



City of Torrance, California

Comprehensive Annual

Financial Report



Torrance City Hall



Twin Towers Flag - 43rd Armed Forces Day Parade

Fiscal Year Ended June 30, 2015

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, 2015

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, 2015

❖ INTRODUCTORY SECTION ❖



CITY OF TORRANCE

December 18, 2015

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

Via: LeRoy J. Jackson, City Manager 

In accordance with Section 1100 of the City Charter, the Finance Department hereby submits the Comprehensive Annual Financial Report for the City of Torrance for the fiscal year ended June 30, 2015. The report reflects the fiscal plan of the City to provide a quality level of service to the community, while providing for limited incremental funding of approved reserves, and meeting operating expenditures with operating revenues. The prudent fiscal management of the Mayor and City Council provides the citizens of Torrance with continued fiscal responsibility at the local level.

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

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

REPORTING ENTITY

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

THE CITY

The City of Torrance is Los Angeles County's sixth largest city, by population, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City

has a population of 148,427 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.

ECONOMIC DEVELOPMENT HIGHLIGHTS

Auto dealerships continue to play an integral role in Torrance. Ferrari South Bay located on Hawthorne Boulevard south of Lomita Boulevard opened in late summer and Rusnak Maserati opened in December. Two other dealerships on Hawthorne Boulevard upgraded their facilities: Scott Robinson Honda underwent a major expansion of its facility at Hawthorne and Del Amo; and South Bay Mazda on Hawthorne and Emerald completed their renovation. The City also created the Torrance Auto Dealers' Association, as well as established a "Buy in Torrance" retail marketing campaign.

Simon Property Group completed the first two phases of their comprehensive transformation of the Del Amo Fashion Center. Del Amo Fashion Center officially opened its doors on October 2015 and now includes nearly 100 new stores and restaurants. Stores like Nordstrom, Kate Spade, Hugo Boss, Arhaus, Z Gallerie, Uniqlo, Zara, Cotton On, Sugarland, Banana Republic, etc. Restaurants like the Great Maple and Frida have opened for business. The Del Amo Fashion Center is the largest shopping center in the western United States and the 5th largest mall in the country. The next phase has begun and includes revitalizing the south end of the mall.

The old National Sports building located on Sepulveda Boulevard has been demolished and being replaced by residential assisted living. Sunrise Assisted Living on Hawthorne Boulevard and Rolling Hills Road is nearing its completion and a forty-four mixed used apartment and office building was constructed this year on in the downtown area on Cabrillo Avenue.

Also in construction is a 160,000 square foot building on Lomita and Crenshaw Boulevards which will house the new Costco store. The new store will be approximately 18,000 square feet larger and will feature a car wash facility, an expanded gas station and provide additional parking. Construction is estimated to be completed early next year.

A big company that is moving their headquarters and their warehouse distribution center to Torrance is NYX Cosmetics. They will be occupying the 125,000 square feet of property that was once occupied by the Ball Corporation on Crenshaw Boulevard near Del Amo Blvd. NYX cosmetics is a division of the L'Oreal conglomerate and can be found at Target, Urban Outfitters, CVS and independent

beauty supply stores nationwide as well as internationally. Their first retail store opened in Del Amo Fashion Center in October.

A premiere lumber company, Ganahl Lumber, was recently approved to commence construction and operation of a lumber yard and building supply store on nearly 19 acres on Del Amo Boulevard near Crenshaw. The main building, approximately 86 thousand square feet, will be utilized for retail sales and large volume distribution operations. This project is expected to be completed by Fall 2016.

The project that is also on a design phase and project plan is the development of the Torrance Transit Park and Ride Regional Transit Terminal. This project interfaces with the Regional Rapid Service and existing light rail. It is envisioned to have level boarding platforms for transit vehicles, state of the art passenger information kiosks and maps, parking spaces for rideshare and carpool participants and enhanced shelters, public restrooms and fare vending machines. This facility is estimated to be fully operational in early 2017.

The City's Office of Economic Development is also pursuing the establishment of an International Economic Development Advisory Board to pave the way for increased international investment and trade with Torrance. Torrance continues to receive various foreign delegations interested in learning how a full service city operates by viewing/hearing presentations and visiting City facilities and local businesses. Some of the visitors are interested in establishing sister or friendly city relationships.

Torrance continues to be an attractive location for businesses and working with professionals in the commercial real estate community and utilizing site selection tools, as well as providing incentives such as permit expediting, recruitment and financial assistance aid in bringing in new businesses to help keep the City growing.

FINANCIAL FORECAST AND FUTURE OUTLOOK

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

LONG-TERM PLANNING

Over the past twelve years, General Fund revenues have grown from \$121 million in fiscal year 2002-2003 to \$175 million in fiscal year 2014-15. The General Fund revenues grew 8.0% in fiscal year 2014-15 compared to last fiscal year.

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

The revenue forecast for the next two years reflects a modest growth of approximately 3 to 4% annually. The forecast closely parallels the economic recovery of the local economy. Our forecast projects two years of continued moderate growth in revenues.

INTERNAL CONTROLS

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that the above-referenced objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be realized; and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS

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

INDEPENDENT AUDIT

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

AWARDS

The staff of the City of Torrance Finance Department has continued its efforts to improve the method of providing financial information to the elected and appointed officials of the City and to the citizens of Torrance.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Torrance for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. The City has received this award annually since 1987.

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

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

OTHERS

The City recommends that the Management Discussion and Analysis section be read to obtain an understanding of the City's financial condition as of June 30, 2015. This section also provides an overview of the City's financial activities at year end.

Respectfully submitted,

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

Eric E. Tsao
Finance Director

CITY OF TORRANCE DIRECTORY OF CITY OFFICIALS

June 30, 2015

CITY COUNCIL

Patrick J. Furey, Mayor

**Heidi Ann Ashcraft
Tim Goodrich
Geoff Rizzo**

**Gene Barnett
Mike Griffiths
Kurt Weideman**

CITY CLERK

Rebecca Poirier

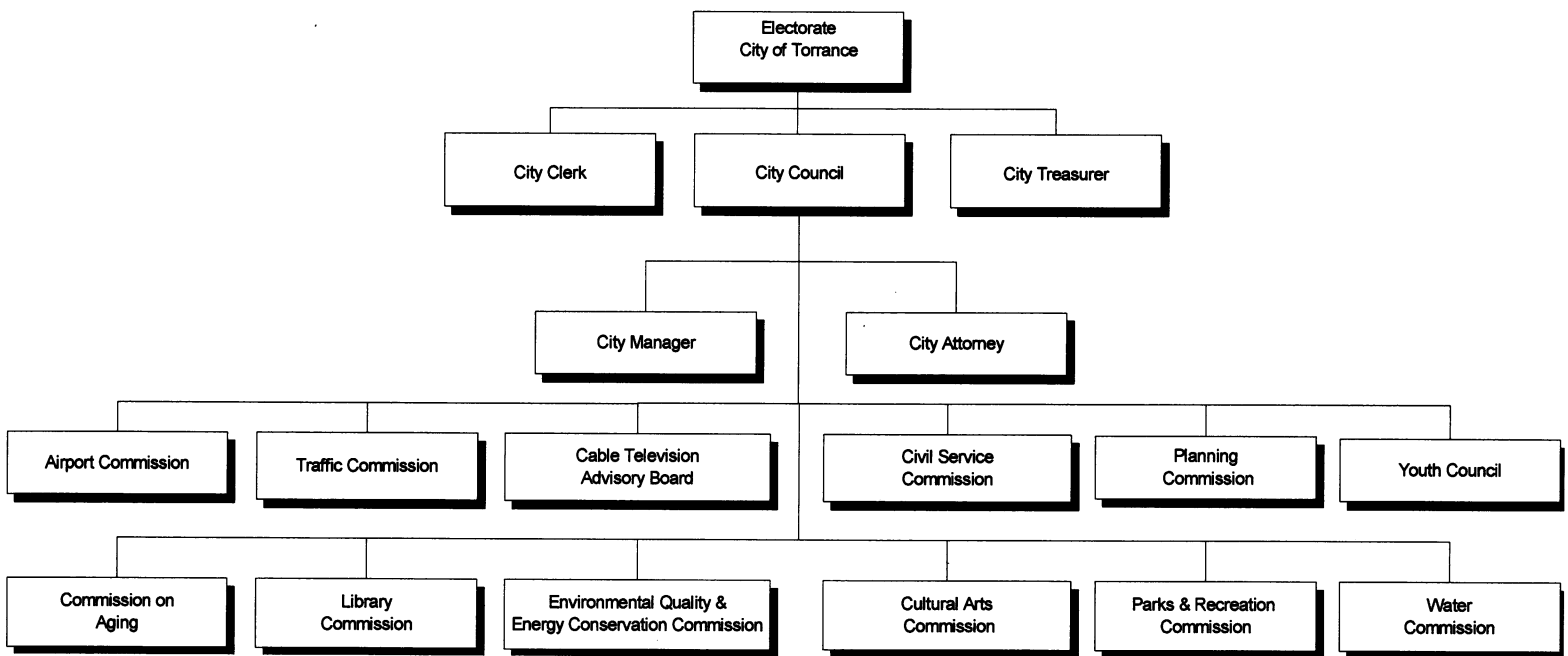
CITY TREASURER

Dana Cortez

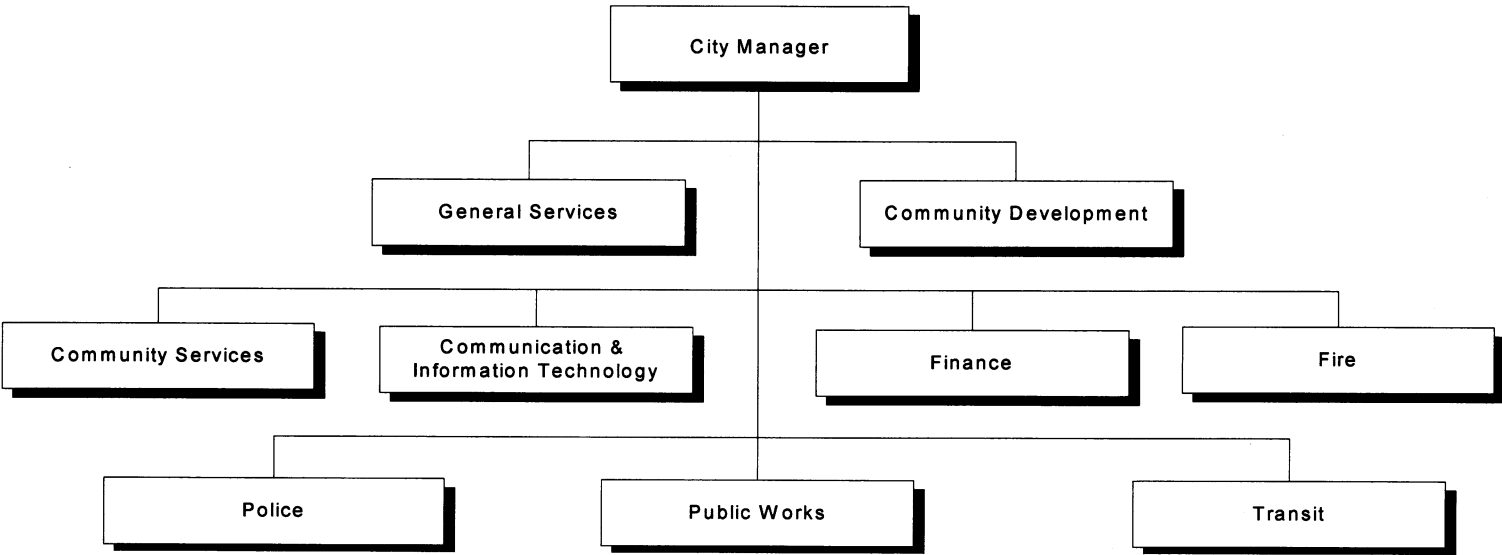
ADMINISTRATION

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

ELECTED AND APPOINTED OFFICIALS



CITY DEPARTMENTS





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Torrance
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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City OF Torrance



COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2015

❖ FINANCIAL SECTION ❖

Independent Auditor's Report

City Council
City of Torrance
Torrance, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The financial statements for the year ended June 30, 2015, reflect prior period adjustments as described further in note 18 to the financial statements, which includes the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 as described further in notes 8, 9, and 18. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Torrance's basic financial statements. The *introductory section*, the *combining and individual nonmajor fund financial statements and schedules*, the *statistical section* and the *continuing disclosure information* 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* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information in the *introductory section*, the *statistical section* and the *continuing disclosure information* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

Daniel Fara UP

Irvine, California
December 18, 2015

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City OF Torrance



Council Chamber

Management
Discussion & Analysis

Management Discussion & Analysis

❖ DEPARTMENT OF FINANCE ❖

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Torrance's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. 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, 2015.

FINANCIAL HIGHLIGHTS

- The City's total net position, assets less liabilities, at fiscal year-end is \$528.8 million compared to \$511.3 million for the 2013-14 fiscal year. This represents an increase of 17.5 million. Effective for this reporting year (2014-15) in a quest to provide enhanced transparency, the Government Accounting Standards Board (GASB) Statement No. 68 requires that local agencies present the total actuarial cost for pensions as a current year liability. The inclusion of the actuarial pension cost in the current year results in a 72.5% or \$370.8 million decrease resulting in a net position of \$140.5 million.
- During the year, the City's revenues exceeded expenditures and net transfers for governmental activities by \$20.6 million.
- In the City's business-type activities, revenues and transfers exceeded expenditures by \$2.6 million.
- The General Fund reported an excess of revenues over expenditures of \$20.2 million before a net transfers out of \$14.6 million resulting in an increase to its fund balance of \$5.6 million during the year.
- The City kept General Fund expenditures within spending limits and actual General Fund expenditures on a budgetary basis were \$4.0 million less than budget while the General Fund revenues were about \$6.1 million more than budget, which was attributable to one-time funds received at the latter part of the fiscal year for the boundary modification between Rolling Hills Estates and the City that allowed the annexation/de-annexation of 41 acres in each jurisdiction. The boundary modification allowed for a portion of the golf course at Rolling Hills Country Club to be reconfigured and located in the City of Torrance and 114 single-family residences to be developed in Rolling Hills Estates.

USING THIS ANNUAL REPORT

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE CITY’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provides detailed information about the most significant funds and is not intended to report on the entire City as a whole. Some funds are required to be established by State law and by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City’s two kinds of funds—governmental and enterprise—use different accounting approaches.

- Governmental funds— Majority of the City’s basic services are reported in governmental funds. Governmental funds account for the resources (revenues received) and the uses (services provided to residential and business community) of money that flows into and out of these funds and money left at year-end that is available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the City’s general government operations and the basic services rendered. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the City’s programs. A description of the relationship (or differences) between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is shown in the reconciliation at the bottom of the fund financial statements.
- Enterprise funds are funds that account for the City’s operations that are financed and operated in a manner similar to a private business enterprise. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City’s enterprise funds (a component of enterprise funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for enterprise funds. The City uses internal service funds to report activities that provide supplies and services for other programs and activities within the City such as the Self Insurance Fund and Fleet Services Fund and it also accounts for inter-fund charges to the City’s departments for post-employment benefits in the Post Employment Fund.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's net position for fiscal year 2014-15 compared to 2013-14 is shown in Table 1:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$208.1	\$199.0	\$57.4	\$55.7	\$265.5	\$254.7
Capital assets	323.2	310.6	143.9	144.0	467.1	454.6
Total assets	531.3	509.6	201.3	199.7	732.6	709.3
Deferred outflows of resources	28.6	1.9	4.9	-	33.5	1.9
Long-term debt	(438.6)	(137.0)	(53.0)	(1.5)	(491.6)	(138.5)
Other liabilities	(45.7)	(44.8)	(16.7)	(16.6)	(62.4)	(61.4)
Total liabilities	(484.3)	(181.8)	(69.7)	(18.1)	(554.0)	(199.9)
Deferred inflows of resources	(58.1)	-	(13.5)	-	(71.6)	-
Net investment in capital assets	275.4	262.6	142.4	142.6	417.8	405.2
Restricted	41.9	43.3	-	-	41.9	43.3
Unrestricted	(299.8)	23.8	(19.4)	39.0	(319.2)	62.8
Net Position	\$17.5	\$329.7	\$123.0	\$181.6	\$140.5	\$511.3

Net position of the City's governmental activities amounted to \$17.5 million. \$275.4 million is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$41.9 million is restricted for streets & highways, capital projects, community development, and public safety; and (\$299.8) million is unrestricted. The net position of the City's governmental activities decreased by \$312.2 million (\$17.5 million compared to \$329.7 million in 2013-14).

Net position of the City's business-type activities amounted to \$123.0 million. \$142.4 million is invested in capital assets, and (\$19.4) million is unrestricted. The net position of the City's business-type activities decreased by 58.6 million (\$123.0 million compared to \$181.6 million in 2013-14). The primary reason for the decrease in fund balances for both governmental and business type activities is due to the implementation of GASB Statement No. 68 for pension reporting.

Changes in net position. The City's total revenues are \$307.5 million and total costs of all programs and services are \$284.3 million which amounted to a change in net position of \$23.2 million during the year (See Table 2).

