



# City of Torrance, California

## Comprehensive Annual

# Financial Report



Torrance City Hall

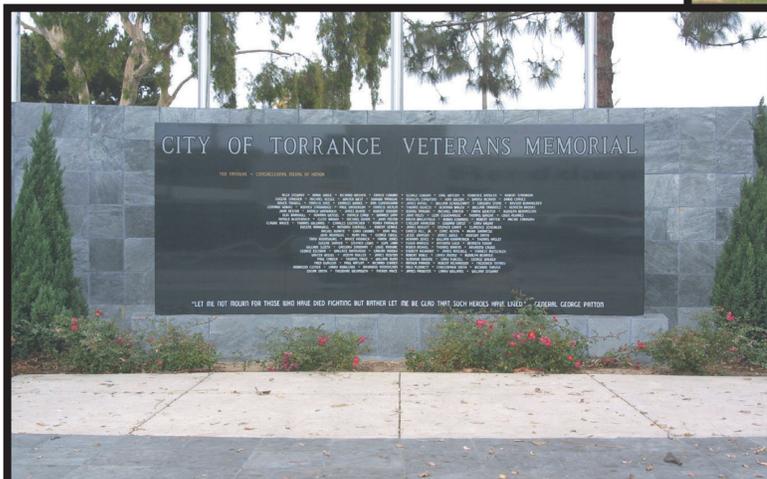


Twin Towers Flag - 43<sup>rd</sup> Armed Forces Day Parade

## Fiscal Year Ended June 30, 2009 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, 2009

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

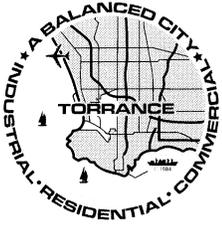


Torrance City Hall

## COMPREHENSIVE ANNUAL *Financial* REPORT

Fiscal Year Ended June 30, 2009

❖ INTRODUCTION ❖



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# CITY OF TORRANCE

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December 23, 2009

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

Via: LeRoy W. 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, 2009. The report reflects the fiscal plan of the City to provide a quality level of service to the community while providing for limited incremental funding of approved reserves, and meeting operating expenditures with operating revenues. The prudent fiscal management of the Mayor and City Council provides the citizens of Torrance with continued fiscal responsibility at the local level.

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

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

## REPORTING ENTITY

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

## **THE CITY**

The City of Torrance is Los Angeles County's sixth largest city, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City has a population of 149,111 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 2008-09, the City of Torrance continued to provide quality services and programs to its residents and citizens. \$303.3 million was budgeted to support the City's many services and programs and \$13.0 million was budgeted for capital projects for the year such as the Facilities, Equipment, Automation projects, infrastructure, and community improvements.

### **Completed Projects:**

*Infrastructure Projects:* The City completed the sewer rehabilitation program. This project analyzed the inspection of sewer lines completed in 2002 and implemented the methods necessary to maintain necessary flow capacity of existing lines. The water meter and vault replacement project was also completed this year. This project replaced large obsolete and deteriorated meters and vaults. The new meters utilized a touch read system which will reduced reading hazards and improve reading accuracy. Another project that was completed this year is the intersection capacity enhancement at 190<sup>th</sup> St., Anza Avenue and Inglewood Ave and the rehabilitation of Sepulveda Boulevard (Hawthorne Boulevard to West City limit). Improvements consisted of pavement reconstruction, replacement of displaced curbs, gutters and sidewalk, installation of communications conduits and traffic signal improvements. The addition of designated left-turn and right-turn lanes on Sepulveda Boulevard at the intersections of Hawthorne Boulevard, Anza Avenue and Palos Verdes Boulevard improved traffic circulations at these intersections.

*Facilities, Equipment, Automation Projects:* The following projects were completed this year: Airport noise monitoring system; construction of two executive airport hangars; the construction of a single story structure adjacent to the Police compound to protect and secure the City's mobile command post vehicle and other department's specialty vehicles needed for law enforcement operations; completion of the primary elements of the Lago Seco Park Master plan study; and the conversion of some large meters to Automated Meter Reading System and large water meter retrofit program was completed this year.

## **Economic Development:**

The City's Economic Development Team is working to promote business retention and expansion. Here are the highlights of the City's ***Economic Development*** in fiscal year 2008-09:

The City hosted its second "Torrance Advantage Awards" ceremony wherein the City honored and recognized businesses for their locally significant economic development strategies. Awards were given in four categories, focusing on businesses' investment in people, efforts on enriching the community, enhancing the quality of life, and long-term investment.

Torrance also joined the Recycling Market Development Zone program available through the Integrated Waste Management Board. This will give the City access to business loans and other economic stimulus options to assist businesses that use recycled materials in their operation.

"Discover Torrance", is also a project in progress. A group of individuals has been working towards better marketing the numerous assets that City has to others and to its own community members.

The City developed an internal Green Torrance Action team that explores ways to encourage residents and businesses to "go green." A key partnership with the Torrance Area Chamber of Commerce helped us develop greentorrance.com as a resource.

### *Construction Projects:*

A new Miyako Hotel was constructed on Western Boulevard. This hotel is a seven story building with 215 rooms.

Construction of a 42 unit senior condominium building was completed at 3970 Sepulveda Boulevard. Completed this year is the construction of 24 new warehouse/office buildings at the corner of Maple Avenue and Columbia Street. Exxon Mobil refinery commenced construction of their Electro Static Precipitator (ESP) project at the corner of 190<sup>th</sup> street and Crenshaw Boulevard. Also undergoing construction is a new retail building and car wash at the corner of 205<sup>th</sup> St. and Western Boulevard. A major developer also started construction for the conversion of an office building at Mariner Avenue into a self-storage building with accommodations for RV storage.

## **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 following remodel and upgrades were completed:

- First floor Katy Geissert Civic Center Library -installation of seismically safe shelving, new carpet, lighting, electrical upgrade, ADA modification of restrooms, redesign of interior spaces, new equipment and furnishings in both public and staff work areas.
- Community Meeting Room-Katy Geissert Civic Center Library-upgrade of audio visual capacity (sound and technology upgrade) as well as furnishings.
- Southeast and El Retiro Branch Libraries-refurbishment of interiors and upgrade of adjacent parking lots

The Library Division completed its third and final year of Online Live Homework Help, a California State grant program (real-time one-on-one homework assistance). Over 5,000 students logged on to the service.

The Library was also awarded \$20,000 in grant funds from the California State Library and the Friends of the Torrance Library to redesign and implement services for the Boomer aged adults. A LINK (Lifelong Information Networks and Knowledge) program was established to create enhanced programs such as health and fitness, travel expo, financial guidance etc. A Baby Boomer Health and Fitness Fair was held at Wilson Park on May 30<sup>th</sup>.

A Summer Reading program for children and teen reading program was also conducted during the year.

*Cultural:*

The Cultural Services Division produced Seven Brides for Seven Brothers, the 2008 Summer Musical. Torrance Theater Company also initiated a partnership with the Torrance Fire and Police Departments to kick off their annual toy drives at the opening performance of the show.

The Business Plan for the Cultural Services Division was also completed during the year.

*Recreational:*

The City's first Environmental Fair was hosted by the Madrona Nature Center on June 13<sup>th</sup> with 40 exhibits and over a thousand people attended.

The Youth Council successfully organized and implemented their 12<sup>th</sup> Annual Scholarship Award Dinner that recognizes and awards college scholarships to graduating Torrance area high school students.

The City celebrated its 29<sup>th</sup> Annual Fourth of July Celebration and over 25,000 participants attended the event.

In collaboration with the Salvation Army Torrance Corps, the City co-sponsored the 16<sup>th</sup> Annual Health and Resource Fair at which health screenings were provided to 750 individuals.

*Park Services:*

The City installed new playground at Victor Park and the Wilson Park Pond renovation project began this fiscal year.

**Others:**

*Transparent Government:*

The City Council appointed a panel of community members that will volunteer their time and effort to create an ethics plan. They will be the Ethics and Integrity Committee that will explore ethical guidelines. This affirms the Council's commitment to abide by the values and standards as stated in the Code and gives the residents a guide in holding their leaders accountable for serving the community responsibly, honestly and with integrity.

The City continued its Commissioner Certification Training Program which was developed to educate those interested in serving the community as a commissioner. Participants received a certificate that is valid for two years.

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

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

It took hard work and dedication of City Council, Commissioners and all City personnel, police officers, firefighters, field crews, and administrators and cooperation of residents and commitments of businesses in Torrance that made 2008-09 fiscal year accomplishments possible.

**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.

**INTERNAL CONTROLS**

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

likely to be realized; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **BUDGETARY CONTROLS**

The City is required by charter to adopt an annual budget. The City's annual appropriated budget is established and controlled at the individual organization level (department). The budget is monitored at a more detailed level (program) that closely track costs at service levels. The departmental Director is held accountable for meeting the objectives within each of his or her programs and in monitoring the use of budget allocations to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The City also maintains an encumbrance accounting system as one technique in accomplishing budgetary control. All operating appropriations lapse at year-end to the extent they have not been expended or encumbered. Capital project appropriations lapse when individual projects are closed.

### **INDEPENDENT AUDIT**

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

### **AWARDS**

The staff of the 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, 2008. The City has received this award every year since 1987.

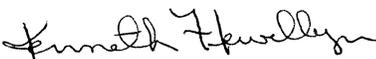
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal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

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

**OTHERS**

The City recommends that the Management Discussion and Analysis section be read to obtain an understanding of the City's financial condition as of June 30, 2009. This section also provides an overview of the City's financial activities of year end.

Respectfully submitted,

  
for Eric E. Tsao  
Finance Director

# CITY OF TORRANCE DIRECTORY OF CITY OFFICIALS

June 30, 2009

## CITY COUNCIL

Frank Scotto, Mayor

Gene Barnett  
Tom Brewer  
Pat Furey

Cliff Numark  
Susan M. Rhilinger  
Bill Sutherland

## CITY CLERK

Sue Herbers

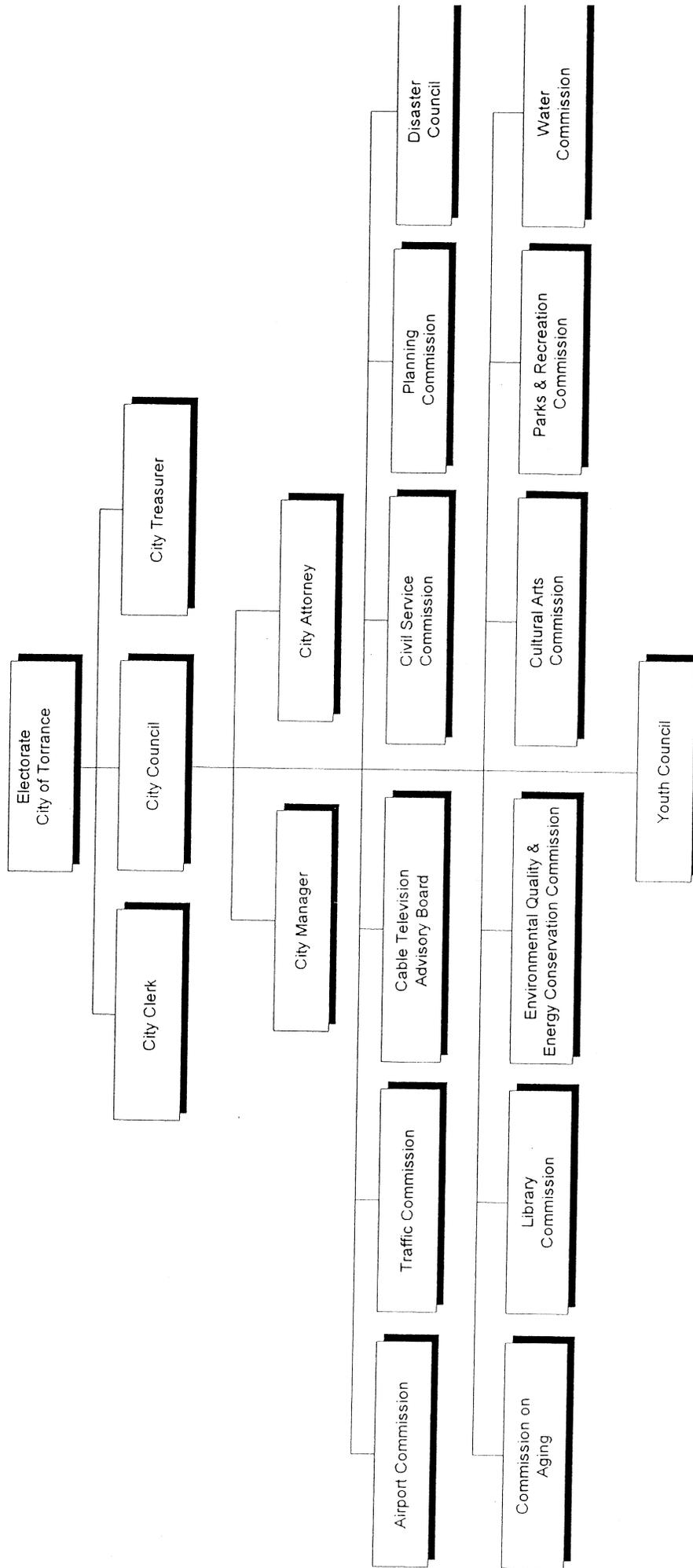
## CITY TREASURER

Linda M. Barnett

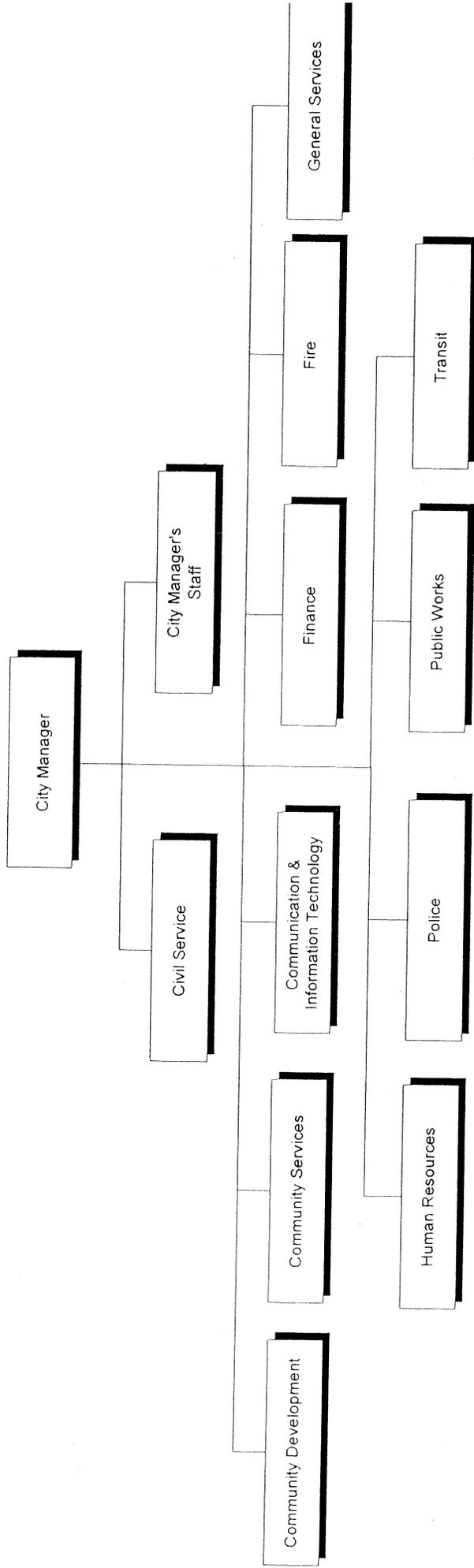
## ADMINISTRATION

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

# ELECTED AND APPOINTED OFFICIALS



# CITY DEPARTMENTS



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Torrance  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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



President

Executive Director

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# City OF Torrance



## COMPREHENSIVE ANNUAL *Financial* REPORT

Fiscal Year Ended June 30, 2009

❖ FINANCIAL SECTION ❖



**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

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The Honorable City Council  
City of Torrance, California

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California ("City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Torrance. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, of the City of Torrance, and the respective budgetary comparison information for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Honorable City Council  
City of Torrance  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayor Hoffman McLean, C.*

Irvine, California  
December 23, 2009

# City OF Torrance



Council Chamber

Management  
Discussion & Analysis

## Management Discussion & Analysis

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The discussion and analysis of the City of Torrance financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. 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, 2009.

### **FINANCIAL HIGHLIGHTS**

- The City's total assets (all funds) exceeded its liabilities at the close of fiscal year 2008-09 by \$424.1 million dollars (net assets). This is a 0.7 % or \$3.0 million dollars decrease from last fiscal year net assets of \$427.1 million primarily due to decreases in major revenues such as sales taxes, utility user's taxes and occupancy taxes. As prescribed by generally accepted accounting standards, the net assets reported here does not include the City's unfunded actuarial pension liability, which is disclosed in the notes to the financial statements (see Note 7).
- During the year, the City's expenditures and transfers exceeded revenues for governmental activities by \$0.8 million.
- In the City's business-type activities, expenditures exceeded revenues and transfers by \$2.8 million.
- The General Fund reported an excess of revenues over expenditures before transfers of \$9.5 million and with a net transfers out of \$12.6 million, resulting in decrease to its fund balance of \$3.1 million during the year.
- The City kept General Fund expenditures within spending limits and actual General Fund expenditures on a budgetary basis were \$8.8 million less than budget. The General Fund revenues were \$7.5 million less than budgetary basis which was attributable to decrease in sales tax, utility user's tax and occupancy taxes.

### **USING THIS ANNUAL REPORT**

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

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

## **Reporting the City as a Whole**

### **The Statement of Net Assets and the Statement of Activities**

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

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

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

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

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

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

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

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

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

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

## The City as Trustee

### Reporting the City's Fiduciary responsibilities

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** The City's net assets for fiscal year 2008-09 compared to 2007-08 are shown in Table 1:

**Table 1**  
**Net Assets**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$186.1	\$194.1	\$41.7	\$45.4	\$227.8	\$239.5
Capital assets	262.3	257.5	125.1	125.4	387.4	382.9
<b>Total assets</b>	<b>448.4</b>	<b>451.6</b>	<b>166.8</b>	<b>170.8</b>	<b>615.2</b>	<b>622.4</b>
Long-term debt	(144.1)	(136.6)	(2.7)	(3.2)	(146.8)	(139.8)
Other liabilities	(36.1)	(46.6)	(8.2)	(8.9)	(44.3)	(55.5)
<b>Total liabilities</b>	<b>(180.2)</b>	<b>(183.2)</b>	<b>(10.9)</b>	<b>(12.1)</b>	<b>(191.1)</b>	<b>(195.3)</b>
Net assets						
Invested in capital assets, net of related debt	216.5	210.6	122.4	122.1	338.9	332.7
Restricted	70.5	70.8	0.6	0.6	71.1	71.4
Unrestricted	(18.8)	(13.0)	32.9	36.0	14.1	23.0
<b>Total net assets</b>	<b>\$268.2</b>	<b>\$268.4</b>	<b>\$155.9</b>	<b>\$158.7</b>	<b>\$424.1</b>	<b>\$427.1</b>

Net assets of the City's governmental activities amounted to \$268.2 million. Of the \$268.2 million, \$216.5 is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$70.5 million is restricted for streets & highways, infrastructure, capital projects, community development, public safety and to pay debt service and (\$18.8) million is unrestricted. The net assets of the City's governmental activities decreased by \$0.2 million (\$268.2 million compared to \$268.4 million in 2007-08). The decrease of fund balance is primarily due to the decrease in major revenues such as sales tax, utility user's and occupancy taxes.

Net assets of the City's business-type activities amounted to \$155.9 million. \$122.4 million is invested in capital assets; \$0.6 million is restricted to pay debt service and \$32.9 million is unrestricted. The net assets of the City's business-type activities decreased by \$2.8 million (\$155.9 million compared to \$158.7 million in 2007-08). The primary reason for the decrease in fund balance is the increase in operating expenses in Water and Sewer Funds.

**Changes in net assets.** The City's total revenues are \$262.5 million and total costs of all programs and services are \$266.2 million with a prior period adjustment of \$0.7 million amounted to a change in net assets of \$3.7 million during the year (See Table 2).

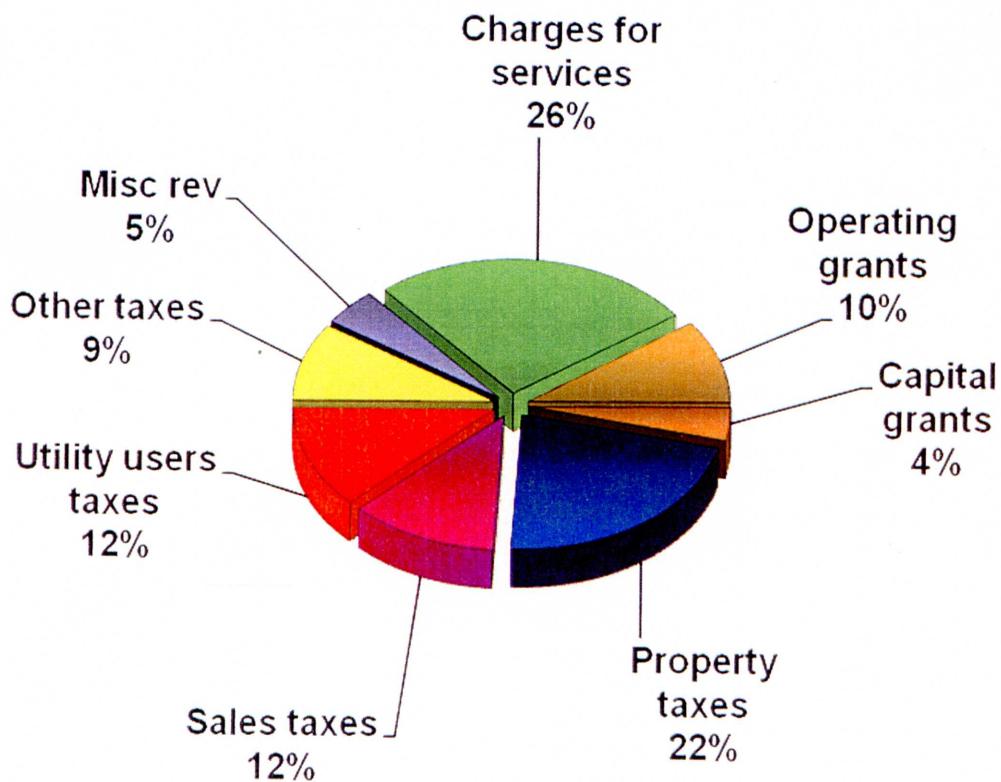
**Table 2**  
**Change in Net Assets**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues:						
Charges for services	\$11.1	\$12.3	\$56.8	\$56.8	\$67.9	\$69.1
Operating grants/contr	10.7	12.2	15.8	15.9	26.5	28.1
Capital grants/contr	9.6	7.5	0.6	1.0	10.2	8.5
General revenues:						
Property taxes	57.8	55.6	-	-	57.8	55.6
Sales taxes	31.1	31.5	-	-	31.1	31.5
Other taxes	56.7	62.9	-	-	56.7	62.9
Investment earnings	6.4	6.3	1.4	0.6	7.8	6.9
Motor vehicle tax (unrestricted)	0.5	0.6	-	-	0.5	0.6
Miscellaneous	4.0	3.7	-	-	4.0	3.7
<b>Total revenues</b>	<b>187.9</b>	<b>192.6</b>	<b>74.6</b>	<b>74.3</b>	<b>262.5</b>	<b>266.9</b>
<b>Expenses</b>						
General government	39.6	41.4	-	-	39.6	41.4
Public safety	90.0	88.3	-	-	90.0	88.3
Public works	23.6	20.2	-	-	23.6	20.2
Culture and recreation	12.1	14.6	-	-	12.1	14.6
Community development	10.1	8.6	-	-	10.1	8.6
Interest on long term debt	5.7	5.0	-	-	5.7	5.0
Airport	-	-	5.6	5.2	5.6	5.2
Transit	-	-	21.3	21.0	21.3	21.0
Water	-	-	25.7	23.3	25.7	23.3
Sewer	-	-	2.4	2.0	2.4	2.0
Sanitation	-	-	11.0	11.0	11.0	11.0
Cultural Arts	-	-	2.1	2.0	2.1	2.0
Parks and Recreation	-	-	7.5	7.4	7.5	7.4
Emergency Medical Services	-	-	9.5	8.0	9.5	8.0
<b>Total expenses</b>	<b>181.1</b>	<b>178.1</b>	<b>85.1</b>	<b>79.9</b>	<b>266.2</b>	<b>258.0</b>
Excess of revenues over exp before transfers	6.8	14.5	(10.5)	(5.6)	(3.7)	8.9
Transfers	(7.7)	(5.5)	7.7	5.5	-	-
<b>Increase (decrease) in net assets</b>	<b>(\$0.9)</b>	<b>\$9.0</b>	<b>(\$2.8)</b>	<b>(\$0.1)</b>	<b>(\$3.7)</b>	<b>\$8.9</b>
Net Assets-beginning	268.4	259.4	158.7	159.8	427.1	419.2
Prior period adjustment	0.7	-	-	(1.0)	0.7	(1.0)
<b>Net Assets-ending</b>	<b>\$268.2</b>	<b>\$268.4</b>	<b>\$155.9</b>	<b>\$158.7</b>	<b>\$424.1</b>	<b>\$427.1</b>

The City's total revenues of \$262.5 million were derived from the following: Twenty six percent of the program revenues is derived from fees charged for services; twelve percent from utility users tax, nine percent from other taxes such as construction tax, occupancy tax, business license tax and franchise tax; twelve percent come from sales taxes; twenty two percent come from property taxes; ten percent from operating grants; four percent from capital grants and five percent from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues decreased by \$4.4 million primarily due to decrease in sales tax, utility user's and occupancy taxes.

