	11,830	11,430	10,988	10,961	10,431	10,214	8,487
Cultural Arts	1,929	1,983	1,981	1,977	2,098	2,110	2,044	1,803	1,739	1,663
Parks and Recreation	6,464	7,309	7,697	7,925	8,084	7,529	7,414	7,237	7,185	6,976
Emergency Medical Service	10,698	10,318	10,140	9,683	9,514	9,528	8,031	8,127	7,431	7,174
Total business-type activities expenses	101,604	98,601	96,328	90,347	87,498	85,151	79,931	77,868	77,766	73,229
Total primary government expenses	\$ 296,790	\$ 280,286	\$ 274,358	\$ 266,951	\$ 276,576	\$ 266,237	\$ 258,077	\$ 246,040	\$ 240,964	\$ 229,846
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,978	\$ 2,890	\$ 2,880	\$ 2,941	\$ 3,129	\$ 4,707	\$ 4,547	\$ 4,620	\$ 4,570	\$ 4,437
Public safety	7,508	6,132	6,167	6,688	5,933	5,129	6,269	7,006	7,473	6,719
Public works	1,085	651	727	535	621	561	503	796	881	648
Culture and recreation	612	647	651	681	594	746	973	1,320	1,165	947
Community Development	-	372	-	-	-	-	-	-	-	-
Operating grants and contributions	14,646	13,542	14,585	12,701	12,936	10,709	12,151	14,552	14,706	14,629
Capital grants and contributions	10,677	5,391	16,235	9,656	10,952	9,613	7,510	8,029	7,659	5,696
Total governmental activities program revenues	37,506	29,625	41,245	33,202	34,165	31,465	31,953	36,323	36,454	33,076
Business-type activities:										
Charges for services:										
Airport	12,139	11,726	11,895	10,896	10,428	10,896	10,481	10,794	9,009	7,672
Transit	3,387	3,341	3,482	3,395	3,273	3,157	2,719	2,560	2,448	2,548
Water	40,670	36,156	34,011	30,159	27,225	23,562	23,843	23,167	22,319	22,095
Sewer	3,221	3,137	2,882	1,579	1,718	1,843	2,357	2,913	1,995	2,046
Sanitation	11,396	10,972	10,634	10,865	10,860	11,178	10,980	10,756	10,393	9,591
Cultural Arts	912	1,043	1,038	995	1,088	898	1,006	823	819	807
Parks and Recreation	3,950	3,994	4,279	4,157	4,058	4,154	4,201	4,273	3,971	4,180
Emergency Medical Service	2,230	2,186	2,022	1,896	1,784	1,120	1,225	1,119	1,058	1,051
Operating grants and contributions	21,061	19,952	19,339	18,208	16,738	15,812	15,964	15,493	16,153	13,289
Capital grants and contributions	1,104	5,689	10,298	312	7,082	603	976	687	481	1,463
Total business-type activities program revenues	100,070	98,196	99,880	82,462	84,254	73,223	73,752	72,585	68,646	64,742
Total primary government program revenues	\$ 137,576	\$ 127,821	\$ 141,125	\$ 115,664	\$ 118,419	\$ 104,688	\$ 105,705	\$ 108,908	\$ 105,100	\$ 97,818