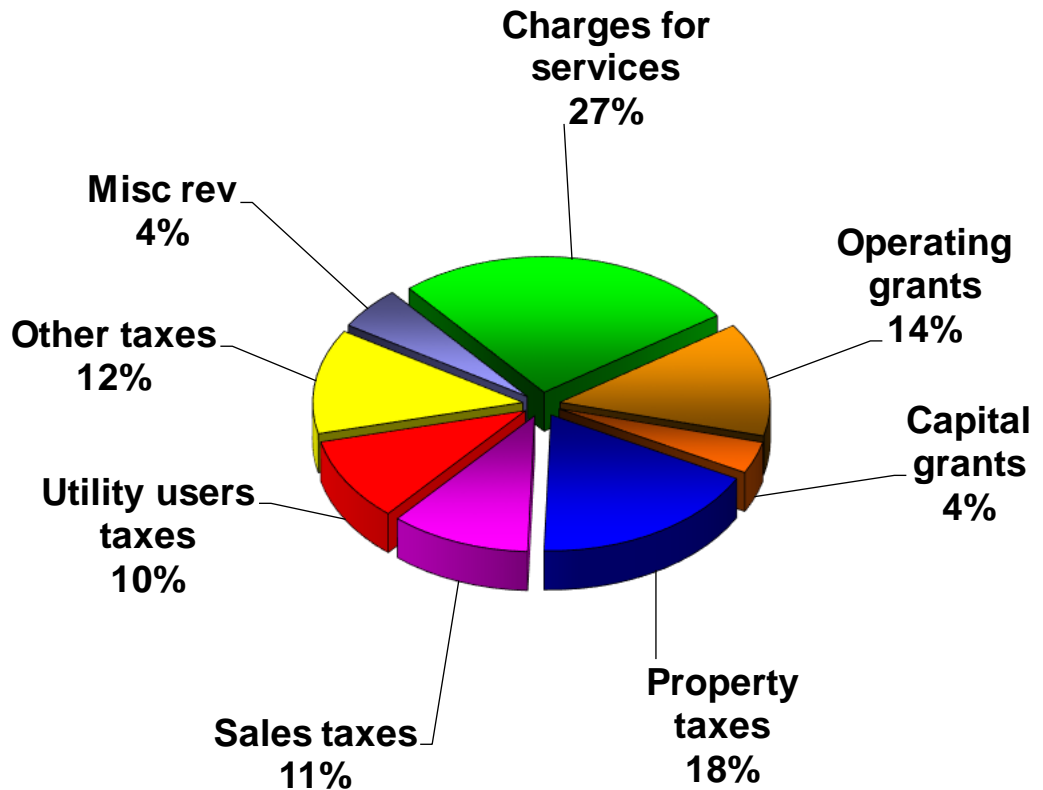
Table 2
Change in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 9.4	\$12.2	\$72.2	\$77.9	\$81.6	\$90.1
Operating grants/contr	22.6	14.6	19.0	21.1	41.6	35.7
Capital grants/contr	8.9	10.7	2.7	1.1	11.6	11.8
General revenues:						
Property taxes	54.6	53.6	-	-	54.6	53.6
Sales Tax	33.2	32.0	-	-	33.2	32.0
Other taxes	62.6	61.4	-	-	62.6	61.4
Investment earnings	6.0	6.5	0.5	0.7	6.5	7.2
Motor vehicle tax (unrestricted)	0.1	0.1	-	-	0.1	0.1
Miscellaneous	15.6	4.8	0.1	0.5	15.7	5.3
Total revenues	213.0	195.9	94.5	101.3	307.5	297.2
Expenses						
General government	28.5	25.5	-	-	28.5	25.5
Public safety	102.9	110.0	-	-	102.9	110.0
Public works	23.9	29.7	-	-	23.9	29.7
Culture and recreation	17.2	18.1	-	-	17.2	18.1
Community development	10.2	10.4	-	-	10.2	10.4
Interest on long term debt	2.8	1.5	-	-	2.8	1.5
Airport	-	-	3.3	5.5	3.3	5.5
Transit	-	-	24.9	26.2	24.9	26.2
Water	-	-	34.4	35.4	34.4	35.4
Sewer	-	-	5.4	4.4	5.4	4.4
Sanitation	-	-	11.0	11.0	11.0	11.0
Cultural Arts	-	-	2.1	1.9	2.1	1.9
Parks and Recreation	-	-	6.6	6.5	6.6	6.5
Emergency Medical Services	-	-	11.1	10.7	11.1	10.7
Total expenses	185.5	195.2	98.8	101.6	284.3	296.8
Excess of revenues over						
Expenses before						
transfers and extraordinary						
gain (loss)	27.5	0.7	(4.3)	(0.3)	23.2	0.4
Transfers	(6.9)	(6.0)	6.9	6.0	-	-
Extraordinary Gain (loss)	-	(35.4)	-	-	-	(35.4)
Increase (decrease) in net assets	\$20.6	(\$40.7)	\$2.6	\$5.7	\$23.2	(\$35.0)
Net Assets-beginning	329.7	370.7	181.6	175.3	511.3	546.0
Prior Period adjustment	(332.8)	(0.3)	(61.2)	0.6	(394.0)	0.3
Net Assets-ending	\$ 17.5	\$329.7	\$123.0	\$181.6	\$140.5	\$511.3

The City's total revenues of \$307.5 million were derived from the following: Twenty seven percent (27%) of the program revenues is derived from fees charged for services; ten percent (10%) from utility users' tax; twelve percent (12%) from other taxes such as construction tax, occupancy tax, business license tax and franchise tax; eleven percent (11%) from sales taxes; eighteen percent (18%) from property taxes; fourteen percent (14%) from operating grants; four percent (4%) from capital grants; and four percent (4%) from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues increased by \$10.3 million-governmental type activities increased by \$17.1 million while business type activities decreased by \$6.8 million.

**Figure A-1
Sources of Revenues for Fiscal Year 2015**



The total costs of all programs and services are \$284.3 million. Thirty six percent (36%) of functional expenses are related to public safety; ten percent (10%) relates to general government; eight percent (8%) to public works; six percent (6%) to culture and recreation; four percent (4%) to community development; one percent (1%) to interest on debt; and thirty five percent (35%) to business-type activities (See Figure A-2). The total cost of the City's programs and services decrease by \$12.5 million.

**Figure A-2
Functional Expenses for Fiscal Year 2015**

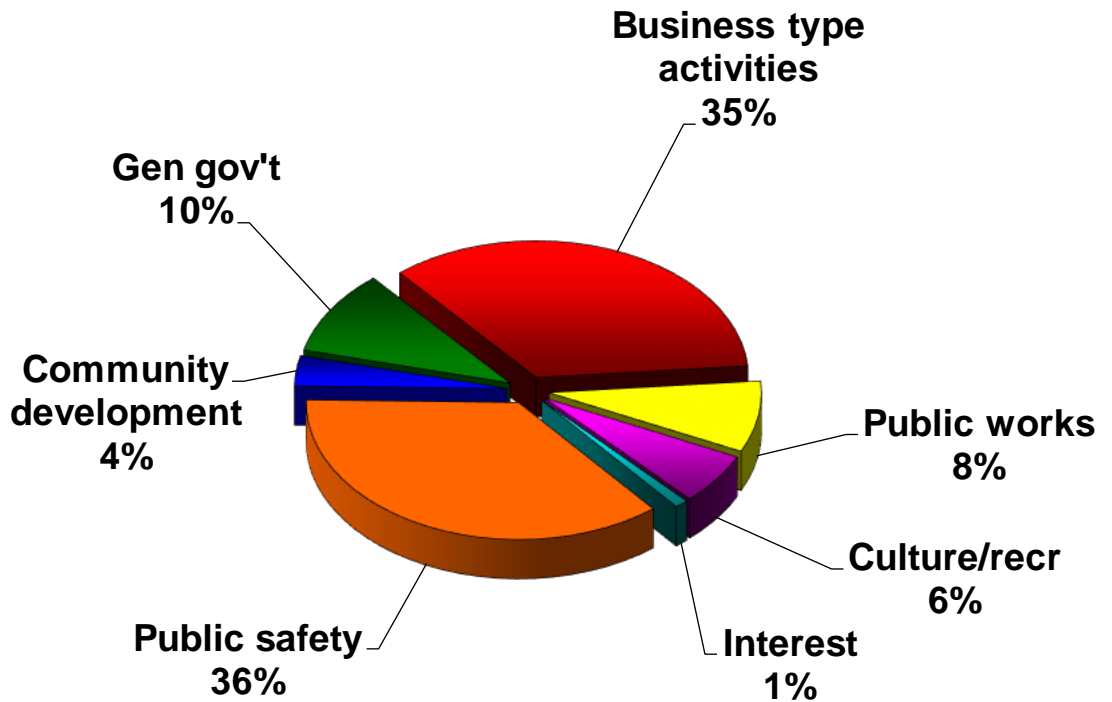


Table 2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

Governmental Activities

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

Revenues for the City's governmental activities increase by 8.7 percent or \$17.1 million. This was primarily due to the increase in operating grants, property taxes, occupancy tax and the one-time receipt of boundary modification funds.

The total expenses of the governmental activities decrease by 5.0 percent or \$9.7 million. The decrease was primarily due to the present value of the estimated outstanding claims for workers compensation over 4 years that was recorded in fiscal year 2013-14 based on the 2014 actuarial report. Actuarial reports are completed every two years.

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 \$185.5 million. \$144.5 million of these activities were paid through City taxes, sales taxes, investment earnings and other miscellaneous fees; \$9.4 million was paid by those who directly benefited from the programs; and \$31.6 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	
	2015	2014	2015	2014
General government	\$28.4	\$25.5	\$24.0	\$22.2
Public safety *	102.9	110.0	94.4	101.1
Public works	23.9	29.7	2.8	11.2
Culture and recreation	17.2	18.1	16.4	17.3
Community development	10.2	10.4	4.0	4.4
Others	2.9	1.5	2.9	1.5
Total	\$185.5	\$195.2	\$144.5	\$157.7

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

Business-type Activities

Revenues of the City’s business-type activities amounts to \$94.5 million and expenses are \$98.8 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues decreased by \$6.8 million (\$94.5 million compared to \$101.3 million in 2013-14). This is primarily due to the decrease in water and sewer revenues due to the water conservation program. The change in the billing methodology for the ambulance transport of patients with or without paramedics on board resulted in lower revenues in the Emergency Medical Services Fund.

The excess of expenses over revenues before transfers is (\$4.3) million and with a net transfer in of \$6.9 million, the business-type activities had an increase of \$2.6 million during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

As the City completed the year, its governmental funds reported a combined fund balance of \$121.9 million.

The General Fund is the only fund reported as major fund this year.

The increase in General fund balance is \$5.6 million this year primarily due to property taxes, sales tax, occupancy taxes, and the one time receipt of boundary modification funds.

Enterprise funds

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

The Transit Fund has a decrease in fund equity of \$10.3 million this year, Water Fund by \$3.9 million, Sewer Fund by \$5.1 million and Emergency Services Fund by \$30.4 million. The decrease in fund equity is due to the adjustment in the beginning net position to give retroactive effect to the implementation of GASB Statement No. 68 which is the accounting and reporting for pensions.

General Fund Budgetary Highlights

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

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

First Quarter program modifications that were approved:

- Upgrade 1.0 Senior Management Associate to 1.0 Economic Development Manager position
- Restructuring of the Finance Department – Added 1.0 Revenue Manager, 1.0 Buyer, and 1.0 License Supervisor and removed 1.0 Accountant, 1.0 Senior Account Clerk, 2.0 interns, transferred 0.5 Secretary to Human Resources and reduction of \$48,950 in professional services

Mid-Year program modification that was approved:

- Upgrade Emergency Services Coordinator to Emergency Services Manager and added one Emergency Services Staff Assistant

Although the City amended its expenditure budget, actual expenditures were \$4.0 million below the final adopted budget amounts due to salary savings caused by vacancies in various departments and savings from materials, supplies and services during the year. However, the resources available for appropriation were \$6.1 million above the final adopted budgeted amount. The increase in actual revenues over budget was due primarily to the one-time receipt of boundary modification funds.

The City's General Fund balance of \$66.7 million differs from the General Fund's budgetary fund balance of \$65.2 million reported in the budgetary comparison schedule. The difference in the two fund balances is because budgetary fund balance includes \$1.5 million of encumbrances reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2015 amounts to \$467.0 million (net of accumulated depreciation). The investment in capital assets includes land, right of way, buildings and improvements, equipment, construction in progress, easement and infrastructure assets.

Table 4
Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$71.6	\$64.3	\$6.9	\$6.9	\$78.5	\$71.2
Right of Way	19.3	19.3	-	1.7	19.3	21.0
Buildings and improvements	46.8	45.1	4.2	4.2	51.0	49.3
Equipment	23.2	22.9	21.0	23.2	44.2	46.1
Infrastructure	152.3	150.7	95.1	97.4	247.4	248.1
Construction in progress	10.0	8.3	15.0	10.6	25.0	18.9
Easement	-	-	1.6	-	1.6	-
Total	\$323.2	\$310.6	\$143.8	\$144.0	\$467.0	\$454.6

The total capital assets in the governmental activities increased by \$12.6 million (\$323.2 million compared to \$310.6 million in 2013-14) and the business activities decreased by \$0.2 million (\$143.8 million to \$144.0 million in 2013-14). The capital assets are categorized by networks and subsystems

in Note 3 of the notes to the basic financial statement. More detail information about the City's capital assets and its activities during the year is also shown in Note 3.

Long-term debt. At the end of the fiscal year, the City had total bonded debt outstanding of \$57.1 million as shown in Table 5. More detailed information about the City's long-term liabilities is presented in Notes 6 and 7 of the notes to the basic financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 57.1	\$58.0	\$ -	\$ -	\$ 57.1	\$ 58.0

During fiscal year 2014-15 the total debt of the City decreased by \$0.9 million. The decrease is primarily due to the principal payments made on the 2014 Refunding Certificates of Participation and the 2009 Certificates of Participation bonds.

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

Per City Charter Article 4 Section 412, the City shall not incur any bonded indebtedness for public improvements, which shall in the aggregate exceed 3.75% of the assessed value of all the real and personal property of the City. The current debt limitation for the City is \$933.5 million which is in excess of the City's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key Highlights of the 2015-16 Budget

The City Council adopted in May 2015, the first year (2015-16 fiscal year) of the 2015-17 Two Year Operating budget. This budget is balanced and is essentially a no growth budget for 2015-16 fiscal year and holds the growth of the 2016-17 fiscal year budget at 2.2%.

Beginning January 2016, the State will begin the unwinding of the "triple-flip" and the 0.25% of sales tax will return to the City's budget with a corresponding reduction in property tax. It is expected that by August 2016

the “triple-flip” will be fully unwound and the City will receive the final payment/reconciliation of monies due to the City.

General Fund Revenues

- Sales Tax – Recent economic retail sales indicators are projecting a 1.9% sales tax revenue increase from fiscal year 2014-15 budget, reflecting a moderate growth through the end of the fiscal year.
- Property Tax – with a strong property tax base of \$26.1 billion, consisting of a mix of high-end residential properties and sizable industrial, commercial and retail components, property tax revenues are projected to grow at about 4.0% annually.
- Utility User’s Tax (UUT) – UUT revenues are projected to grow modestly over the five-year forecast. As the cost of power increases, more and more users are migrating to energy saving appliances, lighting and solar power which impacts this revenue source.

Balancing the 2015-17 Budget

The fiscal year 2015-16 budget is balanced, requires no reductions and continues to address long-term strategies. It is a reflection of City policies and goals and is consistent with the City’s Strategic Plan. Here are some highlights of the budget.

Public Employees’ Pension & Other Post-Employment Benefits (OPEB)

- Labor contracts for Police and Fire expire June 30, 2017 and Miscellaneous employee contracts expire December 31, 2017. All groups are also scheduled to receive the last remaining increase for the current contracts of 4% on January 1, 2016, which had been planned for in our five-year projection and is funded.
- Since fiscal year 2009-10, new employees have paid 9% (for Safety) and 7% (for Miscellaneous) of pension costs. Beginning 2013 new employees to PES contributed half of their “normal cost” of pension benefits as follows:
 - Fire safety employees – 12.5%
 - Police safety employees – 15%
 - Miscellaneous employees – 6.75%
- All of the changes that PERS has announced or has made have been incorporated into this year’s budget as well as the five-year forecast. This includes:
 - Decreasing the return on investment by 0.25% to 7.5%
 - Limiting the amortization to no greater than 30 years (fixed)
 - Increasing the mortality rates
 - The lower than expected return on investments for the current fiscal year.

- These changes reduce City costs as current employees retire and new employees are hired under the 2013 benefit formulas. To date, this has transferred \$3.34M in costs to employees and will continue to grow as new hires share in pension costs
- “Other Post Employments Benefits” (OPEB) continue to be fully funded including the actuarial change to not have current employees subsidizing retirees. OPEB are mainly for health benefits for retirees of roughly \$115 a month for Miscellaneous retirees and up to an additional \$130 to \$225 a month for Fire and Police retirees.

Self-Insurance Fund

The reserve for Self-Insurance Fund has been declining over the past several years. In an effort to supplement its reserves, a one-time General Fund contribution in the amount of \$2.0 million was made during the 2015-16 fiscal year, an ongoing \$300,000 increase in 2016-17 fiscal year and an additional \$100,000 each year after that through the five year forecast.

Building Maintenance

As City buildings age, more maintenance is required. For the 2016-17 fiscal year, \$500,000 will be budgeted annually for building maintenance projects and an additional \$100,000 for each of the next three fiscal years. These past few years, building maintenance projects have been funded through the availability of year-end carryover. This budget moves the funding back into routine operational expense.

Use of One-Time Reserves

The City’s current balance for the Economic Anomaly Fund is \$14.5 million. The funding policy for the Economic Anomaly Fund is 10% of the combined General Fund, Parks and Recreation Fund, Cultural Arts Center Fund, Animal Control Fund and Emergency Medical Services Fund net adopted appropriation level or about \$19.3 million. This reserve provides some flexibility to smooth out economic savings, one-time loss of major revenue streams, buffer the loss of State and federal revenues and support City operations during emergencies such as disasters.

Enterprise Operations

The utility related enterprise funds-Water, Refuse and Sewer will seek consumer price index increases through the Proposition 218 hearing process. The Water and Sanitation Funds have had approved rate increases to fund additional infrastructure and, in the case of Sanitation, to expand the “green waste” program. The Sewer rates have not been changed since July 2011.