**Figure A-1**  
**Sources of Revenues for Fiscal Year 2009**



The total costs of all programs and services are \$266.2 million. Thirty four percent of functional expenses are related to public safety; fourteen percent relates to general government; nine percent to public works; five percent to culture and recreation; four percent to community development; two percent to interest on debt and thirty two percent to business-type activities (See Figure A-2). The total cost of the City's programs and services increase by \$8.2 million.

**Figure A-2**  
**Functional Expenses for Fiscal Year 2009**

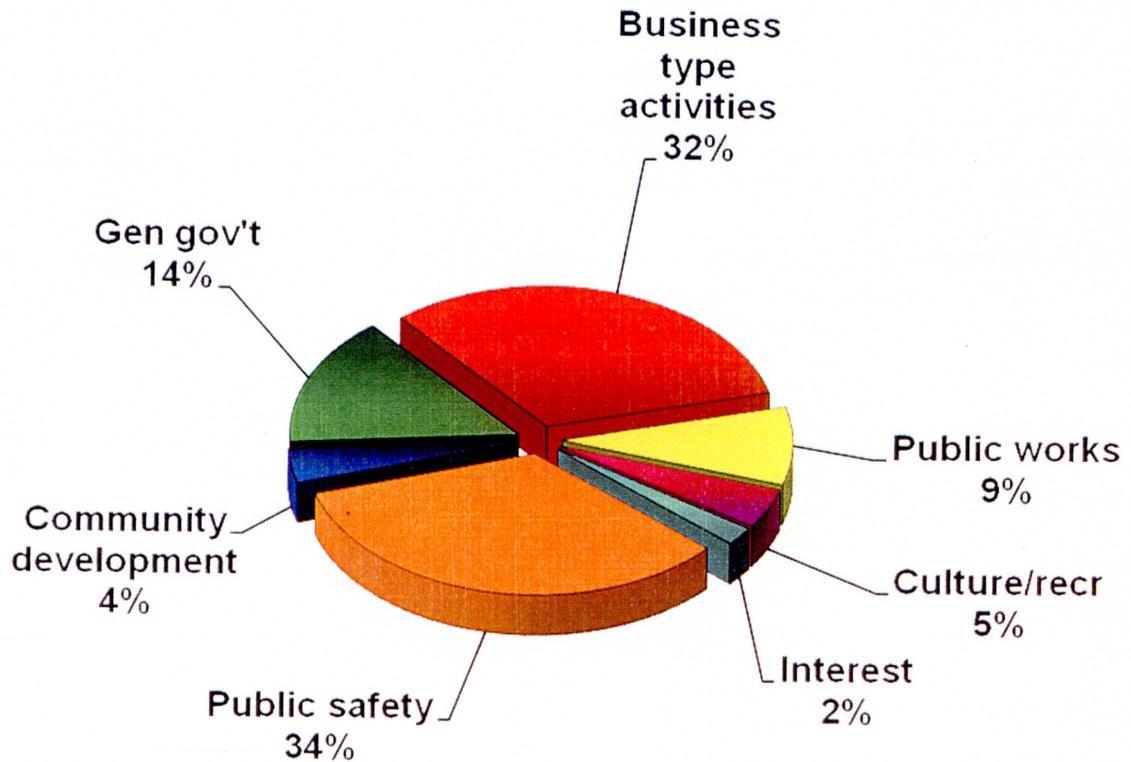


Table 2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

### Governmental Activities

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

Revenues for the City's governmental activities decrease by 2.4 percent or \$4.7 million. This was primarily due to a decrease in sales tax, utility user's and occupancy taxes.

The total expenses of the governmental activities increase by 1.7 percent or \$3.0 million. The increase was primarily due to the increase in expenditures related to public safety, public works and community development.

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

The cost of all governmental activities this year was \$181.1 million. \$149.6 million of these activities were paid through City taxes, sales taxes, investment earnings and other miscellaneous fees; \$11.2 million was paid by those who directly benefited from the programs and \$20.3 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	
	2009	2008	2009	2008
General government	\$39.6	\$41.4	\$27.6	\$28.6
Public safety *	90.0	88.3	84.1	81.3
Public works	23.6	20.2	10.8	9.1
Culture and recreation	12.1	14.6	11.3	13.5
Community development	10.1	8.6	10.1	8.6
Others	5.7	5.0	5.7	5.0
<b>Total</b>	<b>\$181.1</b>	<b>\$178.1</b>	<b>\$149.6</b>	<b>\$146.1</b>

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

## **Business-type activities**

Revenues of the City's business-type activities amounts to \$74.6 million and expenses are \$85.1 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues increased by \$0.3 million (\$74.6 million compared to \$74.3 million in 2007-08). This slight increase in revenues is primarily due to the increase in operating revenues of the airport and transit funds. The excess of expenses over revenues before transfers is \$10.5 million and with a net transfer in of \$7.7 million, the business-type activities had a decrease of \$2.8 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 \$118.7 million.

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

The decrease in General fund balance is \$3.1 million this year which was primarily due to a decrease in sales tax, utility user's and occupancy taxes. The General Fund excess of revenues over expenditures during the year was \$9.5 million and a net transfer and financing sources of (\$12.6) million.

The Industrial Redevelopment Debt Service Fund reported a decrease in fund balance of \$0.2 million. The slight decrease was primarily due to the increase in the bond interest and principal payment for the year.

The Capital Improvement Fund reported a decrease of \$2.2 million in fund balance. The decrease was due primarily to the increase in capital project expenditures during the year.

### **Proprietary funds:**

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

The Transit Fund has a decrease in fund equity of \$0.7 million this year. This was due to the increase in operating expenses and decrease in capital grants this year.

The Water Fund decreased its fund equity by \$1.8 million this year. This was primarily due to the increase in operating expenses this year.

The Sewer Fund decreased its fund equity by \$0.2 million this year. This decrease is primarily due to the increase in capital expenses this year.

### **General Fund Budgetary Highlights**

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

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

There are no program modification during the first quarter but have two capital project modifications.

The First Quarter Capital Project modifications included the following:

- Approval to transfer unclaimed funds in the amount of \$51,679 from the Trust and Agency Fund to support the expansion of the Community Affairs Division at the Police Department.
- City Council approved the appropriation of \$50,500 from the General Fund carryover to fully fund the refurbishment of the Torrance Park Restroom

The Mid-Year program modification included the following:

- Appropriation of \$275,000 from the Housing Authority's fund balance to cover the increased costs in rental assistance payments for the remainder of the fiscal year.

The Mid-Year capital project modifications included the following:

- Appropriation of \$50,000 from the Public, Educational, and Government Access fund balance for Web 2.0 development and implementation, Phase III Citywide Web Redesign Project.
- Appropriation of \$270,000 from the Water Enterprise fund balance for the conversion of small meters to automated meter reading system and small meter retrofit program.

Although the City amended its expenditure budget, actual expenditures were \$8.8 million below the final adopted budget amounts due to salary savings caused by vacancies in various departments and savings from materials, supplies and services during the year.

Resources available for appropriation were \$7.5 million less than the final adopted budgeted amount. The decrease of actual revenues over budget was due primarily to a decrease in sales tax, utility user's and occupancy taxes.

The City's General Fund balance of \$58.7 million differs from the General Fund's budgetary fund balance of \$56.2 million reported in the budgetary comparison schedule. The difference in the two fund balances is because budgetary fund balance includes \$2.5 million of encumbrances reported as expenditures for budgetary purposes.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2009 amounts to \$387.4 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	
	2009	2008	2009	2008	2009	2008
Land	\$46.4	\$45.6	\$6.9	\$5.5	\$53.3	\$51.1
Right of Way	19.3	19.3	-	-	19.3	19.3
Buildings and improvements	39.5	38.6	5.9	6.3	45.4	44.9
Equipment	14.1	12.1	6.5	7.7	20.6	19.8
Infrastructure	133.8	137.8	97.1	93.5	230.9	231.3
Construction in progress	9.2	4.1	8.7	12.4	17.9	16.5
<b>Total</b>	<b>\$262.3</b>	<b>\$257.5</b>	<b>\$125.1</b>	<b>\$125.4</b>	<b>\$387.4</b>	<b>\$382.9</b>

The total capital assets in the governmental activities increased by \$4.8 million (\$262.3 million compared to \$257.5 million in 2007-08) and the business activities decreased by \$0.3 million (\$125.1 million to \$125.4 million in 2007-08). The capital assets are categorized by networks and subsystems in Note 3 of the notes to the basic financial statement. More detail information about the City's capital assets and its activities during the year is also shown in Note 3.

The City's fiscal year 2009-10 adopted capital project budget is \$3.7 million. The major capital projects for next fiscal year includes: Residential Curb/Gutter Sidewalk Replacement, Residential Street Rehabilitation and the Residential Slurry Seal Program.

The primary sources of funding for the 2009-10 capital projects are: General Fund, Gas Tax and Proposition 42 Traffic Congestion Relief Fund.

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

**Long-term debt.**

At the end of the fiscal year, the City had total bonded debt outstanding of \$100.7 million as shown in Table 5. More detailed information about the City's long-term liabilities is presented in Notes 5 and 6 of the notes to the basic financial statement.

The City of Torrance Public Financing Authority (Police and Fire) 1998 Refunding Certificates of Participation bonds and the 2004A and 2004B Refunding Certificates of Participation received an A1 rating from Moody's and an AA rating from Standards & Poor's. The Redevelopment Agency received bond ratings from Moody's of Baa2 and Standard and Poor's BBB for the Downtown Bond and Moody's of Baa1 and Standard and Poor's A- for the Industrial Bond.

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 \$783.2 million which is in excess of the City's outstanding debt.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Revenue bonds and notes (backed by specific tax and fee revenues)	\$98.0	\$98.9	\$2.7	\$3.2	\$100.7	\$102.1

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

### ***Key Highlights of the 2009-11 Budget:***

The City Council adopted in June 2009, a balanced budget for the 2009-10 which is the first year of the two year 2009-11 operating budget. The key highlights of the 2009-10 budget are:

- The operating budget remains balanced for the 2009-10 and 2010-11 fiscal years
- The two-year budget eliminates a \$5.7 million General Fund projected structural deficit in the 2009-10 fiscal year.
- The General Fund budget has been re-balanced through:
  - Reductions in operating expenses of \$4.2 million, inclusive of \$1.0 million in internal adjustments, \$1.5 million from safety departments, and \$1.7 million from other General Fund departments.
  - An increase in the cost recovery of user fees by \$868,000;
  - Maintaining General Fund support of the Parks and Recreation Enterprise Fund at \$3.75 million and the City's Cultural Arts Center subsidy at \$1.15 million.
- Wage adjustment reserves have been reduced starting in the 2009-10 fiscal year and provides very limited reserves in the out years of the five year plan beginning 2011-12.
- The City has an investment grade "A" bond rating due to the City Council's fiscally conservative approach.

### ***The Economy:***

The worldwide economic downturn is challenging all cities, as well as many if not all States' budgets. The California state budget crisis has exceeded \$26 billion and is likely to climb over the next several years if no action is taken by the State legislators.

The worldwide recession directly impacts the City budget shortfall in terms of lower tax revenues and large investment losses of pension assets.

### ***Budgetary Concerns:***

State Budget Impact on Torrance:

The State has a budget shortfall of \$26 billion. The State made budget cuts of \$24 billion leaving \$2 billion to be resolved. Included in the borrowing portion of the Governor's proposal is the suspension of Prop 1A (measure approved in 2004) and the borrowing of almost \$2 billion in property taxes received by cities, counties and special districts.

The City's share based on 8% of the 2008-09 property tax revenues would be approximately \$4 million. The monies are required to be paid back by the State within 3 years. The State is attempting to take \$2.05 billion of local redevelopment funds to help

balance their budget. The constitutionality of taking redevelopment funds is currently under litigation. The City of Torrance could potentially lose \$2.6 million.

The State budget process is far from over and staff will closely monitor the process for potential impact to the City.

**State Retirement (PERS) Rate Hike:**

The California Public Retirement System (PERS) has sustained losses of 5.1% for the fiscal year ending 2008 and is projected to have losses in the range of 26% for the fiscal year ending 2009 (based on the latest published rate of return dated March 2009).

PERS policies allow for losses to be spread over a number of years; however, the impact to the City at this range may increase the costs up to \$3.4 million.

***Fee Adjustments-Cost Recovery:***

Many City departments provide user fee services to the community. User fees are charged to recover costs for specific services such as building permits, dog licenses and recreational program fees.

City-wide user fee studies are conducted to update the City's fee schedule to prevailing market rates. The 2003 user fee study has a cost recovery rate of 61%. The current 2009 user fee study resulted in a cost recovery of 81%, reducing the cost to the General Fund.

As adopted, fee revenues have been increased by \$868,000 annually.

***Department Revisions:***

Departments were asked to submit 2% and 4% reduction scenarios for consideration. Most departmental submissions were accepted within the 2% reduction range.

General Fund: The City's General Fund expenditures were reduced by \$4.2 million, which consisted of 20.5 position reductions (\$1.9 million) and reductions in non-wage areas (\$2.3 million).

Enterprise Funds: The City's Enterprise Fund expenditures were reduced by \$142,500 which consisted of \$89,900 in labor cost reductions and \$52,600 in non-wage areas.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

# City OF Torrance



City of Torrance Veteran's Memorial

# Basic Financial Statements

Basic Financial  
Statements

# City OF Torrance



Torrance Police Station

## Government - Wide Financial Statements

❖ DEPARTMENT OF FINANCE ❖

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Net Assets  
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Pooled cash and investments (note 2)	\$ 162,057,658	\$ 28,337,468	\$ 190,395,126
Cash and cash equivalents with fiscal agents (note 2)	8,645,051	—	8,645,051
Accounts receivable	6,337,636	5,937,954	12,275,590
Accrued interest receivable	1,869,649	282,954	2,152,603
Due from other governments (note 14)	3,983,313	5,026,556	9,009,869
Notes receivable (note 4)	89,055	—	89,055
Inventories, at cost	1,032,757	1,525,024	2,557,781
Prepays and other assets	965,612	16,296	981,908
Other	2,695	—	2,695
Restricted cash and investments (note 2)	1,157,861	592,214	1,750,075
Capital assets (note 3):			
Land	46,364,658	6,940,713	53,305,371
Right of way	19,344,662	—	19,344,662
Construction in progress	9,216,019	8,695,511	17,911,530
Infrastructure, net of accumulated depreciation	133,806,551	97,023,255	230,829,806
Building and improvements, net of accumulated depreciation	39,486,019	5,910,710	45,396,729
Equipment, net of accumulated depreciation	14,108,081	6,505,690	20,613,771
Total Assets	<u>448,467,277</u>	<u>166,794,345</u>	<u>615,261,622</u>
<b>Liabilities</b>			
Accounts payable	4,630,075	5,167,312	9,797,387
Accounts payable-contract retention	528,814	17,215	546,029
Accrued liabilities	2,336,793	2,274,147	4,610,940
Due to other governments	860,996	—	860,996
Internal balances	1,573,460	(1,573,460)	—
Notes payable (note 5)	25,000,000	—	25,000,000
Unearned revenue (note 15)	49,100	2,245,178	2,294,278
Deposits and guarantees	272,809	—	272,809
Construction advances	—	19,066	19,066
Interest payable	822,207	40,975	863,182
Long term liabilities-portion due or payable within one year (notes 6, 7 and 13)	21,275,825	500,000	21,775,825
Long term liabilities-portion due or payable after one year (notes 6, 7 and 13)	122,872,595	2,245,000	125,117,595
Total Liabilities	<u>180,222,674</u>	<u>10,935,433</u>	<u>191,158,107</u>
<b>Net Assets</b>	268,244,603	155,858,912	424,103,515
Invested in capital assets, net of related debt	216,500,990	122,330,879	338,831,869
Restricted for:			
Streets & highways	15,721,820	—	15,721,820
Infrastructure	10,180,323	—	10,180,323
Capital projects	30,160,945	—	30,160,945
Community development	5,250,536	—	5,250,536
Public safety	3,946,635	—	3,946,635
Debt service	5,317,891	592,214	5,910,105
Unrestricted	(18,834,537)	32,935,819	14,101,282
Total Net Assets	<u>\$ 268,244,603</u>	<u>\$ 155,858,912</u>	<u>\$ 424,103,515</u>

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Activities and Changes in Net Assets  
Year ended June 30, 2009

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 39,594,247	\$ 4,707,370	\$ 7,287,184	\$ —
Public safety	89,966,460	5,128,979	736,390	—
Public works	23,616,561	561,244	2,622,843	9,612,751
Culture and recreation	12,114,913	746,328	62,001	—
Community development	10,086,350	—	—	—
Interest on long term debt	5,707,559	—	—	—
<b>Total Governmental Activities</b>	<b>181,086,090</b>	<b>11,143,921</b>	<b>10,708,418</b>	<b>9,612,751</b>
<b>Business-Type Activities:</b>				
Airport	5,629,659	10,895,605	—	—
Transit	21,265,544	3,157,539	15,584,288	560,242
Water	25,661,752	23,561,597	—	42,918
Sewer	2,439,126	1,842,702	—	—
Sanitation	10,988,601	11,177,911	118,179	—
Cultural arts	2,110,378	898,257	109,440	—
Parks and recreation	7,528,706	4,154,056	—	—
Emergency medical service	9,527,920	1,120,451	—	—
<b>Total Business-Type Activities</b>	<b>85,151,686</b>	<b>56,808,118</b>	<b>15,811,907</b>	<b>603,160</b>
<b>Total Primary Government</b>	<b>\$ 266,237,776</b>	<b>\$ 67,952,039</b>	<b>\$ 26,520,325</b>	<b>\$ 10,215,911</b>

**General Revenues:**

Taxes:

Property taxes

Sales taxes

Utility users taxes

Occupancy taxes

Business license taxes

Construction, real property, cogeneration, permits and misc. taxes

Investment earnings

Motor vehicle tax (unrestricted)

Miscellaneous

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net Assets-beginning, as restated (note 17)**

**Net Assets-ending**

See accompanying notes to the basic financial statements.

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (27,599,693)	\$ —	\$ (27,599,693)
(84,101,091)	—	(84,101,091)
(10,819,723)	—	(10,819,723)
(11,306,584)	—	(11,306,584)
(10,086,350)	—	(10,086,350)
(5,707,559)	—	(5,707,559)
(149,621,000)	—	(149,621,000)
—	5,265,946	5,265,946
—	(1,963,475)	(1,963,475)
—	(2,057,237)	(2,057,237)
—	(596,424)	(596,424)
—	307,489	307,489
—	(1,102,681)	(1,102,681)
—	(3,374,650)	(3,374,650)
—	(8,407,469)	(8,407,469)
—	(11,928,501)	(11,928,501)
(149,621,000)	(11,928,501)	(161,549,501)
57,815,413	—	57,815,413
31,056,548	—	31,056,548
32,654,137	—	32,654,137
6,903,988	—	6,903,988
7,556,259	—	7,556,259
9,550,866	—	9,550,866
6,446,518	1,350,607	7,797,125
506,317	—	506,317
4,023,587	—	4,023,587
(7,734,283)	7,734,283	—
148,779,350	9,084,890	157,864,240
(841,650)	(2,843,611)	(3,685,261)
269,086,253	158,702,523	427,788,776
\$ 268,244,603	\$ 155,858,912	\$ 424,103,515

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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, 2009

<b>Assets</b>	<b>General Fund</b>	<b>Industrial Redevelopment Debt Service Fund</b>	<b>Capital Improvement Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Pooled cash and investments (note 2)	\$ 63,662,006	\$ 1,310,617	\$ 27,109,542	\$ 40,394,979	\$ 132,477,144
Cash and cash equivalents with fiscal agents (note 2)	—	2,338,607	—	6,306,444	8,645,051
Accounts receivable	4,726,853	—	—	1,566,164	6,293,017
Accrued interest receivable	1,339,175	—	—	375,313	1,714,488
Due from other funds (note 11)	401,902	—	—	—	401,902
Due from other governments (note 14)	3,066,926	111,500	—	804,887	3,983,313
Interfund advances receivable (note 11)	14,858,555	—	—	600,000	15,458,555
Notes receivable (note 4)	—	—	—	89,055	89,055
Other assets	—	—	—	2,695	2,695
Prepays	290,745	—	—	—	290,745
Restricted cash and investments (note 2)	—	—	—	1,157,861	1,157,861
<b>Total Assets</b>	<b>\$ 88,346,162</b>	<b>\$ 3,760,724</b>	<b>\$ 27,109,542</b>	<b>\$ 51,297,398</b>	<b>\$ 170,513,826</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,955,685	\$ —	\$ —	\$ 1,745,599	\$ 3,701,284
Accounts payable-contract retention	—	—	399,217	129,597	528,814
Accrued liabilities	1,968,655	—	—	—	1,968,655
Due to other funds (note 11)	137	—	—	401,765	401,902
Interfund advances payable (note 11)	600,000	16,845,416	—	1,586,599	19,032,015
Due to other governments	—	860,996	—	—	860,996
Notes payable (note 5)	25,000,000	—	—	—	25,000,000
Unearned revenue (note 15)	49,100	—	—	—	49,100
Deposits and guarantees	24,225	—	248,584	—	272,809
<b>Total Liabilities</b>	<b>29,597,802</b>	<b>17,706,412</b>	<b>647,801</b>	<b>3,863,560</b>	<b>51,815,575</b>
<b>Fund Balances (deficit):</b>					
<b>Reserved for:</b>					
Advances	14,858,555	—	—	600,000	15,458,555
Encumbrances	2,582,014	—	—	—	2,582,014
Capital improvements	—	—	—	2,389,181	2,389,181
Notes receivable	—	—	—	89,055	89,055
Prepays	290,745	—	—	—	290,745
Repayment of debt	—	—	—	5,317,891	5,317,891
<b>Unreserved:</b>					
<b>General Fund:</b>					
Designated for capital outlay	8,421,819	—	—	—	8,421,819
Undesignated	32,595,227	—	—	—	32,595,227
<b>Reported in:</b>					
Special Revenue Funds	—	—	—	28,800,878	28,800,878
Capital Project Funds	—	—	26,461,741	10,236,833	36,698,574
Debt Service Fund	—	(13,945,688)	—	—	(13,945,688)
<b>Total Fund Balances (deficit)</b>	<b>58,748,360</b>	<b>(13,945,688)</b>	<b>26,461,741</b>	<b>47,433,838</b>	<b>118,698,251</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 88,346,162</b>	<b>\$ 3,760,724</b>	<b>\$ 27,109,542</b>	<b>\$ 51,297,398</b>	<b>\$ 170,513,826</b>