(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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (expense)/revenue										
Governmental activities	\$ (157,680)	\$ (152,060)	\$ (136,785)	\$ (143,402)	\$ (154,913)	\$ (149,621)	\$ (146,193)	\$ (131,849)	\$ (126,744)	\$ (123,541)
Business-type activities	(1,534)	(405)	3,552	(7,885)	(3,244)	(11,928)	(6,179)	(5,283)	(9,120)	(8,487)
Total primary government net expense	<u>\$ (159,214)</u>	<u>\$ (152,465)</u>	<u>\$ (133,233)</u>	<u>\$ (151,287)</u>	<u>\$ (158,157)</u>	<u>\$ (161,549)</u>	<u>\$ (152,372)</u>	<u>\$ (137,132)</u>	<u>\$ (135,864)</u>	<u>\$ (132,028)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 53,576	\$ 51,534	\$ 52,643	\$ 56,978	\$ 56,078	\$ 57,815	\$ 55,596	\$ 53,136	\$ 44,647	\$ 42,245
Sales taxes	31,963	31,805	30,163	30,627	26,666	31,057	31,545	31,936	31,439	28,312
Other taxes	61,442	56,261	56,815	54,915	53,153	56,665	62,933	61,310	60,346	55,992
Investment earnings	6,509	5,073	8,800	8,149	7,310	6,447	6,271	4,634	2,304	2,104
Motor vehicle tax (unrestricted)	64	77	74	685	438	506	658	991	3,271	946
Other general revenues	4,849	5,623	4,621	4,490	6,272	4,023	3,679	3,871	2,617	2,026
Transfers	(5,961)	(7,169)	(6,493)	(5,801)	(2,902)	(7,734)	(5,458)	(6,719)	(8,669)	(8,537)
Total governmental activities	<u>152,442</u>	<u>143,204</u>	<u>146,623</u>	<u>150,043</u>	<u>147,015</u>	<u>148,779</u>	<u>155,224</u>	<u>149,159</u>	<u>135,955</u>	<u>123,088</u>
Business-type activities:										
Investment earnings	677	348	593	487	880	1,351	594	418	185	206
Other general revenues	546	216	—	—	—	—	—	—	—	—
Transfers	5,961	7,169	6,493	5,801	2,902	7,734	5,458	6,719	8,669	8,538
Total business-type activities	<u>7,184</u>	<u>7,733</u>	<u>7,086</u>	<u>6,288</u>	<u>3,782</u>	<u>9,085</u>	<u>6,052</u>	<u>7,137</u>	<u>8,854</u>	<u>8,744</u>
Total primary government general revenues	<u>\$ 159,626</u>	<u>\$ 150,937</u>	<u>\$ 153,709</u>	<u>\$ 156,331</u>	<u>\$ 150,797</u>	<u>\$ 157,864</u>	<u>\$ 161,276</u>	<u>\$ 156,296</u>	<u>\$ 144,809</u>	<u>\$ 131,832</u>
Extraordinary Gain (Loss) ²										
Governmental activities	(35,439)	—	58,403	—	—	—	—	—	—	—
Business-type activities	—	—	—	—	—	—	—	—	—	—
Total primary government extraordinary gain, net	<u>(35,439)</u>	<u>—</u>	<u>58,403</u>	<u>—</u>						
Change in Net Position										
Governmental activities	(40,677)	(8,856)	68,241	6,641	(7,898)	(842)	9,031	17,310	9,211	(453)
Business-type activities	5,650	7,328	10,638	(1,597)	538	(2,843)	(127)	1,854	(266)	257
Total primary government	<u>\$ (35,027)</u>	<u>\$ (1,528)</u>	<u>\$ 78,879</u>	<u>\$ 5,044</u>	<u>\$ (7,360)</u>	<u>\$ (3,685)</u>	<u>\$ 8,904</u>	<u>\$ 19,164</u>	<u>\$ 8,945</u>	<u>\$ (196)</u>

Notes:

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

² Effective February 1, 2012 all redevelopment agencies in the State of California were dissolved. Extraordinary amounts in 2012 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. Extraordinary amounts in 2014 represent California Department of Finance adjustment to interest on a long-term advance from the General Fund to the 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									
	2014	2013	2012	2011 ¹	2010	2009	2008	2007	2006	2005
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 17,789	\$ 17,731	\$ 16,064	\$ 15,277	\$ 14,608	\$ 14,501
Unreserved	-	-	-	-	33,423	41,017	45,803	41,474	30,422	24,098
Nonspendable ²	22,471	53,959	16,273	15,854	-	-	-	-	-	-
Restricted	479	1,253	1,128	773	-	-	-	-	-	-
Assigned to:										
Culture and recreation	4,897	3,706	3,183	2,852	-	-	-	-	-	-
Public safety	70	146	170	691	-	-	-	-	-	-
Special project reserves	4,353	9,389	9,943	9,602	-	-	-	-	-	-
Capital projects	7,655	6,956	6,500	7,809	-	-	-	-	-	-
Unassigned	21,200	15,466	15,500	14,156	-	-	-	-	-	-
Total general fund	<u>\$ 61,125</u>	<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>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 7,830	\$ 8,396	\$ 8,567	\$ 8,669	\$ 16,183	\$ 20,683
Unreserved, reported in:										
Special revenue funds	-	-	-	-	33,173	28,801	29,337	24,742	19,761	17,683
Capital project funds	-	-	-	-	29,877	36,699	36,950	29,992	27,057	23,701
Debt service fund	-	-	-	-	(14,729)	(13,946)	(13,740)	(13,869)	(14,213)	(14,840)
Nonspendable	-	682	634	-	-	-	-	-	-	-
Restricted ³	41,600	41,240	41,375	49,131	-	-	-	-	-	-
Assigned to:										
Capital projects	14,851	18,014	19,869	21,430	-	-	-	-	-	-
Unassigned ³	-	-	-	(17,165)	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 56,451</u>	<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>

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 long-term advance from the General Fund to the former City of Torrance Redevelopment Agency. The net liabilities are held in a successor agency trust not reported here. In 2014, the California Department of Finance required an adjustment to reduce this interest on long-term advance.

³The change in fund balance in 2012 reflects the former City of Torrance Redevelopment Agency dissolution. The State of California dissolved all redevelopment agencies effective February 1, 2012.

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes	\$ 148,165	\$ 143,352	\$ 140,034	\$ 143,330	\$ 136,148	\$ 145,714	\$ 150,260	\$ 146,568	\$ 136,652	\$ 126,782
Licenses, fees and permits	3,797	2,767	1,919	1,639	1,618	1,426	1,962	2,671	2,693	2,503
Fine, forfeitures and penalties	1,804	1,665	1,464	1,840	2,004	1,779	2,201	2,799	2,139	2,358
Investment earnings	7,329	6,454	11,363	10,869	11,578	15,009	14,697	13,271	10,177	9,124
Intergovernmental	23,862	18,193	30,228	21,926	23,138	15,447	14,838	17,472	21,005	16,888
Charges for current services	7,904	6,907	6,728	7,174	6,921	6,090	6,443	6,865	7,453	6,418
Other	3,047	660	3,317	2,630	2,845	2,449	2,279	2,598	2,385	5,202
Total revenues	195,908	179,998	195,053	189,408	184,252	187,914	192,680	192,244	182,504	169,275
Expenditures										
General government	22,355	19,464	22,416	23,358	25,521	25,237	25,129	23,515	22,224	21,085
Public safety	99,376	97,331	92,934	90,971	90,402	89,435	86,869	82,069	79,675	75,392
Public works	23,134	22,062	27,726	22,469	18,183	17,685	14,697	13,763	14,249	12,760
Culture and recreation	15,523	14,033	13,565	13,997	13,796	14,013	13,747	12,809	13,356	11,569
Nondepartmental	5,478	5,598	6,428	8,121	5,440	5,258	5,695	4,604	8,373	6,135
Community development	10,312	10,723	6,908	7,285	7,267	6,574	6,115	8,893	10,675	11,334
Capital outlay ¹	—	—	4,428	6,203	35,542	12,344	5,016	13,685	7,327	6,675
Debt service										
Principal retirement ²	7,370	1,535	3,352	3,020	2,553	2,417	2,524	2,214	2,675	5,791
Interest and fiscal charges	959	3,042	4,603	6,812	5,312	5,887	5,083	6,040	5,148	4,981
Other	5,076	—	1,356	3,362	5,280	3,459	2,403	1,976	1,901	1,815
Total expenditures	189,583	173,788	183,716	185,598	209,296	182,309	167,278	169,568	165,603	157,537
Excess of revenues over (under) expenditures	6,325	6,210	11,337	3,810	(25,044)	5,605	25,402	22,676	16,901	11,738
Other financing sources (uses)										
Transfers in	30,007	12,535	14,686	16,802	17,153	18,463	20,474	16,280	15,223	19,358
Transfers out	(40,065)	(21,539)	(23,245)	(24,418)	(23,900)	(30,087)	(30,615)	(27,866)	(25,093)	(30,834)
Proceeds from refunding bonds ³	40,445	—	—	—	—	—	—	—	—	27,566
Proceeds of debt ³	—	—	—	—	—	—	—	—	580	15,914
Premium on refunding bonds ³	661	—	—	—	—	—	—	—	—	—
Bond escrow refunding ³	(31,540)	—	—	—	—	—	—	—	—	(27,566)
Premium Tax Revenue Anticipation Notes	—	—	—	—	—	312	—	—	—	—
Proceeds from bonds ⁴	—	—	—	—	18,880	—	—	—	—	—
Advances from developers/County	—	—	—	1,575	1,577	1,424	1,436	1,377	—	—
Total other financing sources (uses)	(492)	(9,004)	(8,559)	(6,041)	13,710	(9,888)	(8,705)	(10,209)	(9,290)	4,438
Extraordinary loss ⁵	—	—	6,664	—	—	—	—	—	—	—
Net change in fund balances	\$ 5,833	\$ (2,794)	\$ 9,442	\$ (2,231)	\$ (11,334)	\$ (4,283)	\$ 16,697	\$ 12,467	\$ 7,611	\$ 16,176
Debt service as a percentage of noncapital expenditures	4.7%	2.7%	4.7%	5.9%	4.6%	4.9%	4.8%	5.3%	5.0%	7.8%