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

❖ DEPARTMENT OF FINANCE ❖

City OF *Torrance*



Torrance Police Station

Government - Wide Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Pooled cash and investments (note 2)	\$ 144,972,000	\$ 48,893,736	\$ 193,865,736
Cash and cash equivalents with fiscal agents (note 2)	3,737,194	—	3,737,194
Accounts receivable	21,857,327	8,680,010	30,537,337
Accrued interest receivable	447,619	164,799	612,418
Due from successor agency (note 21)	307,852	—	307,852
Due from other governments (note 15)	9,137,130	2,902,885	12,040,015
Advance to successor agency (note 21)	18,651,628	1,625,594	20,277,222
Notes receivable (note 4)	69,055	—	69,055
Internal balances	6,874,844	(6,874,844)	—
Inventories, at cost	1,104,751	2,033,295	3,138,046
Prepays and other assets	957,407	23,923	981,330
Capital assets (note 3):			
Land	71,563,861	6,940,713	78,504,574
Right of way	19,344,662	—	19,344,662
Construction in progress	10,021,387	15,028,068	25,049,455
Infrastructure, net of accumulated depreciation	152,269,896	95,101,194	247,371,090
Building and improvements, net of accumulated depreciation	46,782,991	4,235,464	51,018,455
Equipment, net of accumulated depreciation	23,213,742	20,976,225	44,189,967
Easement, net of accumulated depreciation	—	1,578,818	1,578,818
Total Assets	<u>531,313,346</u>	<u>201,309,880</u>	<u>732,623,226</u>
Deferred Outflows of Resources			
Deferred refunding charge	1,788,593	—	1,788,593
Deferred pension contributions	26,788,365	4,866,070	31,654,435
Total Deferred Outflows of Resources	<u>28,576,958</u>	<u>4,866,070</u>	<u>33,443,028</u>
Liabilities			
Accounts payable	5,423,147	4,436,579	9,859,726
Accounts payable-contract retention	276,512	62,048	338,560
Accrued liabilities	8,257,801	4,029,824	12,287,625
Due to other governments	1,645	—	1,645
Notes payable (note 5)	31,000,000	—	31,000,000
Unearned revenue (note 16)	—	7,951,469	7,951,469
Deposits and guarantees	204,970	226,547	431,517
Interest payable	443,039	—	443,039
Long term liabilities-portion due or payable within one year (notes 6, 7 and 14)	18,802,975	—	18,802,975
Long term liabilities-portion due or payable after one year (notes 6, 7 and 14)	123,059,868	1,452,900	124,512,768
Net pension liability (notes 8 and 9)	296,786,402	51,557,238	348,343,640
Total Liabilities	<u>484,256,359</u>	<u>69,716,605</u>	<u>553,972,964</u>
Deferred Inflows of Resources			
Pension actuarial	58,065,662	13,484,579	71,550,241
Total Deferred Inflows of Resources	<u>58,065,662</u>	<u>13,484,579</u>	<u>71,550,241</u>
Net Position			
Net investment in capital assets	275,453,845	142,407,582	417,861,427
Restricted for:			
Streets & highways	27,498,492	—	27,498,492
Capital projects	2,813,108	—	2,813,108
Community development	7,975,017	—	7,975,017
Public safety	3,595,453	—	3,595,453
Unrestricted	(299,767,632)	(19,432,816)	(319,200,448)
Total Net Position	<u>\$ 17,568,283</u>	<u>\$ 122,974,766</u>	<u>\$ 140,543,049</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Activities and Changes in Net Position
Year ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 28,473,962	\$ 450,424	\$ 3,996,950	\$ —
Public safety	102,909,347	7,433,240	1,038,655	—
Public works	23,907,667	866,676	11,402,199	8,847,788
Culture and recreation	17,211,726	667,118	85,407	67,263
Community development	10,171,732	—	6,117,725	11,416
Interest on long term debt	2,867,162	—	—	—
Total Governmental Activities	185,541,596	9,417,458	22,640,936	8,926,467
Business-Type Activities:				
Municipal airport	3,301,082	12,407,182	—	—
Transit system	24,932,187	3,350,942	18,930,322	2,703,258
Water	34,413,529	35,982,730	—	—
Sewer	5,397,168	2,730,467	—	—
Sanitation	10,981,591	11,360,197	40,947	—
Cultural arts center	2,086,611	941,674	106,556	—
Parks and recreation	6,637,732	4,521,450	13,573	—
Emergency medical services	11,060,402	900,673	—	—
Total Business-Type Activities	98,810,302	72,195,315	19,091,398	2,703,258
Total Primary Government	\$ 284,351,898	\$ 81,612,773	\$ 41,732,334	\$ 11,629,725

General Revenues:

Taxes:

- Property taxes
- Sales taxes
- Utility users taxes
- Occupancy taxes
- Business license taxes
- Construction, real property, cogeneration and misc. taxes
- Investment earnings
- Motor vehicle tax (unrestricted)
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - beginning

Prior Period Adjustment (note 18)

Net Position - ending

See accompanying notes to the basic financial statements.

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (24,026,588)	\$ —	\$ (24,026,588)
(94,437,452)	—	(94,437,452)
(2,791,004)	—	(2,791,004)
(16,391,938)	—	(16,391,938)
(4,042,591)	—	(4,042,591)
(2,867,162)	—	(2,867,162)
<u>(144,556,735)</u>	<u>—</u>	<u>(144,556,735)</u>
—	9,106,100	9,106,100
—	52,335	52,335
—	1,569,201	1,569,201
—	(2,666,701)	(2,666,701)
—	419,553	419,553
—	(1,038,381)	(1,038,381)
—	(2,102,709)	(2,102,709)
—	(10,159,729)	(10,159,729)
<u>—</u>	<u>(4,820,331)</u>	<u>(4,820,331)</u>
<u>(144,556,735)</u>	<u>(4,820,331)</u>	<u>(149,377,066)</u>
54,609,105	—	54,609,105
33,185,057	—	33,185,057
30,709,802	—	30,709,802
10,529,084	—	10,529,084
8,411,787	—	8,411,787
12,830,134	—	12,830,134
6,042,995	521,321	6,564,316
61,477	—	61,477
15,617,006	83,306	15,700,312
(6,854,686)	6,854,686	—
<u>165,141,761</u>	<u>7,459,313</u>	<u>172,601,074</u>
20,585,026	2,638,982	23,224,008
329,735,289	181,558,415	511,293,704
(332,752,032)	(61,222,631)	(393,974,663)
<u>\$ 17,568,283</u>	<u>\$ 122,974,766</u>	<u>\$ 140,543,049</u>

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City OF Torrance



Madrona Marsh

Governmental Fund Financial Statements

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CITY OF TORRANCE, CALIFORNIA

Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Pooled cash and investments (note 2)	\$ 61,883,774	\$ 52,625,790	\$ 114,509,564
Cash and cash equivalents with fiscal agents (note 2)	—	3,737,194	3,737,194
Accounts receivable	17,963,762	3,893,565	21,857,327
Accrued interest receivable	254,442	90,126	344,568
Due from other funds (note 12)	3,377,182	—	3,377,182
Due from other governments (note 15)	9,005,864	131,266	9,137,130
Interfund advances receivable (note 12)	25,015,829	600,000	25,615,829
Notes receivable (note 4)	—	69,055	69,055
Prepays	246,277	—	246,277
Total Assets	<u>\$ 117,747,130</u>	<u>\$ 61,146,996</u>	<u>\$ 178,894,126</u>
Liabilities			
Accounts payable	\$ 2,304,170	\$ 2,793,873	\$ 5,098,043
Accounts payable-contract retention	—	276,512	276,512
Accrued liabilities	13,644,915	217,083	13,861,998
Due to other funds (note 12)	—	2,558,687	2,558,687
Interfund advances payable (note 12)	600,000	—	600,000
Due to other governments	—	1,645	1,645
Notes payable (note 5)	31,000,000	—	31,000,000
Deposits and guarantees	46,914	158,056	204,970
Total Liabilities	<u>47,595,999</u>	<u>6,005,856</u>	<u>53,601,855</u>
Deferred Inflows of Resources:			
Unavailable revenue	3,417,075	—	3,417,075
Total Deferred Inflows of Resources	<u>3,417,075</u>	<u>—</u>	<u>3,417,075</u>
Fund Balances			
Nonspendable:			
Advances, net	20,998,754	—	20,998,754
Prepays	246,277	—	246,277
Restricted for:			
Public safety	—	3,532,378	3,532,378
Public works	—	29,138,355	29,138,355
Culture and recreation	579,748	2,813,108	3,392,856
Community development	—	1,271,700	1,271,700
Debt service	—	3,737,194	3,737,194
Assigned to:			
Culture and recreation	4,483,706	—	4,483,706
Public safety	63,075	—	63,075
Special project reserves	4,203,835	—	4,203,835
Capital projects	6,719,600	14,648,405	21,368,005
Unassigned	29,439,061	—	29,439,061
Total Fund Balances	<u>66,734,056</u>	<u>55,141,140</u>	<u>121,875,196</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 117,747,130</u>	<u>\$ 61,146,996</u>	<u>\$ 178,894,126</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances for governmental funds \$ 121,875,196

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$ 71,563,861	
Right of Way	19,344,662	
Construction in Progress	10,021,387	
Infrastructure net of \$156,512,565 accumulated depreciation	152,269,896	
Buildings and fixtures, net of \$49,240,912 accumulated depreciation	46,782,991	
Machinery and equipment, net of \$20,710,864 accumulated depreciation	<u>15,993,390</u>	
		315,976,187

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet

Compensated absences (excluding funded portion of liability)	(17,783,760)	
Torrance Public Financing Authority refunding certificates of participation	(17,250,000)	
Public Property Financing Corporation refunding certificates of participation	(39,895,000)	
Certificates of participation premium	(639,175)	
Deferred refunding charge	1,788,593	
Net pension liability	<u>(294,056,135)</u>	
		(367,835,477)

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

Accrued interest payable on bonded debt	<u>(443,039)</u>	
		(443,039)

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

Deferred inflows of resources-unavailable revenue	<u>3,417,075</u>	
		3,417,075

Deferred outflows are not current assets or financial resources, and the deferred inflows are not due and payable in the current period, and therefore are not reported in the governmental Funds Balance Sheet.

Deferred outflows of resources - pension contributions	26,492,984	
Deferred inflows of resources - pension actuarial	<u>(57,037,120)</u>	
		(30,544,136)

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

(24,877,523)

Net Position of Governmental Activities

\$ 17,568,283

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 150,734,683	\$ 1,310,514	\$ 152,045,197
Licenses, fees and permits	2,741,239	398,722	3,139,961
Fines, forfeitures and penalties	1,245,062	363,344	1,608,406
Use of money and property	3,264,494	4,168,466	7,432,960
Intergovernmental	1,929,517	30,456,475	32,385,992
Charges for current services	5,094,701	—	5,094,701
Other revenues	10,494,567	646,574	11,141,141
Total revenues	<u>175,504,263</u>	<u>37,344,095</u>	<u>212,848,358</u>
Expenditures:			
Current expenditures:			
General government	18,377,829	1,834,873	20,212,702
Nondepartmental	5,445,281	—	5,445,281
Public safety	101,709,051	1,333,359	103,042,410
Public works	11,309,683	25,222,530	36,532,213
Culture and recreation	14,853,552	2,277,814	17,131,366
Community development	3,622,984	6,835,763	10,458,747
Debt service:			
Principal retirement (note 7)	—	895,000	895,000
Interest and fiscal charges	—	2,835,189	2,835,189
Total expenditures	<u>155,318,380</u>	<u>41,234,528</u>	<u>196,552,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,185,883</u>	<u>(3,890,433)</u>	<u>16,295,450</u>
Other financing sources (uses):			
Transfers in (note 13)	9,913,094	6,119,815	16,032,909
Transfers out (note 13)	(24,489,489)	(3,539,408)	(28,028,897)
Total other financing sources (uses)	<u>(14,576,395)</u>	<u>2,580,407</u>	<u>(11,995,988)</u>
Net change in fund balances	5,609,488	(1,310,026)	4,299,462
Fund balances, July 1, 2014	<u>61,124,568</u>	<u>56,451,166</u>	<u>117,575,734</u>
Fund balances, June 30, 2015	<u>\$ 66,734,056</u>	<u>\$ 55,141,140</u>	<u>\$ 121,875,196</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities and Changes in Net Position
 For the Year Ended June 30, 2015

Net change in fund balances-total governmental funds \$ 4,299,462

The change in net position reported for governmental activities in the Statement of Activities and Changes in Net Position is different because:

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

Depreciation expense (excluding internal service funds)	\$ (10,862,414)	
Asset additions funded by Governmental Funds	<u>23,967,669</u>	13,105,255

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	895,000	
Amortization of bond premium	22,041	
Amortization of deferred refunding charge	<u>(94,137)</u>	822,904

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable, available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis until due, rather than as it accrues. This adjustment combines the net changes of accrued interest and advances.

Accrued interest payable on bonded debt	<u>40,123</u>	40,123
---	---------------	--------

The amounts below reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds (net change).

Compensated absences (excluding internal service funds)	(669,941)	
Pension expense	3,958,450	
Interest receivable on advance to Successor Agency	<u>132,950</u>	3,421,459

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

(1,104,177)

Change in Net Position of governmental activities

\$ 20,585,026

See accompanying notes to the basic financials statements.

CITY OF TORRANCE, CALIFORNIA

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

General Fund

Year ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Budgetary fund balance, July 1, 2014	\$ 61,124,568	\$ 61,124,568	\$ 61,124,568	\$ —
Resources (inflows):				
Taxes:				
Property taxes:				
Current secured taxes	29,013,754	29,013,754	29,121,330	107,576
Current unsecured taxes	1,204,000	1,204,000	1,195,231	(8,769)
Prior years' secured taxes	133,900	133,900	(46,031)	(179,931)
Prior years' unsecured taxes	144,200	144,200	35,438	(108,762)
Property/sales flip taxes	11,556,600	11,556,600	10,555,574	(1,001,026)
VLF swap and repayment taxes	12,121,843	12,121,843	12,233,844	112,001
Penalties and interest	257,500	257,500	150,444	(107,056)
Supplemental prior year secured taxes	51,500	51,500	—	(51,500)
Supplemental current secured	494,400	494,400	729,411	235,011
Redemption	966,400	966,400	484,120	(482,280)
Aircraft assessment tax	185,400	185,400	149,744	(35,656)
	<u>56,129,497</u>	<u>56,129,497</u>	<u>54,609,105</u>	<u>(1,520,392)</u>
Taxes other than property:				
Sales and use tax	36,236,747	36,236,747	33,185,057	(3,051,690)
Prop 172 sales tax	1,529,818	1,529,818	1,525,064	(4,754)
Business license tax	8,792,349	8,792,349	8,411,787	(380,562)
Business permit tax	493,542	493,542	385,021	(108,521)
Utility users' tax	31,561,447	31,561,447	30,709,802	(851,645)
Construction tax	832,320	832,320	1,754,593	922,273
Real property transfer tax	655,080	655,080	741,530	86,450
Franchise tax – all other	7,266,160	7,266,160	7,025,974	(240,186)
Public education government fees	360,000	360,000	354,457	(5,543)
Occupancy tax	9,320,842	9,320,842	10,529,084	1,208,242
Oil severance tax	10,000	10,000	12,719	2,719
Cogeneration tax	1,080,000	1,080,000	1,328,311	248,311
Alarm permit fees	87,418	87,418	162,179	74,761
	<u>98,225,723</u>	<u>98,225,723</u>	<u>96,125,578</u>	<u>(2,100,145)</u>
Total taxes	<u>154,355,220</u>	<u>154,355,220</u>	<u>150,734,683</u>	<u>(3,620,537)</u>
Licenses, fees and permits:				
Fire permits	136,605	136,605	125,552	(11,053)
Construction/excavation permits	30,000	30,000	43,380	13,380
Grading permits	60,000	60,000	47,774	(12,226)
Building permits	1,236,450	1,236,450	1,459,498	223,048
Plumbing permits	100,000	100,000	291	(99,709)
Electrical permits	96,757	96,757	134,896	38,139
Mechanical permits	62,424	62,424	54,464	(7,960)
Special energy inspection fees	360,811	360,811	517,114	156,303
Sign permits and filing fees	42,448	42,448	52,487	10,039
Other licenses and permits	—	—	1,888	1,888
NPDES building permit fees	151,496	151,496	273,159	121,663
Building TEQECC filing fees	31,836	31,836	18,503	(13,333)
Oversized vehicle permit fees	21,224	21,224	12,233	(8,991)
Total licenses, fees and permits	<u>2,330,051</u>	<u>2,330,051</u>	<u>2,741,239</u>	<u>411,188</u>

See accompanying notes to the basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA

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

General Fund
(continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Fines, forfeitures and penalties:				
Parking citations	\$ 500,000	\$ 500,000	\$ 697,965	\$ 197,965
Traffic fines	480,000	480,000	354,393	(125,607)
General fines	350,000	350,000	192,704	(157,296)
Total fines, forfeitures and penalties	1,330,000	1,330,000	1,245,062	(84,938)
Revenue from use of money and property:				
Investment earnings	1,310,140	1,310,140	1,185,234	(124,906)
Rents and concessions	2,209,162	2,209,162	2,065,633	(143,529)
Royalties	—	—	13,627	13,627
Total revenue from use of money and property	3,519,302	3,519,302	3,264,494	(254,808)
Revenue from other intergovernmental agencies:				
State motor vehicle licenses	—	—	61,477	61,477
State homeowners' property tax relief	250,000	250,000	216,169	(33,831)
Other state grants	120,000	120,000	1,651,871	1,531,871
Total revenue from other intergovernmental agencies	370,000	370,000	1,929,517	1,559,517
Charges for current services:				
TUSD collection fees	14,900	14,900	16,147	1,247
Planning and zoning fees	292,000	292,000	370,396	78,396
Traffic signal maintenance	186,400	186,400	184,312	(2,088)
Environmental review and appeal fees	7,600	7,600	—	(7,600)
Vacation processing fees	2,200	2,200	2,152	(48)
Large family daycare unit	500	500	—	(500)
State encroachment collection fees	2,000	2,000	1,318	(682)
Grading	32,400	32,400	36,851	4,451
Plan check fees – building	1,428,877	1,428,877	1,068,978	(359,899)
Plan check fees – engineering	12,500	12,500	7,786	(4,714)
Oil-related inspection fees	9,000	9,000	13,084	4,084
Appeal fees	2,500	2,500	2,549	49
Other inspection fees	641,800	641,800	377,435	(264,365)
Engineering mapping fees	15,900	15,900	19,267	3,367
Engineering inspection fees	218,000	218,000	223,240	5,240