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Assets  
 June 30, 2009

Total fund balances for governmental funds \$ 118,698,251

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

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

Land	\$ 46,364,658	
Right of Way	19,344,662	
Construction in Progress	9,216,019	
Infrastructure net of \$127,447,079 accumulated depreciation	133,806,551	
Buildings and fixtures, net of \$37,125,243 accumulated depreciation	39,486,019	
Machinery and equipment, net of \$23,164,886 accumulated depreciation	<u>14,108,081</u>	
		262,325,990

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 internal service funds)	(14,992,404)	
City of Torrance Improvements Corporation refunding certificates of participation	(45,825,000)	
Torrance Redevelopment Agency bonds payable	(33,366,798)	
Advances due to developers	(1,678,518)	
Advances due to County	<u>(17,097,859)</u>	
		(112,960,579)

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

Accrued interest payable on bonded debt	<u>(822,207)</u>	
		(822,207)

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

1,003,148

**Net Assets of Governmental Activities**

\$ 268,244,603

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
Governmental Funds  
Year ended June 30, 2009

	<u>General Fund</u>	<u>Industrial Redevelopment Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 132,711,199	\$ 8,814,878	\$ —	\$ 4,188,106	\$ 145,714,183
Licenses, fees and permits	1,426,031	—	—	—	1,426,031
Fines, forfeitures and penalties	1,215,049	—	—	563,815	1,778,864
Use of money and property	8,137,533	62,936	—	6,809,044	15,009,513
Intergovernmental	868,407	—	—	14,578,499	15,446,906
Charges for current services	6,090,239	—	—	—	6,090,239
Other revenues	1,223,084	51,869	256,502	917,225	2,448,680
Total revenues	<u>151,671,542</u>	<u>8,929,683</u>	<u>256,502</u>	<u>27,056,689</u>	<u>187,914,416</u>
Expenditures:					
Current expenditures:					
General government	22,866,006	—	—	2,370,688	25,236,694
Nondepartmental	5,258,458	—	—	—	5,258,458
Public safety	89,435,216	—	—	—	89,435,216
Public works	10,686,994	—	—	6,998,275	17,685,269
Community development	—	—	—	6,573,494	6,573,494
Culture and recreation	13,896,096	—	—	116,654	14,012,750
Capital outlays	—	—	6,804,808	5,539,361	12,344,169
Debt service:					
Principal retirement (note 7)	—	920,000	—	1,497,360	2,417,360
Interest and fiscal charges	—	2,255,278	—	3,631,634	5,886,912
Other	—	2,312,500	—	1,146,415	3,458,915
Total expenditures	<u>142,142,770</u>	<u>5,487,778</u>	<u>6,804,808</u>	<u>27,873,881</u>	<u>182,309,237</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,528,772</u>	<u>3,441,905</u>	<u>(6,548,306)</u>	<u>(817,192)</u>	<u>5,605,179</u>
Other financing sources (uses):					
Transfers in (note 12)	9,899,852	—	5,057,267	3,505,638	18,462,757
Transfers out (note 12)	(22,859,594)	(3,647,124)	(664,211)	(2,916,351)	(30,087,280)
Premium Tax Revenue Anticipation Notes (Note 5)	312,000	—	—	—	312,000
Issuance of debt-advance from County (note 7)	—	—	—	1,423,986	1,423,986
Total other financing sources (uses)	<u>(12,647,742)</u>	<u>(3,647,124)</u>	<u>4,393,056</u>	<u>2,013,273</u>	<u>(9,888,537)</u>
Net change in fund balances	(3,118,970)	(205,219)	(2,155,250)	1,196,081	(4,283,358)
Fund balances (deficits), July 1, 2008	<u>61,867,330</u>	<u>(13,740,469)</u>	<u>28,616,991</u>	<u>46,237,757</u>	<u>122,981,609</u>
Fund balances (deficits), June 30, 2009	<u>\$ 58,748,360</u>	<u>\$ (13,945,688)</u>	<u>\$ 26,461,741</u>	<u>\$ 47,433,838</u>	<u>\$ 118,698,251</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 Assets  
 For the Year Ended June 30, 2009

Net change in fund balances-total governmental funds \$ (4,283,358)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (excluding internal service funds)	\$ (8,669,305)	
Asset additions funded by Governmental Funds	14,187,153	
Asset deletions	<u>(3,246,576)</u>	
		2,271,272

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

Bond principal payment (Downtown)	190,000	
Bond principal payment (Industrial)	920,000	
Bond principal payment (Skypark)	252,360	
Bond principal payment (Torrance Public Financing Authority Refunding Certificates of Participation)	<u>1,055,000</u>	
		2,417,360

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	31,588	
Advances from County	(1,423,986)	
Advances from Developers	<u>(51,869)</u>	
		(1,444,267)

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)	(546,168)
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Internal Service funds are used by management to charge the costs of fleet management and self insurance to individual funds. The net revenue of certain activities are reported with the governmental activities

743,511

<b>Change in net assets of governmental activities</b>	<b>\$ (841,650)</b>
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See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**

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

General Fund

Year ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
<b>Budgetary fund balance, July 1, 2008</b>	\$ 61,867,330	\$ 61,867,330	\$ 61,867,330	\$ —
<b>Resources (inflows):</b>				
Taxes:				
Property taxes:				
Current secured taxes	25,000,000	25,000,000	23,987,334	(1,012,666)
Current unsecured taxes	926,000	926,000	1,043,354	117,354
Prior years' secured taxes	71,000	71,000	149,047	78,047
Prior years' unsecured taxes	45,600	45,600	117,997	72,397
Property/sales flip taxes	10,315,000	10,315,000	9,959,858	(355,142)
VLF swap and repayment taxes	10,750,000	10,750,000	10,957,233	207,233
Penalties and interest	200,000	200,000	347,817	147,817
Supplemental prior year secured taxes	240,500	240,500	75,063	(165,437)
Supplemental current secured	730,000	730,000	596,121	(133,879)
Redemption	741,000	741,000	1,304,997	563,997
Aircraft assessment tax	200,000	200,000	154,274	(45,726)
	<u>49,219,100</u>	<u>49,219,100</u>	<u>48,693,095</u>	<u>(526,005)</u>
Taxes other than property:				
Sales and use tax	32,666,889	32,666,889	29,357,192	(3,309,697)
Prop 172 sales tax	1,364,979	1,364,979	1,239,263	(125,716)
Business license tax	7,432,000	7,432,000	7,556,259	124,259
Business permit tax	400,000	400,000	488,756	88,756
Utility users' tax	36,536,382	36,536,382	32,654,137	(3,882,245)
Construction tax	825,130	825,130	540,236	(284,894)
Real property transfer tax	600,000	600,000	466,988	(133,012)
Franchise tax – all other	3,547,764	3,547,764	4,145,918	598,154
Occupancy tax	7,892,629	7,892,629	6,903,988	(988,641)
Oil severance tax	30,000	30,000	7,149	(22,851)
Cogeneration tax	636,540	636,540	563,790	(72,750)
Alarm permit fees	80,000	80,000	94,428	14,428
	<u>92,012,313</u>	<u>92,012,313</u>	<u>84,018,104</u>	<u>(7,994,209)</u>
Total taxes	<u>141,231,413</u>	<u>141,231,413</u>	<u>132,711,199</u>	<u>(8,520,214)</u>
Licenses, fees and permits:				
Fire permits	110,000	110,000	108,474	(1,526)
Animal licenses	1,700	1,700	25	(1,675)
Construction/excavation permits	25,000	25,000	42,707	17,707
Grading permits	77,000	77,000	51,635	(25,365)
Combined building – resident permits	103,515	103,515	—	(103,515)
Building permits	865,261	865,261	625,532	(239,729)
Plumbing permits	156,710	156,710	108,498	(48,212)
Electrical permits	147,710	147,710	134,459	(13,251)
Mechanical permits	83,444	83,444	55,660	(27,784)
Special energy inspection fees	316,000	316,000	116,700	(199,300)
Sign permits and filing fees	35,740	35,740	43,353	7,613
Other licenses and permits	417	417	529	112
NPDES building permit fees	126,269	126,269	102,754	(23,515)
Building TEQECC filing fees	30,744	30,744	14,767	(15,977)
Oversized Vehicle Permit Fees	60,000	60,000	20,938	(39,062)
Total licenses, fees and permits	<u>2,139,510</u>	<u>2,139,510</u>	<u>1,426,031</u>	<u>(713,479)</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	\$ 649,000	\$ 649,000	\$ 491,350	\$ (157,650)
Traffic fines	487,726	487,726	442,638	(45,088)
General fines	229,000	229,000	281,061	52,061
Total fines, forfeitures and penalties	1,365,726	1,365,726	1,215,049	(150,677)
Revenue from use of money and property:				
Investment earnings	3,121,000	3,809,260	5,992,035	2,182,775
Rents and concessions	898,174	898,174	541,273	(356,901)
Franchise fees	1,160,816	1,160,816	1,600,613	439,797
Encroachment agreement fees	—	—	—	—
Royalties	3,000	3,000	3,612	612
Total revenue from use of money and property	5,182,990	5,871,250	8,137,533	2,266,283
Revenue from other intergovernmental agencies:				
State motor vehicle licenses	759,625	759,625	506,317	(253,308)
State homeowners' property tax relief	250,000	250,000	235,448	(14,552)
Other state grants	—	—	126,642	126,642
Total revenue from other intergovernmental agencies	1,009,625	1,009,625	868,407	(141,218)
Charges for current services:				
TUSD collection fees	27,583	27,583	14,601	(12,982)
Planning and zoning fees	306,840	306,840	185,308	(121,532)
Traffic signal maintenance	125,696	125,696	128,561	2,865
Environmental review and appeal fees	18,987	18,987	10,926	(8,061)
Vacation processing fees	1,300	1,300	1,615	315
Large family daycare unit	—	—	380	380
State encroach collection fees	1,061	1,061	1,500	439
Grading	40,357	40,357	29,210	(11,147)
Plan check fees – building	864,573	864,573	442,009	(422,564)
Plan check fees – engineering	71,823	71,823	18,345	(53,478)
Oil-related inspection fees	14,910	14,910	8,958	(5,952)
Appeal fees	1,500	1,500	1,610	110
Other inspection fees	298,014	298,014	174,922	(123,092)
Engineering mapping fees	5,305	5,305	9,965	4,660
Engineering inspection fees	44,165	44,165	153,219	109,054

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		
Charges for current services, Continued:				
Parkway tree planting charges	\$ 100	\$ 100	\$ —	\$ (100)
General government service charges	7,200	7,200	3,488	(3,712)
Microfilming fees	92,759	92,759	126,488	33,729
Police charges – copies and photos	23,687	23,687	19,850	(3,837)
Police charges – fingerprinting and other	630,206	630,206	678,683	48,477
Fire department fees	587,340	587,340	527,907	(59,433)
Fire department fees – hazardous materials fees	499,350	499,350	488,995	(10,355)
Parks and recreational fees	266,523	232,523	334,666	102,143
Miscellaneous	14,400	14,400	6,304	(8,096)
Library revenues	180,600	180,600	154,729	(25,871)
In lieu charges to Enterprise Funds:				
Airport Fund	1,850,000	1,850,000	1,850,000	—
Water Fund	700,000	700,000	718,000	18,000
<b>Total charges for current services</b>	<b>6,674,279</b>	<b>6,640,279</b>	<b>6,090,239</b>	<b>(550,040)</b>
Other revenues:				
Donations – private sources	10,500	10,500	20,024	9,524
Miscellaneous	38,100	38,100	539,618	501,518
PERS credits	—	—	663,442	663,442
Premium Tax Revenue Anticipation Notes	—	312,000	312,000	—
Proceeds from loan	466,700	—	—	—
<b>Total other revenues</b>	<b>515,300</b>	<b>360,600</b>	<b>1,535,084</b>	<b>1,174,484</b>
Transfers in	10,687,129	10,726,070	9,899,852	(826,218)
Amounts available for appropriation	230,673,302	231,211,803	223,750,724	(7,461,079)
<b>Charges to appropriations (outflows)</b>				
General government:				
City council	448,146	465,074	422,050	43,024
Commissions and committees:				
Parks and recreation	56,170	56,170	52,148	4,022
Planning	41,100	41,100	40,296	804
Environmental quality	13,500	13,500	11,822	1,678
Cultural arts	14,000	14,000	11,859	2,141
Community services	—	—	—	—
Traffic	8,800	8,800	6,040	2,760
Youth council	9,000	9,000	8,835	165
Civil service	264,345	264,345	229,094	35,251
Commission on aging	9,200	9,200	5,967	3,233
Library	11,300	11,300	9,484	1,816
Disaster council	3,000	3,000	300	2,700
City manager	2,702,922	2,910,932	2,842,484	68,448
City attorney	2,730,353	2,730,592	2,533,732	196,860
City clerk	792,290	802,516	750,539	51,977
City treasurer	854,605	858,963	785,775	73,188
Finance	4,228,862	4,184,724	3,289,439	895,285
Human resources	2,672,424	2,819,955	2,736,312	83,643
Civil service	141,727	183,027	147,451	35,576
Community development	4,855,008	5,455,432	5,130,873	324,559
Communications & Info Tech	4,465,354	6,139,754	4,692,825	1,446,929
General services	4,640,035	4,829,556	4,566,397	263,159
Less indirect cost allocation, other funds	(3,928,799)	(3,928,799)	(3,997,469)	68,670
<b>Total general government</b>	<b>25,033,342</b>	<b>27,882,141</b>	<b>24,276,253</b>	<b>3,605,888</b>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u> <u>(See Note A)</u>	<u>Final Budget</u> <u>positive</u> <u>(negative)</u>
Nondepartmental:				
Insurance, net	\$ 25,000	\$ 32,477	\$ 31,477	\$ 1,000
Community promotion	380,122	420,122	354,427	65,695
Hazardous waste	77,797	77,797	68,535	9,262
Employee benefits (net after charges to departments)	3,859,732	1,220,860	962,604	258,256
Other	533,140	1,272,514	1,041,716	230,798
Leaseback payments	2,854,556	2,854,556	2,842,278	12,278
Total				
nondepartmental	<u>7,730,347</u>	<u>5,878,326</u>	<u>5,301,037</u>	<u>577,289</u>
Public safety:				
Police	60,381,575	61,075,878	61,610,862	(534,984)
Fire	24,840,546	24,945,902	24,819,699	126,203
Building and safety	3,663,024	3,800,340	3,300,427	499,913
Total public safety	<u>88,885,145</u>	<u>89,822,120</u>	<u>89,730,988</u>	<u>91,132</u>
Public works	<u>12,115,297</u>	<u>12,396,397</u>	<u>11,452,033</u>	<u>944,364</u>
Total public works	<u>12,115,297</u>	<u>12,396,397</u>	<u>11,452,033</u>	<u>944,364</u>
Culture and recreation	<u>14,299,345</u>	<u>14,409,587</u>	<u>13,964,473</u>	<u>445,114</u>
Transfers out	<u>18,880,294</u>	<u>26,009,957</u>	<u>22,859,594</u>	<u>3,150,363</u>
Total Charges to appropriations	<u>166,943,770</u>	<u>176,398,528</u>	<u>167,584,378</u>	<u>8,814,150</u>
Budgetary Fund Balance, July 1, 2009	\$ <u>63,729,532</u>	\$ <u>54,813,275</u>	\$ <u>56,166,346</u>	\$ <u>1,353,071</u>

See accompanying notes to the basic financial statements

**CITY OF TORRANCE, CALIFORNIA**

Budgetary Comparison Statement

Budget-to-GAAP Reconciliation

General Fund

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$	223,750,724
Differences - budget to GAAP The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes		(61,867,330)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.		<u>(9,899,852)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>151,983,542</u></u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$	167,584,378
Differences - budget to GAAP: Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		(2,582,014)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(22,859,594)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>142,142,770</u></u>

# City OF Torrance

Proprietary Fund  
Financial Statements



Zamperini Field - Torrance Municipal Airport

## Proprietary Fund Financial Statements

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**CITY OF TORRANCE, CALIFORNIA**

Statement of Net Assets  
Proprietary Funds  
June 30, 2009

Assets	Business Type					Governmental
	Proprietary Funds				Total	Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds		Internal Service Funds
<b>Current assets:</b>						
Pooled cash and investments (note 2)	\$ 2,104,472	\$ 4,749,079	\$ 11,282,799	\$ 10,201,118	\$ 28,337,468	\$ 29,580,514
Restricted cash and investments (note 2)	—	592,214	—	—	592,214	—
Accounts receivable	—	3,906,939	211,264	1,819,751	5,937,954	44,619
Accrued interest receivable	23,729	54,502	127,319	77,404	282,954	155,161
Inventory	1,070,994	454,030	—	—	1,525,024	1,032,757
Due from other governments (note 14)	4,717,100	—	—	309,456	5,026,556	—
Prepays	960	82	—	15,254	16,296	674,867
Total current assets	<u>7,917,255</u>	<u>9,756,846</u>	<u>11,621,382</u>	<u>12,422,983</u>	<u>41,718,466</u>	<u>31,487,918</u>
<b>Noncurrent assets:</b>						
Interfund advances receivable (note 11)	—	1,154,432	419,028	—	1,573,460	2,000,000
Capital assets, net (note 3)	8,944,784	65,932,359	42,483,204	7,715,532	125,075,879	7,919,756
Total noncurrent assets	<u>8,944,784</u>	<u>67,086,791</u>	<u>42,902,232</u>	<u>7,715,532</u>	<u>126,649,339</u>	<u>9,919,756</u>
Total Assets	<u>16,862,039</u>	<u>76,843,637</u>	<u>54,523,614</u>	<u>20,138,515</u>	<u>168,367,805</u>	<u>41,407,674</u>
<b>Liabilities</b>						
<b>Current liabilities (payable from current assets):</b>						
Accounts payable	826,527	3,645,953	9,182	685,650	5,167,312	928,791
Contract retainage payable	—	17,215	—	—	17,215	—
Accrued liabilities	1,177,435	323,405	—	773,307	2,274,147	3,229,788
Current bonds payable - interest	—	40,975	—	—	40,975	—
Current bonds payable - principal (notes 6 and 7)	—	500,000	—	—	500,000	—
Construction advances	—	19,066	—	—	19,066	—
Unearned revenues (note 15)	1,409,498	—	—	835,680	2,245,178	—
Accrued liabilities for self-insurance claims - current (note 13)	—	—	—	—	—	8,474,538
Total current liabilities	<u>3,413,460</u>	<u>4,546,614</u>	<u>9,182</u>	<u>2,294,637</u>	<u>10,263,893</u>	<u>12,633,117</u>
<b>Noncurrent liabilities</b>						
Long-term obligations (notes 6 and 7)	—	2,245,000	—	—	2,245,000	—
Accrued Liability for self-insurance claims long-term (note 13)	—	—	—	—	—	16,435,653
Accrued Liability for net postemployment benefits - long-term (note 9)	—	—	—	—	—	3,416,000
Total noncurrent liabilities	<u>—</u>	<u>2,245,000</u>	<u>—</u>	<u>—</u>	<u>2,245,000</u>	<u>19,851,653</u>
Total Liabilities	<u>3,413,460</u>	<u>6,791,614</u>	<u>9,182</u>	<u>2,294,637</u>	<u>12,508,893</u>	<u>32,484,770</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	8,944,784	63,187,359	42,483,204	7,715,532	122,330,879	7,919,756
Restricted - debt service	—	592,214	—	—	592,214	—
Unrestricted	4,503,795	6,272,450	12,031,228	10,128,346	32,935,819	1,003,148
Total Net Assets	<u>\$ 13,448,579</u>	<u>\$ 70,052,023</u>	<u>\$ 54,514,432</u>	<u>\$ 17,843,878</u>	<u>\$ 155,858,912</u>	<u>\$ 8,922,904</u>

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year ended June 30, 2009

	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 2,983,205	\$ 22,537,801	\$ 1,842,702	\$ 28,230,251	\$ 55,593,959	\$ 8,610,455
Other	295,560	1,023,796	3,528	16,029	1,338,913	—
Total operating revenues	<u>3,278,765</u>	<u>23,561,597</u>	<u>1,846,230</u>	<u>28,246,280</u>	<u>56,932,872</u>	<u>8,610,455</u>
Operating expenses:						
Salaries and employee benefits	12,180,395	4,135,404	624,006	21,485,163	38,424,968	5,493,452
Services and supplies	2,776,219	944,727	13,705	4,962,254	8,696,905	727,997
Other professional services	1,691,928	501,970	52,066	4,146,862	6,392,826	—
Depreciation /amortization	1,914,584	1,136,579	903,929	368,345	4,323,437	1,636,694
Insurance and claims	322,547	92,835	—	190,942	606,324	4,531,468
City charges	2,303,097	1,789,342	166,892	4,260,803	8,520,134	—
Cost of water	—	14,527,089	—	—	14,527,089	—
Other	76,774	2,397,397	678,528	203,040	3,355,739	14,024
Total operating expenses	<u>21,265,544</u>	<u>25,525,343</u>	<u>2,439,126</u>	<u>35,617,409</u>	<u>84,847,422</u>	<u>12,403,635</u>
Operating income (loss)	<u>(17,986,779)</u>	<u>(1,963,746)</u>	<u>(592,896)</u>	<u>(7,371,129)</u>	<u>(27,914,550)</u>	<u>(3,793,180)</u>
Nonoperating revenues (expenses):						
Investment earnings	85,649	278,604	454,382	407,218	1,225,853	557,097
Gain (loss) on sale of capital assets	—	—	—	—	—	98,863
Assistance from other governments	15,584,288	—	—	—	15,584,288	—
Interest expense	—	(136,409)	—	(167,855)	(304,264)	—
Grants	—	—	—	227,619	227,619	—
Other, net	—	42,918	—	—	42,918	(9,509)
Total nonoperating revenues(expenses) net	<u>15,669,937</u>	<u>185,113</u>	<u>454,382</u>	<u>466,982</u>	<u>16,776,414</u>	<u>646,451</u>
Income (loss) before contributions and operating transfers	<u>(2,316,842)</u>	<u>(1,778,633)</u>	<u>(138,514)</u>	<u>(6,904,147)</u>	<u>(11,138,136)</u>	<u>(3,146,729)</u>
Capital grants	560,242	—	—	—	560,242	—
Transfers in (note 12)	1,254,000	—	—	13,016,603	14,270,603	3,913,507
Transfers out (note 12)	(171,492)	(31,429)	(75,000)	(6,258,399)	(6,536,320)	(23,267)
Change in net assets	<u>(674,092)</u>	<u>(1,810,062)</u>	<u>(213,514)</u>	<u>(145,943)</u>	<u>(2,843,611)</u>	<u>743,511</u>
Total net asset - July 1, 2008	<u>14,122,671</u>	<u>71,862,085</u>	<u>54,727,946</u>	<u>17,989,821</u>	<u>158,702,523</u>	<u>8,179,393</u>
Total net assets - June 30, 2009	<u>\$ 13,448,579</u>	<u>\$ 70,052,023</u>	<u>\$ 54,514,432</u>	<u>\$ 17,843,878</u>	<u>\$ 155,858,912</u>	<u>\$ 8,922,904</u>