Notes:

¹ Starting in 2013, capital outlay expenditures are reported in the relevant departmental category.

² In 2014, the City retired the outstanding balance on their 1998 Certificates of Participation.

³ In 2005 and 2014, the City issued refunding Certificates of Participation to refinance their 1995 Certificates of Participation and 2004 A & B Certificates of Participation respectively, 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 Ten Fiscal Years
(in thousands of dollars)

Revenue Capacity
Exhibit 1

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
Real Property:							
2014	\$ 22,611,717	\$ 347,846	\$ 22,959,563	\$ -	\$ -	\$ -	
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:							
2014	\$ 354,500	\$ 621,541	\$ 976,041	\$ -	\$ -	\$ -	
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:							
2014	22,966,217	969,387	\$ 23,935,604	\$ -	\$ -	\$ -	0.1507%
2013	21,944,555	956,343	22,900,898	-	-	-	0.1504%
2012 ¹	21,709,429	994,043	22,703,472	-	-	-	0.1498%
2011	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:

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.

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

Revenue Capacity
Exhibit 2

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City Direct Rates										
City basic rate	0.1507	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	0.1507	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	0.0035	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	0.4754	0.4843	0.4925	0.4780	0.4653	0.4259	0.4279	0.4315	0.4356	0.4375
Community College	0.0175	0.0185	0.0169	0.0161	0.0148	0.0170	0.0165	0.0173	0.0184	0.0166
County of Los Angeles	0.2411	0.2415	0.2421	0.2416	0.2408	0.2397	0.2406	0.2367	0.2383	0.2415
Successor Redevelopment Agency ¹	0.1297	0.1279	0.1267	—	—	—	—	—	—	—
Special Districts	0.0698	0.0705	0.0711	0.0711	0.0708	0.0719	0.0730	0.0793	0.0797	0.0799
Total Direct Rate	1.0877	1.0966	1.1028	1.0882	1.0757	1.0386	1.0379	1.0407	1.0433	1.0404