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:				
General government service charges	\$ 2,100	\$ 2,100	\$ 1,586	\$ (514)
Microfilming fees	239,000	239,000	255,237	16,237
Police charges – copies and photos	11,900	11,900	8,523	(3,377)
Police charges – fingerprinting and other	478,300	478,300	458,011	(20,289)
Fire department fees	677,700	677,700	620,894	(56,806)
Fire department fees – hazardous materials fees	723,300	723,300	743,459	20,159
Parks and recreational fees	502,700	502,700	532,470	29,770
Miscellaneous	17,500	17,500	14,083	(3,417)
Library revenues	136,200	136,200	136,923	723
Total charges for current services	<u>5,655,277</u>	<u>5,655,277</u>	<u>5,094,701</u>	<u>(560,576)</u>
Other revenues:				
Donations – private sources	10,000	121,218	128,872	7,654
Miscellaneous	126,912	126,912	10,097,235	9,970,323
Premium Tax Revenue Anticipation Notes	—	268,460	268,460	—
Total other revenues	<u>136,912</u>	<u>516,590</u>	<u>10,494,567</u>	<u>9,977,977</u>
Transfers in	<u>10,746,254</u>	<u>11,213,094</u>	<u>9,913,094</u>	<u>(1,300,000)</u>
Amounts available for appropriation	<u>239,567,584</u>	<u>240,414,102</u>	<u>246,541,925</u>	<u>6,127,823</u>
Charges to appropriations (outflows)				
General government:				
City council	414,761	415,247	381,010	34,237
Commissions and committees:				
Parks and recreation	30,739	32,289	31,009	1,280
Planning	14,645	17,145	15,520	1,625
Environmental quality	5,400	5,100	3,890	1,210
Cultural arts	9,352	9,352	9,096	256
Traffic	5,810	5,810	3,035	2,775
Youth council	9,748	15,248	10,632	4,616
Civil service	145,359	181,843	192,296	(10,453)
Commission on aging	5,552	4,002	2,883	1,119
Library	6,223	6,523	6,120	403
Disaster council	2,594	94	—	94
City manager	4,356,639	4,459,053	5,056,084	(597,031)
City attorney	2,346,031	2,353,031	2,311,341	41,690
City clerk	1,013,262	1,073,638	989,264	84,374
City treasurer	850,948	853,407	760,172	93,235
Finance	4,470,464	4,591,594	4,383,769	207,825
Human resources	2,259,399	2,321,899	1,889,155	432,744
Civil service	353,833	357,833	304,392	53,441
Communications & Info Tech	5,349,417	5,320,467	4,860,833	459,634
General services	4,023,111	3,967,898	3,689,287	278,611
Less indirect cost allocation, other funds	<u>(6,133,308)</u>	<u>(6,133,308)</u>	<u>(5,590,979)</u>	<u>(542,329)</u>
Total general government	<u>19,539,979</u>	<u>19,858,165</u>	<u>19,308,809</u>	<u>549,356</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)

	<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	\$ 25,000	\$ 16,116	\$ 8,884
Community promotion	163,500	263,500	211,043	52,457
Employee benefits (net after charges to departments)	818,016	1,061,575	409,444	652,131
Other	769,440	1,481,190	1,231,227	249,963
Leaseback payments	3,591,158	3,591,158	3,581,495	9,663
Total nondepartmental	<u>5,367,114</u>	<u>6,422,423</u>	<u>5,449,325</u>	<u>973,098</u>
Community Development	<u>3,802,045</u>	<u>3,836,975</u>	<u>3,811,572</u>	<u>25,403</u>
Public safety:				
Police	70,520,524	70,578,793	69,929,831	648,962
Fire	27,758,022	28,847,362	28,678,499	168,863
Building and safety	3,270,077	3,384,089	3,182,474	201,615
Total public safety	<u>101,548,623</u>	<u>102,810,244</u>	<u>101,790,804</u>	<u>1,019,440</u>
Public works	<u>11,853,600</u>	<u>11,794,512</u>	<u>11,480,193</u>	<u>314,319</u>
Culture and recreation	<u>15,460,754</u>	<u>15,534,437</u>	<u>15,034,976</u>	<u>499,461</u>
Transfers out	<u>20,301,047</u>	<u>25,077,502</u>	<u>24,489,489</u>	<u>588,013</u>
Total Charges to appropriations	<u>177,873,162</u>	<u>185,334,258</u>	<u>181,365,168</u>	<u>3,969,090</u>
 Budgetary Fund Balance, July 1, 2015	 \$ <u>61,694,422</u>	 \$ <u>55,079,844</u>	 \$ <u>65,176,757</u>	 \$ <u>10,096,913</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	\$	246,541,925
Differences - budget to GAAP The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes		(61,124,568)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.		<u>(9,913,094)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u>175,504,263</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$	181,365,168
Differences - budget to GAAP: Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		(1,557,299)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(24,489,489)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u>155,318,380</u>

City OF Torrance



Zamperini Field - Torrance Municipal Airport

Proprietary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

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CITY OF TORRANCE, CALIFORNIA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business Type						Governmental
	Enterprise Funds						Activity
	Transit System Fund	Water Fund	Sewer Fund	Emergency Medical Services Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets and Deferred Outflows of Resources							
Current assets:							
Pooled cash and investments (note 2)	\$ 15,726,956	\$ 20,319,279	\$ 5,282,230	\$ —	\$ 7,565,271	\$ 48,893,736	\$ 30,462,436
Accounts receivable	65,810	5,510,647	433,618	50,591	2,619,344	8,680,010	—
Accrued interest receivable	53,570	63,190	16,414	—	31,625	164,799	103,051
Inventory	1,342,309	690,986	—	—	—	2,033,295	1,104,751
Due from other governments (note 15)	2,902,885	—	—	—	—	2,902,885	—
Prepays -	23,176	104	—	—	643	23,923	711,130
Total current assets	20,114,706	26,584,206	5,732,262	50,591	10,216,883	62,698,648	32,381,368
Noncurrent assets:							
Advance to successor agency (note 12)	—	1,206,566	419,028	—	—	1,625,594	—
Capital assets, net (note 3)	23,181,015	71,254,028	42,128,880	19,712	7,276,847	143,860,482	7,220,352
Total noncurrent assets	23,181,015	72,460,594	42,547,908	19,712	7,276,847	145,486,076	7,220,352
Deferred outflows of resources:							
Pension contributions	1,031,128	461,841	201,620	2,347,368	824,113	4,866,070	295,381
Total Assets and Deferred Outflows of Resources	44,326,849	99,506,641	48,481,790	2,417,671	18,317,843	213,050,794	39,897,101
Liabilities and Deferred Inflows of Resources							
Current liabilities:							
Accounts payable	594,219	2,996,078	440,430	11,140	394,712	4,436,579	325,104
Contract retainage payable	14,814	—	23,106	—	24,128	62,048	—
Deposits payable	—	44,570	—	—	181,977	226,547	—
Accrued liabilities	1,750,935	1,064,999	267,344	204,532	742,014	4,029,824	429,506
Capital lease payable	—	—	—	—	—	—	90,312
Accrued liabilities for self-insurance claims - current (note 14)	—	—	—	—	—	—	7,068,546
Due to other funds (note 12)	—	124,997	—	8,914	376,732	510,643	—
Unearned revenues (note 16)	7,077,282	—	—	—	874,187	7,951,469	—
Total current liabilities	9,437,250	4,230,644	730,880	224,586	2,593,750	17,217,110	7,913,468
Noncurrent liabilities:							
Interfund advance payable (note 12)	—	6,364,201	—	—	—	6,364,201	—
Long-term obligations (notes 6 and 7)	—	1,452,900	—	—	—	1,452,900	64,988
Accrued Liability for self-insurance claims long-term (note 14)	—	—	—	—	—	—	32,821,758
Accrued Liability for net postemployment benefits - long-term (note 9)	—	—	—	—	—	—	20,215,601
Net pension liability	9,618,463	4,438,971	1,948,952	27,921,313	7,629,539	51,557,238	2,730,267
Total noncurrent liabilities	9,618,463	12,256,072	1,948,952	27,921,313	7,629,539	59,374,339	55,832,614
Deferred inflows of resources:							
Pension actuarial	3,660,758	1,494,839	650,532	4,728,363	2,950,087	13,484,579	1,028,542
Total Liabilities and Deferred Inflows of Resources	22,716,471	17,981,555	3,330,364	32,874,262	13,173,376	90,076,028	64,774,624
Net Position							
Net investment in capital assets	23,181,015	69,801,128	42,128,880	19,712	7,276,847	142,407,582	7,065,052
Unrestricted	(1,570,637)	11,723,958	3,022,546	(30,476,303)	(2,132,380)	(19,432,816)	(31,942,575)
Total Net Position	\$ 21,610,378	\$ 81,525,086	\$ 45,151,426	\$ (30,456,591)	\$ 5,144,467	\$ 122,974,766	\$ (24,877,523)

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2015

	Business Type					Total	Governmental
	Enterprise Funds						Internal Service
	Transit System Fund	Water Fund	Sewer Fund	Emergency Medical Services Fund	Nonmajor Enterprise Funds		Funds
Operating revenues:							
Charges for services	\$ 3,162,790	\$ 34,643,875	\$ 2,677,889	\$ 900,673	\$ 29,408,702	\$ 70,793,929	\$ 8,721,140
Other	194,291	1,357,537	52,639	—	50,808	1,655,275	218
Total operating revenues	<u>3,357,081</u>	<u>36,001,412</u>	<u>2,730,528</u>	<u>900,673</u>	<u>29,459,510</u>	<u>72,449,204</u>	<u>8,721,358</u>
Operating expenses:							
Salaries and employee benefits	13,354,007	4,977,605	1,693,479	10,665,541	11,158,717	41,849,349	7,357,698
Services and supplies	3,311,103	2,156,902	437,682	336,907	5,214,895	11,457,489	325,156
Other professional services	1,674,907	1,124,897	492,642	21,434	3,787,111	7,100,991	220,678
Depreciation /amortization	2,640,114	1,958,473	1,049,089	8,012	355,278	6,010,966	1,730,372
Insurance and claims	644,197	114,126	518,077	—	146,722	1,423,122	5,475,794
City charges	3,163,076	1,174,907	375,483	—	2,209,136	6,922,602	138,428
Cost of water	—	22,395,443	—	—	—	22,395,443	—
Other	144,783	299,319	830,716	28,508	109,308	1,412,634	10,125
Total operating expenses	<u>24,932,187</u>	<u>34,201,672</u>	<u>5,397,168</u>	<u>11,060,402</u>	<u>22,981,167</u>	<u>98,572,596</u>	<u>15,258,251</u>
Operating income (loss)	<u>(21,575,106)</u>	<u>1,799,740</u>	<u>(2,666,640)</u>	<u>(10,159,729)</u>	<u>6,478,343</u>	<u>(26,123,392)</u>	<u>(6,536,893)</u>
Nonoperating revenues (expenses):							
Investment earnings	111,394	186,913	9,499	—	59,305	367,111	235,113
Gain (loss) on sale of capital assets	3,200	—	—	—	—	3,200	92,010
Assistance from other governments	18,930,322	—	—	—	—	18,930,322	—
Interest expense	—	(211,857)	—	—	(25,849)	(237,706)	(35,708)
Grants	—	—	—	—	141,503	141,503	—
Total nonoperating revenues(expenses) net	<u>19,044,916</u>	<u>(24,944)</u>	<u>9,499</u>	<u>—</u>	<u>174,959</u>	<u>19,204,430</u>	<u>291,415</u>
Income (loss) before contributions and operating transfers	<u>(2,530,190)</u>	<u>1,774,796</u>	<u>(2,657,141)</u>	<u>(10,159,729)</u>	<u>6,653,302</u>	<u>(6,918,962)</u>	<u>(6,245,478)</u>
Capital grants	2,703,258	—	—	—	—	2,703,258	—
Transfers in (note 13)	2,193,000	—	—	10,264,290	3,456,241	15,913,531	5,627,205
Transfers out (note 13)	(54,892)	(15,483)	—	—	(8,988,470)	(9,058,845)	(485,904)
Change in net position	<u>2,311,176</u>	<u>1,759,313</u>	<u>(2,657,141)</u>	<u>104,561</u>	<u>1,121,073</u>	<u>2,638,982</u>	<u>(1,104,177)</u>
Total net position - July 1, 2014	<u>31,913,871</u>	<u>85,378,061</u>	<u>50,266,444</u>	<u>(79,374)</u>	<u>14,079,413</u>	<u>181,558,415</u>	<u>(18,560,570)</u>
Prior period adjustment (note 18)	<u>(12,614,669)</u>	<u>(5,612,288)</u>	<u>(2,457,877)</u>	<u>(30,481,778)</u>	<u>(10,056,019)</u>	<u>(61,222,631)</u>	<u>(5,412,776)</u>
Total net position - June 30, 2015	<u>\$ 21,610,378</u>	<u>\$ 81,525,086</u>	<u>\$ 45,151,426</u>	<u>\$ (30,456,591)</u>	<u>\$ 5,144,467</u>	<u>\$ 122,974,766</u>	<u>\$ (24,877,523)</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2015

	Business Type						Governmental
	Enterprise Funds						Activity
	Transit System Fund	Water Fund	Sewer Fund	Emergency Medical Services Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flow from operating activities:							
Receipts from customers	\$ 3,162,790	\$ 36,959,065	\$ 2,890,148	\$ 960,750	\$ 29,316,234	\$ 73,288,987	\$ 8,749,529
Cash payments to suppliers for goods and services	(8,680,422)	(28,956,190)	(2,621,517)	(395,234)	(11,730,483)	(52,383,846)	(6,500,668)
Cash payments to employees for services	(13,700,885)	(5,102,121)	(1,782,776)	(10,826,560)	(11,444,194)	(42,856,536)	(9,537,083)
Internal activity payments from/to funds	—	—	—	8,914	310,935	319,849	—
Cash received from donations	—	—	—	—	9,073	9,073	—
Other receipts	194,291	1,357,537	—	—	5,842	1,557,670	—
Net cash provided by (used in) operating activities	(19,024,226)	4,258,291	(1,514,145)	(10,252,130)	6,467,407	(20,064,803)	(7,288,222)
Cash flows from noncapital financing activities:							
Cash received from noncapital grants and subsidies	20,155,139	—	—	—	180,016	20,335,155	—
Cash received from other funds	2,193,000	—	—	10,264,290	3,456,241	15,913,531	5,627,205
Cash transfers paid to other funds	(54,892)	(15,483)	—	—	(8,988,470)	(9,058,845)	(485,904)
Net cash provided by (used in) noncapital financing activities	22,293,247	(15,483)	—	10,264,290	(5,352,213)	27,189,841	5,141,301
Cash flows from capital financing activities:							
Cash received from capital grants and subsidies	2,703,258	—	—	—	—	2,703,258	—
Payments for capital additions	(2,893,728)	(933,680)	(807,232)	(12,160)	(890,406)	(5,537,206)	(1,926,846)
Proceeds from capital advances	—	—	—	—	—	—	—
Proceeds from the sale of capital assets	3,200	—	—	—	—	3,200	92,010
Payments for long-term obligations - principal & interest	—	(310,024)	—	—	(21,418)	(331,442)	—
Net cash provided by (used in) capital financing activities	(187,270)	(1,243,704)	(807,232)	(12,160)	(911,824)	(3,162,190)	(1,834,836)
Cash flows from investing activities:							
Cash paid for interest on debt	—	—	—	—	(4,174)	(4,174)	—
Cash received from interest on investments	96,385	167,655	50,290	—	59,713	374,043	190,307
Net cash provided by investing activities	96,385	167,655	50,290	—	55,539	369,869	190,307
Net increase (decrease) in cash, restricted cash and cash equivalents	3,178,136	3,166,759	(2,271,087)	—	258,909	4,332,717	(3,791,450)
Cash and cash equivalents, July 1, 2014	12,548,820	17,152,520	7,553,317	—	7,306,362	44,561,019	34,253,886
Cash and cash equivalents, June 30, 2015	\$ 15,726,956	\$ 20,319,279	\$ 5,282,230	\$ —	\$ 7,565,271	\$ 48,893,736	\$ 30,462,436
Reconciliation of cash and cash equivalents							
Pooled cash and investments	\$ 15,726,956	\$ 20,319,279	\$ 5,282,230	\$ —	\$ 7,565,271	\$ 48,893,736	\$ 30,462,436
Cash and cash equivalents with fiscal agents	—	—	—	—	—	—	—
Total cash and cash equivalents	\$ 15,726,956	\$ 20,319,279	\$ 5,282,230	\$ —	\$ 7,565,271	\$ 48,893,736	\$ 30,462,436
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (21,575,106)	\$ 1,799,740	\$ (2,666,640)	\$ (10,159,729)	\$ 6,478,343	\$ (26,123,392)	\$ (6,536,893)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	2,640,114	1,958,473	1,049,089	8,012	355,278	6,010,966	1,730,372
Change in assets and liabilities:							
Accounts receivable	(10,997)	2,315,190	159,619	45,827	(144,940)	2,364,699	28,171
Due from other government	—	—	—	14,250	—	14,250	—
Prepays and other assets	(22,476)	6,035	6,700	—	(643)	(10,384)	(711,130)
Inventories	107,499	(270,059)	—	—	—	(162,560)	88,252
Accounts payable	(132,466)	(1,821,928)	26,384	(7,906)	(28,504)	(1,964,420)	(418,739)
Due to other funds	—	—	—	8,914	65,225	74,139	—
Accrued insurance/claims	—	—	—	—	—	—	—
Accrued salaries and benefits	19,829	15,802	(29,284)	18,451	15,029	39,827	(1,362,318)
Contract retainage payable	13,674	—	—	—	1,210	14,884	—
Other accrued liabilities	302,279	391,357	—	(479)	10,336	703,493	—
Pension contributions	(1,031,128)	(461,841)	(201,620)	(2,347,368)	(824,113)	(4,866,070)	(295,381)
Net pension liability	(2,996,206)	(1,173,317)	(508,925)	(2,560,465)	(2,426,480)	(9,665,393)	(839,098)
Pension actuarial	3,660,758	1,494,839	650,532	4,728,363	2,950,087	13,484,579	1,028,542
Deposits and guarantees	—	4,000	—	—	4,656	8,656	—
Unearned revenues	—	—	—	—	11,923	11,923	—
Net cash provided by (used in) operating activities	\$ (19,024,226)	\$ 4,258,291	\$ (1,514,145)	\$ (10,252,130)	\$ 6,467,407	\$ (20,064,803)	\$ (7,288,222)

Noncash, investing, capital, and financing activities:
During fiscal year 2014-15, there were no significant noncash investing, capital, or financing activities.
See accompanying notes to the basic financial statements.