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2009

	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash flow from operating activities:						
Receipts from customers	\$ 2,983,205	\$ 23,849,634	\$ 1,888,823	\$ 28,217,195	\$ 56,938,857	\$ 8,649,549
Cash payments to suppliers for goods and services	(7,243,447)	(20,281,556)	(915,568)	(13,960,841)	(42,401,412)	(5,318,516)
Cash payments to employees for services	(12,102,871)	(4,153,715)	(624,006)	(21,451,135)	(38,331,727)	(4,150,852)
Cash received from donations	—	—	—	2,557	2,557	—
Other receipts	295,560	1,023,796	—	13,472	1,332,828	—
Net cash provided by (used in) operating activities	<u>(16,067,553)</u>	<u>438,159</u>	<u>349,249</u>	<u>(7,178,752)</u>	<u>(22,458,897)</u>	<u>(819,819)</u>
Cash flows from noncapital financing activities:						
Cash received from grants and subsidies	13,649,318	—	—	227,619	13,876,937	—
Cash transfers received from other funds	1,254,000	—	—	13,016,603	14,270,603	3,913,507
Cash transfers paid to other funds	(171,492)	(31,429)	(75,000)	(6,258,399)	(6,536,320)	(23,267)
Internal activity-payments to other funds	—	—	—	—	—	1,000,000
Net cash provided by (used in) noncapital financing activities	<u>14,731,826</u>	<u>(31,429)</u>	<u>(75,000)</u>	<u>6,985,823</u>	<u>21,611,220</u>	<u>4,890,240</u>
Cash flows from capital financing activities:						
Cash received from grants and subsidies	560,242	42,918	—	—	603,160	—
Payments for capital expenditures	(655,361)	(4,214,075)	104,610	(810,568)	(5,575,394)	(3,419,205)
Proceeds from the sale of capital assets	—	—	—	—	—	98,863
Payments for long-term obligations - principal & interest	—	—	—	(167,855)	(167,855)	—
Payments for long-term bonds - principal & interest	—	(641,617)	—	—	(641,617)	—
Net cash provided by (used in) capital financing activities	<u>(95,119)</u>	<u>(4,812,774)</u>	<u>104,610</u>	<u>(978,423)</u>	<u>(5,781,706)</u>	<u>(3,320,342)</u>
Cash flows from investing activities:						
Cash received from interest on investments	103,680	331,625	453,851	418,386	1,307,542	560,556
Net increase (decrease) in cash, restricted cash and cash equivalents	<u>(1,327,166)</u>	<u>(4,074,419)</u>	<u>832,710</u>	<u>(752,966)</u>	<u>(5,321,841)</u>	<u>1,310,635</u>
Cash, restricted cash and cash equivalents, July 1, 2008	<u>3,431,638</u>	<u>9,415,712</u>	<u>10,450,089</u>	<u>10,954,084</u>	<u>34,251,523</u>	<u>28,269,879</u>
Cash, restricted cash and cash equivalents, June 30, 2009	<u>\$ 2,104,472</u>	<u>\$ 5,341,293</u>	<u>\$ 11,282,799</u>	<u>\$ 10,201,118</u>	<u>\$ 28,929,682</u>	<u>\$ 29,580,514</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	(17,986,779)	(1,963,746)	(592,896)	(7,371,129)	(27,914,550)	(3,793,180)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,914,584	1,136,579	903,929	368,345	4,323,437	1,636,694
Change in assets and liabilities:						
Accounts receivable	40	1,311,833	42,593	(70,997)	1,283,469	39,094
Due from other government	—	—	—	(9,405)	(9,405)	—
Prepays and other assets	(960)	60	—	(15,163)	(16,063)	(674,867)
Inventories	(71,536)	44,011	—	—	(27,525)	34,671
Accounts payable	(3,202)	(76,738)	(4,377)	(248,410)	(332,727)	(79,699)
Accrued salaries and benefits	77,484	(18,311)	—	34,028	93,201	2,017,468
Other accrued liabilities	2,816	—	—	66,633	69,449	—
Deposits and guarantees	—	4,471	—	5,204	9,675	—
Unearned revenues	—	—	—	62,142	62,142	—
Net cash provided by (used in) operating activities	<u>\$ (16,067,553)</u>	<u>\$ 438,159</u>	<u>\$ 349,249</u>	<u>\$ (7,178,752)</u>	<u>\$ (22,458,897)</u>	<u>\$ (819,819)</u>

Noncash, investing, capital, and financing activities:

During fiscal year 2008-09, 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*

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Fiduciary Fund Assets and Liabilities - Agency Funds  
June 30, 2009

<b>Assets</b>	<b>Total Agency Funds</b>
Pooled cash and investments (note 2)	\$ 2,602,698
Restricted cash (note 2)	244,205
Accrued interest receivable	13,226
Due from other governments (note 12)	75,195
Total assets	\$ 2,935,324
<b>Liabilities</b>	
Deposits payable	\$ 2,935,324
Total Liabilities	\$ 2,935,324

See accompanying notes to basic financial statements.

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# City OF Torrance



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## Notes to Financial Statements

Notes to  
Financial Statements

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

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

##### *Reporting Entity*

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

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

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

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

##### *Government-Wide and Fund Financial Statements*

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

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

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

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

The City reports the following major Governmental Funds:

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

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

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

The City reports the following major Proprietary Funds:

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

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

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

Additionally, the City reports the following fund types:

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

The *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. The agency funds are accounted for on an accrual basis of accounting. The City uses fiduciary (agency) 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, and 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.

The proprietary funds are presented on an "economic resources" measurement focus and the full-accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Water Enterprise Fund, the Sewer Enterprise Fund, the Sanitation Enterprise Fund, the Parks and Recreation Enterprise Fund, the Cultural Arts Enterprise Fund, the Transit Enterprise Fund, the Emergency Medical Services Fund and the Municipal Airport Enterprise Fund are charges for goods and services. Operating expenses for these same proprietary funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with GASB Statement No. 20, for Proprietary Fund accounting, the City applies all applicable GASB pronouncements, as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor authoritative Boards, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

#### *Accounting for Encumbrances*

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

#### *Cash and Investments*

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

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

#### *Restricted Cash and Investments*

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

#### ***Inventories and Prepaids***

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

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

#### ***Capital Assets***

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

Buildings – 40 years

Improvements – 40 years

Equipment – 5 to 7 years

Infrastructure – 25 to 80 years

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

#### ***Property Tax Calendar***

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

#### ***Pension Plan***

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

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

#### ***Vacation and Sick Leave***

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

#### ***Claims and Judgments***

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

#### ***Fund Equity***

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

#### ***Budgetary Principles***

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

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

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(2) Cash and Investments**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$190,395,126
Cash and investments held by bond trustee	8,645,051
Restricted cash and investments	1,750,075
Fiduciary funds:	
Cash and investments	2,602,698
Restricted cash and investments	<u>244,205</u>
 Total cash and investments	 <u>\$203,637,155</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 22,596
Deposits with financial institutions	5,549,103
Investments	<u>198,065,456</u>
 Total cash and investments	 <u>\$203,637,155</u>

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

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

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

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

**Investments Authorized by Debt Agreements**

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

<u>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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**Disclosures Relating to Interest Rate Risk**

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

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				
	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>	
U.S. treasury notes	\$ 3,990,476	2,992,172	998,304	-	-
Local municipal bonds	1,056,794	-	-	1,056,794	-
Federal agency securities	112,008,298	1,000,000	12,243,341	98,764,957	-
Corporate medium term notes	21,291,688	3,197,595	9,031,136	9,062,957	-
Certificate of deposit	200,000	200,000	-	-	-
State investment pool	<u>50,300,000</u>	<u>50,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	188,847,256	57,689,767	22,272,781	108,884,708	-
<u>Held by bond trustee:</u>					
Money market funds	8,160,115	8,160,115	-	-	-
Investment contracts	<u>1,058,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,085</u>
Total	<u>\$198,065,456</u>	<u>65,849,882</u>	<u>22,272,781</u>	<u>108,884,708</u>	<u>1,058,085</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**Disclosures Relating to Credit Risk**

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

Investment Type		Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End			
				AAA	Aa	A	Not Rated
U.S. Treasury notes	\$ 3,990,476	N/A	\$ 3,990,476	-	-	-	-
Local Municipal Bonds	1,056,794		-	-	-	-	1,056,794
Federal agency securities	112,008,298	N/A	-	112,008,298	-	-	-
Corporate medium term notes	21,291,688	A	-	6,027,524	8,031,078	7,233,086	-
Certificate of Deposit	200,000	N/A	-	-	-	-	200,000
Money Market Funds	-	N/A	-	-	-	-	-
Mortgage-backed securities	-	AA	-	-	-	-	-
State investment pool	50,300,000	N/A	-	-	-	-	50,300,000
<b>SUBTOTAL</b>	<b>188,847,256</b>		<b>3,990,476</b>	<b>118,035,822</b>	<b>8,031,078</b>	<b>7,233,086</b>	<b>51,556,794</b>
Held by bond trustee:							
Money market funds	8,160,115	A	-	8,160,115	-	-	-
Investment contracts	1,058,085	N/A	-	-	-	-	1,058,085
<b>TOTAL</b>	<b>\$ 198,065,456</b>		<b>3,990,476</b>	<b>126,195,937</b>	<b>8,031,078</b>	<b>7,233,086</b>	<b>52,614,879</b>

**Concentration of Credit Risk**

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Agency	Federal agency securities	\$ 37,069,526
Federal Home Loan Bank	Federal agency securities	26,252,158

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

#### **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, 2009, \$7,691,046 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, 2009, 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, 2009

**(3) Capital Assets**

Infrastructure Assets at June 30, 2009 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$239,406	(\$121,085)	\$118,321
Storm drain system	21,848	(6,362)	15,486
Sewer lines	68,670	(28,594)	40,076
Water System	87,030	(30,083)	56,947
	<u>\$416,954</u>	<u>(\$186,124)</u>	<u>\$230,830</u>

Capital Asset activity for the year ended June 30, 2009 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 45,645	\$ 720	\$ -	\$ 46,365
Right of Way	19,344	-	-	19,344
Construction in progress	4,080	8,383	(3,247)	9,216
Total capital assets not being depreciated	<u>69,069</u>	<u>9,103</u>	<u>(3,247)</u>	<u>74,925</u>
Capital assets being depreciated:				
Land improvements and buildings	73,886	2,725	-	76,611
Machinery and equipment	33,444	5,123	(1,293)	37,274
Infrastructure	260,448	806	-	261,254
Total capital assets being depreciated	<u>367,778</u>	<u>8,654</u>	<u>(1,293)</u>	<u>375,139</u>
Less accumulated depreciation for:				
Land improvements and buildings	(35,333)	(1,792)	-	(37,125)
Machinery and equipment	(21,296)	(3,137)	1,267	(23,166)
Infrastructure (Note a)	<u>(122,070)</u>	<u>(5,377)</u>	<u>-</u>	<u>(127,447)</u>
Total accumulated depreciation	<u>(178,699)</u>	<u>(10,306)</u>	<u>1,267</u>	<u>(187,738)</u>
Total capital assets, being depreciated, net	<u>189,079</u>	<u>(1,652)</u>	<u>(26)</u>	<u>187,401</u>
Governmental activities capital assets, net	<u>\$ 258,148</u>	<u>\$ 7,451</u>	<u>\$ (3,273)</u>	<u>\$ 262,326</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

a) Accumulated Depreciation Infrastructure beginning balance has been restated. See footnote 17.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 5,461	\$ 1,480	\$ -	\$ 6,941
Construction in progress	12,341	4,246	(7,891)	8,696
Total capital assets not being depreciated	<u>17,802</u>	<u>5,726</u>	<u>(7,891)</u>	<u>15,637</u>
Capital assets being depreciated:				
Infrastructure	150,264	5,436	-	155,700
Land improvements and buildings	15,732	26	-	15,758
Machinery and equipment	28,608	714	-	29,322
Furniture and fixtures	374	-	-	374
Total capital assets being depreciated	<u>194,978</u>	<u>6,176</u>	<u>-</u>	<u>201,154</u>
Less accumulated depreciation for:				
Infrastructure	(56,717)	(1,960)	-	(58,677)
Land improvements and buildings	(9,433)	(415)	-	(9,848)
Machinery and equipment	(20,900)	(1,936)	-	(22,836)
Furniture and fixtures	(342)	(12)	-	(354)
Total accumulated depreciation	<u>(87,392)</u>	<u>(4,323)</u>	<u>-</u>	<u>(91,715)</u>
Total capital assets, being depreciated, net	<u>107,586</u>	<u>1,853</u>	<u>-</u>	<u>109,439</u>
Business-type activities capital assets, net	<u>\$ 125,388</u>	<u>\$ 7,579</u>	<u>\$ (7,891)</u>	<u>\$ 125,076</u>

The capital assets for the Fleet Services Fund have been consolidated into the governmental activities, and are included in the machinery and equipment category: asset additions amounted to \$3,569,623 and asset deductions amounted to \$1,293,362.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

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

Governmental Activities:	
General government	\$3,735
Public safety	492
Public works	5,505
Culture and recreation	574
	<hr/>
Total depreciation expense - governmental activities	<u>\$10,306</u>
Business-type activities:	
Water	\$1,136
Sewer	904
Sanitation	25
Cultural Arts Center	21
Emergency Medical Services	10
Parks & Recreation	3
Airport	309
Transit	1,915
	<hr/>
Total depreciation expense - business-type activities	<u>\$4,323</u>

Included in the depreciation charge to general government is the amount of depreciation for Fleet Services, an internal service fund. This amount includes depreciation expense of \$1,636,694 and retirements of \$1,266,798 or net addition to accumulated depreciation in the amount of \$369,896.

**(4) Notes Receivable**

***a) Rehabilitation Housing***

This represents a number of small loans given to eligible participants in the City's Federal Housing Rehabilitation program. These loans, usually less than \$10,000, are no-interest loans that will be repaid when the property is sold. The balance of these loans as of June 30, 2009 is \$89,055.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

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

The City of Torrance issues tax and 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 \$25,000,000 and was purchased with a net original issue premium of \$312,000 and an underwriter discount of \$2,500. 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, 2009:

	<u>Beginning fiscal year balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending fiscal year balance</u>
Tax and revenue anticipation notes	\$ 28,000,000	25,000,000	(28,000,000)	\$ 25,000,000

**(6) Long-term Debt**

*a) Redevelopment Agency Bonds*

*2001 Tax Allocation Refunding Bonds – Skypark Project*

On December 31, 2001 the Agency issued the Skypark 2001 Tax Allocation Refunding Bonds in the aggregate principal amount of \$2,470,143 with an average interest rate of 8% per annum. The proceeds of the Refunding Bonds were used to redeem the 1987 Tax Allocation Bonds in full, at a price equal to the principal amount plus accrued interest to the date of redemption, without premium, in accordance with Section 11 of the 1987 Bond Resolution and the conditional notice of redemption sent to the Owners of the 1987 Bonds on December 1, 2001. The bonds will mature on July 1, 2012, with annual principal payments ranging from \$158,000 to \$369,000. Interest is payable on July 1 and January 1 of each year at the rate of 8%. The principal and interest are to be repaid directly from tax increments accruing to the Agency.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

***1998 Series A Tax Allocation Refunding Bonds – Downtown Project***

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

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

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

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

	<b>Annual Debt Service Requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2010	\$1,463	\$1,830	\$3,293
2011	1,580	1,743	3,323
2012	1,700	1,647	3,347
2013	1,659	1,543	3,202
2014	1,600	1,451	3,051
2015-2019	6,310	6,199	12,509
2020-2024	8,245	4,197	12,442
2025-2029	10,810	1,566	12,376
Total	<u>\$33,367</u>	<u>\$20,176</u>	<u>\$53,543</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**b) Water Fund Revenue Bonds**

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

The refunding bonds bear interest rates ranging from 3.0% to 5.0%. Interest is payable semiannually on March 1 and September 1. Among the provisions of the bond resolutions, the Water Fund covenants require that fees and charges for water services must be sufficient to yield net revenues equal to at least 125% of debt service for each fiscal year. At June 30, 2009, the \$2,745,000 face amount of the refunding bonds was outstanding, of which \$500,000 has been classified as a current liability in the accompanying proprietary fund financial statements.

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

	<b>Annual Debt Service Requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2010	\$500	\$123	\$623
2011	515	106	621
2012	540	80	620
2013	570	53	623
2014	620	25	645
Total	<u>\$2,745</u>	<u>\$387</u>	<u>\$3,132</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**c) Certificates of Participation**

***1998 Refunding Certificates of Participation***

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

The refunding certificates of participation for \$10,300,000 are dated December 1, 1998. The principal matures December 1 of each year through 2028 at variable amounts ranging from \$160,000 to \$590,000. Interest is payable semiannually on June 1 and December 1, with interest ranging from 4.0% to 4.75% and \$6,985,000 remains outstanding as of June 30, 2009. Certificates maturing on or before December 1, 2007 are subject to optional prepayment in whole or in part, on any business day on or after December 1, 2006 at the stated prepayment price.

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

	<b>Annual Debt Service Requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2010	\$215	\$323	\$538
2011	230	314	544
2012	240	303	543
2013	255	292	547
2014	260	281	541
2015-2019	1,505	1,202	2,707
2020-2024	1,890	800	2,690
2025-2029	2,390	295	2,685
Total	<u>\$6,985</u>	<u>\$3,810</u>	<u>\$10,795</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

***2004 A and B Refunding Certificates of Participation***

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

*2004 A Refunding Certificates of Participation*

The refunding certificates of participation for series A in the amount of \$19,215,000 are dated October 13, 2004. The principal matures June 1 of each year through 2034 at variable amounts ranging from \$315,000 to \$1,005,000. Interest is payable semiannually on June 1 and December 1, with interest rates ranging from 2% to 5% and \$14,925,000 remains outstanding as of June 30, 2009. Certificates maturing on or before June 1, 2015 are subject to optional prepayment, in whole or in part, on any business day on or after June 1, 2014 at the stated prepayment price.

Annual debt service requirements are as follows:

	<b>Annual Debt Service Requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2010	\$875	\$668	\$1,543
2011	900	642	1,542
2012	925	615	1,540
2013	955	586	1,541
2014	990	554	1,544
2015 to 2019	1,725	2,391	4,116
2020 to 2024	2,195	1,929	4,124
2025 to 2029	2,795	1,324	4,119
2030 to 2034	3,565	553	4,118
	<u>\$14,925</u>	<u>\$9,262</u>	<u>\$24,187</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

*2004 B Refunding Certificates of Participation*

The refunding certificates of participation for series B in the amount of \$23,915,000 are dated January 5, 2005. The principal matures June 1 commencing in 2015 and is due June 1 each year after until 2034 at variable amounts ranging from \$720,000 to \$1,855,000. Interest is payable semiannually on June 1 and December 1, with interest rates ranging from 5.0% to 5.25% and \$23,915,000 remains outstanding as of June 30, 2009. Certificates are subject to an optional prepayment, in whole or in part, on any business day on or after June 1, 2014 at the stated prepayment price.

Annual debt service requirements are as follows:

	<b>Annual Debt Service Requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2010	\$ -	\$ 1,233	\$ 1,233
2011	-	1,233	1,233
2012	-	1,233	1,233
2013	-	1,233	1,233
2014	-	1,233	1,233
2015 to 2019	3,970	5,787	9,757
2020 to 2024	5,060	4,691	9,751
2025 to 2029	6,495	3,260	9,755
2030 to 2034	8,390	1,367	9,757
	<u>\$ 23,915</u>	<u>\$ 21,270</u>	<u>\$ 45,185</u>

**d) *Advances and Notes Payable***

At June 30, 2009, the City and its Redevelopment Agency had advances and notes payable in the following amounts:

Redevelopment Agency – Advances from developers: On June 9, 1987, the Redevelopment Agency and Honda entered into a First Implementation Agreement that amended the Participation Agreement to provide for an additional advance in the amount of \$3,000,000. This is to be repaid from available tax increments generated by Honda after providing for debt service on the outstanding Industrial Tax Allocation Bonds. The note shall be due and payable in full on July 19, 2012 with an interest rate adjusted semiannually using the average California Municipal Bond Index, source Merrill Lynch (or in the absence of a rate for similar bonds then for other District General Obligation Bonds) for the last 14 calendar days preceding the adjustment date. At June 30, 2009, the principal balance outstanding is \$910,788 and the accrued interest is \$767,730.

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Notes to the Basic Financial Statements

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Redevelopment Agency – Advance from Los Angeles County: The maximum annual debt service on Agency indebtedness may not exceed \$1,550,000. Such advances are to be repaid in the fiscal year immediately following the year in which the Agency’s annual tax increment allocation exceeds the annual debt service requirement. This advance bears simple interest at the rate of 7.0% per year. At June 30, 2009, the principal balance outstanding is \$11,206,091 and accrued interest is \$5,891,768.

**e) Pledged Revenue**

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are 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 descriptions of the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated on the table below. These percentages also approximate the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses where applicable)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax Increment (Skypark)	\$ 653,909	\$ 352,144	54%
Tax Increment (Downtown)	2,008,717	579,632	29%
Tax Increment (Industrial)	6,459,692	2,341,061	36%
Water Revenues	1,538,885	633,342	41%

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(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, 2009 (in thousands):

<b>Governmental Activities:</b>	Balance June 30, 2008	Incurred or Issued	Satisfied or Matured	Balance June 30, 2009	Amounts due within One Year	Amounts Due in more than One Year
Compensated absences payable	\$16,995	11,011	10,152	\$17,854	10,248	7,606
Net postemployment benefits payable	1,708	3,405	1,697	3,416	-	3,416
Claims & judgments	24,910	3,706	3,706	24,910	8,475	16,435
Advances and notes payable						
American Honda Motor Co.	1,627	52		1,679	-	1,679
County of Los Angeles	15,674	1,424		17,098	-	17,098
Tax Allocation Bonds:						
Skypark project refunding	1,309	-	252	1,057	273	784
Downtown project refunding	7,135	-	190	6,945	200	6,745
Industrial project refunding	26,285	-	920	25,365	990	24,375
Certificates of Participation:						
1998 Police and Fire refunding certificates	7,190	-	205	6,985	215	6,770
2004 A refunding certificates	15,775	-	850	14,925	875	14,050
2004 B refunding certificates	23,915	-	-	23,915	-	23,915
<b>Total Governmental Activities</b>	<b>\$142,523</b>	<b>19,598</b>	<b>17,972</b>	<b>\$144,149</b>	<b>21,276</b>	<b>122,873</b>
<b>Business-Type Activities:</b>						
Revenue Bonds - Water Fund	\$3,245	-	500	\$2,745	500	2,245
<b>Total Business-Type Activities</b>	<b>\$3,245</b>	<b>-</b>	<b>500</b>	<b>\$2,745</b>	<b>500</b>	<b>2,245</b>

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

#### ***Compensated Absences***

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, totaling \$2,861,650, is recorded in the Internal Service Funds. The unfunded portion, amounting to \$14,992,404 is recorded in the governmental activities and is expected to be paid from future resources. In prior years, compensated absences have been liquidated primarily by the general fund.

#### ***Net Postemployment Benefits***

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

#### ***Claims and Judgments***

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

### **(8) Employee Benefits**

#### ***Defined Benefit Pension Plan***

##### **Plan Description**

The City of Torrance's Defined Benefit Pension Plan (Plan) provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Headquarters Office – 400 Q Street, Sacramento, CA 95811.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2009

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

#### ***Funding Policy***

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

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2009 was 10.726% for miscellaneous employees, 32.537% for fire employees and 38.536% 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, 2009 the City's APC and its actual contributions were \$29,513,612. The City contributed \$21,400,275 on behalf of their employees. Employees directly contributed \$8,113,337. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2008 to June 30, 2009. The ARC for the year ended June 30, 2009 was determined as part of the June 30, 2006 actuarial valuation using the entry-age-normal-actuarial-cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 10.05% for miscellaneous members and from 3.25% to 11.15% for safety members; (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two- to five-year period depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

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

***Three-Year Trend Information for the Plan***

<b>Fiscal year ended June 30</b>	<b>Annual pension cost (APC)</b>	<b>Percentage of APC contributed</b>	<b>Net pension obligations</b>
2007	\$ 27,693,648	100%	—
2008	28,478,307	100	—
2009	29,513,612	100	—

***Required Supplementary Information-Pension Funding Information***

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

<b>Valuation date (June 30)</b>	<b>Entry age normal accrued liability</b>	<b>Actuarial value of assets</b>	<b>Unfunded/ (overfunded) liability (UAAL)</b>	<b>Funded ratio</b>	<b>Annual covered payroll</b>	<b>UAAL as a % of payroll</b>
2006	\$ 857.0	\$ 725.7	\$ 131.2	84.7%	\$ 92.3	142.2%
2007	914.5	780.0	134.8	85.3	95.8	140.7
2008	964.7	824.9	139.8	85.5	98.8	141.5

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(9) Other Post Employment Benefits**

**Funding Policy**

Below are the 2008/09 ARC (Annual Required Contribution), AOC (Annual Other Post Employment Benefit OPEB Cost), and the estimated June 30, 2009 NOO (Net OPEB Obligation).