Notes

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	2014			2005		
	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	\$ 1,460,164,262	1	6.10%	\$ 1,362,055,137	1	7.76%
Toyota Motor Sales/Credit Corp	538,237,714	2	2.25%	272,580,249	3	1.55%
Del Amo Fashion Center Operating Company	508,578,184	3	2.12%	—		—
American Honda Motor Company Inc.	271,960,837	4	1.14%	200,181,920	4	1.14%
Allied Signal Inc.	106,832,893	5	0.45%	53,957,000	7	0.31%
Torrance Memorial Medical Center	87,575,818	6	0.37%	—		—
XLD Group LLC	65,798,175	7	0.27%	—		—
RReef America Reit III Corporation	63,094,014	8	0.26%	—		—
Continental Skypark LLC	63,091,081	9	0.26%	—		—
Del Amo Financial Center LP	62,200,000	10	0.26%	—		—
Del Amo Mills Limited Partnership	—		—	324,200,562	2	1.85%
Ball Metal Beverage Container	—		—	70,233,409	5	0.40%
East Side Hotel Associates L P	—		—	60,797,556	6	0.35%
USAA Institutional Real Estate Equity	—		—	51,100,000	8	0.29%
Federated Western Properties Inc	—		—	48,633,567	9	0.28%
Prologis Macquarie US LLC	—		—	48,528,243	10	0.28%
	<u>\$ 3,227,532,978</u>		<u>13.48%</u>	<u>\$ 2,492,267,643</u>		<u>14.21%</u>

Notes:

The amounts shown above for 2005 include assessed value data for both the City and the Redevelopment Agency.

The amounts shown above for 2014 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 2013/14 & 2004/05 Secured & Unsecured Tax Rolls,
HdL Coren & Cone

City of Torrance
Property Tax Levies and Collections
Last Ten 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
2014	\$ 29,533	\$ 28,995	98.18%	\$ (122)	\$ 28,873	97.77%
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 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 Ten Fiscal Years
 (in thousands of cubic feet)

Revenue Capacity
 Exhibit 5

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Potable										
Type of Customer										
Residential	467,408	457,444	456,784	447,819	459,863	507,328	524,985	540,753	507,649	514,357
Industrial	170,468	117,538	147,348	172,197	124,538	149,595	162,174	141,570	147,842	160,736
Commercial	197,237	198,152	179,642	178,176	196,891	191,098	196,752	209,959	186,960	191,751
Other	65,832	67,190	68,903	42,503	43,996	40,350	76,500	86,641	104,675	88,650
Total - Potable Water	900,945	840,324	852,677	840,695	825,288	888,371	960,411	978,923	947,126	955,494
Recycled/Reclaimed										
Type of Customer										
Industrial	269,317	275,530	285,103	250,052	267,633	241,394	269,201	251,603	268,025	293,377
Other	15,072	11,755	13,598	9,981	18,731	12,362	13,591	12,415	11,236	7,928
Total - Recycled/Reclaimed Water	284,389	287,285	298,701	260,033	286,364	253,756	282,792	264,018	279,261	301,305
Total										
Type of Customer										
Residential	467,408	457,444	456,784	447,819	459,863	507,328	524,985	540,753	507,649	514,357
Industrial	439,785	393,068	432,451	422,249	392,171	390,989	431,375	393,173	415,867	454,113
Commercial	197,237	198,152	179,642	178,176	196,891	191,098	196,752	209,959	186,960	191,751
Other	80,904	78,945	82,501	52,484	62,727	52,712	90,091	99,056	115,911	96,578
Total Water	1,185,334	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

Source: Global Water Usage Report for 2011 through 2014 data and Golden State Usage Report for 2005 through 2010 data

City of Torrance Water Fund
Water Rates
Last Ten Fiscal Years

Revenue Capacity
Exhibit 6

Monthly Base Rate					
Fiscal Year Ended June 30	Regular ¹	Low Income ¹	Exxon Contract ²	Wholesale Contract ²	Other - Recycled Regular ³
2014	\$ 5.76	\$ 5.76	\$ 89,692.00	\$ 388.85	\$ 18.97
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

Rate Per 100 Cubic Feet					
Fiscal Year Ended June 30	Regular ⁴	Low Income ⁴	Exxon Contract	Wholesale Contract	Other - Recycled Regular
2014	\$ 3.79	\$ 3.40	\$ 2.29	\$ 2.37	\$ 2.65
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:

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

<u>Water Customer</u>	<u>2014</u>	
	<u>Water Charges</u>	<u>Percent of Total Water Revenues</u>
Exxon-Mobil	\$ 9,712,395	24.74%
American Honda	1,123,371	2.86%
City of Torrance	920,243	2.34%
California Water Service -Wholesale	828,652	2.11%
Torrance Unified School District	565,993	1.44%
Honeywell International	318,911	0.81%
Springwood HOA	246,585	0.63%
Toyota Motor Sales -USA	240,344	0.61%
Don Wilson Builders	238,527	0.61%
New Horizons HOA	214,537	0.55%
Total	<u>\$ 14,409,558</u>	<u>36.70%</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 Ten Fiscal Years
(in thousands of dollars, except Per Capita)

Fiscal Year Ended June 30	Governmental Activities				Total Government Activities
	General Government Certificates of Participation ¹	Tax Allocation Bonds ²	Notes Payable ²	Capital Lease Payable ³	
2014	\$ 58,040	\$ -	\$ -	\$ 239	\$ 58,279
2013	59,160	-	-	310	59,470
2012	60,695	-	-	-	60,695
2011	62,175	30,324	13,635	-	106,134
2010	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:

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.

In 2014 the City issued \$40 million of new Certificates of Participation and retired \$35 million of older Certificates of Participation generating \$6 million for capital projects. The City also retired an additional \$6 million from a separate 1998 Certificate of Participation issuance.

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

³ 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.

⁴ 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. In 2014, the final scheduled payment was made on the 2005 bonds.

⁵ Assessed Value has been used because Personal Income for the City of Torrance is unavailable.

Business-type Activities					
Water Revenue Bonds ⁴	Easement Payable ³	Total Business-type Activities	Total Primary Government	Percent of Assessed Value ⁵	Debt Per Capita
\$ -	\$ 1,453	\$ 1,453	\$ 59,732	0.25%	\$ 404
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%	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 Ten Fiscal Years
(in thousands of dollars, except Per Capita)

Debt Capacity
Exhibit 2

Fiscal Year Ended June 30	Outstanding Net General Bonded Debt		Net General Bonded Debt	Percent of Assessed Value ²	Per Capita
	General Government Certificates of Participation	Less Amounts Available in Debt Service Funds ¹			
2014	\$ 58,040	\$ 3,746	\$ 54,294	0.23%	\$ 367
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	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	3,347	46,538	0.28%	317

Notes:

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 Fiscal year 2005 has been restated to include Certificates of Participation reported on a Debt Service fund in the Major Fund classification.

² Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

City of Torrance
Direct and Overlapping Debt
June 30, 2014
(in thousands of dollars)

Debt Capacity
Exhibit 3

City Assessed Valuation		<u>\$ 23,935,604</u>	
	Percentage Applicable ¹	Outstanding Debt 6/30/14	Estimated Share of Overlapping Debt
Overlapping Debt Repaid with Property Taxes:			
Los Angeles County Flood Control District	2.211%	\$ 17,458	\$ 386
Metropolitan Water District	1.148%	132,317	1,519
El Camino Community College District	29.284%	334,053	97,824
Los Angeles Community College District	0.003%	3,633,333	109
Los Angeles Unified School District	0.003%	10,600,000	318
Torrance Unified School District	99.997%	269,613	269,605
Los Angeles County Regional Park and Open Space Assessment District	2.202%	<u>113,624</u>	<u>2,502</u>
Total overlapping debt to be repaid with property taxes		<u>15,100,398</u>	<u>372,263</u>
Overlapping Other Debt:			
Los Angeles County General Fund Obligations	2.202%	\$ 1,659,037	\$ 36,532
Los Angeles County Superintendent of Schools Certificates of Participation	2.202%	9,537	210
Los Angeles County Sanitation District No.5 Authority	28.217%	35,542	10,029
Los Angeles County Sanitation South Bay Cities Authority	4.716%	6,064	286
Los Angeles Unified School District Certificates of Participation	0.003%	366,667	11
Torrance Unified School District General Fund Obligations	99.997%	<u>2,320</u>	<u>2,320</u>
Total overlapping other debt		<u>2,079,167</u>	<u>49,388</u>
Total overlapping debt		<u>\$ 17,179,565</u>	421,651
City direct debt:			
Certificates of Participation			58,040
Capital Lease			<u>239</u>
Total City direct debt			58,279
Total direct and overlapping debt			<u>\$ 479,930</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 Ten Fiscal Years
 (in thousands of dollars)