City OF Torrance



Japanese Garden

Fiduciary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA
Statement of Net Position - Trust and Agency Funds
June 30, 2015

	Private- Purpose Trust Fund	Total Agency Funds
Assets	<u> </u>	<u> </u>
Pooled cash and investments (note 2)	\$ 2,272,109	\$ 2,245,091
Cash and cash equivalents with fiscal agents (note 2)	2,926,463	—
Accrued interest receivable	—	421
Total assets	<u>\$ 5,198,572</u>	<u>\$ 2,245,512</u>
Liabilities		
Due to City (note 12)	\$ 307,852	\$ —
Deposits payable	882	2,245,512
Interest payable	448,110	—
Advances from City (note 12)	20,277,222	—
Long-term debt:		
Due within one year (note 21)	1,195,000	—
Due in more than one year (note 21)	36,665,348	—
Total Liabilities	<u>\$ 58,894,414</u>	<u>\$ 2,245,512</u>
Net Position		
Held in trust for successor agency	<u>\$ (53,695,842)</u>	

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Changes in Net Position - Trust Funds
Year Ended June 30, 2015

	Private- Purpose Trust Fund
Additions	
Property taxes	\$ 3,057,137
Use of money and property	13,637
Total additions	3,070,774
Deductions	
Residual commitments of former redevelopment agency	263,911
Debt service	
Interest and fiscal charges of former redevelopment agency	1,496,273
Total deductions	1,760,184
Change in net position	1,310,590
Net position - beginning	(55,006,432)
Net position - ending	\$ (53,695,842)

See accompanying notes to basic financial statements.

City OF Torrance



Katy Geissert Library

Notes to Financial Statements

Notes to
Financial Statements

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

Reporting Entity

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

The Redevelopment Agency of the City of Torrance (the Agency), a separate governmental entity, was established on November 4, 1964 pursuant to the Health and Safety Code of the State of California. All redevelopment agencies in the State of California were dissolved effective February 1, 2012 (see note 21). The purpose of the Agency was to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in separate session, served as the governing board of the Agency, and all accounting and administrative functions were performed by the City. The financial activity of the Agency, through January 31, 2012, was blended into the City's financial statements within the Governmental Activities in the financial statements for the year ended June 30, 2012. Subsequent to February 1, 2012, the assets and liabilities of the former redevelopment agency have been recorded in a private-purpose trust fund pending the liquidation and distribution of the net assets to other taxing entities. Separate financial statements for the Agency are not available.

The Torrance Public Financing Authority (the Authority) was created in 1997 to assist the City of Torrance in purchasing real property and constructing certain fire and police protection, maintenance and entertainment facilities within the City. The City has one remaining non-cancelable long-term lease with the Authority, which provides for lease payments in amounts sufficient to meet the annual debt service requirements on the bonds and certificates of participation issued by the Authority. The remaining lease is a financing arrangement that transfers ownership of the future regional transit center and other land back to the City at the end of the lease. The financial activity of the Authority has been blended into the City's financial statements within the Governmental Activities in the financial statements.

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

Government-Wide and Fund Financial Statements

The Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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 Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for franchise taxes and grant revenues (for which the availability period is 180 days). Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long term debt, which is recognized when due.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

The City reports the following major Governmental Fund:

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 City reports the following major Enterprise Funds:

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

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

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

The *Emergency Medical Services Fund* is used to account for the operation of the City's emergency ambulance services.

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 inter-fund charges for postemployment benefits and compensated absences. These funds are financed by charges to other departments or agencies of the City on a cost reimbursement basis.

The *Trust and Agency Funds* are used to account for the resources held by the City in a fiduciary capacity. The City's fiduciary funds include agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations and a private-purpose trust fund which does include measurement of results of operations. The agency funds are accounted for on an accrual basis of accounting. The City uses agency (fiduciary) funds to account for employee unspent pre-tax benefits collected from the participating employees in the Flexible Benefits Fund, safekeeping and disbursement of the private property collected and held in the custody of the police department in the Property Room Evidence Fund, environmental deposits from developers/contractors to account for the cost analysis and evaluation of air pollutants in the Environmental Trust Fund, the Special Deposits Fund for private donations, deposits and other disbursements held on behalf of various depositors for disbursements on projects of the general government, and the Torrance Tourism Business Improvement District Fund to account for local business revenues to finance tourism generating activities in the City of Torrance. The City uses a private-purpose trust (fiduciary) fund to account for the successor agency activities since the dissolution of the former redevelopment agency (governmental) funds on February 1, 2012 (see note 21).

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

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

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

Accounting for Encumbrances

The encumbrance system of accounting is used. An encumbrance is recorded as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received, as required by generally accepted accounting principles. Encumbrances at year end are reported as restricted, committed, or assigned depending on the resources that have been identified to fund the applicable encumbrance.

Cash and Investments

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

Cash and Cash Equivalents with Fiscal Agents

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

Inventories and Prepaids

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

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

Capital Assets

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

Buildings – 40 years

Improvements – 40 years

Equipment – 5 to 7 years

Infrastructure – 25 to 80 years

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

Property Tax Calendar

In 1978, a state constitutional amendment (Proposition 13) provided that the property tax rate is generally limited to 1% of market value, levied only by the county and shared with all other jurisdictions. The County of Los Angeles collects the taxes and distributes such revenues to taxing jurisdictions on the basis of the taxing jurisdictions’ assessed valuations subject to adjustments for voter-approved debt. Property taxes levied on March 1, are due on November 1 and March 1 and

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of the City of Torrance's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Governmental Accounting Standards Board Statement 68 (GASB 68) requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation date (VD)	June 30, 2013
Measurement date (MD)	June 30, 2014
Measurement period (MP)	July 1, 2013 to June 30, 2014

Vacation and Sick Leave

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

Claims and Judgments

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Positions report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The City has two types of items that qualify for reporting in this category. One item is reclassification of current fiscal year contributions made to CalPERS since they were made subsequent to the measurement date used for the calculation of the net pension liability. The other item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

In addition to liabilities, the Statement of Net Positions and the Balance Sheets report a separate section for deferred inflows of resources. This separate financial statement element represents acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. One item is unavailable revenue reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from certain sources. This amount is deferred and not recognized as an inflow of resources until the period that the amount becomes available. The other item is reported in the Statement of Net Positions. This amount is the net difference between the projected and actual earnings on the City's pension plans investments as determined by CalPERS in accordance with the application of GASB 68.

Fund Equity

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

Nonspendable Fund Balance

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

Spendable Fund Balance

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

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

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes. In Section 3 of the Operating Budget Resolution of the City of Torrance, City Council delegated authority to assign amounts for specific purposes to the City Manager.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

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

Budgetary Principles

The City uses the modified accrual plus encumbrances as its budgetary basis of accounting. The City is required by its Charter to adopt an annual budget. On or before the first day of June each year, the City Manager shall submit to City Council a proposed budget for all departments. The said budget shall include estimates for all revenues and expenditures for the ensuing year. From the effective date of the 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.

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, 2015

(2) Cash and Investments

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

Statement of net position:

Cash and investments	\$	193,865,736
Cash and investments held by bond trustee		3,737,194
Fiduciary funds:		
Cash and investments		4,517,200
Cash and investments held by bond trustee		<u>2,926,463</u>
Total cash and investments	\$	<u><u>205,046,593</u></u>

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

Cash on hand	\$	21,410
Deposits with financial institutions		8,363,472
Investments		<u>196,661,711</u>
Total cash and investments	\$	<u><u>205,046,593</u></u>

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

The table that follows 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, 2015

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment In One Issuer</u>
Local Agency Bonds	Yes	5 years	10%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	75%	30%
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	20%	None
Repurchase Agreements	Yes	30 days	10%	None
Reverse Repurchase Agreements	No	N/A	N/A	None
Medium-Term Notes	Yes	5 years	20%	None
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	None	None
Mortgage Pass-Through Securities	No	N/A	N/A	None
County Pooled Investment Funds	No	N/A	N/A	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$50 mil per agency	None
JPA Pools (other investment pools)	No	N/A	N/A	None

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

Investments Authorized by Debt Agreements

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

<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, 2015

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>		<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
U.S. treasury notes	\$ 5,039,460	-	-	5,039,460	-
Federal agency securities	106,168,850	10,132,550	26,591,520	69,444,780	-
Corporate medium term notes	19,723,207	7,022,650	7,173,822	5,526,735	-
Certificate of deposit	9,066,537	1,717,210	1,727,427	5,621,900	-
State investment pool	50,000,000	50,000,000	-	-	-
Subtotal	189,998,054	68,872,410	35,492,769	85,632,875	-
<u>Held by bond trustee:</u>					
Money market funds	6,663,657	6,663,657	-	-	-
Total	\$ 196,661,711	75,536,067	35,492,769	85,632,875	-

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. The following presents 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Investment Type		Minimum		Rating as of Year End			
		Legal Rating	Exempt from Disclosure	AAA	AA	A	Not Rated
U.S. Treasury notes	\$ 5,039,460	N/A	5,039,460	-	-	-	-
Federal agency securities	106,168,850	N/A	-	-	96,164,800	-	10,004,050
Corporate medium term notes	19,723,207	A	-	-	15,703,367	4,019,840	-
Certificate of deposit	9,066,537	N/A	-	-	-	-	9,066,537
State investment pool	50,000,000	N/A	-	-	-	-	50,000,000
SUBTOTAL	189,998,054		5,039,460	-	111,868,167	4,019,840	69,070,587
Held by bond trustee:							
Money market funds	6,663,657	A	-	5,363,083	-	1,300,574	-
TOTAL	\$ 196,661,711		5,039,460	5,363,083	111,868,167	5,320,414	69,070,587

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Agric. Mortgage Corp	Federal agency securities	\$ 10,004,050
Federal Farm Credit Agency	Federal agency securities	18,114,130
Federal Home Loan Bank	Federal agency securities	23,526,160
Federal Home Loan Mortgage Corp	Federal agency securities	39,533,930
Federal National Mortgage Assoc.	Federal agency securities	14,990,580

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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, 2015, \$9,505,828 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, 2015, City of Torrance held no investments by the same broker-dealer (counterparty) that was used by the City of Torrance to buy the securities.

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

Investment in State Investment Pool

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

(3) Capital Assets

Infrastructure Assets at June 30, 2015 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$ 283,050	\$ (148,310)	\$ 134,740
Storm drain system	25,732	(8,203)	17,529
Sewer lines	71,558	(34,256)	37,302
Water system	95,798	(37,998)	57,800
	<u>\$ 476,138</u>	<u>\$ (228,767)</u>	<u>\$ 247,371</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Capital Asset activity for the year ended June 30, 2015 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being depreciated:				
Land*	\$ 67,057	\$ 4,507	\$ -	\$ 71,564
Right of Way	19,344	-	-	19,344
Construction in progress	<u>8,319</u>	<u>16,100</u>	<u>(14,397)</u>	<u>10,022</u>
Total capital assets not being depreciated	<u>94,720</u>	<u>20,607</u>	<u>(14,397)</u>	<u>100,930</u>
Capital assets being depreciated:				
Land improvements and buildings*	89,438	6,602	(16)	96,024
Machinery and equipment*	58,411	7,215	(832)	64,794
Infrastructure	<u>302,984</u>	<u>7,003</u>	<u>(1,205)</u>	<u>308,782</u>
Total capital assets being depreciated	<u>450,833</u>	<u>20,820</u>	<u>(2,053)</u>	<u>469,600</u>
Less accumulated depreciation for:				
Land improvements and buildings*	(46,845)	(2,395)	-	(49,240)
Machinery and equipment*	(37,364)	(5,048)	832	(41,580)
Infrastructure*	<u>(151,335)</u>	<u>(5,983)</u>	<u>805</u>	<u>(156,513)</u>
Total accumulated depreciation	<u>(235,544)</u>	<u>(13,426)</u>	<u>1,637</u>	<u>(247,333)</u>
Total capital assets being depreciated, net	<u>215,289</u>	<u>7,394</u>	<u>(416)</u>	<u>222,267</u>
Governmental activities capital assets, net	<u>\$ 310,009</u>	<u>\$ 28,001</u>	<u>\$ (14,813)</u>	<u>\$ 323,197</u>

*Land, Land improvements and buildings, and Machinery and equipment asset categories and Land improvements and buildings, Machinery and equipment, and Infrastructure accumulated depreciation categories beginning balances have been restated. See note 18.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	\$ 6,941	\$ -	\$ -	\$ 6,941
Construction in progress	10,560	5,601	(1,318)	14,843
Capitalized construction interest	-	185		185
Total capital assets not being depreciated	<u>17,501</u>	<u>5,786</u>	<u>(1,318)</u>	<u>21,969</u>
Capital assets being depreciated:				
Infrastructure	167,356	-	-	167,356
Right of Way	1,743	-	-	1,743
Land improvements and buildings	15,930	481	-	16,411
Machinery and equipment	38,743	907	(17)	39,633
Furniture and fixtures	1,106	-	-	1,106
Total capital assets being depreciated	<u>224,878</u>	<u>1,388</u>	<u>(17)</u>	<u>226,249</u>
Less accumulated depreciation for:				
Infrastructure	(69,878)	(2,376)		(72,254)
Right of Way	(48)	(116)	-	(164)
Land improvements and buildings	(11,771)	(405)	-	(12,176)
Machinery and equipment	(15,993)	(3,006)	17	(18,982)
Furniture and fixtures	(674)	(108)	-	(782)
Total accumulated depreciation	<u>(98,364)</u>	<u>(6,011)</u>	<u>17</u>	<u>(104,358)</u>
Total capital assets being depreciated, net	<u>126,514</u>	<u>(4,623)</u>	<u>-</u>	<u>121,891</u>
Business-type activities capital assets, net	<u>\$ 144,015</u>	<u>\$ 1,163</u>	<u>\$ (1,318)</u>	<u>\$ 143,860</u>

The capital assets for the Fleet Services Fund and the Self Insurance Fund, internal service funds, have been consolidated into the governmental activities, and are included in the machinery and equipment category: asset additions amounted to \$1,813,684 and asset deductions amounted to \$979,917 which includes a decrease to beginning balance of \$175,205.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

Governmental Activities:	
General government	\$ 5,153
Public safety	1,379
Public works	6,133
Culture and recreation	761
Total depreciation expense - governmental activities	<u>\$ 13,426</u>
Business-type activities:	
Water	\$ 1,958
Sewer	1,049
Cultural Arts Center	25
Emergency Medical Services	8
Parks & Recreation	1
Airport	330
Transit	2,640
Total depreciation expense - business-type activities	<u>\$ 6,011</u>

Included in the depreciation charge to general government is the amount of depreciation for the Fleet Services Fund and the Self Insurance Fund, internal service funds. This amount includes depreciation expense of \$1,730,373, an increase to beginning balance of \$1,668,206, and retirements of \$804,712 or net addition to accumulated depreciation in the amount of \$2,593,867.

(4) Notes Receivable

Rehabilitation Housing

This represents a number of small loans given to eligible participants in the City's Federal Housing Rehabilitation program. These loans, usually less than \$10,000, are no-interest loans that will be repaid when the property is sold. The balance of these loans as of June 30, 2015 is \$69,055.

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

The TRAN was for \$31,000,000 and was purchased with a net original issue premium of \$268,460 and an underwriter discount of \$310. The City repaid the previous TRAN within the same fiscal year therefore preventing debt from being carried forward.

Short-term debt activity for the year ended June 30, 2015:

	<u>Beginning fiscal year balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending fiscal year balance</u>
Tax and revenue anticipation notes	\$ 30,000,000	31,000,000	(30,000,000)	\$ 31,000,000

(6) Long-term Debt

a) Certificates of Participation

2009 Land Acquisition Project

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

The principal matures September 1 each year through 2039 at variable amounts ranging from \$310,000 to \$1,220,000. Interest is payable on March 1 and September 1 with interest rates ranging from 2% to 4.5% and \$17,250,000 remains outstanding as of June 30, 2015.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Annual debt service requirements are as follows:

Year ending June 30:	Annual Debt Service Requirement		
	Principal	Interest	Total
2016	\$ 360	\$ 896	\$ 1,256
2017	375	882	1,257
2018	390	866	1,256
2019	405	850	1,255
2020	425	833	1,258
2021 to 2025	2,455	3,825	6,280
2026 to 2030	3,185	3,091	6,276
2031 to 2035	4,170	2,107	6,277
2036 to 2040	5,485	787	6,272
	<u>\$ 17,250</u>	<u>\$ 14,137</u>	<u>\$ 31,387</u>

2014 Refunding Certificates of Participation

In 2014, the City of Torrance, with the Public Property Financing Corporation of California, issued \$40,445,000 of refunding certificates of participation to refinance the 2004 Series A and 2004 Series B certificates of participation issued by the Torrance Public Financing Authority to construct certain maintenance and entertainment facilities within the City. As a result, the 2004 A and B certificates of participation are considered defeased, and the related liability has been removed from the books. A portion (\$6,550,000) of the 2014 Refunding Certificates of Participation was also transferred to the General Fund of the City for the purpose of making an interfund loan to the Water Enterprise Fund of the City. The refunding certificates of participation debt is considered to be capital related.