**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 January 1, 2008, there were 1,282 active participants potentially eligible for the benefit and 913 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 30-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 2008/09 Annual Required Contribution determined by this valuation includes the Normal Cost and a 30-year amortization of the unfunded AAL, both as a level percentage of payroll and determined as of the end of the fiscal year (Amounts in \$000's):

▪ Normal	\$1,542
▪ UAAL Amortization	1,863
▪ Total	<u>\$3,405</u>
▪ Payroll	98,816
▪ ARC%	
• Normal Costs	1.6%
• UAAL Amort	1.9%
• Total	3.5%

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**Annual OPEB Cost (AOC)**

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

The AOC is equal to the ARC, except when the City has a Net OPEB Obligation (NOO) at the beginning of the year. When that happens, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The end of year AOC for fiscal year 2008/09 is determined as follows:

▪ ARC	\$3,405
▪ Interest on NOO	-
▪ Amortization of NOO	<u>(-)</u>
▪ Total AOC	\$3,405
▪ AOC as % of Payroll	3.4%

**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 2009, 49.8% of the ARC was contributed in the form of benefit payments made.

Based on the AOC developed above, the estimated June 30, 2009 NOO is (Amounts in \$000's):

Annual required contribution	\$3,405
Interest on net OPEB obligation	0
Adjustment to annual required obligation	0
Annual OPEB cost (expense)	\$3,405
Contributions made (including benefit paid)	1,697
Increase in net OPEB obligation	\$1,708
Net OPEB obligation-beginning of year	1,708
Net OPEB obligation-end of year	\$3,416

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	\$3,405	50.0%	\$1,708
6/30/09	\$3,405	50.0%	\$3,416

**Actuarial Methods**

<u>Method</u>	<u>January 1, 2008 Valuation</u>
▪ Plan Assets	▪ None
▪ Cost Method	▪ Entry Age Normal (same as CalPERS)
▪ Amortization Period	▪ 30 years
	▪ 20 years sensitivity
▪ Amortization Method	▪ Level of percent of payroll (same as CalPERS)
▪ Future New Entrants	▪ None-closed group
▪ "Implied Subsidy"	▪ Employer cost for allowing retirees to participate, irrespective of employer contribution
	▪ Community rated plans not required to value implied subsidy
	▪ PEMHCA is, for most employers, community rated plan

**Actuarial Assumptions**

<b>Valuation Date</b> • January 1, 2008 • Plan cost
<b>Discount Rate</b> • 4.25% (assets invested in General Fund, not pre-funded) • 7.75%,(pre-funded through CalPERS)
<b>Inflation</b> • 3.0% per annum
<b>Aggregate Payroll Increase</b> • 3.25% per annum
<b>Cap Increases</b>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

• 0% for all groups except Police 1% stipend

<u>Year</u>	<u>Increase</u>
1-5	6.3%
6-10	7.5%
11-15	5.4%
16-20	0.9%
21+	3.25%

**Mortality, Withdrawal, and Disability**

• CalPERS 1997-2002 Experience Study

**Retirement**

• CalPERS 1997-2002 Experience Study

• Miscellaneous

Level 2% @ 55

Hire Age 34

ERA 59.9

• Safety

Level 3% @ 50

HA (F) 27.5

HA (P) 26.5

ERA (F) 54.4

ERA (P) 54.0

**Healthcare Cost Increases**

<u>Year</u>	<u>Non-Medicare</u>		<u>Medicare</u>	
	<u>HMO</u>	<u>PPO</u>	<u>HMO</u>	<u>PPO</u>
2008	Actual Premium		Actual Premium	
2009	9.7%	10.5%	10.1%	10.9%
2010	9.1%	9.8%	9.4%	10.1%
2011	9.1%	9.8%	9.4%	10.1%
2012	9.1%	9.8%	9.4%	10.1%
2013	9.1%	9.8%	9.4%	10.1%
2014	9.1%	9.8%	9.4%	10.1%
2015	9.1%	9.8%	9.4%	10.1%
2016	9.1%	9.8%	9.4%	10.1%
2017	4.5%	4.5%	4.5%	4.5%

**Participation**

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

<ul style="list-style-type: none"> <li>• Current Actives</li> </ul>		
	Currently <u>Covered</u>	Currently <u>Waived</u>
Misc	50%	40%
Fire	90%	72%
Police		
Svc < 20	50%	40%
Svc ≥ 20	90%	72%
<ul style="list-style-type: none"> <li>• Currently Covered Retirees:               <ul style="list-style-type: none"> <li>➤ 100%</li> </ul> </li> <li>• Currently Waived Retirees:               <ul style="list-style-type: none"> <li>➤ Pre 65-10% at 65</li> <li>➤ Post 65-0%</li> </ul> </li> </ul>		
<b>Medicare eligible rate</b>		
• Everyone eligible for Medicare will elect Part B Coverage		
<b>Medical Plan at Retirement</b>		
• Currently Covered-same as current active plan and coverage elections		
• Currently Waived-weighted premium based on active employee plan and coverage elections		
<b>Spousal Coverage at Retirement</b>		
• Actives		
Currently covered-current marital status		
Not currently covered-80% married		
• Retirees-current marital status		
<b>Dependent Coverage at Retirement</b>		
• Family Coverage		
Current Actives – 15% have family coverage until 65		
Current Retirees-Current family coverage until 65		
<b>Future New Entrants</b>		
• None-Closed group		

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**Actuarial Obligations  
4.25% Discount Rate  
1/1/2008  
(Amounts in \$000's)**

▪ Present Value of Benefits	
• Actives	\$36,999
• Retirees	<u>27,422</u>
• Total	64,421
▪ Actuarial Accrued Liability	
• Actives	20,331
• Retirees	<u>27,422</u>
• Total	47,753
▪ Normal Cost	1,542
▪ Pay-as-you-go-Cost	1,697

*Funded Status and Funding Progress.* The funded status of the plan as of the date of January 1, 2008, was as follows:

Actuarial accrued liability (AAL)	<b>\$47,753</b>
Actuarial value of plan assets	<u><b>0</b></u>
Unfunded actuarial accrued liability (UAAL)	<u><u><b>\$47,753</b></u></u>
Funded ratio (actuarial value of plan assets/AAL)	<b>0%</b>
Covered payroll (active plan members)	<b>\$60,414</b>
UAAL as a percentage of covered payroll	<b>79.1%</b>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

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**

*Required Supplementary Information*

The funding progress of the plan as of the date of January 1, 2008 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/08	\$0	\$47,753	\$47,753	0%	\$60,414	79.1%

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(10) Deferred Compensation Plan**

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

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

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

The following is a summary of the increases and decreases of Plan net assets available for participants and beneficiaries for the year ended June 30, 2009:

Balance, July 1, 2008	\$ 116,326,771
Deferrals of compensation	8,765,952
Net investment earnings (loss)	(12,369,333)
Payment to Plan participants	<u>(5,118,585)</u>
Plan net assets available for participants and beneficiaries, June 30, 2009	<u>\$ 107,604,805</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(11) Other Required Individual Fund Disclosures**

*Interfund Transactions – Due to/Due from other funds*

Interfund receivable and payable balances at June 30, 2009 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	402
		<u>402</u>

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

*Interfund Transactions - Advances*

The balances of advances between funds at June 30, 2009 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Industrial Redevelopment Debt Service Fund	13,272
	Nonmajor Governmental Funds	1,587
		<u>14,859</u>
Water Proprietary Fund	Industrial Redevelopment Debt Service Fund	<u>1,154</u>
Sewer Proprietary Funds	Industrial Redevelopment Debt Service Fund	<u>419</u>
Internal Service Funds	Industrial Redevelopment Debt Service Fund	<u>2,000</u>
Nonmajor Governmental Funds	General Fund	<u>600</u>
		<u>19,032</u>

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(12) Transfers In and Out**

The balances of transfers between funds at June 30, 2009 were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	\$ 5,057
	Nonmajor Proprietary Funds	12,942
	Internal Service Funds	3,464
	Nonmajor Governmental Funds	1,397
		<u>22,860</u>
Capital Improvements Fund	General Fund	<u>664</u>
Industrial Redevelopment Debt Service Fund	General Fund	2,355
	Nonmajor Governmental Funds	1,292
		<u>3,647</u>
Water Proprietary Fund	General Fund	<u>32</u>
Sewer Proprietary Fund	Nonmajor Proprietary Funds	<u>75</u>
Transit Proprietary Fund	General Fund	52
	Internal Service Funds	120
		<u>172</u>
Internal Service Funds	General Fund	23
		<u>23</u>
Nonmajor Proprietary Funds	General Fund	5,903
	Internal Service Fund	329
	Nonmajor Governmental Funds	26
		<u>6,258</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

<b>Transfer From</b>	<b>Transfer To</b>	<b>Amount</b>
Nonmajor Governmental Funds	General Fund	871
	Nonmajor Governmental Funds	791
	Transit Proprietary Fund	1,254
		<u>2,916</u>
Total		<u><u>36,647</u></u>

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;
- Transfers to the Fleet Services Fund (an internal service fund) represent contributions for fleet acquisitions;
- Transfers to the Transit Fund from the Proposition C Fund (a nonmajor governmental fund) represent contributions to fund ongoing operations;
- Transfers to the General Fund from the Industrial Redevelopment Fund represent sales tax revenues from the redevelopment project areas;
- Transfers to the Street Lighting Assessment Fund (a nonmajor governmental fund), the Cultural Arts Fund, the Emergency Medical Service Fund and the Parks & Recreation Funds (each a nonmajor proprietary fund) represent additional subsidies for those funds' regular operations;
- Transfers to the Capital Improvements Funds represent contributions to fund various capital projects;
- Transfers to the General Fund from the Municipal Airport Fund (a nonmajor proprietary fund) represent contributions to future capital projects.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(13) Risk Management**

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

**Liability:** The City insures automobile and general liability risks to \$5,000,000 per occurrence. There is excess liability coverage of \$20,000,000 for amounts above the \$5,000,000 self insured retention.

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

**Workers’ Compensation:** The City is self-insured for workers’ compensation risks up to \$2,000,000 per occurrence. Excess coverage is in place for amounts above the \$2,000,000 self-insured retention up to State of California statutory limits.

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

**Crime:** The City purchases crime (bond type) insurance up to \$10,000,000 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, 2009, \$18,961,950 and \$5,948,241 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>
2007-08	\$ 22,877	4,358	(2,325)	24,910
2008-09	\$ 24,910	3,706	(3,706)	24,910

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(14) Due from Other Governments**

Amounts due from other governments consisted of the following at June 30, 2009 (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	\$1,975	—	1,092	—	\$3,067
Special Revenue Funds:					
Air Quality Improvement Fund	46	—	—	—	46
Rental Assistance Program Fund	—	20	—	—	20
Debt Service Fund:					
Skypark Redevelopment Downtown Redevelopment	—	—	13	—	13
Industrial Redevelopment	111	—	726	—	726
Enterprise Funds:					
Transit System	412	1,976	2,273	56	4,717
Parks and Recreation	—	—	310	—	310
Subtotal	<u>2,544</u>	<u>1,996</u>	<u>4,414</u>	<u>56</u>	<u>9,010</u>
Fiduciary Fund:					
Municipal Area Express	—	—	21	54	75
Total	<u>\$2,544</u>	<u>1,996</u>	<u>4,435</u>	<u>110</u>	<u>\$9,085</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(15) Unearned Revenue**

The table below shows activity for the City's unearned revenue accounts as of June 30, 2009. 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 2009, the Parks & Recreation Enterprise Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July. The General Fund balance represents the Community Services recreation registration processing fees that are collected in May and June of 2009 for summer classes which begin in July.

	<b>Balance at</b>				<b>Balance at</b>
	<b>July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>		<b>June 30, 2009</b>
Transit Security Reserve	\$ 418	46	84	\$	380
Transit Prop 1B	-	564	-		564
Transit Prop C (MOSIP)	-	915	450		465
Airport Rents received for July	102	214	102		214
Parks & Recreation Enterprise Fund revenues received in May and June for July classes	671	622	671		622
General Fund	882	49	882		49
	<u>\$ 2,073</u>	<u>2,410</u>	<u>2,189</u>	\$	<u>2,294</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(16) Deficit Fund Equity (Accumulated Deficit)**

The Self-Insurance Internal Service Fund reflected an accumulated deficit of \$13,771,622 at June 30, 2009. Such deficit is attributed to recording increases in the reserve for general liability claims resulting from settlements of claims in excess of established reserves and from increasing reserves for pending cases. In fiscal year-ended 2001, an adjustment of \$9,005,667 was made for Self-Insurance Fund Workers Compensation and Liability Claims. In fiscal year-ended 2008, a similar adjustment of \$2,032,846 was made. These adjustments were based on actuarial study reports as of fiscal year ended June 30, 2001 and June 30, 2008 respectively. It is anticipated that the deficit will be reduced over future years through increases in annual charges made through the budgeting process, as they become necessary. Excess charges will be distributed to all funds proportionately depending on their proportionate benefit of the Self-Insurance Fund, which resulted in the accumulated deficit balance.

Parks and Recreation has an accumulated deficit of \$312,863 as of June 30, 2009. The deficit will be reduced with the subsidy in fiscal year ending June 30, 2010.

The Industrial Redevelopment Debt Service Fund has an accumulated deficit of \$13,945,688 as of June 30, 2009, which represents the inclusion of advances due to other funds. This deficit will be reduced by future tax increment payments after annual bond payments have been made.

**(17) Prior Period Adjustment**

During the year ended June 30, 2009, the City restated the beginning net assets of the Governmental Activities. This was done to reduce the accumulated depreciation for curbs and gutters a class of infrastructure assets as of June 30, 2008 to agree with detailed fixed asset listing.

Net assets for governmental activities, beginning, as previously reported:	\$ 268,433,398
Adjustment to accumulated depreciation for Infrastructure	<u>652,855</u>
Net assets for governmental activities, beginning, as adjusted	<u>\$ 269,086,253</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2009

**(18) Commitments and Contingencies**

The City has various outstanding contracts and purchase orders for services, supplies, materials and capital projects that have not been completed as of fiscal year-end. These commitments total \$10,913,123 at June 30, 2009.

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.

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# City OF Torrance



44th Armed Forces Day Parade

## *Combining Financial Statements and Schedules*

Combining Financial  
Statements & Schedules

# City OF Torrance



Stanley Remelmeyer Cable Building

## Non-Major Governmental Funds

**CITY OF TORRANCE, CALIFORNIA**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2009

<b>Assets</b>	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Pooled cash and investments	\$ 27,901,592	\$ 10,282,157	\$ 2,211,230	\$ 40,394,979
Cash and cash equivalents with fiscal agents	—	2,389,181	3,917,263	6,306,444
Accounts receivable	1,566,164	—	—	1,566,164
Accrued interest receivable	220,662	117,306	37,345	375,313
Due from other funds	—	—	—	—
Due from other governments	66,235	—	738,652	804,887
Interfund advances receivable	600,000	—	—	600,000
Notes receivable	89,055	—	—	89,055
Other assets	—	2,695	—	2,695
Restricted cash and investments	1,157,861	—	—	1,157,861
<b>Total Assets</b>	<b>\$ 31,601,569</b>	<b>\$ 12,791,339</b>	<b>\$ 6,904,490</b>	<b>\$ 51,297,398</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,701,822	\$ 43,777	\$ —	\$ 1,745,599
Accounts payable-contract retention	129,597	—	—	129,597
Due to other funds	280,217	121,548	—	401,765
Interfund advances payable	—	—	1,586,599	1,586,599
<b>Total Liabilities</b>	<b>2,111,636</b>	<b>165,325</b>	<b>1,586,599</b>	<b>3,863,560</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balance:</b>				
Reserved for:				
Advances to other funds	600,000	—	—	600,000
Notes receivable	89,055	—	—	89,055
Capital Improvements	—	2,389,181	—	2,389,181
Repayment of debt	—	—	5,317,891	5,317,891
Unreserved	28,800,878	10,236,833	—	39,037,711
<b>Total Fund Balances</b>	<b>29,489,933</b>	<b>12,626,014</b>	<b>5,317,891</b>	<b>47,433,838</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 31,601,569</b>	<b>\$ 12,791,339</b>	<b>\$ 6,904,490</b>	<b>\$ 51,297,398</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2009

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Fund</u>
Revenues:				
Taxes	\$ 1,525,480	\$ —	\$ 2,662,626	\$ 4,188,106
Fines, forfeitures and penalties	563,815	—	—	563,815
Use of money and property	2,941,553	391,547	3,475,944	6,809,044
Intergovernmental	14,578,499	—	—	14,578,499
Other revenues	712,622	204,603	—	917,225
Total revenues	<u>20,321,969</u>	<u>596,150</u>	<u>6,138,570</u>	<u>27,056,689</u>
Expenditures:				
General government	2,333,216	—	37,472	2,370,688
Public works	6,998,275	—	—	6,998,275
Culture and recreation	116,654	—	—	116,654
Community development	6,078,064	495,430	—	6,573,494
Capital outlay	4,678,790	860,571	—	5,539,361
Debt service:				
Principal retirement	—	—	1,497,360	1,497,360
Interest and fiscal charges	—	—	3,631,634	3,631,634
Other	—	—	1,146,415	1,146,415
Total expenditures	<u>20,204,999</u>	<u>1,356,001</u>	<u>6,312,881</u>	<u>27,873,881</u>
Excess (deficiency) of revenues over expenditures	<u>116,970</u>	<u>(759,851)</u>	<u>(174,311)</u>	<u>(817,192)</u>
Other financing sources (uses):				
Transfers in	1,613,966	1,891,672	—	3,505,638
Transfers out	(2,274,768)	(41,849)	(599,734)	(2,916,351)
Issuance of debt-advance from County	—	—	1,423,986	1,423,986
Total other financing sources (uses)	<u>(660,802)</u>	<u>1,849,823</u>	<u>824,252</u>	<u>2,013,273</u>
Net change in fund balances	(543,832)	1,089,972	649,941	1,196,081
Fund balances, July 1, 2008	<u>30,033,765</u>	<u>11,536,042</u>	<u>4,667,950</u>	<u>46,237,757</u>
Fund balances, June 30, 2009	<u>\$ 29,489,933</u>	<u>\$ 12,626,014</u>	<u>\$ 5,317,891</u>	<u>\$ 47,433,838</u>

# City OF Torrance



Torrance Cultural Arts Center

Non-Major  
Special Revenue Funds

## 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

The EL CAMINO TRAINING FUND is used to account for monies received from El Camino to be used for Fire and Police Departments' training purposes.

The CABLE COMM/PUBLIC ACCESS FUND is used to keep track of revenues and expenses for Cable Communications that provides audio visual services, government access television, AM radio, regulatory oversight and legislative recommendations. Public Access Fund is used to keep track of revenues and expenses for services rendered to the Cable TV Advisory Board, training the community and television productions and generation of public access channels.

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

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

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

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**CITY OF TORRANCE, CALIFORNIA**

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2009

<b>Assets</b>	<b>Parks and Recreation Facilities Fund</b>	<b>Rental Assistance Program Fund</b>	<b>Seismic Education Fund</b>	<b>Street Lighting Assessment Fund</b>	<b>Drainage Improvement Fund</b>	<b>Parks, Rehabilitation and Open Space Fund</b>
Pooled cash and investments	\$ 819,638	\$ 284,421	\$ 52,770	\$ 335,069	\$ 19,531	\$ 2,838,308
Cash and cash equivalent with Fiscal Agents	—	—	—	—	—	—
Accounts receivable	—	473,662	—	95,095	—	—
Accrued interest receivable	9,245	—	594	—	—	32,013
Interfund advances receivable	600,000	—	—	—	—	—
Due from other governments	—	19,665	—	—	—	—
Restricted cash and investments	—	455,694	—	—	—	—
Notes receivable	—	—	—	—	—	—
Total assets	<u>\$ 1,428,883</u>	<u>\$ 1,233,442</u>	<u>\$ 53,364</u>	<u>\$ 430,164</u>	<u>\$ 19,531</u>	<u>\$ 2,870,321</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ —	\$ —	\$ 23,162	\$ 170,468	\$ —	\$ —
Accounts payable – contract retention	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>23,162</u>	<u>170,468</u>	<u>—</u>	<u>—</u>
Fund balances:						
Reserved:						
Advances to other funds	600,000	—	—	—	—	—
Notes receivable	—	—	—	—	—	—
Unreserved:						
Undesignated	828,883	1,233,442	30,202	259,696	19,531	2,870,321
Total fund balances	<u>1,428,883</u>	<u>1,233,442</u>	<u>30,202</u>	<u>259,696</u>	<u>19,531</u>	<u>2,870,321</u>
Total liabilities and fund balances	<u>\$ 1,428,883</u>	<u>\$ 1,233,442</u>	<u>\$ 53,364</u>	<u>\$ 430,164</u>	<u>\$ 19,531</u>	<u>\$ 2,870,321</u>

<b>Proposition C Fund</b>	<b>Vanpool Rideshare Fund</b>	<b>Bicycle Transporation Fund</b>	<b>Animal Control Fund</b>	<b>Development Impact Fund</b>	<b>Underground Storage Fund</b>	<b>Geologic Hazard Abatement Fund</b>
\$ 6,165,073	\$ 339,936	\$ —	\$ 45,427	\$ 719,401	\$ 3,000	\$ 14,317
—	—	—	—	—	—	—
—	3,769	—	36,829	—	—	—
69,535	—	—	—	—	—	—
—	—	—	—	—	—	—
30,500	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>\$ 6,265,108</u>	<u>\$ 343,705</u>	<u>\$ —</u>	<u>\$ 82,256</u>	<u>\$ 719,401</u>	<u>\$ 3,000</u>	<u>\$ 14,317</u>
\$ 43,334	\$ 30	\$ —	\$ 19,023	\$ 719,401	\$ —	\$ —
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>43,334</u>	<u>30</u>	<u>—</u>	<u>19,023</u>	<u>719,401</u>	<u>—</u>	<u>—</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>6,221,774</u>	<u>343,675</u>	<u>—</u>	<u>63,233</u>	<u>—</u>	<u>3,000</u>	<u>14,317</u>
<u>6,221,774</u>	<u>343,675</u>	<u>—</u>	<u>63,233</u>	<u>—</u>	<u>3,000</u>	<u>14,317</u>
<u>\$ 6,265,108</u>	<u>\$ 343,705</u>	<u>\$ —</u>	<u>\$ 82,256</u>	<u>\$ 719,401</u>	<u>\$ 3,000</u>	<u>\$ 14,317</u>

(continued)

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

<b>Assets</b>	<b>State Gas Tax Street Improvement Fund</b>	<b>Air Quality Management District Fund</b>	<b>Meadow Park Parking Lot District Fund</b>	<b>Police Inmate Welfare Fund</b>	<b>Grants and Donations Fund</b>	<b>Federal Housing and Community Development Fund</b>
Pooled cash and investments	\$ 6,812,329	\$ 124,079	\$ 44,458	\$ 52,192	\$ 546,705	\$ 612,534
Cash and cash equivalent with Fiscal Agents	—	—	—	—	—	—
Accounts receivable	186,466	—	4,774	—	9,399	—
Accrued interest receivable	82,068	—	—	589	266	—
Interfund advances receivable	—	—	—	—	—	—
Due from other governments	—	46,570	—	—	—	—
Restricted cash and investments	—	—	—	—	69,500	2,167
Notes receivable	—	—	—	—	—	89,055
Total assets	<u>\$ 7,080,863</u>	<u>\$ 170,649</u>	<u>\$ 49,232</u>	<u>\$ 52,781</u>	<u>\$ 625,870</u>	<u>\$ 703,756</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 235,310	\$ 2,520	\$ 1,445	\$ —	\$ 295,262	\$ —
Accounts payable – contract retention	109,327	—	—	—	—	—
Due to other funds	—	—	—	—	—	—
Total liabilities	<u>344,637</u>	<u>2,520</u>	<u>1,445</u>	<u>—</u>	<u>295,262</u>	<u>—</u>
Fund balances:						
Reserved:						
Advances to other funds	—	—	—	—	—	—
Notes receivable	—	—	—	—	—	89,055
Unreserved:						
Undesignated	<u>6,736,226</u>	<u>168,129</u>	<u>47,787</u>	<u>52,781</u>	<u>330,608</u>	<u>614,701</u>
Total fund balances	<u>6,736,226</u>	<u>168,129</u>	<u>47,787</u>	<u>52,781</u>	<u>330,608</u>	<u>703,756</u>
Total liabilities and fund balances	<u>\$ 7,080,863</u>	<u>\$ 170,649</u>	<u>\$ 49,232</u>	<u>\$ 52,781</u>	<u>\$ 625,870</u>	<u>\$ 703,756</u>