Debt Capacity
 Exhibit 4

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005 ¹
Debt limit	\$ 897,585	\$ 858,784	\$ 851,380	\$ 839,987	\$ 849,327	\$ 829,014	\$ 791,951	\$ 738,392	\$ 676,411	\$ 629,812
Total net debt applicable to limit	58,040	59,160	60,695	62,175	63,615	45,825	46,880	47,905	48,910	46,538
Legal debt margin	\$ 839,545	\$ 799,624	\$ 790,685	\$ 777,812	\$ 785,712	\$ 783,189	\$ 745,071	\$ 690,487	\$ 627,501	\$ 583,274
Total net debt applicable to the limit as a percentage of debt limit	6.5%	6.9%	7.1%	7.4%	7.5%	5.5%	5.9%	6.5%	7.2%	7.4%

Legal Debt Margin Calculation for Fiscal Year 2014:

Assessed value	\$ 23,935,604
Debt limit (3.75% of assessed value)	\$ 897,585
Debt applicable to limit	
General government Certificates of Participation	58,040
Legal debt margin	\$ 839,545

Notes:

¹ Net debt applicable to limit for 2005 has been restated to include Certificates of Participation reported on a Debt Service fund in the Major Fund classification

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 Ten Fiscal Years
(in thousands of dollars, except Coverage)

Fiscal Year Ended June 30	Water Revenue Bonds					Coverage
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2014 ¹	\$ 40,726	\$ 33,628	\$ 7,098	\$ 620	\$ 17	11.14
2013	36,156	31,375	4,781	570	44	7.79
2012 ²	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:

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

¹ The final Water Revenue Bonds debt service payment was made on March 1, 2014. There are no Water Revenue Bonds outstanding as of June 30, 2014.

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

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 Ten 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
2013	147,706	10,041,797	\$ 443,088,010	44,124	4.9%
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%

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 2013 data will be available in the spring of 2015.
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 Fiscal Year and Nine Years Ago Ending June 30

Demographic and Economic
Exhibit 2

Employer	2014			2005		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Toyota Motor Sales/Credit Corp.	3,653	1	4.7%	2,766	1	3.6%
American Honda	1,941	2	2.5%	1,650	2	2.1%
Honeywell International	1,443	3	1.9%	1,168	3	1.5%
Robinson Helicopter Co.	1,296	4	1.7%	1,039	5	1.3%
Hi Shear Corporation	1,161	5	1.5%	-	-	-
Alcoa Fastening Systems	971	6	1.2%	1,089	4	1.4%
Exxon Mobil Oil Corporation	617	7	0.8%	689	8	0.9%
Pelican Products, Inc.	532	8	0.7%	-	-	-
L-3 Communications Electron Tech, Inc.	499	9	0.6%	-	-	-
Phenomx Inc.	421	10	0.5%	-	-	-
Boeing Electron Dynamics Devices, Inc.	-	-	-	1,003	6	1.3%
Adecco North America, LLC	-	-	-	803	7	1.0%
Motor Car Parts & Accessories, Inc.	-	-	-	650	9	0.8%
Younger Manufacturing	-	-	-	476	10	0.6%

Notes:

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

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 Ten Fiscal Years

Operating
Exhibit 1

Function	Full-time and Part-time Employees as of June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	272	269	274	274	295	293	290	290	279	292
Public safety	522	507	504	513	515	531	526	531	525	508
Public works	148	148	145	141	145	154	145	139	141	140
Community services	445	454	444	465	500	476	489	470	463	511
Community development	62	61	59	65	71	69	72	71	73	75
Airport	9	10	10	10	9	5	4	5	5	5
Transit	128	139	123	125	124	128	133	127	131	133
Water	31	28	33	29	29	26	26	25	29	23
Sewer	20	20	16	16	15	15	17	16	21	21
Cultural Arts Center	47	44	45	48	46	52	54	52	46	50
Workforce Investment Network	-	-	-	-	-	-	-	28	34	43
Total	<u>1,684</u>	<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:

Source: City of Torrance Finance Department - Payroll Section

City of Torrance
Operating Indicators by Function
Last Nine Fiscal Years

Operating
Exhibit 2

Function	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police									
Arrests	4,546	4,480	5,424	5,538	6,294	6,772	6,097	7,181	7,075
Bookings	3,644	3,070	3,359	3,562	4,053	4,007	3,868	4,047	3,597
Parking violations	16,089	12,853	16,267	15,211	16,412	20,269	27,475	24,169	20,218
Traffic violations	12,831	16,837	16,913	14,820	18,157	15,695	15,743	17,179	19,786
Fire									
Number of calls answered	12,803	12,968	12,456	12,338	12,179	12,707	12,847	12,636	12,190
Inspections	7,264	9,493	8,977	8,862	8,322	9,137	8,028	8,572	8,162 ¹
Highways, streets and other transportation									
Potholes repaired	5,100	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	500
Number of fixed bus routes	11	10	8	8	8	8	8	8	8
Sanitation									
Refuse collected (tons/day)	144	148	182	194	213	224	219	233	250
Recyclables collected (tons/day)	48	50	51	53	55	64	64	65	60
Green Waste collected (tons/day)	63	67	31	22	18	12	8	—	—
Culture and recreation									
Number of registrants served	27,664	29,843	32,290	41,850	43,177	45,146	46,352	43,223	42,069
Registrant fees collected	\$2,919,262	\$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	48,162	42,403	42,495	46,898	40,153	53,665	50,035	53,012	56,635
Water									
New connections	32	48	46	19	23	63	99	19	22
Water main emergency repairs (breaks)	67	46	41	57	55	55	64	90	72
Average daily consumption (thousands of gallons)	19,000	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 nine years of data for this schedule.

¹ 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 Nine Fiscal Years

Operating
Exhibit 3

Function	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety									
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol Units	56	56	53	47	51	51	47	48	49
Motorcycles	16	16	16	16	19	19	19	19	19
Fire									
Stations	6	6	6	6	6	6	6	6	6
In-service fire control vehicles	17	17	18	17	17	17	17	15	15
In-service paramedic vehicles	8	8	8	8	7	8	8	8	6
Sanitation									
Collection trucks	35	34	37	35	36	32	33	38	32
Highways, streets and airport									
Streets (centerline miles)-arterial	67	67	67	67	67	67	67	67	67
Streets (centerline miles)-collector	29	29	29	29	29	29	29	29	29
Streets (centerline miles)-residential	242	242	242	242	242	242	242	242	242
Streets (centerline miles)-alleys	19	19	19	19	19	19	19	19	19
Traffic signals	130	130	125	120	116	116	116	116	116
Streetlights	10,877	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	341	339
Culture and recreation									
Parks acreage	279	279	279	279	279	278	278	278	280
Parks	33	33	33	33	33	32	32	32	32
Swimming pools	1	1	1	1	1	1	1	1	1
Tennis courts	11	11	11	11	11	11	11	11	11
Community centers	3	3	3	3	3	3	3	3	3
Public Libraries	6	6	6	6	6	6	6	6	6
Water									
Water mains (miles)	311	311	311	311	310	311	310	310	310
Fire hydrants	2,670	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	50,000
Sewer									
Sanitary sewers (miles)	287	287	287	287	287	287	287	287	287
Storm sewers (miles)	59	59	59	59	59	59	59	59	59

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

Sources: City of Torrance various Departments