The 2014 certificates of participation principal matures June 1 commencing in 2015 and is due June 1 each year after until 2044 at variable amounts ranging from \$550,000 to \$2,360,000. Interest is payable on June 1 and December 1 with interest rates ranging from 2.50% to 5.25% commencing December 1, 2014 and \$39,895,000 remains outstanding as of June 30, 2015.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Annual debt service requirements are as follows:

Year ending June 30:	Annual Debt Service Requirement		
	Principal	Interest	Total
2016	\$ 765	\$ 1,702	\$ 2,467
2017	790	1,679	2,469
2018	820	1,656	2,476
2019	845	1,627	2,472
2020	880	1,593	2,473
2021 to 2025	4,870	7,495	12,365
2026 to 2030	5,850	6,518	12,368
2031 to 2035	7,220	5,151	12,371
2036 to 2040	8,995	3,369	12,364
2041 to 2044	8,860	1,018	9,878
	<u>\$ 39,895</u>	<u>\$ 31,808</u>	<u>\$ 71,703</u>

b) Capital Lease

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

The assets acquired through capital lease at June 30, 2015 are as follows (in thousands):

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

The future minimum lease obligations at June 30, 2015 are as follows (in thousands):

	<u>Governmental Activities</u>
Year ending June 30:	
2016	\$ 90
2017	65
Total minimum lease payments	<u>\$ 155</u>

c) *Water Fund Easement*

In August 2012, the City of Torrance entered into a thirty year easement agreement with the Torrance Unified School District for access to a land-locked, City-owned parcel to be developed as a water well, treatment and storage facility. The value of the easement asset as of June 30, 2015 is \$1,578,818. The City paid the first five years of the easement obligation in advance in the amount of \$290,580. The related debt is considered to be capital debt.

The future easement obligations at June 30, 2015 are as follows (in thousands):

	<u>Water Enterprise Fund</u>
Year ending June 30:	
2016	\$ -
2017	-
2018	58
2019	58
2020	58
2021 to 2025	291
2026 to 2030	291
2031 to 2035	291
2036 to 2040	290
2041 to 2042	116
	<u>\$ 1,453</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(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, 2015 (in thousands):

Governmental Activities:	Balance June 30, 2014	Incurred or Issued	Satisfied or Matured	Balance June 30, 2015	Amounts due within One Year	Amounts Due in more than One Year
Compensated absences payable	\$ 21,671	12,958	10,811	\$ 23,818	10,497	13,321
Net postemployment benefits payable	16,523	6,135	2,442	20,216	-	20,216
Capital lease payable	239	-	84	155	90	65
Claims & judgments	39,890	4,487	4,487	39,890	7,069	32,821
Certificates of Participation:						
2009 land acquisition certificates	17,595	-	345	17,250	360	16,890
2014 refunding certificates	40,445	-	550	39,895	765	39,130
2014 premium	661	-	22	639	22	617
Total Governmental Activities	\$ 137,024	23,580	18,741	\$ 141,863	18,803	123,060
Business-Type Activities:						
Easement payable - Water Fund	\$ 1,453	-	-	\$ 1,453	-	1,453
Total Business-Type Activities	\$ 1,453	-	-	\$ 1,453	-	1,453

Compensated Absences

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, totaling \$6,033,703, is recorded in the Internal Service Funds. The unfunded portion, amounting to \$17,783,760 is recorded in the governmental activities and is expected to be paid from future resources. In prior years, compensated absences have been liquidated primarily by the general fund.

Net Postemployment Benefits

The long-term liability for net postemployment benefits is recorded in the Internal Service Funds. Further details of the net postemployment benefits liability can be found in Note 10. The long-term liability for net postemployment benefits has been included in the governmental activities in the Government-wide Statement of Net Position.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Claims and Judgments

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

(8) Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website under Forms and Publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%
Required employee contribution rates	6.995%	6.750%
Required employer contribution rates	13.547%	13.547%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

	Safety - Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.7%
Required employee contribution rates	9%	15%
Required employer contribution rates	50.829%	50.829%

	Safety – Fire	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.7%
Required employee contribution rates	9%	12.5%
Required employer contribution rates	43.038%	43.038%

Employees Covered

At June 30, 2013, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety - Police	Safety - Fire
Inactive employees or beneficiaries currently receiving benefits	985	348	203
Inactive employees entitled to but not yet receiving benefits	803	95	30
Active employees	949	208	140
Total	2,737	651	373

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

measurement date), the average active employee contribution rate is 6.995 percent for Miscellaneous, 9.000 percent for Safety – Police and 9.000 percent for Safety – Fire, of annual pay, and the employer’s contribution rate is 13.615 percent for Miscellaneous, 47.944 percent for Safety – Police and 42.642 percent for Safety – Fire, of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table	Derived using CalPERS’ membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS’ website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at the CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are

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Notes to the Basic Financial Statements

Year ended June 30, 2015

assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using the lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

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Notes to the Basic Financial Statements

Year ended June 30, 2015

Pension Plan Fiduciary Net Position

The plan fiduciary net position (assets) disclosed in the City's GASB 68 accounting valuation report may differ from the plan assets reported in the City's actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as Reserves for Deficiencies and Fiduciary Self Insurance included as assets. These amounts are excluded for rate setting purposes in the City's actuarial valuation report. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Miscellaneous		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 514,166,184	\$ 398,799,553	\$ 115,366,631
Changes Recognized for the Measurement Period:			
Service Cost	9,490,054		9,490,054
Interest on the Total Pension Liability	38,027,142		38,027,142
Changes of Benefit Terms	0		0
Differences between Expected and Actual Experience	0		0
Changes of Assumptions	0		0
Contributions from the Employer		8,663,640	(8,663,640)
Contributions from Employees		4,631,916	(4,631,916)
Investment Income		70,021,160	(70,021,160)
Administrative Expense		(583,338)	583,338
Benefit Payments, including Refunds of Employee Contributions	(23,765,315)	(23,765,315)	0
Net Changes during 2013-14	\$ 23,751,881	\$ 58,968,063	\$ (35,216,182)
Balance at: 6/30/2014 (MD)	\$ 537,918,065	\$ 457,767,616	\$ 80,150,449

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

	Safety - Police		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 465,174,182	\$ 282,490,910	\$ 182,683,272
Changes Recognized for the Measurement Period:			
Service Cost	8,460,366		8,460,366
Interest on the Total Pension Liability	34,278,788		34,278,788
Changes of Benefit Terms	0		0
Differences between Expected and Actual Experience	0		0
Changes of Assumptions	0		0
Contributions from the Employer		12,985,781	(12,985,781)
Contributions from Employees		3,740,084	(3,740,084)
Investment Income		50,235,622	(50,235,622)
Administrative Expense		(416,670)	416,670
Benefit Payments, including Refunds of Employee Contributions	(24,707,746)	(24,707,746)	0
Net Changes during 2013-14	\$ 18,031,408	\$ 41,837,071	\$ (23,805,663)
Balance at: 6/30/2014 (MD)	\$ 483,205,590	\$ 324,327,981	\$ 158,877,609

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Notes to the Basic Financial Statements

Year ended June 30, 2015

	Safety - Fire		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 306,868,161	\$ 196,027,331	\$ 110,840,830
Changes Recognized for the Measurement Period:			
Service Cost	4,835,576		4,835,576
Interest on the Total Pension Liability	22,588,535		22,588,535
Changes of Benefit Terms	0		0
Differences between Expected and Actual Experience	0		0
Changes of Assumptions	0		0
Contributions from the Employer		7,969,925	(7,969,925)
Contributions from Employees		1,677,069	(1,677,069)
Investment Income		34,621,145	(34,621,145)
Administrative Expense		(277,780)	277,780
Benefit Payments, including Refunds of Employee Contributions	(16,210,971)	(16,210,971)	0
Net Changes during 2013-14	\$ 11,213,140	\$ 27,779,388	\$ (16,566,248)
Balance at: 6/30/2014 (MD)	\$ 318,081,301	\$ 223,806,719	\$ 94,274,582

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate – 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability – Miscellaneous	\$ 148,934,617	\$ 80,150,449	\$ 22,814,152
Plan's Net Pension Liability – Safety-Police	\$ 221,179,129	\$ 158,877,609	\$ 107,437,416
Plan's Net Pension Liability – Safety-Fire	\$ 132,578,410	\$ 94,274,582	\$ 62,263,035

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan was 3.4 years for Miscellaneous, 3.7 years for Safety-Police and 4.3 years for Safety-Fire, which was obtained by dividing the total service years of 9,210 for Miscellaneous, 2,393 for Safety-Police and 1,613 for Safety-Fire (the sum of remaining service lifetimes of the active employees) by 2,737 for Miscellaneous, 651 for Safety-Police and 373 for Safety-Fire (the total number of participants). Note that inactive employees entitled to but not receiving benefits and retirees have remaining service lifetimes equal to 0.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2013), the Plans' combined net pension liability is \$408,890,733.

For the measurement period ending June 30, 2014 (the measurement date), the City of Torrance incurred a pension expense of \$25,104,494 for the combined Plans.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

As of June 30, 2014, the City of Torrance has deferred outflows and deferred inflows of resources related to the combined pension plans as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 30,307,435	\$ 0
Differences between Expected and Actual Experience	0	0
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(71,073,241)
Total	\$ 30,307,435	\$ (71,073,241)

The amounts above are net of outflows and inflows recognized in the 2013-14 measurement period expense.

Deferred outflows of resources related to employer contributions subsequent to the measurement date in the amount of \$30,307,435 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (17,768,310)
2016	(17,768,310)
2017	(17,768,310)
2018	(17,768,311)
2019	0
Thereafter	0

(9) PARS Enhanced Retirement Defined Benefit Pension Plan

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

Benefits are available to members hired on or before January 25, 2004 that retire from the City at an age of 55 or greater and with five or more years of City service specific to the eligible

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

bargaining unit, as identified above. New hires after December 31, 2012 are not eligible for this benefit.

Generally, the enhanced benefit is expressed as .46951% times years of CalPERS eligible service times the member's highest annual compensation while a bargaining group member. This plan is administered for the City of Torrance through a third party administrator, PARS. Copies of PARS' annual financial report may be obtained from its executive office at 4350 Von Karman Avenue, Suite 100, Newport Beach, California 92660.

Employees covered – At June 30, 2013, the following employees were covered by the benefit term for the Plan:

Retirees	74
Vested terminations	30
Active employees	<u>182</u>
Total	286

Contribution Description

The City of Torrance's funding policy is to make the contribution as determined by the Plan's actuary. The Plan's annual pension cost for the fiscal year ending June 30, 2015, is based on an actuarial valuation as of June 30, 2013. For the fiscal year ending June 30, 2015, the City's annual pension cost is \$1,440,000. The City of Torrance contributed \$1,302,000 to the plan.

Actuarial Valuation Date:	June 30, 2013
Asset Valuation Method:	Investment gains and losses over 5 year period, not less than 80% nor more than 120% of market value
Discount rate:	6.25%
Mortality:	CalPERS' 1997-2007 Experience Study
General Inflation:	3%
Cost of Living Adjustment:	2%
Termination:	CalPERS' 1997-2007 Experience Study
Salary Increases:	Varies by entry age and service
Retirement Age:	CalPERS' 1997-2007 Experience Study

Actuarial Methods

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) method. The Present Value of Projected Benefits (PVPB) is the present value of all future benefits for current plan participants. The Actuarial Accrued Liability (AAL) represents the portion of the PVPB attributable to past service. The AAL is recognized over service through the date a participant is expected to commence benefits.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Plan funded status based on the excess of

- 1) Plan Assets over
- 2) Actuarial Accrued Liability

Actuarial valuation of assets are not less than 80% nor more than 120% of market value. This is due to investment gains/losses being spread over a 5 year rolling period.

The plan is assumed to be ongoing for cost purposes. This does not imply that an obligation to continue the plan exists.

Discount Rate

The discount rate used to measure the total pension liability was 6.25 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the actuary stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.25 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.25 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 25 basis points. An investment return excluding administrative expenses would have been 6.50 percent. Using the lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Change in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013	\$ 23,764,000	\$ 8,383,000	\$ 15,381,000
Changes Recognized for the Measurement Period:			
Service Cost	557,000		557,000
Interest on the total pension liability	1,499,000		1,499,000
Contributions from the employer		1,302,000	(1,302,000)
Investment income		1,139,000	(1,139,000)
Administrative expense		(45,000)	45,000
Benefit payments, including refunds	(673,000)	(673,000)	
Net Changes	\$ 1,383,000	\$ 1,723,000	\$ (340,000)
Balance at: 6/30/2014	\$ 25,147,000	\$ 10,106,000	\$ 15,041,000

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25 percent) or 1 percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Net Pension Liability	\$ 18,665,000	\$ 15,041,000	\$ 12,039,000

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2013), the net pension liability is \$15,381,000.

For the measurement period ending June 30, 2014 (the measurement date), the City of Torrance recognized a pension contribution of \$1,302,000 for the Plan.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

As of June 30, 2014, the City of Torrance has deferred outflows and deferred inflows of resources related to the Plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on plan investments	0	(477,000)
Employer contributions made subsequent to the measurement date	1,347,000	0
Total	\$ 1,347,000	\$ (477,000)

As of June 30, 2015, deferred outflows of resources related to employer contributions subsequent to the measurement date in the amount of \$1,347,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (119,250)
2016	(119,250)
2017	(119,250)
2018	(119,250)
2019	0
Thereafter	0

(10) Other Post Employment Benefits

Funding Policy

Below are the 2014/15 estimated ARC (Annual Required Contribution), AOC (Annual Other Post Employment Benefit (OPEB) Cost), and the estimated June 30, 2015 NOO (Net OPEB Obligation).

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

Eligibility

Employees are generally eligible for postemployment benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a CalPERS pension benefit. As

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

of June 30, 2013, there were 1,260 active participants potentially eligible for the benefit and 1,107 total service and disability retirees currently receiving benefits.

Annual Required Contribution (ARC)

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

The 2014/15 Annual Required Contribution determined by this valuation includes the Normal Cost plus a combined 23-year amortization as a level of percent of pay and determined as of the end of the fiscal year (Amounts in \$000's):

▪ Normal	\$2,605
▪ UAAL Amortization	3,728
▪ Total	<u>\$6,333</u>
▪ Payroll	108,530
▪ ARC%	
• Normal Costs	2.4%
• UAAL Amort	3.4%
• Total	5.8%

Annual OPEB Cost (AOC)

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

The AOC is equal to the ARC, except when the City has a Net OPEB Obligation (NOO) at the beginning of the year. When that happens, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The end of year AOC for fiscal year 2014/15 is determined as follows (Amounts in \$000's):

▪ ARC	\$6,333
▪ Interest on NOO	610
▪ Amortization of NOO	<u>(808)</u>
▪ Total AOC	\$6,135
▪ AOC as % of Payroll	5.65%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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 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 2015, 39.8% of the ARC was contributed in the form of benefit payments made.

Based on the AOC developed above, the estimated June 30, 2015 NOO is (Amounts in \$000’s):

Annual required contribution	\$ 6,333
Interest on net OPEB obligation	610
Adjustment to annual required obligation	<u>(808)</u>
Annual OPEB cost (expense)	\$ 6,135
Contributions made (including benefits paid)	<u>(2,442)</u>
Increase in net OPEB obligation	\$ 3,693
Net OPEB obligation-beginning of year	<u>16,523</u>
Net OPEB obligation-end of year	<u>\$20,216</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the two preceding years were as follows (Amounts in \$000’s):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$ 5,187	44.9%	\$ 13,088
6/30/14	\$ 5,827	41.1%	\$ 16,523
6/30/15	\$ 6,135	39.8%	\$ 20,216

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Amortization Payment	<u>Amortization Payments</u>			
	(Amounts in 000's)			
	06/30/11 Valuation		06/30/13 Valuation	
	2011/12	2012/13	2013/14	2014/15
06/30/11 Valuation Fresh Start	\$ 2,824	\$ 3,040	\$ -	\$ -
06/30/13 Valuation Fresh Start	-	-	3,444	3,728
Total	\$ 2,824	\$ 3,040	\$ 3,444	\$ 3,728

Actuarial Methods

<u>Method</u>	<u>June 30, 2013 Valuation</u>
▪ Plan Assets	- None
▪ Cost Method	- Entry Age Normal Level of Pay
▪ Amortization Period	- 23 years-Closed
▪ Amortization Method	- Valuation Fresh Start
▪ Funding Policy	- Pay-As-You-Go
▪ Future New Entrants	- None-Closed group
▪ Unfunded Liability Amortization	- 23 years-Closed

Actuarial Assumptions

Valuation Date • June 30, 2013
Discount Rate • 4.00% (assets invested in General Fund, not pre-funded)
Inflation • 3.0% per annum
Aggregate Payroll Increase • 3.25% per annum

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

<p>Cap Increases</p> <ul style="list-style-type: none"> • 0% for all groups except Police yearly stipend <table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Increase</u></th> </tr> </thead> <tbody> <tr> <td>1-5</td> <td>2.7%</td> </tr> <tr> <td>6-10</td> <td>2.5%</td> </tr> <tr> <td>11-15</td> <td>3.0%</td> </tr> <tr> <td>16-20</td> <td>3.7%</td> </tr> <tr> <td>21+</td> <td>3.25%</td> </tr> </tbody> </table>		<u>Year</u>	<u>Increase</u>	1-5	2.7%	6-10	2.5%	11-15	3.0%	16-20	3.7%	21+	3.25%								
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<p>Mortality, Withdrawal, and Disability</p> <ul style="list-style-type: none"> - CalPERS 1997-2011 Experience Study - Mortality Projection Scale AA 																					
<p>Retirement</p> <ul style="list-style-type: none"> • Calpers 1997-2011 Experience Study • Classical Members PEPRA Members <table border="1"> <tr> <td colspan="2">Miscellaneous</td> </tr> <tr> <td>Level 2% @ 55</td> <td>Level 2% @ 62</td> </tr> <tr> <td>EA 33.4</td> <td>EA 36.7</td> </tr> <tr> <td>ERA 60.6</td> <td>ERA 61.5</td> </tr> <tr> <td colspan="2">Safety</td> </tr> <tr> <td>Level 3% @ 50</td> <td>Level 2.7% @ 57</td> </tr> <tr> <td>EA (F) 26.3</td> <td>EA n/a</td> </tr> <tr> <td>EA (P) 26.5</td> <td>ERA n/a</td> </tr> <tr> <td>ERA (F) 55.8</td> <td></td> </tr> <tr> <td>ERA (P) 53.9</td> <td></td> </tr> </table>		Miscellaneous		Level 2% @ 55	Level 2% @ 62	EA 33.4	EA 36.7	ERA 60.6	ERA 61.5	Safety		Level 3% @ 50	Level 2.7% @ 57	EA (F) 26.3	EA n/a	EA (P) 26.5	ERA n/a	ERA (F) 55.8		ERA (P) 53.9	
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CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

Participation at retirement		
	<u>Currently Covered</u>	<u>Currently Waived</u>
Misc	70%	56%
Fire	90%	72%
Police		
Svc <15	60%	48%
Svc ≥15	90%	72%

Marital Status

- Actives
 - Not currently covered-80% married
 - Currently covered-current marital status
 - Retirees-current marital status

Waived retiree re-election

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

Future New Entrants
• None-Closed group

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

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

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

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

SCHEDULE OF FUNDING PROGRESS

The funding progress of the plan as of specified valuation dates is as follows (Amounts in \$000's):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
06/30/13	\$0	\$73,215	\$73,215	0%	\$105,114	69.7%
06/30/11	\$0	\$62,596	\$62,596	0%	\$106,520	58.8%
06/30/09	\$0	\$77,024	\$77,024	0%	\$98,599	78.1%

(11) Deferred Compensation Plan

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

West Life & Annuity Insurance Company (GWLAIC) established a custodial account on behalf of the Plan participants. Effective July 1, 1998, all amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in the custodial account for the exclusive benefit of the employee participants and their beneficiaries.