<b>Asset Forfeiture Fund</b>	<b>El Camino Training Fund</b>	<b>Cable Comm/ Public Access Fund</b>	<b>Proposition 1B Fund</b>	<b>AB2928 Traffic Congestion Relief Fund</b>	<b>DNA Sampling Fund</b>	<b>Total Nonmajor Special Revenue Fund</b>
\$ 2,617,750	\$ 592,231	\$ 2,340,989	\$ 2,504,124	\$ —	\$ 17,310	\$ 27,901,592
—	—	—	—	—	—	—
—	1,980	447,553	—	300,487	6,150	1,566,164
—	—	26,352	—	—	—	220,662
—	—	—	—	—	—	600,000
600,000	—	—	—	—	—	66,235
—	—	—	—	—	—	1,157,861
—	—	—	—	—	—	89,055
<u>\$ 3,217,750</u>	<u>\$ 594,211</u>	<u>\$ 2,814,894</u>	<u>\$ 2,504,124</u>	<u>\$ 300,487</u>	<u>\$ 23,460</u>	<u>\$ 31,601,569</u>
\$ 4,800	\$ —	\$ 187,067	\$ —	\$ —	\$ —	\$ 1,701,822
—	—	—	—	20,270	—	129,597
—	—	—	—	280,217	—	280,217
<u>4,800</u>	<u>—</u>	<u>187,067</u>	<u>—</u>	<u>300,487</u>	<u>—</u>	<u>2,111,636</u>
—	—	—	—	—	—	600,000
—	—	—	—	—	—	89,055
<u>3,212,950</u>	<u>594,211</u>	<u>2,627,827</u>	<u>2,504,124</u>	<u>—</u>	<u>23,460</u>	<u>28,800,878</u>
<u>3,212,950</u>	<u>594,211</u>	<u>2,627,827</u>	<u>2,504,124</u>	<u>—</u>	<u>23,460</u>	<u>29,489,933</u>
<u>\$ 3,217,750</u>	<u>\$ 594,211</u>	<u>\$ 2,814,894</u>	<u>\$ 2,504,124</u>	<u>\$ 300,487</u>	<u>\$ 23,460</u>	<u>\$ 31,601,569</u>

**CITY OF TORRANCE, CALIFORNIA**

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

Nonmajor Special Revenue Funds

Year ended June 30, 2009

	<b>Parks and Recreation Facilities Fund</b>	<b>Rental Assistance Program Fund</b>	<b>Seismic Education Fund</b>	<b>Street Lighting Assessment Fund</b>	<b>Drainage Improvement Fund</b>	<b>Parks, Rehabilitation and Open Space Fund</b>
Revenues:						
Taxes	\$ 10,450	\$ —	\$ —	\$ 1,337,308	\$ —	\$ —
Fines, forfeitures and penalties	—	—	—	—	—	134,928
Use of money and property	33,165	50,079	2,042	—	—	114,101
Intergovernmental	—	5,547,484	—	—	—	—
Other	—	12,787	9	—	86	—
Total revenues	<u>43,615</u>	<u>5,610,350</u>	<u>2,051</u>	<u>1,337,308</u>	<u>86</u>	<u>249,029</u>
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public works	—	—	—	2,621,069	—	—
Culture and recreation	—	—	—	—	—	68,595
Community development	—	5,895,150	—	—	—	—
Capital outlay	—	—	—	—	—	—
Total expenditures	<u>—</u>	<u>5,895,150</u>	<u>—</u>	<u>2,621,069</u>	<u>—</u>	<u>68,595</u>
Excess (deficiency) of revenues over expenditures	43,615	(284,800)	2,051	(1,283,761)	86	180,434
Other financing sources (uses):						
Transfers in	—	—	—	1,250,733	—	—
Transfers out	—	—	—	—	—	—
Net change in fund balance	43,615	(284,800)	2,051	(33,028)	86	180,434
Fund balances, July 1, 2008	<u>1,385,268</u>	<u>1,518,242</u>	<u>28,151</u>	<u>292,724</u>	<u>19,445</u>	<u>2,689,887</u>
Fund balances, June 30, 2009	<u>\$ 1,428,883</u>	<u>\$ 1,233,442</u>	<u>\$ 30,202</u>	<u>\$ 259,696</u>	<u>\$ 19,531</u>	<u>\$ 2,870,321</u>

<u>Proposition C Fund</u>	<u>Vanpool Rideshare Fund</u>	<u>Bicycle Transportation Fund</u>	<u>Animal Control Fund</u>	<u>Development Impact Fund</u>	<u>Underground Storage Fund</u>	<u>Geologic Hazard Abatement Fund</u>
\$ —	\$ —	\$ —	\$ 176,972	\$ —	\$ 750	\$ —
—	—	—	—	—	—	—
266,087	—	29	—	—	—	—
1,780,795	39,574	—	—	—	—	—
—	65,037	—	4,747	—	—	—
<u>2,046,882</u>	<u>104,611</u>	<u>29</u>	<u>181,719</u>	<u>—</u>	<u>750</u>	<u>—</u>
—	224,050	29	353,152	—	—	—
424,786	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
32,844	—	—	—	—	—	—
<u>457,630</u>	<u>224,050</u>	<u>29</u>	<u>353,152</u>	<u>—</u>	<u>—</u>	<u>—</u>
1,589,252	(119,439)	—	(171,433)	—	750	—
—	154,900	—	171,433	—	—	—
<u>(1,408,900)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
180,352	35,461	—	—	—	750	—
6,041,422	308,214	—	63,233	—	2,250	14,317
<u>\$ 6,221,774</u>	<u>\$ 343,675</u>	<u>\$ —</u>	<u>\$ 63,233</u>	<u>\$ —</u>	<u>\$ 3,000</u>	<u>\$ 14,317</u>

(continued)

**CITY OF TORRANCE, CALIFORNIA**

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

Nonmajor Special Revenue Funds

(continued)

	<u>State Gas Tax Street Improvement Fund</u>	<u>Air Quality Management District Fund</u>	<u>Meadow Park Parking Lot District Fund</u>	<u>Police Inmate Welfare Fund</u>	<u>Grants and Donations Fund</u>	<u>Federal Housing and Community Development Fund</u>
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Fines, forfeitures and penalties	—	—	—	—	—	—
Use of money and property	271,135	4,943	23,827	7,647	—	—
Intergovernmental	2,351,708	174,215	—	—	3,424,004	—
Other	—	—	—	—	537,952	—
Total revenues	<u>2,622,843</u>	<u>179,158</u>	<u>23,827</u>	<u>7,647</u>	<u>3,961,956</u>	<u>—</u>
Expenditures:						
Current:						
General government	—	—	12,841	3,844	—	—
Public works	—	—	—	—	3,952,420	—
Culture and recreation	—	—	—	—	48,059	—
Community development	—	182,914	—	—	—	—
Capital outlay	2,849,497	—	—	—	191,723	—
Total expenditures	<u>2,849,497</u>	<u>182,914</u>	<u>12,841</u>	<u>3,844</u>	<u>4,192,202</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	(226,654)	(3,756)	10,986	3,803	(230,246)	—
Other financing sources (uses):						
Transfers in	—	—	—	—	—	36,900
Transfers out	(840,000)	—	—	—	—	—
Net change in fund balance	(1,066,654)	(3,756)	10,986	3,803	(230,246)	36,900
Fund balances, July 1, 2008	7,802,880	171,885	36,801	48,978	560,854	666,856
Fund balances, June 30, 2009	<u>\$ 6,736,226</u>	<u>\$ 168,129</u>	<u>\$ 47,787</u>	<u>\$ 52,781</u>	<u>\$ 330,608</u>	<u>\$ 703,756</u>

<b>Asset Forfeiture Fund</b>	<b>El Camino Training Fund</b>	<b>Cable Comm/ Public Access Fund</b>	<b>Proposition 1B Fund</b>	<b>AB2928 Traffic Congestion Relief Fund</b>	<b>DNA Sampling Fund</b>	<b>Total Nonmajor Special Revenue Fund</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1,525,480
428,887	—	—	—	—	—	563,815
123,197	—	1,925,283	102,397	17,621	—	2,941,553
—	—	—	—	1,260,719	—	14,578,499
—	63,763	15,251	—	—	12,990	712,622
<u>552,084</u>	<u>63,763</u>	<u>1,940,534</u>	<u>102,397</u>	<u>1,278,340</u>	<u>12,990</u>	<u>20,321,969</u>
281,228	300	1,457,772	—	—	—	2,333,216
—	—	—	—	—	—	6,998,275
—	—	—	—	—	—	116,654
—	—	—	—	—	—	6,078,064
—	—	328,117	—	1,276,609	—	4,678,790
<u>281,228</u>	<u>300</u>	<u>1,785,889</u>	<u>—</u>	<u>1,276,609</u>	<u>—</u>	<u>20,204,999</u>
270,856	63,463	154,645	102,397	1,731	12,990	116,970
—	—	—	—	—	—	1,613,966
—	—	(25,868)	—	—	—	(2,274,768)
270,856	63,463	128,777	102,397	1,731	12,990	(543,832)
2,942,094	530,748	2,499,050	2,401,727	(1,731)	10,470	30,033,765
<u>\$ 3,212,950</u>	<u>\$ 594,211</u>	<u>\$ 2,627,827</u>	<u>\$ 2,504,124</u>	<u>\$ —</u>	<u>\$ 23,460</u>	<u>29,489,933</u>

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# City OF Torrance



Torrance Beach

## Non-Major Capital Project Funds

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

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

The REDEVELOPMENT AGENCY FUNDS are used to account for the acquisition, relocation, demolition and sale of land for those portions of the City of Torrance which have been earmarked for redevelopment.

The projects are financed primarily with property tax increment revenues. Each project is accounted for in a separate fund as follows:

Meadow Park Project Fund—this fund is used to account for activities related to redevelopment of approximately 56 acres of land designated for light industrial and commercial use.

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

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

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

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

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**CITY OF TORRANCE, CALIFORNIA**

Combining Balance Sheet  
 Nonmajor Capital Project Funds  
 June 30, 2009

<b>Assets</b>	<b>Torrance Public Financing Fund</b>
Pooled cash and investments	\$ —
Cash and cash equivalents with fiscal agents	2,389,181
Accrued interest receivable	—
Others	—
Total assets	<u>\$ 2,389,181</u>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 41,604
Due to other funds	121,548
Total liabilities	<u>163,152</u>
Fund balances:	
Reserved:	
Capital improvements	2,389,181
Unreserved:	
Designated:	
Infrastructure	—
Undesignated fund balance	<u>(163,152)</u>
Total fund balances	<u>2,226,029</u>
Total liabilities and fund balances	<u>\$ 2,389,181</u>

**Redevelopment Agency of the City of Torrance**

	<b>Meadow Park Project Fund</b>	<b>Skypark Project Fund</b>	<b>Downtown Torrance Redevelopment Project Fund</b>	<b>Industrial Redevelopment Project Fund</b>	<b>Low/Moderate Income Housing Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
\$	37,284	\$ 6,785	\$ 114,363	\$ 78,208	\$ 10,045,517	\$ 10,282,157
	—	—	—	—	—	2,389,181
	420	—	4,306	—	112,580	117,306
	—	—	—	—	2,695	2,695
\$	<u>37,704</u>	<u>\$ 6,785</u>	<u>\$ 118,669</u>	<u>\$ 78,208</u>	<u>\$ 10,160,792</u>	<u>\$ 12,791,339</u>
\$	—	\$ —	\$ 2,173	\$ —	\$ —	\$ 43,777
	—	—	—	—	—	121,548
	—	—	<u>2,173</u>	—	—	<u>165,325</u>
	—	—	—	—	—	2,389,181
	—	—	—	—	10,160,792	10,160,792
	<u>37,704</u>	<u>6,785</u>	<u>116,496</u>	<u>78,208</u>	<u>—</u>	<u>76,041</u>
	<u>37,704</u>	<u>6,785</u>	<u>116,496</u>	<u>78,208</u>	<u>10,160,792</u>	<u>12,626,014</u>
\$	<u>37,704</u>	<u>\$ 6,785</u>	<u>\$ 118,669</u>	<u>\$ 78,208</u>	<u>\$ 10,160,792</u>	<u>\$ 12,791,339</u>

**CITY OF TORRANCE, CALIFORNIA**

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

Nonmajor Capital Project Funds

Year ended June 30, 2009

	<b>Torrance Public Financing Fund</b>
	<u>                    </u>
Revenues:	
Use of money and property	\$ —
Other	16,531
Total revenues	<u>16,531</u>
Expenditures	
Capital outlay	860,571
Community development	—
Total expenditures	<u>860,571</u>
Excess (deficiency) of revenues over expenditures	(844,040)
Other financing sources (uses):	
Transfers in	67,209
Transfers out	—
Total other financing sources (uses), net	<u>67,209</u>
Net change in fund balance	(776,831)
Fund balances, July 1, 2008	<u>3,002,860</u>
Fund balances, June 30, 2009	<u>\$ 2,226,029</u>

Redevelopment Agency of the City of Torrance					
Meadow Park Project Fund	Skypark Project Fund	Downtown Torrance Redevelopment Project Fund	Industrial Redevelopment Project Fund	Low/Moderate Income Housing Fund	Total Nonmajor Capital Project Funds
\$ 1,133	\$ —	\$ 12,971	\$ —	\$ 377,443	\$ 391,547
15,181	—	172,891	—	—	204,603
<u>16,314</u>	<u>—</u>	<u>185,862</u>	<u>—</u>	<u>377,443</u>	<u>596,150</u>
—	—	—	—	—	860,571
<u>—</u>	<u>—</u>	<u>124,717</u>	<u>—</u>	<u>370,713</u>	<u>495,430</u>
<u>—</u>	<u>—</u>	<u>124,717</u>	<u>—</u>	<u>370,713</u>	<u>1,356,001</u>
16,314	—	61,145	—	6,730	(759,851)
—	—	—	—	1,824,463	1,891,672
<u>—</u>	<u>—</u>	<u>(23,049)</u>	<u>—</u>	<u>(18,800)</u>	<u>(41,849)</u>
<u>—</u>	<u>—</u>	<u>(23,049)</u>	<u>—</u>	<u>1,805,663</u>	<u>1,849,823</u>
16,314	—	38,096	—	1,812,393	1,089,972
<u>21,390</u>	<u>6,785</u>	<u>78,400</u>	<u>78,208</u>	<u>8,348,399</u>	<u>11,536,042</u>
<u>\$ 37,704</u>	<u>\$ 6,785</u>	<u>\$ 116,496</u>	<u>\$ 78,208</u>	<u>\$ 10,160,792</u>	<u>\$ 12,626,014</u>

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# City OF Torrance



Wilson Park

## Non-Major Debt Service Funds

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

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

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

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

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

Non-Major  
Debt Service Funds

❖ DEPARTMENT OF FINANCE ❖

City

**CITY OF TORRANCE, CALIFORNIA**

Combining Balance Sheet  
 Nonmajor Debt Service Funds  
 June 30, 2009

	<b>Redevelopment Agency of the City of Torrance</b>			<b>Total Nonmajor Debt Service Funds</b>
	<b>Torrance Public Financing Fund</b>	<b>Skypark Fund</b>	<b>Downtown Torrance Redevelopment Fund</b>	
<b>Assets</b>				
Pooled cash and investments	\$ —	\$ 387,455	\$ 1,823,775	\$ 2,211,230
Cash and cash equivalents with fiscal agents	3,330,297	—	586,966	3,917,263
Accrued interest receivable	—	4,399	32,946	37,345
Due from other governments	—	12,872	725,780	738,652
<b>Total assets</b>	<b>\$ 3,330,297</b>	<b>\$ 404,726</b>	<b>\$ 3,169,467</b>	<b>\$ 6,904,490</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Interfund advances payable	\$ —	\$ —	\$ 1,586,599	\$ 1,586,599
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>1,586,599</b>	<b>1,586,599</b>
<b>Fund balances:</b>				
Reserved – debt service	3,330,297	404,726	1,582,868	5,317,891
<b>Total fund balances</b>	<b>3,330,297</b>	<b>404,726</b>	<b>1,582,868</b>	<b>5,317,891</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,330,297</b>	<b>\$ 404,726</b>	<b>\$ 3,169,467</b>	<b>\$ 6,904,490</b>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
Year ended June 30, 2009

	<b>Redevelopment Agency of the City of Torrance</b>			<b>Total Nonmajor Debt Service Funds</b>
	<b>Torrance Public Financing Fund</b>	<b>Skypark Fund</b>	<b>Downtown Torrance Redevelopment Fund</b>	
Revenues:				
Property taxes	\$ —	\$ 653,909	\$ 2,008,717	\$ 2,662,626
Use of money and property	3,378,910	7,815	89,219	3,475,944
Total revenues	<u>3,378,910</u>	<u>661,724</u>	<u>2,097,936</u>	<u>6,138,570</u>
Expenditures:				
General government	—	9,051	28,421	37,472
Debt Service:				
Principal retirement	1,055,000	252,360	190,000	1,497,360
Interest and fiscal charges	2,258,164	99,784	1,273,686	3,631,634
Other	—	—	1,146,415	1,146,415
Total expenditures	<u>3,313,164</u>	<u>361,195</u>	<u>2,638,522</u>	<u>6,312,881</u>
Excess (deficiency) of revenues over expenditures	<u>65,746</u>	<u>300,529</u>	<u>(540,586)</u>	<u>(174,311)</u>
Other financing sources (uses):				
Transfers out	(67,209)	(130,782)	(401,743)	(599,734)
Issuance of debt-advance from County	—	—	1,423,986	1,423,986
Total other financing sources (uses)	<u>(67,209)</u>	<u>(130,782)</u>	<u>1,022,243</u>	<u>824,252</u>
Net change in fund balance	(1,463)	169,747	481,657	649,941
Fund balances, July 1, 2008	<u>3,331,760</u>	<u>234,979</u>	<u>1,101,211</u>	<u>4,667,950</u>
Fund balances, June 30, 2009	<u>\$ 3,330,297</u>	<u>\$ 404,726</u>	<u>\$ 1,582,868</u>	<u>\$ 5,317,891</u>

# City OF Torrance



James R. Armstrong Theater

## *Non-Major Proprietary Funds*

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**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Net Assets  
Nonmajor Proprietary Funds  
June 30, 2009

Assets	<b>Emergency Medical Services Fund</b>	<b>Sanitation Fund</b>	<b>Municipal Airport Fund</b>	<b>Parks and Recreation Fund</b>	<b>Cultural Arts Center Fund</b>	<b>Total Nonmajor Proprietary Funds</b>
<b>Current assets:</b>						
Pooled cash and investments	\$ —	\$ 2,878,693	\$ 6,728,789	\$ 56,256	\$ 537,380	\$ 10,201,118
Accounts receivable	89,789	1,480,945	235,163	1,058	12,796	1,819,751
Accrued interest receivable	—	—	77,404	—	—	77,404
Due from other governments	—	—	—	309,456	—	309,456
Prepays	—	—	—	15,254	—	15,254
<b>Total current assets</b>	<u>89,789</u>	<u>4,359,638</u>	<u>7,041,356</u>	<u>382,024</u>	<u>550,176</u>	<u>12,422,983</u>
<b>Noncurrent assets:</b>						
Capital assets, net	<u>84,365</u>	<u>68,012</u>	<u>7,059,552</u>	<u>20,964</u>	<u>482,639</u>	<u>7,715,532</u>
<b>Total noncurrent assets</b>	<u>84,365</u>	<u>68,012</u>	<u>7,059,552</u>	<u>20,964</u>	<u>482,639</u>	<u>7,715,532</u>
<b>Total Assets</b>	<u>174,154</u>	<u>4,427,650</u>	<u>14,100,908</u>	<u>402,988</u>	<u>1,032,815</u>	<u>20,138,515</u>
<b>Liabilities</b>						
<b>Current liabilities (payable from current assets):</b>						
Accounts payable	25,639	109,731	251,520	94,107	204,653	685,650
Accrued liabilities	50	624,443	57,268	—	91,546	773,307
Unearned revenues	—	—	213,936	621,744	—	835,680
<b>Total current liabilities</b>	<u>25,689</u>	<u>734,174</u>	<u>522,724</u>	<u>715,851</u>	<u>296,199</u>	<u>2,294,637</u>
<b>Total Liabilities</b>	<u>\$ 25,689</u>	<u>\$ 734,174</u>	<u>\$ 522,724</u>	<u>\$ 715,851</u>	<u>\$ 296,199</u>	<u>\$ 2,294,637</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	84,365	68,012	7,059,552	20,964	482,639	7,715,532
Unrestricted	<u>64,100</u>	<u>3,625,464</u>	<u>6,518,632</u>	<u>(333,827)</u>	<u>253,977</u>	<u>10,128,346</u>
<b>Total Net Assets (Deficits)</b>	<u>\$ 148,465</u>	<u>\$ 3,693,476</u>	<u>\$ 13,578,184</u>	<u>\$ (312,863)</u>	<u>\$ 736,616</u>	<u>\$ 17,843,878</u>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits)  
Nonmajor Proprietary Funds  
Year ended June 30, 2009

	<b>Emergency Medical Services Fund</b>	<b>Sanitation Fund</b>	<b>Municipal Airport Fund</b>	<b>Parks and Recreation Fund</b>	<b>Cultural Arts Center Fund</b>	<b>Total Nonmajor Proprietary Funds</b>
Operating revenues:						
Charges for services	\$ 1,120,451	\$ 11,177,911	\$ 10,895,605	\$ 4,138,027	\$ 898,257	\$ 28,230,251
Other	—	—	—	16,029	—	16,029
Total operating revenues	<u>1,120,451</u>	<u>11,177,911</u>	<u>10,895,605</u>	<u>4,154,056</u>	<u>898,257</u>	<u>28,246,280</u>
Operating expenses:						
Salaries and employee benefits	9,165,663	4,367,522	1,639,218	4,803,984	1,508,776	21,485,163
Services and supplies	322,904	3,297,222	398,092	834,102	109,934	4,962,254
Other professional services	528	2,315,856	423,643	1,085,786	321,049	4,146,862
Depreciation and amortization	10,441	25,102	309,044	2,831	20,927	368,345
Insurance and claims	—	144,976	22,548	23,418	—	190,942
City charges	—	831,692	2,547,224	767,489	114,398	4,260,803
Other	28,384	6,231	122,035	11,096	35,294	203,040
Total operating expenses	<u>9,527,920</u>	<u>10,988,601</u>	<u>5,461,804</u>	<u>7,528,706</u>	<u>2,110,378</u>	<u>35,617,409</u>
Operating income (loss)	<u>(8,407,469)</u>	<u>189,310</u>	<u>5,433,801</u>	<u>(3,374,650)</u>	<u>(1,212,121)</u>	<u>(7,371,129)</u>
Nonoperating revenues (expenses):						
Investment earnings	—	119,800	287,418	—	—	407,218
Grants	—	118,179	—	—	109,440	227,619
Interest expense	—	—	(167,855)	—	—	(167,855)
Total nonoperating revenues, net	<u>—</u>	<u>237,979</u>	<u>119,563</u>	<u>—</u>	<u>109,440</u>	<u>466,982</u>
Income (loss) before transfers	<u>(8,407,469)</u>	<u>427,289</u>	<u>5,553,364</u>	<u>(3,374,650)</u>	<u>(1,102,681)</u>	<u>(6,904,147)</u>
Transfers in	8,412,032	75,000	—	3,440,933	1,088,638	13,016,603
Transfers out	(2,676)	(331,214)	(5,842,972)	(66,283)	(15,254)	(6,258,399)
Change in net assets	<u>1,887</u>	<u>171,075</u>	<u>(289,608)</u>	<u>—</u>	<u>(29,297)</u>	<u>(145,943)</u>
Total net assets (deficits) - July 1, 2008	<u>146,578</u>	<u>3,522,401</u>	<u>13,867,792</u>	<u>(312,863)</u>	<u>765,913</u>	<u>17,989,821</u>
Total net assets (deficits) - June 30, 2009	<u>\$ 148,465</u>	<u>\$ 3,693,476</u>	<u>\$ 13,578,184</u>	<u>\$ (312,863)</u>	<u>\$ 736,616</u>	<u>\$ 17,843,878</u>

**CITY OF TORRANCE, CALIFORNIA**

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

Year ended June 30, 2009

	<b>Emergency Medical Services Fund</b>	<b>Sanitation Fund</b>	<b>Municipal Airport Fund</b>	<b>Parks and Recreation Fund</b>	<b>Cultural Arts Center Fund</b>	<b>Total Nonmajor Proprietary Funds</b>
Cash flows from operating activities:						
Receipts from customers	\$ 1,111,196	\$ 10,992,048	\$ 11,101,946	\$ 4,079,129	\$ 932,876	\$ 28,217,195
Cash payments to suppliers for goods and services	(336,435)	(6,714,049)	(3,549,795)	(2,775,536)	(585,026)	(13,960,841)
Cash payments to employees for services	(9,165,663)	(4,342,923)	(1,639,713)	(4,803,984)	(1,498,852)	(21,451,135)
Cash received from donations	—	—	—	2,557	—	2,557
Other receipts	—	—	—	13,472	—	13,472
Net cash provided by (used in) operating activities	<u>(8,390,902)</u>	<u>(64,924)</u>	<u>5,912,438</u>	<u>(3,484,362)</u>	<u>(1,151,002)</u>	<u>(7,178,752)</u>
Cash flows from noncapital financing activities:						
Cash received from grants and subsidies	—	118,179	—	—	109,440	227,619
Cash transfers received from other funds	8,412,032	75,000	—	3,440,933	1,088,638	13,016,603
Cash transfers paid to other funds	<u>(2,676)</u>	<u>(331,214)</u>	<u>(5,842,972)</u>	<u>(66,283)</u>	<u>(15,254)</u>	<u>(6,258,399)</u>
Net cash provided by (used in) noncapital financing activities	<u>8,409,356</u>	<u>(138,035)</u>	<u>(5,842,972)</u>	<u>3,374,650</u>	<u>1,182,824</u>	<u>6,985,823</u>
Cash flows from capital financing activities:						
Payments for long-term obligations - principal & interest	—	—	(167,855)	—	—	(167,855)
Payments for capital expenditures	<u>(31,527)</u>	<u>—</u>	<u>(771,641)</u>	<u>—</u>	<u>(7,400)</u>	<u>(810,568)</u>
Net cash provided by (used in) capital financing activities	<u>(31,527)</u>	<u>—</u>	<u>(939,496)</u>	<u>—</u>	<u>(7,400)</u>	<u>(978,423)</u>
Cash flows from investing activities:						
Cash received from interest on investments	—	119,800	298,586	—	—	418,386
Net increase (decrease) in cash, restricted cash and cash equivalents	(13,073)	(83,159)	(571,444)	(109,712)	24,422	(752,966)
Cash, restricted cash and cash equivalents, July 1, 2008	<u>13,073</u>	<u>2,961,852</u>	<u>7,300,233</u>	<u>165,968</u>	<u>512,958</u>	<u>10,954,084</u>
Cash, restricted cash and cash equivalents, June 30, 2009	<u>\$ —</u>	<u>\$ 2,878,693</u>	<u>\$ 6,728,789</u>	<u>\$ 56,256</u>	<u>\$ 537,380</u>	<u>\$ 10,201,118</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (8,407,469)	189,310	5,433,801	\$ (3,374,650)	\$ (1,212,121)	\$ (7,371,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	10,441	25,102	309,044	2,831	20,927	368,345
Change in assets and liabilities:						
Accounts receivable	(9,255)	(185,863)	96,803	(297)	27,615	(70,997)
Due from other government	—	—	—	(9,405)	—	(9,405)
Prepays and other assets	—	—	—	(15,163)	—	(15,163)
Accounts payable	15,381	(206,474)	(13,519)	(38,482)	(5,316)	(248,410)
Other accrued liabilities	—	88,402	(22,734)	—	965	66,633
Accrued salaries and benefits	—	24,599	(495)	—	9,924	34,028
Deposits and guarantees	—	—	(1,800)	—	7,004	5,204
Unearned revenues	—	—	111,338	(49,196)	—	62,142
Net cash provided by (used in) operating activities	<u>\$ (8,390,902)</u>	<u>\$ (64,924)</u>	<u>\$ 5,912,438</u>	<u>\$ (3,484,362)</u>	<u>\$ (1,151,002)</u>	<u>\$ (7,178,752)</u>

# 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 Balance Sheet

Internal Service Funds

June 30, 2009

Assets	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
Current assets:				
Pooled cash and investments	\$ 9,278,296	\$ 14,074,999	\$ 6,227,219	\$ 29,580,514
Accounts receivable	-	44,619	-	44,619
Accrued interest receivable	-	155,161	-	155,161
Other prepayments	-	-	674,867	674,867
Inventories	-	1,032,757	-	1,032,757
Total current assets	9,278,296	15,307,536	6,902,086	31,487,918
Advances to other funds	2,000,000	-	-	2,000,000
Capital assets, net	-	7,919,756	-	7,919,756
Total assets	<u>\$ 11,278,296</u>	<u>\$ 23,227,292</u>	<u>\$ 6,902,086</u>	<u>\$ 41,407,674</u>
<b>Liabilities and Net Assets (Deficit)</b>				
Current liabilities:				
Accounts payable	\$ 139,727	\$ 692,602	\$ 96,462	\$ 928,791
Accrued salaries and benefits	-	368,138	2,861,650	3,229,788
Accrued liability for self-insurance claims – current	8,474,538	-	-	8,474,538
Total current liabilities	8,614,265	1,060,740	2,958,112	12,633,117
Accrued liability for self-insurance claims – long-term	16,435,653	-	-	16,435,653
Accrued liability for net postemployment benefits - long-term	-	-	3,416,000	3,416,000
Total liabilities	<u>25,049,918</u>	<u>1,060,740</u>	<u>6,374,112</u>	<u>32,484,770</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	-	7,919,756	-	7,919,756
Unrestricted	(13,771,622)	14,246,796	527,974	1,003,148
Total net assets (deficits)	<u>(13,771,622)</u>	<u>22,166,552</u>	<u>527,974</u>	<u>8,922,904</u>
Total liabilities and net assets	<u>\$ 11,278,296</u>	<u>\$ 23,227,292</u>	<u>\$ 6,902,086</u>	<u>\$ 41,407,674</u>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets (Deficits)  
Internal Service Funds  
Year ended June 30, 2009

	<u>Self-Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Postemployment/ Compensated Absences Fund</u>	<u>Total</u>
Operating revenues – charges for services	\$ 2,694,794	\$ 5,915,661	\$ -	\$ 8,610,455
Operating expenses:				
Salaries and benefits	741,898	3,043,554	1,708,000	5,493,452
Materials and services	125,491	602,506	-	727,997
Insurance and claims	4,523,913	7,555	-	4,531,468
Depreciation	-	1,636,694	-	1,636,694
Other	5,416	8,608	-	14,024
Total operating expenses	<u>5,396,718</u>	<u>5,298,917</u>	<u>1,708,000</u>	<u>12,403,635</u>
Operating income (loss)	<u>(2,701,924)</u>	<u>616,744</u>	<u>(1,708,000)</u>	<u>(3,793,180)</u>
Nonoperating revenues (expenses):				
Investment earnings	-	557,097	-	557,097
Gain on sale of capital assets	-	98,863	-	98,863
Other, net	-	(9,509)	-	(9,509)
Total nonoperating revenues	<u>-</u>	<u>646,451</u>	<u>-</u>	<u>646,451</u>
Net income (loss) before transfers	(2,701,924)	1,263,195	(1,708,000)	(3,146,729)
Transfers in	2,829,996	1,083,511	-	3,913,507
Transfers out	<u>(5,518)</u>	<u>(17,749)</u>	<u>-</u>	<u>(23,267)</u>
Increase in net assets	122,554	2,328,957	(1,708,000)	743,511
Net assets (deficits), July 1, 2008	<u>(13,894,176)</u>	<u>19,837,595</u>	<u>2,235,974</u>	<u>8,179,393</u>
Net assets (deficits), June 30, 2009	<u>\$ (13,771,622)</u>	<u>\$ 22,166,552</u>	<u>\$ 527,974</u>	<u>\$ 8,922,904</u>

**CITY OF TORRANCE, CALIFORNIA**

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2009

	<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	\$ 2,694,794	\$ 5,954,755	\$ -	\$ 8,649,549
Cash payments to suppliers for goods and services	(4,670,860)	(647,656)	-	(5,318,516)
Cash payments to employees for services	(741,898)	(3,047,716)	(361,238)	(4,150,852)
Net Cash provided by (used in ) operating activities	<u>(2,717,964)</u>	<u>2,259,383</u>	<u>(361,238)</u>	<u>(819,819)</u>
Cash flows from noncapital financing activities				
Cash transfers received from other funds	2,829,996	1,083,511	-	3,913,507
Cash transfers paid to other funds	(5,518)	(17,749)	-	(23,267)
Internal activity-payments from (to) other funds	1,000,000	-	-	1,000,000
Net Cash provided by (used in ) noncapital financing	<u>3,824,478</u>	<u>1,065,762</u>	<u>-</u>	<u>4,890,240</u>
Cash flows from capital financing activities				
Payments for capital expenditures	-	(3,419,205)	-	(3,419,205)
Proceeds from sale of capital assets	-	98,863	-	98,863
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(3,320,342)</u>	<u>-</u>	<u>(3,320,342)</u>
Cash flows from investing activities:				
Cash received from interest on investments	-	560,556	-	560,556
Net increase (decrease) in cash, restricted cash and cash equivalents	1,106,514	565,359	(361,238)	1,310,635
Cash and cash equivalents, July 1, 2008	<u>8,171,782</u>	<u>13,509,640</u>	<u>6,588,457</u>	<u>28,269,879</u>
Cash and cash equivalents, June 30, 2009	<u>\$ 9,278,296</u>	<u>\$ 14,074,999</u>	<u>\$ 6,227,219</u>	<u>\$ 29,580,514</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (2,701,924)	\$ 616,744	\$ (1,708,000)	\$ (3,793,180)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	1,636,694	-	1,636,694
Change in assets and liabilities:				
Accounts receivable	-	39,094	-	39,094
Prepays and other assets	-	-	(674,867)	(674,867)
Inventories	-	34,671	-	34,671
Accounts payable	(16,040)	(63,659)	-	(79,699)
Accrued salaries and benefits	-	(4,161)	2,021,629	2,017,468
Other liabilities	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (2,717,964)</u>	<u>\$ 2,259,383</u>	<u>\$ (361,238)</u>	<u>\$ (819,819)</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.

**CITY OF TORRANCE, CALIFORNIA**

Combining Statement of Fiduciary Fund Assets and Liabilities - Agency Funds

June 30, 2009

	<b>Municipal Area Express Fund</b>	<b>Special Deposits Fund</b>	<b>Flexible Benefits Fund</b>	<b>Environmental Trust Fund</b>	<b>Property Room Evidence Fund</b>	<b>Total Agency Funds</b>
<b>Assets</b>						
Pooled cash and investments	\$ 1,048,133	\$ 1,026,362	\$ —	\$ 123,623	\$ 404,580	\$ 2,602,698
Restricted cash	—	—	244,205	—	—	244,205
Accrued interest receivable	11,832	—	—	1,394	—	13,226
Due from other governments	75,195	—	—	—	—	75,195
Total assets	<u>\$ 1,135,160</u>	<u>\$ 1,026,362</u>	<u>\$ 244,205</u>	<u>\$ 125,017</u>	<u>\$ 404,580</u>	<u>\$ 2,935,324</u>
<b>Liabilities</b>						
Deposits payable	\$ 1,135,160	\$ 1,026,362	\$ 244,205	\$ 125,017	\$ 404,580	\$ 2,935,324
Total liabilities	<u>\$ 1,135,160</u>	<u>\$ 1,026,362</u>	<u>\$ 244,205</u>	<u>\$ 125,017</u>	<u>\$ 404,580</u>	<u>\$ 2,935,324</u>

**CITY OF TORRANCE, CALIFORNIA**

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

Year ended June 30, 2009

	<u>Balance for fiscal year ended June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2009</u>
<b>Municipal Area Express Fund</b>				
<b>ASSETS</b>				
Pooled cash and investments	\$ 822,148	\$ 225,985	\$ —	\$ 1,048,133
Accrued interest receivable	9,974	1,858	—	11,832
Due from other governments	46,100	29,095	—	75,195
Total assets	<u>\$ 878,222</u>	<u>\$ 256,938</u>	<u>\$ —</u>	<u>\$ 1,135,160</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 79,213	\$ 115,392	\$ —	\$ 194,605
Accrued Liabilities	—	—	—	—
Deposits payable	799,009	141,546	—	940,555
Total liabilities	<u>\$ 878,222</u>	<u>\$ 256,938</u>	<u>\$ —</u>	<u>\$ 1,135,160</u>
 <b>Special Deposits Fund</b>				
<b>ASSETS</b>				
Pooled cash and investments	\$ 1,119,464	\$ —	\$ (93,102)	\$ 1,026,362
Accrued interest receivable	—	—	—	—
Total assets	<u>\$ 1,119,464</u>	<u>\$ —</u>	<u>\$ (93,102)</u>	<u>\$ 1,026,362</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 1,119,464	\$ 40,885	\$ (133,987)	\$ 1,026,362
Total liabilities	<u>\$ 1,119,464</u>	<u>\$ 40,885</u>	<u>\$ (133,987)</u>	<u>\$ 1,026,362</u>

**CITY OF TORRANCE, CALIFORNIA**

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

Year ended June 30, 2009

(continued)

	<u>Balance for fiscal year ended June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2009</u>
<b>Flexible Benefits Fund</b>				
<b>ASSETS</b>				
Restricted cash	\$ 263,503	\$ —	\$ (19,298)	\$ 244,205
Total assets	<u>\$ 263,503</u>	<u>\$ —</u>	<u>\$ (19,298)</u>	<u>\$ 244,205</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 263,503	\$ —	\$ (19,298)	\$ 244,205
Total liabilities	<u>\$ 263,503</u>	<u>\$ —</u>	<u>\$ (19,298)</u>	<u>\$ 244,205</u>
<b>Environmental Trust Fund</b>				
<b>ASSETS</b>				
Pooled cash and investments	\$ 118,569	\$ 5,054	\$ —	\$ 123,623
Accrued interest receivable	1,438	—	(44)	1,394
Total assets	<u>\$ 120,007</u>	<u>\$ 5,054</u>	<u>\$ (44)</u>	<u>\$ 125,017</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 120,007	\$ 5,010	\$ —	\$ 125,017
Total liabilities	<u>\$ 120,007</u>	<u>\$ 5,010</u>	<u>\$ —</u>	<u>\$ 125,017</u>
<b>Property Room Evidence</b>				
<b>ASSETS</b>				
Pooled cash and investments	\$ 383,742	\$ 20,838	\$ —	\$ 404,580
Total assets	<u>\$ 383,742</u>	<u>\$ 20,838</u>	<u>\$ —</u>	<u>\$ 404,580</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 383,742	\$ 20,838	\$ —	\$ 404,580
Total liabilities	<u>\$ 383,742</u>	<u>\$ 20,838</u>	<u>\$ —</u>	<u>\$ 404,580</u>

**CITY OF TORRANCE, CALIFORNIA**

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

Year ended June 30, 2009

	<b>Balance for fiscal year ended June 30, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance for fiscal year ended June 30, 2009</b>
<b>Assets</b>				
Pooled cash and investments	\$ 2,443,923	\$ 251,877	\$ (93,102)	\$ 2,602,698
Restricted cash	263,503	—	(19,298)	244,205
Accrued interest receivable	11,412	1,858	(44)	13,226
Due from other governments	46,100	29,095	—	75,195
Total assets	<u>\$ 2,764,938</u>	<u>\$ 282,830</u>	<u>\$ (112,444)</u>	<u>\$ 2,935,324</u>
<b>Liabilities</b>				
Deposits payable	<u>\$ 2,764,938</u>	<u>\$ 323,672</u>	<u>\$ (153,286)</u>	<u>\$ 2,935,324</u>
Total liabilities	<u>\$ 2,764,938</u>	<u>\$ 323,672</u>	<u>\$ (153,286)</u>	<u>\$ 2,935,324</u>

*City*  
OF  
*Torrance*



Statistical Section

**COMPREHENSIVE ANNUAL**

*Financial*  
**REPORT**

Fiscal Year Ended June 30, 2009

(Not covered by Accountants' Report)

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

## **Overview of Statistical Information Presented in Five Categories**

### Financial Trend Information:

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

### Revenue Capacity Information:

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

### Debt Capacity Information:

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

### Demographic and Economic Information:

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

### Operating Information:

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

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

Financial Trends  
Exhibit 1

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003 <sup>1</sup>	2002
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 216,501	\$ 210,615	\$ 224,386	\$ 215,731	\$ 220,620	\$ 237,695	\$ 220,643	\$ 65,949
Restricted	70,578	70,770	58,553	50,441	61,456	44,515	51,699	10,909
Unrestricted	<u>(18,834)</u>	<u>(12,952)</u>	<u>(23,536)</u>	<u>(24,079)</u>	<u>(49,575)</u>	<u>(49,256)</u>	<u>(48,068)</u>	<u>(8,753)</u>
<b>Total governmental activities net assets</b>	<u>\$ 268,245</u>	<u>\$ 268,433</u>	<u>\$ 259,403</u>	<u>\$ 242,093</u>	<u>\$ 232,501</u>	<u>\$ 232,954</u>	<u>\$ 224,274</u>	<u>\$ 68,105</u>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 122,331	\$ 122,144	\$ 120,780	\$ 121,301	\$ 120,513	\$ 120,595	\$ 122,010	\$ 59,127
Restricted	592	566	529	692	684	1,483	1,797	1,805
Unrestricted	<u>32,936</u>	<u>35,993</u>	<u>38,519</u>	<u>35,981</u>	<u>37,043</u>	<u>33,715</u>	<u>31,761</u>	<u>36,399</u>
<b>Total business-type activities net assets</b>	<u>\$ 155,859</u>	<u>\$ 158,703</u>	<u>\$ 159,828</u>	<u>\$ 157,974</u>	<u>\$ 158,240</u>	<u>\$ 155,793</u>	<u>\$ 155,568</u>	<u>\$ 97,331</u>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$ 338,832	\$ 332,759	\$ 345,166	\$ 337,032	\$ 341,133	\$ 358,290	\$ 342,653	\$ 125,076
Restricted	71,170	71,336	59,082	51,133	62,140	45,998	53,496	12,714
Unrestricted	<u>14,102</u>	<u>23,041</u>	<u>14,983</u>	<u>11,902</u>	<u>(12,532)</u>	<u>(15,541)</u>	<u>(16,307)</u>	<u>27,646</u>
<b>Total primary government net assets</b>	<u>\$ 424,104</u>	<u>\$ 427,136</u>	<u>\$ 419,231</u>	<u>\$ 400,067</u>	<u>\$ 390,741</u>	<u>\$ 388,747</u>	<u>\$ 379,842</u>	<u>\$ 165,436</u>

Notes:

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

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

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

Financial Trends  
Exhibit 2

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>								
<b>Governmental activities:</b>								
General government	\$ 39,594	\$ 41,464	\$ 39,434	\$ 26,324	\$ 25,771	\$ 27,796	\$ 29,502	\$ 28,791
Public safety	89,966	88,256	82,078	80,672	76,576	70,405	73,774	69,992
Public works	23,617	20,166	19,206	20,102	18,743	15,924	18,520	12,770
Culture and recreation	12,115	14,615	10,532	13,178	10,569	14,179	18,717	17,762
Nondepartmental <sup>1</sup>	—	—	—	5,179	6,135	7,336	6,944	6,380
Community development <sup>2</sup>	10,086	8,600	10,910	12,620	13,138	1,589	1,372	—
Other programs	—	—	—	—	—	1,780	1,564	2,980
Interest on long term debt	5,708	5,045	6,012	5,123	5,685	4,948	4,987	6,204
<b>Total governmental activities expenses</b>	<b>181,086</b>	<b>178,146</b>	<b>168,172</b>	<b>163,198</b>	<b>156,617</b>	<b>143,957</b>	<b>155,380</b>	<b>144,879</b>
<b>Business-type activities:</b>								
Airport	5,630	5,241	4,997	5,060	6,018	4,891	4,936	4,674
Transit	21,265	21,005	19,743	20,687	19,516	18,498	18,076	16,233
Water	25,662	23,283	23,778	21,884	21,376	20,919	19,811	20,328
Sewer	2,439	1,952	1,752	3,566	2,019	1,655	1,048	314
Sanitation	10,988	10,961	10,431	10,214	8,487	7,908	7,805	—
Cultural Arts	2,110	2,044	1,803	1,739	1,663	1,539	1,461	—
Parks and Recreation	7,529	7,414	7,237	7,185	6,976	6,462	6,261	—
Emergency Medical Service <sup>3</sup>	9,528	8,031	8,127	7,431	7,174	6,694	—	—
Other Programs <sup>4</sup>	—	—	—	—	—	—	—	14,911
<b>Total business-type activities expenses</b>	<b>85,151</b>	<b>79,931</b>	<b>77,868</b>	<b>77,766</b>	<b>73,229</b>	<b>68,566</b>	<b>59,398</b>	<b>56,460</b>
<b>Total primary government expenses</b>	<b>\$ 266,237</b>	<b>\$ 258,077</b>	<b>\$ 246,040</b>	<b>\$ 240,964</b>	<b>\$ 229,846</b>	<b>\$ 212,523</b>	<b>\$ 214,778</b>	<b>\$ 201,339</b>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
<b>Charges for services:</b>								
General government	\$ 4,707	\$ 4,547	\$ 4,620	\$ 4,570	\$ 4,437	\$ 4,264	\$ 1,610	\$ 1,529
Public safety	5,129	6,269	7,006	7,473	6,719	5,548	4,595	5,058
Public works	561	503	796	881	648	502	448	607
Culture and recreation	746	973	1,320	1,165	947	786	523	627
Operating grants and contributions	10,709	12,151	14,552	14,706	14,629	14,646	16,025	14,414
Capital grants and contributions	9,613	7,510	8,029	7,659	5,696	9,731	8,274	12,534
<b>Total governmental activities program revenues</b>	<b>31,465</b>	<b>31,953</b>	<b>36,323</b>	<b>36,454</b>	<b>33,076</b>	<b>35,477</b>	<b>31,475</b>	<b>34,769</b>
<b>Business-type activities:</b>								
<b>Charges for services:</b>								
Airport	10,896	10,481	10,794	9,009	7,672	6,155	5,679	5,557
Transit	3,157	2,719	2,560	2,448	2,548	2,505	2,598	2,708
Water	23,562	23,843	23,167	22,319	22,095	22,542	22,130	22,844
Sewer	1,843	2,357	2,913	1,995	2,046	1,918	1,840	2,157
Sanitation	11,178	10,980	10,756	10,393	9,591	9,042	8,206	—
Cultural Arts	898	1,006	823	819	807	773	846	—
Parks and Recreation	4,154	4,201	4,273	3,971	4,180	3,860	3,297	—
Emergency Medical Service <sup>3</sup>	1,120	1,225	1,119	1,058	1,051	654	—	—
Other Programs <sup>4</sup>	—	—	—	—	—	—	—	10,276
Operating grants and contributions	15,812	15,964	15,493	16,153	13,289	13,204	12,308	12,028
Capital grants and contributions	603	976	687	481	1,463	3,657	1,089	7,070
<b>Total business-type activities program revenues</b>	<b>73,223</b>	<b>73,752</b>	<b>72,585</b>	<b>68,646</b>	<b>64,742</b>	<b>64,310</b>	<b>57,993</b>	<b>62,640</b>
<b>Total primary government program revenues</b>	<b>\$ 104,688</b>	<b>\$ 105,705</b>	<b>\$ 108,908</b>	<b>\$ 105,100</b>	<b>\$ 97,818</b>	<b>\$ 99,787</b>	<b>\$ 89,468</b>	<b>\$ 97,409</b>

(continued)