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

(12) Other Required Individual Fund Disclosures

Interfund Transactions – Due to/Due from other funds

Interfund receivable and payable balances at June 30, 2015 were as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 2,559
	Water Enterprise Fund	125
	Emergency Medical Services Enterprise Fund	9
	Nonmajor Enterprise Funds	376
	Successor Agency Trust	308
		<u>\$ 3,377</u>

The receivables from the governmental funds, the Emergency Medical Services Enterprise Fund and the nonmajor enterprise funds represent short-term loans to cover negative cash balances in various funds. The receivable from the Water Enterprise Fund represents accrued interest and short term principal on the capital projects loan. The receivable from the Successor Agency Trust represents a short-term loan to cover miscellaneous expenditures of the Successor Agency Trust. More information regarding the Successor Agency Trust can be found in Note 21.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Interfund Transactions - Advances

The balances of advances between funds at June 30, 2015 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Enterprise Fund	\$ 6,364
General Fund	Successor Agency Trust	18,652
Water Enterprise Fund	Successor Agency Trust	1,206
Sewer Enterprise Fund	Successor Agency Trust	419
Nonmajor Governmental Funds	General Fund	<u>600</u>
		<u><u>\$27,241</u></u>

The advance to the Water Enterprise Fund represents a loan to fund capital project improvements.

The advances to the Successor Agency Trust represents loans to fund infrastructure improvements. More information regarding the Successor Agency Trust can be found in Note 21.

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(13) Transfers In and Out

The balances of transfers between funds at June 30, 2015 were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Emergency Medical Services	
	Enterprise Fund	\$ 10,264
	Nonmajor Enterprise Funds	3,434
	Internal Service Funds	5,627
	Nonmajor Governmental Funds	5,164
		<u>24,489</u>
Water Enterprise Fund	General Fund	15
Transit Enterprise Fund	General Fund	52
	Nonmajor Enterprise Funds	3
		<u>55</u>
Internal Service Funds	General Fund	11
	Nonmajor Governmental Funds	466
	Nonmajor Enterprise Funds	9
		<u>486</u>
Nonmajor Enterprise Funds	General Fund	8,615
	Nonmajor Enterprise Funds	11
	Nonmajor Governmental Funds	363
		<u>8,989</u>
Nonmajor Governmental Funds	General Fund	1,220
	Transit Enterprise Fund	2,193
	Nonmajor Governmental Funds	127
		<u>3,540</u>
Total		<u>\$ 37,574</u>

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

- General Fund transfers to the Self Insurance Fund (an internal service fund) represent contributions to fund self-insured claims and settlements;
- General Fund transfers to the Fleet Services Fund (an internal service fund) represent contributions for fleet acquisitions;
- General Fund transfers to the Emergency Medical Services Enterprise Fund, the Street Lighting Assessment Fund (a nonmajor governmental fund), the Cultural Arts Enterprise Fund and the Parks & Recreation Enterprise Funds (each a nonmajor enterprise fund) represent additional subsidies for those funds' regular operations;

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

- General Fund transfers to the Capital Improvements Funds (a nonmajor governmental fund) represent contributions to fund various capital projects;
- Transfers to the General Fund from the Municipal Airport Enterprise Fund (a nonmajor enterprise fund) represent transfers to fund operations and equipment replacement;
- Transfers to the Transit Enterprise Fund from the Proposition A Fund (a nonmajor governmental fund) represent contributions to improve public transit and related transportation infrastructure;

(14) Risk Management

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

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

The City also purchases insurance with lower or no deductibles/retentions covering the following specific risks: The Airport, Pollution Liability related to named locations, the Train Ride, the Farmer's Market and certain special events.

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

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

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

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

As of June 30, 2015, \$33,157,543 and \$6,732,761 have been accrued for workers' compensation and general liability claims, respectively. These accruals represent estimates of amounts to be ultimately paid for reported claims and incurred but unreported claims based upon past experience, modified for current trends and other information.

Changes in the balance of claim liabilities during the period for all Self-Insurance Funds combined are as follows (in thousands):

Fiscal years	Beginning fiscal year liability balance	Current year claims and changes in estimates	Claim payments	Ending fiscal year balance
2013-14	\$ 26,404	18,485	(4,999)	\$ 39,890
2014-15	\$ 39,890	4,487	(4,487)	\$ 39,890

(15) Due from Other Governments

Amounts due from other governments consisted of the following at June 30, 2015 (in thousands):

	State of California	Federal Agencies	County of Los Angeles	Other Local Governments	Total
Governmental Funds:					
General Fund	\$7,029	-	1,844	133	\$9,006
Special Revenue Funds:					
Air Quality Improvement Fund	-	-	-	48	48
Grants & Donation Fund	-	15	20	-	35
Street Lighting District Fund	-	-	11	-	11
Asset Forfeiture Fund	-	-	-	18	18
Rental Assistance Program Fund	-	19	-	-	19
Enterprise Funds:					
Transit System	-	2,622	281	-	2,903
Total	\$7,029	2,656	2,156	199	\$12,040

(16) Unearned Revenue

The table that follows shows activity for the City's unearned revenue accounts as of June 30, 2015. The unearned revenue in the Transit Enterprise Fund represents amounts that will be recognized when eligible purchases occur. The rents received by the Municipal Airport Enterprise Fund in June for July will be recognized in July. In May and June of 2015, the Parks & Recreation Enterprise Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Unearned Revenue Activity for Fiscal Year Ended June 30, 2015
(in thousands)

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2015</u>
Enterprise Funds:				
Transit Security Reserve	577	111	-	688
Transit Prop 1B	3,649	370	66	3,953
Transit Prop C (MOSIP)	1,828	472	55	2,245
Transit Measure R Capital	151	-	-	151
Transit Cap and Trade Capital	-	40	-	40
Airport rents received for July	170	188	170	188
Parks & Recreation revenues received in May and June for July classes	692	686	692	686
Total	<u>\$ 7,067</u>	<u>\$ 1,867</u>	<u>\$ 983</u>	<u>\$ 7,951</u>

(17) Deficit Fund Equity (Accumulated Deficit)

The Self-Insurance Internal Service Fund reflected an accumulated deficit of \$36,049,135 at June 30, 2015. Such deficit is attributed to replenishment of the reserve for general liability claims resulting from settlements of claims in excess of established reserves. It is anticipated that the deficit will be reduced over future years through increases in annual charges made through the budgeting process, as they become necessary. Excess charges will be distributed to all funds proportionately depending on their proportionate benefit of the Self-Insurance Fund, which resulted in the accumulated deficit balance.

The Postemployment/Compensated Absences Internal Services Fund has an accumulated deficit of \$12,857,548 as of June 30, 2015. This deficit will be reduced by future transfers from the General Fund to fund the accrued liability for net postemployment benefits.

The Emergency Medical Services Fund, Sanitation Fund, Parks and Recreation Fund and Cultural Arts Center Fund, all enterprise funds, have accumulated deficits of \$30,456,591, \$2,529,836, \$2,944,273 and \$1,938,273, respectively, as of June 30, 2015. These deficits increased primarily due to implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(18) Prior Period Adjustment

During the year ended June 30, 2015, the City adjusted the beginning net position of each enterprise fund. This was done to give retroactive effect to the implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. The effects of these adjustments on the total amounts of net position as of the beginning of the year are indicated below.

	Transit Enterprise Fund	Water Enterprise Fund	Sewer Enterprise Fund	Emergency Medical Services Enterprise Fund
Net position, beginning	\$ 31,913,871	\$ 85,378,061	\$ 50,266,444	\$ (79,374)
Adjustment to net pension liability:				
CalPERS	(12,164,141)	(4,908,338)	(2,134,060)	(30,453,620)
PARS	<u>(450,528)</u>	<u>(703,950)</u>	<u>(323,817)</u>	<u>(28,158)</u>
Net position, beginning, as restated	<u>\$ 19,299,202</u>	<u>\$ 79,765,773</u>	<u>\$ 47,808,567</u>	<u>\$ (30,561,152)</u>
	Sanitation Enterprise Fund	Municipal Airport Enterprise Fund	Parks and Recreation Enterprise Fund	Cultural Arts Center Enterprise Fund
Net position, beginning	\$ 1,256,769	\$ 12,926,791	\$ (225,150)	\$ 121,003
Adjustment to net pension liability:				
CalPERS	(4,161,417)	(960,327)	(2,880,981)	(1,813,951)
PARS	<u>(225,264)</u>	<u>(14,079)</u>	<u>-</u>	<u>-</u>
Net position, beginning, as restated	<u>\$ (3,129,912)</u>	<u>\$ 11,952,385</u>	<u>\$ (3,106,131)</u>	<u>\$ (1,692,948)</u>

During the year ended June 30, 2015, the City adjusted the beginning net position of the Fleet Services Fund (an internal services fund) and the Governmental Activities (which includes internal services funds). This was done to give retroactive effect to the implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. Additional adjustments to the beginning net position of the Fleet Services Fund and the Governmental Activities were done primarily to correct unrecorded depreciation for vehicle refurbishments, purchases and other vehicle costs from previous fiscal years. Heavy duty vehicle emission mandates from state agencies resulted in refurbishments required to remain in compliance and continue operations. These refurbishments, although significant in cost, were more cost effective than replacing the vehicles outright. The adjustments to the machinery and equipment classification reflect these vehicle expenses and properly records all related depreciation costs. In addition, the beginning net position of the Governmental Activities was adjusted to reflect the proper classification of a land parcel and

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

reversal of related accumulated depreciation as well as using proper useful lives for certain infrastructure asset segments in prior fiscal years.

	<u>Fleet Services Fund</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position, beginning	\$ 27,946,721	\$ 329,735,289	\$ 181,558,415
Adjustment to net pension liability:			
CalPERS	(3,414,496)	(319,794,882)	(59,476,835)
PARS	(154,869)	(12,333,204)	(1,745,796)
Adjustment to land	-	2,799,232	-
Adjustment to land improvements and buildings	-	(2,799,232)	-
Adjustment to machinery and equipment	(175,205)	(175,205)	-
Adjustment to accumulated depreciation:			
land improvements and buildings	-	326,577	-
machinery and equipment	(1,668,206)	(1,668,206)	-
infrastructure	-	<u>892,888</u>	-
Net position, beginning, as restated	<u>\$ 22,533,945</u>	<u>\$ (3,016,743)</u>	<u>\$ 120,335,784</u>

(19) Commitments and Contingencies

The City has various outstanding contracts and purchase orders for services, supplies, materials and capital projects that have not been completed as of fiscal year-end. These commitments total \$7,312,760 at June 30, 2015.

The balances of encumbrances and other commitments by funds at June 30, 2015 were as follows (in thousands):

Governmental Funds	
General fund	\$ 1,557
Capital Improvement Funds	5,734
Nonmajor governmental funds	<u>22</u>
Total governmental funds	<u>\$ 7,313</u>

The City has been named as a defendant in certain other claims and litigation matters. In the opinion of City management, the outcome of such litigation is not expected to result in a material adverse effect on the financial condition of the City beyond that accrued for in the City's Self-Insurance Fund.

In November 1996, the voters approved the "Right to Vote on Taxes Act" (Proposition 218) which limits the City's ability to levy general taxes and benefit assessments without voter/property owner approval and restricts the City's ability to change property-related fees.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(20) Fund Balance Policies of the General Fund

Included in the unassigned fund balance of the General Fund is an economic anomaly reserve (\$14,534,645) and a program contingency reserve (\$489,492). The funding goal of the economic anomaly reserve is 10% of the combined net adopted 2015-16 appropriation level for the General Fund, Parks and Recreation Enterprise Fund, Cultural Arts Center Enterprise Fund, Animal Control Fund, and the Emergency Medical Services Enterprise Fund. The program contingency reserve does not have a funding goal.

Included in assigned fund balance of the General Fund is \$4,203,835 of special project reserves.

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

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

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

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

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

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

During the year ended June 30, 2011 the former redevelopment agency transferred all properties to the City. The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

order the available assets to be transferred to the public body designated as the successor agency by the Bill.

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

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

During the year ended June 30, 2015, the State Controller's Office completed their audit of the Agency. The audit findings are currently under dispute. Also during the fiscal year, the Agency's Long Range Property Management Plan was under review and received approval by the California Department of Finance as of May 8, 2015.

a) Long-term Debt – Successor Agency Bonds

1998 Series A Tax Allocation Refunding Bonds – Downtown Project

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

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

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

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2016	\$ 1,195	\$ 1,311	\$ 2,506
2017	1,260	1,244	2,504
2018	1,330	1,172	2,502
2019	1,395	1,097	2,492
2020	1,475	1,018	2,493
2021 to 2025	8,705	3,726	12,431
2026 to 2029	8,875	1,019	9,894
	<u>\$ 24,235</u>	<u>\$ 10,587</u>	<u>\$ 34,822</u>

Advances and Notes Payable

At June 30, 2015, the Successor Agency Trust had advances and notes payable in the following amounts:

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, 2015 the principal balance outstanding is \$12,733,970 and accrued interest is \$891,378.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

Pledged Revenue

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

Description of Pledged Revenue	Annual Amount of RPTTF Revenue	Debt Service (Annual Principal and Interest)	Debt Service as a Percentage of RPTTF Revenue
Successor Agency Revenues (RPTTF)	\$2,550,445	\$2,505,503	98%

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

The following is a summary of changes in the Successor Agency Trust's long-term obligations for the year ended June 30, 2015 (in thousands):

Trust Activities:	Balance June 30, 2014	Incurred or Issued	Satisfied or Matured	Balance June 30, 2015	Amounts due within One Year	Amounts Due in more than One Year
Advances and notes payable: County of Los Angeles	\$ 13,625	\$ -	\$ -	\$ 13,625	\$ -	\$ 13,625
Tax Allocation Bonds:						
Downtown project refunding	5,840	-	260	5,580	275	5,305
Industrial project refunding	19,525	-	870	18,655	920	17,735
Total Trust Activities	\$ 38,990	\$ -	\$ 1,130	\$ 37,860	\$ 1,195	\$ 36,665

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

c) Advances from City – Successor Agency Advances

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

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

The Successor Agency Trust has an accumulated deficit of \$53,695,842 as of June 30, 2015, which represents the inclusion of long-term advances and bond debt in excess of cash with fiscal agents including related interest.

City OF Torrance



Wilson Park

Required Supplementary Information

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2015

Schedules of Required Supplementary Information

1) Pension Plan

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period

	Miscellaneous	Safety – Police	Safety – Fire
Measurement Period	2013-14 *	2013-14 *	2013-14 *
TOTAL PENSION LIABILITY			
Service Cost	\$ 9,490,054	\$ 8,460,366	\$ 4,835,576
Interest	38,027,142	34,278,788	22,588,535
Changes of Benefit Terms	0	0	0
Difference between Expected and Actual Experience	0	0	0
Changes of Assumptions	0	0	0
Benefit Payments, Including Refunds of Employee Contributions	(23,765,315)	(24,707,746)	(16,210,971)
Net Change in Total Pension Liability	23,751,881	18,031,408	11,213,140
Total Pension Liability – Beginning	514,166,184	465,174,182	306,868,161
Total Pension Liability – Ending (a)	\$ 537,918,065	\$ 483,205,590	\$ 318,081,301
PLAN FIDUCIARY NET POSITION			
Contributions – Employer	\$ 8,663,640	\$ 12,985,781	\$ 7,969,925
Contributions – Employee	4,631,916	3,740,084	1,677,069
Investment Income	70,021,160	50,235,622	34,621,145
Administrative Expense	(583,338)	(416,670)	(277,780)
Benefit Payments, Including Refunds of Employee Contributions	(23,765,315)	(24,707,746)	(16,210,971)
Other Changes in Net Fiduciary Position	0	0	0
Net Change in Fiduciary Net Position	58,968,063	41,837,071	27,779,388
Plan Fiduciary Net Position – Beginning	398,799,553	282,490,910	196,027,331
Plan Fiduciary Net Position – Ending (b)	\$ 457,767,616	\$ 324,327,981	\$ 223,806,719
Plan Net Pension Liability – Ending (a) - (b)	\$ 80,150,449	\$ 158,877,609	\$ 94,274,582
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Covered-Employee Payroll	85.10%	67.12%	70.36%
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	120.21%	483.28%	424.47%

Notes to Schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013.

Changes of Assumptions - There were no changes in assumptions.

*Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only one year (fiscal year 2013-14) is shown.