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

Financial Trends  
Exhibit 2

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Net (expense)/revenue								
Governmental activities	\$ (149,621)	\$ (146,193)	\$ (131,849)	\$ (126,744)	\$ (123,541)	\$ (108,480)	\$ (123,905)	\$ (110,110)
Business-type activities	(11,928)	(6,179)	(5,283)	(9,120)	(8,487)	(4,256)	(1,405)	6,180
<b>Total primary government net expense</b>	<b>\$ (161,549)</b>	<b>\$ (152,372)</b>	<b>\$ (137,132)</b>	<b>\$ (135,864)</b>	<b>\$ (132,028)</b>	<b>\$ (112,736)</b>	<b>\$ (125,310)</b>	<b>\$ (103,930)</b>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 57,815	\$ 55,596	\$ 53,136	\$ 44,647	\$ 42,245	\$ 25,577	\$ 22,963	\$ 22,971
Sales taxes	31,057	31,545	31,936	31,439	28,312	35,911	34,901	37,701
Other taxes	56,665	62,933	61,310	60,346	55,992	53,179	54,137	48,471
Investment earnings	6,447	6,271	4,634	2,304	2,104	1,544	2,301	3,416
Motor vehicle tax (unrestricted)	506	658	991	3,271	946	6,609	8,203	—
Other general revenues	4,023	3,679	3,871	2,617	2,026	2,545	1,775	11,131
Transfers	(7,734)	(5,458)	(6,719)	(8,669)	(8,537)	(8,205)	(1,596)	(4,597)
<b>Total governmental activities</b>	<b>148,779</b>	<b>155,224</b>	<b>149,159</b>	<b>135,955</b>	<b>123,088</b>	<b>117,160</b>	<b>122,684</b>	<b>119,093</b>
Business-type activities:								
Investment earnings	1,351	594	418	185	206	155	414	383
Other general revenues	—	—	—	—	—	—	—	153
Transfers	7,734	5,458	6,719	8,669	8,538	8,205	1,596	4,597
<b>Total business-type activities</b>	<b>9,085</b>	<b>6,052</b>	<b>7,137</b>	<b>8,854</b>	<b>8,744</b>	<b>8,360</b>	<b>2,010</b>	<b>5,133</b>
<b>Total primary government</b>	<b>\$ 157,864</b>	<b>\$ 161,276</b>	<b>\$ 156,296</b>	<b>\$ 144,809</b>	<b>\$ 131,832</b>	<b>\$ 125,520</b>	<b>\$ 124,694</b>	<b>\$ 124,226</b>
Change in Net Assets								
Governmental activities	(842)	9,031	17,310	9,211	(453)	8,680	(1,221)	8,983
Business-type activities	(2,843)	(127)	1,854	(266)	257	4,104	605	11,313
<b>Total primary government</b>	<b>\$ (3,685)</b>	<b>\$ 8,904</b>	<b>\$ 19,164</b>	<b>\$ 8,945</b>	<b>\$ (196)</b>	<b>\$ 12,784</b>	<b>\$ (616)</b>	<b>\$ 20,296</b>

Notes:

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

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

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

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

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

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

Financial Trends  
Exhibit 3

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
General fund								
Reserved	\$ 17,731	\$ 16,064	\$ 15,277	\$ 14,608	\$ 14,501	\$ 14,205	\$ 18,095	\$ 2,971
Unreserved	41,017	45,803	41,474	30,422	24,098	23,893	18,620	31,302
Total general fund	<u>\$ 58,748</u>	<u>\$ 61,867</u>	<u>\$ 56,751</u>	<u>\$ 45,030</u>	<u>\$ 38,599</u>	<u>\$ 38,098</u>	<u>\$ 36,715</u>	<u>\$ 34,273</u>
All other governmental funds								
Reserved	\$ 8,396	\$ 8,567	\$ 8,669	\$ 16,183	\$ 20,683	\$ 7,294	\$ 6,382	\$ 5,750
Unreserved, reported in:								
Special revenue funds	28,801	29,337	24,742	19,761	17,683	20,172	25,484	25,178
Capital project funds	36,699	36,950	29,992	27,057	23,701	19,036	20,692	23,556
Debt service fund	<u>(13,946)</u>	<u>(13,740)</u>	<u>(13,869)</u>	<u>(14,213)</u>	<u>(14,840)</u>	<u>(14,950)</u>	<u>(15,225)</u>	<u>(15,371)</u>
Total all other governmental funds	<u>\$ 59,950</u>	<u>\$ 61,114</u>	<u>\$ 49,534</u>	<u>\$ 48,788</u>	<u>\$ 47,227</u>	<u>\$ 31,552</u>	<u>\$ 37,333</u>	<u>\$ 39,113</u>

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

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

Financial Trends  
Exhibit 4

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>								
Taxes	\$ 145,714	\$ 150,260	\$ 146,568	\$ 136,652	\$ 126,782	\$ 114,841	\$ 109,510	\$ 106,652
Licenses, fees and permits	1,426	1,962	2,671	2,693	2,503	2,056	1,505	1,936
Fine, forfeitures and penalties	1,779	2,201	2,799	2,139	2,358	1,881	2,080	1,615
Investment earnings	15,009	14,697	13,271	10,177	9,124	9,100	9,460	11,680
Intergovernmental	15,447	14,838	17,472	21,005	16,888	26,067	26,139	26,670
Charges for current services	6,090	6,443	6,865	7,453	6,418	5,605	5,214	5,377
Other	2,449	2,279	2,598	2,385	5,202	1,291	3,054	3,974
<b>Total revenues</b>	<b>187,914</b>	<b>192,680</b>	<b>192,244</b>	<b>182,504</b>	<b>169,275</b>	<b>160,841</b>	<b>156,962</b>	<b>157,904</b>
<b>Expenditures</b>								
General government	25,237	25,129	23,515	22,224	21,085	30,631	22,774	26,822
Public safety	89,435	86,869	82,069	79,675	75,392	71,476	71,776	69,027
Public works	17,685	14,697	13,763	14,249	12,760	10,661	12,770	12,378
Culture and recreation	14,013	13,747	12,809	13,356	11,569	16,336	18,371	17,360
Nondepartmental	5,258	5,695	4,604	8,373	6,135	7,337	6,944	6,380
Community development <sup>1</sup>	6,574	6,115	8,893	10,675	11,334	1,295	1,372	—
Capital outlay	12,344	5,016	13,685	7,327	6,675	9,296	8,364	10,722
Debt service								
Principal retirement	2,417	2,524	2,214	2,675	5,791	2,680	2,880	5,745
Interest and fiscal charges	5,887	5,083	6,040	5,148	4,981	4,828	4,913	5,176
Other	3,459	2,403	1,976	1,901	1,815	1,780	1,564	1,678
<b>Total expenditures</b>	<b>182,309</b>	<b>167,278</b>	<b>169,568</b>	<b>165,603</b>	<b>157,537</b>	<b>156,320</b>	<b>151,728</b>	<b>155,288</b>
Excess of revenues over (under) expenditures	5,605	25,402	22,676	16,901	11,738	4,521	5,234	2,616
<b>Other financing sources (uses)</b>								
Transfers in	18,463	20,474	16,280	15,223	19,358	11,950	9,580	11,234
Transfers out	(30,087)	(30,615)	(27,866)	(25,093)	(30,834)	(22,174)	(14,152)	(22,613)
Proceeds from refunding bonds <sup>2</sup>	—	—	—	—	27,566	—	—	2,470
Proceeds of debt <sup>2</sup>	—	—	—	580	15,914	—	—	—
Bond escrow refunding <sup>2</sup>	—	—	—	—	(27,566)	—	—	—
Premium Tax Revenue Anticipation Notes	312	—	—	—	—	—	—	—
Developer contributions	—	—	—	—	—	—	—	555
Advances from developers/County	1,424	1,436	1,377	—	—	1,305	—	1,103
<b>Total other financing sources (uses)</b>	<b>(9,888)</b>	<b>(8,705)</b>	<b>(10,209)</b>	<b>(9,290)</b>	<b>4,438</b>	<b>(8,919)</b>	<b>(4,572)</b>	<b>(7,251)</b>
<b>Net change in fund balances</b>	<b>\$ (4,283)</b>	<b>\$ 16,697</b>	<b>\$ 12,467</b>	<b>\$ 7,611</b>	<b>\$ 16,176</b>	<b>\$ (4,398)</b>	<b>\$ 662</b>	<b>\$ (4,635)</b>
Debt service as a percentage of noncapital expenditures	7.0%	6.3%	6.6%	6.2%	9.1%	7.1%	6.5%	9.2%

Notes:

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

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

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

City of Torrance  
 Assessed Value and Estimated Actual Value of Taxable Property  
 Last Five 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	
2009	\$ 21,148,061	\$ 958,988	22,107,049	\$ 975,551	\$ 117,601	\$ 1,093,152	0.2798%
2008	20,187,037	931,649	21,118,686	778,974	105,750	884,724	0.2754%
2007	18,800,479	889,984	19,690,463	718,846	122,571	841,417	0.2711%
2006	17,184,326	853,301	18,037,627	658,584	142,138	800,722	0.2660%
2005	15,915,240	879,759	16,794,999	619,582	137,686	757,268	0.2589%

Notes:

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity  
 Exhibit 2

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>City Direct Rates:</b>					
City basic rate	0.1480	0.1484	0.1492	0.1504	0.1532
Redevelopment agency	<u>0.1318</u>	<u>0.1270</u>	<u>0.1219</u>	<u>0.1156</u>	<u>0.1057</u>
Total City Direct Rate	0.2798	0.2754	0.2711	0.2660	0.2589
<b>Overlapping Rates:</b>					
Metropolitan Water District	0.0043	0.0045	0.0047	0.0052	0.0058
County Flood Control	—	—	0.0001	0.0001	0.0002
Torrance Unified School District	0.4259	0.4279	0.4315	0.4356	0.4375
Community College	0.0170	0.0165	0.0173	0.0184	0.0166
County of Los Angeles	0.2397	0.2406	0.2367	0.2383	0.2415
Special Districts	<u>0.0719</u>	<u>0.0730</u>	<u>0.0793</u>	<u>0.0797</u>	<u>0.0799</u>
Total Direct Rate	<u><u>1.0386</u></u>	<u><u>1.0379</u></u>	<u><u>1.0407</u></u>	<u><u>1.0433</u></u>	<u><u>1.0404</u></u>

**Notes:**

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

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

Source: Los Angeles County Auditor - Controller's Office

City of Torrance  
Principal Property Tax Payers  
Current Fiscal Year and Nine Years Ago Ending June 30

Revenue Capacity  
Exhibit 3

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Exxon Mobil Oil Corporation Corp	\$ 1,545,052,712	1	6.66%	\$ 1,154,641,011	1	8.78%
Del Amo Fashion Center Operating Company	510,454,091	2	2.20%	—		—
Toyota Motor Sales United States	509,060,068	3	2.19%	256,965,662	2	1.95%
American Honda Motor Company Inc.	382,011,677	4	1.65%	202,709,086	3	1.54%
Allied Signal Inc.	100,156,015	5	0.43%	153,953,999	4	1.17%
Ball Metal Beverage Container Company	64,546,813	6	0.28%	64,285,657	7	0.49%
Sunrider Corporation	64,047,914	7	0.28%	—		—
CTC Group Inc.	62,538,793	8	0.27%	—		—
Diamondrock Torrance Owner LLC	61,685,898	9	0.27%	—		—
Reef America Reit III Corporation GG2	59,160,000	10	0.25%	—		—
Torrance Company	—		—	97,464,071	5	0.74%
Torrance Crenshaw Properties II L P	—		—	90,818,147	6	0.69%
Raytheon Company	—		—	50,853,637	8	0.39%
Rolling Hills Plaza Shopping Center	—		—	46,663,971	9	0.35%
Dow Chemical Company	—		—	40,617,870	10	0.31%
	<u>\$ 3,358,713,981</u>		<u>14.48%</u>	<u>\$ 2,158,973,111</u>		<u>16.41%</u>

Notes:

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

Source: Los Angeles County Assessor 2008/09 & 1999/00 Secured & Unsecured Tax Rolls, HdL Coren & Cone

City of Torrance  
Property Tax Levies and Collections  
Last Five 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
2009	\$ 26,937	\$ 25,552	94.86%	\$ 267	\$ 25,819	95.85%
2008	25,765	24,374	94.60%	123	24,497	95.08%
2007	23,763	22,745	95.72%	141	22,886	96.31%
2006	22,092	21,417	96.94%	119	21,536	97.48%
2005	20,576	19,963	97.02%	607	20,570	99.97%

Notes:

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

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

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

Source: Los Angeles County Auditor Controller's Office

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

Revenue Capacity  
 Exhibit 5

	Fiscal Year				
	2009	2008	2007	2006	2005
<u>Potable</u>					
Type of Customer:					
Residential	507,328	524,985	540,753	507,649	514,357
Industrial	149,595	162,174	141,570	147,842	160,736
Commercial	191,098	196,752	209,959	186,960	191,751
Other	<u>40,350</u>	<u>76,500</u>	<u>86,641</u>	<u>104,675</u>	<u>88,650</u>
Total - Potable Water	<u>888,371</u>	<u>960,411</u>	<u>978,923</u>	<u>947,126</u>	<u>955,494</u>
<u>Recycled/Reclaimed</u>					
Type of Customer:					
Industrial	241,394	269,201	251,603	268,025	293,377
Other	<u>12,362</u>	<u>13,591</u>	<u>12,415</u>	<u>11,236</u>	<u>7,928</u>
Total - Recycled/Reclaimed Water	<u>253,756</u>	<u>282,792</u>	<u>264,018</u>	<u>279,261</u>	<u>301,305</u>
<u>Total</u>					
Type of Customer:					
Residential	507,328	524,985	540,753	507,649	514,357
Industrial	390,989	431,375	393,173	415,867	454,113
Commercial	191,098	196,752	209,959	186,960	191,751
Other	<u>52,712</u>	<u>90,091</u>	<u>99,056</u>	<u>115,911</u>	<u>96,578</u>
Total Water	<u><u>1,142,127</u></u>	<u><u>1,243,203</u></u>	<u><u>1,242,941</u></u>	<u><u>1,226,387</u></u>	<u><u>1,256,799</u></u>

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

Source: Golden State Usage Report

City of Torrance Water Fund  
Water Rates  
Last Five Fiscal Years

Revenue Capacity  
Exhibit 6

Monthly Base Rate					
Fiscal Year Ended June 30	Regular <sup>1</sup>	Low Income <sup>1</sup>	Exxon Contract <sup>2</sup>	Wholesale Contract <sup>2</sup>	Other - Recycled Regular <sup>3</sup>
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	Low Income	Exxon Contract	Wholesale Contract	Other - Recycled Regular
2009	\$ 2.21	\$ 1.85	\$ 1.28	\$ 1.14	\$ 1.55
2008	1.99	1.63	1.28	1.14	1.39
2007	1.95	1.59	1.11	1.08	1.37
2006	1.88	1.52	1.11	1.08	1.30
2005	1.85	1.49	1.11	1.08	1.32

Notes:

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

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

<sup>2</sup>Base rate reflects monthly fixed charge stated in contracts

<sup>3</sup>Base rate reflects monthly charge for 2 inch meter

Source: City of Torrance Public Works Department - Water Division

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

Revenue Capacity  
Exhibit 7

Water Customer	2009 Water Charges	Percent of Total Water Revenues
Exxon-Mobil	\$ 3,481,023	14.77%
City of Torrance	434,613	1.84%
Torrance Unified School District	423,800	1.80%
California Water Service-Wholesale	390,564	1.66%
American Honda	223,138	0.95%
Toyota Motor Sales	210,700	0.89%
Torrance Memorial Hospital	165,097	0.70%
Ball Metal	164,272	0.70%
Honeywell International	161,309	0.68%
New Horizons HOA	157,834	0.67%
 Total	 \$ 5,812,350	 24.66%

Note:

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

Source: Golden State Report On Top Customers

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

Fiscal Year Ended June 30	Governmental Activities			
	General Government Certificates of Participation <sup>1</sup>	Tax Allocation Bonds	Notes Payable	Total Government Activities
2009	\$ 45,825	\$ 33,367	\$ 12,117	\$ 91,309
2008	46,880	34,729	11,429	93,038
2007	47,905	36,229	10,676	94,810
2006	48,910	37,438	9,930	96,278
2005	49,885	38,558	9,124	97,567

Notes:

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

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

<sup>1</sup> 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.

<sup>2</sup> 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.

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

<u>Business-type Activities</u>					
<u>Water Revenue Bonds<sup>2</sup></u>	<u>Total Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percent of Assessed Value<sup>3</sup></u>	<u>Debt Per Capita</u>	
\$ 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 Five Fiscal Years  
(in thousands of dollars, except Per Capita)

Debt Capacity  
Exhibit 2

Fiscal Year Ended June 30	Outstanding Net General Bonded Debt			Percent of Assessed Value <sup>1</sup>	Per Capita
	General Government Certificates of Participation	Tax Allocation Bonds	Total		
2009	\$ 42,495	\$ 30,442	\$ 72,937	0.31%	\$ 490
2008	43,550	31,804	75,354	0.34%	506
2007	44,575	33,304	77,879	0.38%	523
2006	45,580	34,505	80,085	0.43%	545
2005	46,555	35,604	82,159	0.47%	559

Notes:

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

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

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

City of Torrance  
Direct and Overlapping Debt  
June 30, 2009  
(in thousands of dollars)

Debt Capacity  
Exhibit 3

City Assessed Valuation	\$ 22,107,049
Redevelopment Agency Incremental Valuation	<u>1,093,152</u>
Total Assessed Valuation	<u><u>\$ 23,200,201</u></u>

	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/09	Estimated Share of Overlapping Debt
<b>Overlapping Debt Repaid with Property Taxes:</b>			
Los Angeles County Flood Control District	2.423%	\$ 84,705	\$ 2,052
Metropolitan Water District	1.221%	243,425	3,583
El Camino Community College District	30.351%	180,501	54,784
Los Angeles Community College District	0.004%	2,408,605	96
Los Angeles Unified School District	0.005%	8,046,220	402
Torrance Unified School District	99.996%	117,654	117,650
Los Angeles County Regional Park and Open Space Assessment District	2.411%	<u>246,875</u>	<u>5,952</u>
Total overlapping debt to be repaid with property taxes		<u>11,327,985</u>	<u>184,519</u>
<b>Overlapping Other Debt:</b>			
Los Angeles County General Fund Obligations	2.411%	\$ 928,941	\$ 22,397
Los Angeles County Pension Obligations	2.411%	235,691	5,682
Los Angeles County Superintendent of Schools Certificates of Participation	2.411%	15,904	383
Los Angeles County Sanitation District No.5 Authority	28.674%	59,701	17,119
Los Angeles County Sanitation South Bay Cities Authority	4.725%	10,172	481
Los Angeles Unified School District Certificates of Participation	0.005%	440,352	22
Torrance Unified School District General Fund Obligations	99.996%	<u>2,320</u>	<u>2,320</u>
Total overlapping other debt		<u>1,693,081</u>	<u>48,404</u>
Total overlapping debt		<u><u>\$ 13,021,066</u></u>	232,923
City direct debt			<u>91,309</u>
Total direct and overlapping debt			<u><u>\$ 324,232</u></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.

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

Source: California Municipal Statistics, Inc

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

Debt Capacity  
 Exhibit 4

	2009	2008	Fiscal Year 2007	2006	2005
Debt limit	\$ 829,014	\$ 791,951	\$ 738,392	\$ 676,411	\$ 629,812
Total net debt applicable to limit	<u>45,825</u>	<u>46,880</u>	<u>47,905</u>	<u>48,910</u>	<u>49,885</u>
Legal debt margin	<u>\$ 783,189</u>	<u>\$ 745,071</u>	<u>\$ 690,487</u>	<u>\$ 627,501</u>	<u>\$ 579,927</u>
Total net debt applicable to the limit as a percentage of debt limit	5.5%	5.9%	6.5%	7.2%	7.9%

Legal Debt Margin Calculation for Fiscal Year 2009:

Assessed value	\$ 22,107,049
Debt limit (3.75% of assessed value)	\$ 829,014
Debt applicable to limit:	
General government Certificates of Participation	<u>45,825</u>
Legal debt margin	<u>\$ 783,189</u>

Notes:

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

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

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

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City of Torrance  
Pledged-Revenue Coverage  
Last Five 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		
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	22,412	259	455	162	0.42	
2006	21,880	20,641	1,239	445	175	2.00	
2005	21,706	19,922	1,784	635	257	2.00	

Notes:

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

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

Tax Allocation Bonds				
Tax Increment	Debt Service		Coverage	
	Principal	Interest		
\$ 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 Five Calendar Years

Demographic and Economic  
Exhibit 1

Calendar Year	Torrance Population <sup>1</sup>	Los Angeles County Population <sup>1</sup>	Personal Income (in thousands) <sup>2</sup>	Per Capita Personal Income <sup>2</sup>	Unemployment Rate <sup>3</sup>
2008	149,111	10,393,185	\$ 390,295,865	37,553	3.7%
2007	148,965	10,363,850	369,174,348	35,621	2.4%
2006	148,558	10,331,939	342,231,121	33,123	2.3%
2005	147,108	10,245,572	329,048,068	32,115	2.5%
2004	146,532	10,166,417	310,043,501	30,498	3.1%

Note:

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

Sources:

<sup>1</sup> State Department of Finance

<sup>2</sup> U.S. Department of Commerce - Bureau of Economic Analysis

The Personal Income data shown is for the previous calendar year. The calendar year 2008 data will be available in the spring of 2010.

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

<sup>3</sup> Office of Economic Development

City of Torrance  
Principal Employers  
Current Year

Demographic and Economic  
Exhibit 2

Employer	2009	
	Number of Employees	Percent of Total Employment
Toyota Motor Sales	3,442	4.5%
American Honda	1,733	2.2%
Robinson Helicopter Co.	1,326	1.7%
Honeywell International	1,317	1.7%
Alcoa Fastening Systems	1,211	1.6%
Hi Shear Corporation	1,018	1.3%
L-3 Communications Electron Tech, Inc.	687	0.9%
Exxon Mobil Oil Corporation	674	0.9%
Pelican Products, Inc.	556	0.7%
Adecco	479	0.6%

Notes:

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

Percentage of employment data from nine years ago is unavailable on the State of California Employment Development Department website. The disclosure of data from nine years prior will commence in fiscal year 2015.

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

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

Operating  
 Exhibit 1

<u>Function</u>	Full-time and Part-time Employees as of June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General government	293	290	290	279	292
Public safety	531	526	531	525	508
Public works	154	145	139	141	140
Community services	476	489	470	463	511
Community development	69	72	71	73	75
Airport	5	4	5	5	5
Transit	128	133	127	131	133
Water	26	26	25	29	23
Sewer	15	17	16	21	21
Cultural Arts Center	52	54	52	46	50
Workforce Investment Network	—	—	28	34	43
<b>Total</b>	<u>1749</u>	<u>1756</u>	<u>1754</u>	<u>1747</u>	<u>1801</u>

Note:

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

Source: City of Torrance Finance Department - Payroll Section

City of Torrance  
Operating Indicators by Function  
Last Four Fiscal Years

Operating  
Exhibit 2

Function	Fiscal Year			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Police</b>				
Arrests	6,772	6,097	7,181	7,075
Bookings	4,007	3,868	4,047	3,597
Parking violations	20,269	27,475	24,169	20,218
Traffic violations	15,695	15,743	17,179	19,786
<b>Fire</b>				
Number of calls answered	12,707	12,847	12,636	12,190
Inspections	9,137	8,028	8,572	8,162 <sup>1</sup>
<b>Highways, streets and other transportation</b>				
Potholes repaired	4,700	5,800	5,500	7,000
Number of tenant aircraft	500	500	500	500
Number of fixed bus routes	8	8	8	8
<b>Sanitation</b>				
Refuse collected (tons/day)	224	219	233	250
Recyclables collected (tons/day)	64	64	65	60
Green Waste collected (tons/day)	12	8	—	—
<b>Culture and recreation</b>				
Number of registrants served	45,146	46,352	43,223	42,069
Registrant fees collected	\$3,489,623	\$3,345,329	\$3,253,641	\$3,063,565
Community center admissions	53,665	50,035	53,012	56,635
<b>Water</b>				
New connections	63	99	19	22
Water main emergency repairs (breaks)	55	64	90	72
Average daily consumption (thousands of gallons)	17,484	22,300	26,420	20,366

Notes:

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

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

Sources: City of Torrance various Departments

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

Operating  
 Exhibit 3

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

Note:

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

Sources: City of Torrance various Departments