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2015

Schedule of Plan Contributions

Fiscal Year 2014-15 *	Miscellaneous	Safety - Police	Safety - Fire
Actuarially Determined Contribution	\$ 8,658,540	\$ 13,719,737	\$ 7,929,158
Contributions in Relation to the Actuarially Determined Contribution	(8,658,540)	(13,719,737)	(7,929,158)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 69,039,875	\$ 33,611,327	\$ 22,790,050
Contributions as a Percentage of Covered-Employee Payroll	12.54%	40.82%	34.79%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment Expenses, including Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

*Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only one year is shown.

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2015

2) PARS Enhanced Retirement Defined Benefit Pension Plan

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period

Measurement Period	2013-14 *
TOTAL PENSION LIABILITY	
Service Cost	\$ 557,000
Interest	1,499,000
Changes of Benefit Terms	0
Difference between Expected and Actual Experience	0
Changes of Assumptions	0
Benefit Payments, Including Refunds	<u>(673,000)</u>
Net Change in Total Pension Liability	1,383,000
Total Pension Liability – Beginning	<u>23,764,000</u>
Total Pension Liability – Ending (a)	<u><u>\$25,147,000</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions – Employer	\$ 1,302,000
Contributions – Employee	0
Investment Income	1,139,000
Administrative Expense	(45,000)
Benefit Payments, Including Refunds	(673,000)
Other Changes in Net Fiduciary Position	<u>0</u>
Net Change in Fiduciary Net Position	1,723,000
Plan Fiduciary Net Position – Beginning	<u>8,383,000</u>
Plan Fiduciary Net Position – Ending (b)	<u><u>\$10,106,000</u></u>
Plan Net Pension Liability – Ending (a) - (b)	<u><u>\$15,041,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.2%
Covered-Employee Payroll	15,758,000
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	95.4%

Notes to Schedule:

Benefit Changes - There were no changes to benefit terms specific to the plan

Changes of Assumptions - There were no changes in assumptions.

*Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only one year is shown.

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2015

Schedule of Plan Contributions

	Fiscal Year 2014-15 *
Actuarially Determined Contribution	\$ 1,347,000
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,347,000)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 Covered-Employee Payroll	 \$ 15,372,000
 Contributions as a Percentage of Covered-Employee Payroll	 8.8%

Notes to Schedule:

Methods and assumptions used to determine contribution rates -

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	6.02% minus normal cost
Amortization Period	19 years
Asset Valuation Method	Investment gains and losses over 5 year period, not less than 80% nor more than 120% of market value
Inflation	3.0%
Cost of Living Adjustment	2.0%
Investment Rate of Return	6.25%
Retirement Age	CalPERS 1997-2007 Experience Study
Mortality	CalPERS 1997-2007 Experience Study

*Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only one year is shown.

City OF Torrance



44th Armed Forces Day Parade

Combining Financial Statements and Schedules

City OF Torrance



Stanley Remelmeyer Cable Building

Non-Major Governmental Funds

❖ DEPARTMENT OF FINANCE ❖

Non-Major
Governmental Funds

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

Assets	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pooled cash and investments	\$ 37,213,941	\$ 15,411,849	\$ —	\$ 52,625,790
Cash and cash equivalents with fiscal agents	—	—	3,737,194	3,737,194
Accounts receivable	3,885,569	7,996	—	3,893,565
Accrued interest receivable	90,126	—	—	90,126
Due from other governments	131,266	—	—	131,266
Interfund advances receivable	600,000	—	—	600,000
Notes receivable	69,055	—	—	69,055
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 41,989,957</u>	<u>\$ 15,419,845</u>	<u>\$ 3,737,194</u>	<u>\$ 61,146,996</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,254,542	\$ 539,331	\$ —	\$ 2,793,873
Accounts payable-contract retention	204,058	72,454	—	276,512
Accrued liabilities	215,484	1,599	—	217,083
Due to other funds	2,558,687	—	—	2,558,687
Due to other governments	1,645	—	—	1,645
Deposits and guarantees	—	158,056	—	158,056
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>5,234,416</u>	<u>771,440</u>	<u>—</u>	<u>6,005,856</u>
 Fund Balances:				
Restricted for:				
Public safety	3,532,378	—	—	3,532,378
Public works	29,138,355	—	—	29,138,355
Culture and recreation	2,813,108	—	—	2,813,108
Community development	1,271,700	—	—	1,271,700
Debt service	—	—	3,737,194	3,737,194
Assigned to:				
Capital projects	—	14,648,405	—	14,648,405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>36,755,541</u>	<u>14,648,405</u>	<u>3,737,194</u>	<u>55,141,140</u>
Total Liabilities and Fund Balances	<u>\$ 41,989,957</u>	<u>\$ 15,419,845</u>	<u>\$ 3,737,194</u>	<u>\$ 61,146,996</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2015

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Fund
Revenues:				
Taxes	\$ 1,310,514	\$ —	\$ —	\$ 1,310,514
Licenses, fees and permits	398,722	—	—	398,722
Fines, forfeitures and penalties	363,344	—	—	363,344
Use of money and property	437,257	—	3,731,209	4,168,466
Intergovernmental	30,456,475	—	—	30,456,475
Other revenues	204,050	442,524	—	646,574
Total revenues	<u>33,170,362</u>	<u>442,524</u>	<u>3,731,209</u>	<u>37,344,095</u>
Expenditures:				
General government	—	1,834,873	—	1,834,873
Public safety	1,075,883	257,476	—	1,333,359
Public works	23,529,704	1,692,826	—	25,222,530
Culture and recreation	1,417,671	860,143	—	2,277,814
Community development	6,435,682	400,081	—	6,835,763
Debt service:				
Principal retirement	—	—	895,000	895,000
Interest and fiscal charges	—	—	2,835,189	2,835,189
Total expenditures	<u>32,458,940</u>	<u>5,045,399</u>	<u>3,730,189</u>	<u>41,234,528</u>
Excess (deficiency) of revenues over (under) expenditures	<u>711,422</u>	<u>(4,602,875)</u>	<u>1,020</u>	<u>(3,890,433)</u>
Other financing sources (uses):				
Transfers in	1,719,902	4,399,913	—	6,119,815
Transfers out	(3,529,733)	—	(9,675)	(3,539,408)
Total other financing sources (uses)	<u>(1,809,831)</u>	<u>4,399,913</u>	<u>(9,675)</u>	<u>2,580,407</u>
Net change in fund balances	(1,098,409)	(202,962)	(8,655)	(1,310,026)
Fund balances, July 1, 2014	<u>37,853,950</u>	<u>\$ 14,851,367</u>	<u>\$ 3,745,849</u>	<u>56,451,166</u>
Fund balances, June 30, 2015	<u>\$ 36,755,541</u>	<u>\$ 14,648,405</u>	<u>\$ 3,737,194</u>	<u>\$ 55,141,140</u>

City OF Torrance



Torrance Cultural Arts Center

Non-Major Special Revenue Funds

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

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

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

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

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

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

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

The PROPOSITION A FUND is used to develop and improve local public transit, paratransit and related transportation infrastructure.

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

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

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

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

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

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

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

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

The AIR QUALITY MANAGEMENT DISTRICT FUND is used to account for City compliance with air quality management regulations.

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

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

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

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

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

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

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

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

Non-Major
Special Revenue Funds

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2015

Assets	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Pooled cash and investments	\$ 433,209	\$ 406,056	\$ 136,684	\$ 188,635	\$ 19,444
Accounts receivable	—	—	—	—	—
Accrued interest receivable	1,323	—	421	—	—
Due from other governments	—	19,307	—	10,874	—
Interfund advances receivable	600,000	—	—	—	—
Notes receivable	—	—	—	—	—
Total assets	\$ 1,034,532	\$ 425,363	\$ 137,105	\$ 199,509	\$ 19,444
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,019	\$ —	\$ 94,698	\$ 158,664	\$ —
Accounts payable – contract retention	—	—	—	—	—
Accrued liabilities	—	10,503	—	—	—
Due to other funds	—	—	—	—	—
Due to other governments	—	1,645	—	—	—
Total liabilities	1,019	12,148	94,698	158,664	—
Fund balances:					
Restricted for:					
Public safety	—	—	—	—	—
Public works	—	—	42,407	40,845	19,444
Culture and recreation	1,033,513	—	—	—	—
Community development	—	413,215	—	—	—
Total fund balances	1,033,513	413,215	42,407	40,845	19,444
Total liabilities and fund balances	\$ 1,034,532	\$ 425,363	\$ 137,105	\$ 199,509	\$ 19,444

Parks, Rehabilitation and Open Space Fund	Proposition A Fund	Proposition C Fund	Measure R Local Return & Highway Fund	Vanpool Rideshare Fund	Bicycle Transporation Fund	Animal Control Fund
\$ 1,808,203	\$ 1,464,974	\$ 4,225,573	\$ 5,100,431	\$ 1,914	\$ —	\$ 11,645
—	—	—	1,777,698	—	—	12,427
5,652	—	12,987	20,382	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 1,813,855</u>	<u>\$ 1,464,974</u>	<u>\$ 4,238,560</u>	<u>\$ 6,898,511</u>	<u>\$ 1,914</u>	<u>\$ —</u>	<u>\$ 24,072</u>
\$ 7,856	\$ —	\$ 331,006	\$ 51,830	\$ 271	\$ —	\$ 18,482
26,404	—	60,610	19,177	—	—	—
—	—	9,103	78,580	1,643	—	5,590
—	—	—	225,000	—	—	—
—	—	—	—	—	—	—
<u>34,260</u>	<u>—</u>	<u>400,719</u>	<u>374,587</u>	<u>1,914</u>	<u>—</u>	<u>24,072</u>
—	—	—	—	—	—	—
—	1,464,974	3,837,841	6,523,924	—	—	—
1,779,595	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>1,779,595</u>	<u>1,464,974</u>	<u>3,837,841</u>	<u>6,523,924</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 1,813,855</u>	<u>\$ 1,464,974</u>	<u>\$ 4,238,560</u>	<u>\$ 6,898,511</u>	<u>\$ 1,914</u>	<u>\$ —</u>	<u>\$ 24,072</u>

(continued)

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

Assets	Development Impact Fund	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund
Pooled cash and investments	\$ 1,656,211	\$ 14,317	\$ 15,566,027	\$ 231,549	\$ 44,840
Accounts receivable	—	—	—	—	36,089
Accrued interest receivable	—	—	48,580	540	—
Due from other governments	—	—	—	48,088	—
Interfund advances receivable	—	—	—	—	—
Notes receivable	—	—	—	—	—
Total assets	<u>\$ 1,656,211</u>	<u>\$ 14,317</u>	<u>\$ 15,614,607</u>	<u>\$ 280,177</u>	<u>\$ 80,929</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,379,424	\$ —	\$ 31,915	\$ 5,523	\$ —
Accounts payable – contract retention	7,395	—	934	—	—
Accrued liabilities	—	—	15,270	50,695	—
Due to other funds	—	—	—	—	—
Due to other governments	—	—	—	—	—
Total liabilities	<u>1,386,819</u>	<u>—</u>	<u>48,119</u>	<u>56,218</u>	<u>—</u>
Fund balances:					
Restricted for:					
Public safety	—	—	—	—	—
Public works	269,392	14,317	15,566,488	223,959	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	—	80,929
Total fund balances	<u>269,392</u>	<u>14,317</u>	<u>15,566,488</u>	<u>223,959</u>	<u>80,929</u>
Total liabilities and fund balances	<u>\$ 1,656,211</u>	<u>\$ 14,317</u>	<u>\$ 15,614,607</u>	<u>\$ 280,177</u>	<u>\$ 80,929</u>

Police Inmate Welfare Fund	Grants and Donations Fund	Community Development Block Grant Fund	Federal Housing and Rehabilitation Fund	Asset Forfeiture Fund	Proposition 1B Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
\$ 51,148	\$ 1,621,498	\$ —	\$ 708,501	\$ 3,457,346	\$ 45,838	\$ 19,898	\$ 37,213,941
—	2,043,819	15,536	—	—	—	—	3,885,569
181	60	—	—	—	—	—	90,126
—	34,578	—	—	18,419	—	—	131,266
—	—	—	—	—	—	—	600,000
—	—	—	69,055	—	—	—	69,055
<u>\$ 51,329</u>	<u>\$ 3,699,955</u>	<u>\$ 15,536</u>	<u>\$ 777,556</u>	<u>\$ 3,475,765</u>	<u>\$ 45,838</u>	<u>\$ 19,898</u>	<u>\$ 41,989,957</u>
\$ —	\$ 158,951	\$ 289	\$ —	\$ 14,614	\$ —	\$ —	\$ 2,254,542
—	89,538	—	—	—	—	—	204,058
—	43,238	—	—	—	862	—	215,484
—	2,318,440	15,247	—	—	—	—	2,558,687
—	—	—	—	—	—	—	1,645
—	<u>2,610,167</u>	<u>15,536</u>	<u>—</u>	<u>14,614</u>	<u>862</u>	<u>—</u>	<u>5,234,416</u>
51,329	—	—	—	3,461,151	—	19,898	3,532,378
—	1,089,788	—	—	—	44,976	—	29,138,355
—	—	—	—	—	—	—	2,813,108
—	—	—	777,556	—	—	—	1,271,700
<u>51,329</u>	<u>1,089,788</u>	<u>—</u>	<u>777,556</u>	<u>3,461,151</u>	<u>44,976</u>	<u>19,898</u>	<u>36,755,541</u>
<u>\$ 51,329</u>	<u>\$ 3,699,955</u>	<u>\$ 15,536</u>	<u>\$ 777,556</u>	<u>\$ 3,475,765</u>	<u>\$ 45,838</u>	<u>\$ 19,898</u>	<u>\$ 41,989,957</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2015

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ 1,310,514	\$ —
Licenses, fees and permits	4,950	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—
Revenue from use of money and property	4,564	4,047	1,250	—	—
Revenue from other intergovernmental agencies	—	6,100,377	—	—	—
Other revenues	—	17,348	1,274	—	—
Total revenues	<u>9,514</u>	<u>6,121,772</u>	<u>2,524</u>	<u>1,310,514</u>	<u>—</u>
Expenditures:					
Public safety	—	—	—	—	—
Public works	—	—	—	2,897,726	—
Culture and recreation	222,545	—	—	—	—
Community development	—	6,202,469	—	—	—
Total expenditures	<u>222,545</u>	<u>6,202,469</u>	<u>—</u>	<u>2,897,726</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	(213,031)	(80,697)	2,524	(1,587,212)	—
Other financing sources (uses):					
Transfers in	—	—	—	1,508,790	—
Transfers out	—	—	—	—	—
Net change in fund balances	(213,031)	(80,697)	2,524	(78,422)	—
Fund balances, July 1, 2014	<u>1,246,544</u>	<u>493,912</u>	<u>39,883</u>	<u>119,267</u>	<u>19,444</u>
Fund balances, June 30, 2015	<u>\$ 1,033,513</u>	<u>\$ 413,215</u>	<u>\$ 42,407</u>	<u>\$ 40,845</u>	<u>\$ 19,444</u>

Parks, Rehabilitation and Open Space Fund	Proposition A Fund	Proposition C Fund	Measure R Local Return & Highway Fund	Vanpool Rideshare Fund	Bicycle Transportation Fund	Animal Control Fund
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
67,956	—	—	—	—	—	271,490
51,965	10,713	40,510	62,158	—	43	—
—	3,647,261	2,152,335	8,148,306	44,289	—	—
—	—	—	—	60,341	—	3,366
<u>119,921</u>	<u>3,657,974</u>	<u>2,192,845</u>	<u>8,210,464</u>	<u>104,630</u>	<u>43</u>	<u>274,856</u>
—	—	—	—	—	—	380,049
—	—	2,176,421	7,273,035	—	43	—
1,195,126	—	—	—	—	—	—
—	—	—	—	210,549	—	—
<u>1,195,126</u>	<u>—</u>	<u>2,176,421</u>	<u>7,273,035</u>	<u>210,549</u>	<u>43</u>	<u>380,049</u>
(1,075,205)	3,657,974	16,424	937,429	(105,919)	—	(105,193)
—	—	—	—	105,919	—	105,193
<u>—</u>	<u>(2,193,000)</u>	<u>(275,919)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
(1,075,205)	1,464,974	(259,495)	937,429	—	—	—
<u>2,854,800</u>	<u>—</u>	<u>4,097,336</u>	<u>5,586,495</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 1,779,595</u>	<u>\$ 1,464,974</u>	<u>\$ 3,837,841</u>	<u>\$ 6,523,924</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(continued)

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

	Development Impact Fund	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, fees and permits	54,326	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—
Revenue from use of money and property	13,177	—	146,622	1,550	36,089
Revenue from other intergovernmental agencies	—	—	3,728,729	183,261	—
Other revenues	—	—	—	—	—
Total revenues	<u>67,503</u>	<u>—</u>	<u>3,875,351</u>	<u>184,811</u>	<u>36,089</u>
Expenditures:					
Public safety	—	—	—	—	—
Public works	435,287	—	2,593,765	196,288	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	—	22,664
Total expenditures	<u>435,287</u>	<u>—</u>	<u>2,593,765</u>	<u>196,288</u>	<u>22,664</u>
Excess (deficiency) of revenues over expenditures	(367,784)	—	1,281,586	(11,477)	13,425
Other financing sources (uses):					
Transfers in	—	—	—	—	—
Transfers out	—	—	(1,040,000)	—	(20,814)
Net change in fund balances	(367,784)	—	241,586	(11,477)	(7,389)
Fund balances, July 1, 2014	<u>637,176</u>	<u>14,317</u>	<u>15,324,902</u>	<u>235,436</u>	<u>88,318</u>
Fund balances, June 30, 2015	<u>\$ 269,392</u>	<u>\$ 14,317</u>	<u>\$ 15,566,488</u>	<u>\$ 223,959</u>	<u>\$ 80,929</u>

<u>Police Inmate Welfare Fund</u>	<u>Grants and Donations Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Federal Housing and Rehabilitation Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Proposition 1B Fund</u>	<u>DNA Sampling Fund</u>	<u>Total Nonmajor Special Revenue Fund</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,310,514
—	—	—	—	—	—	—	398,722
—	—	—	—	363,344	—	—	363,344
507	7,638	—	—	56,424	—	—	437,257
—	6,292,812	159,105	—	—	—	—	30,456,475
8,506	101,395	—	—	4,200	—	7,620	204,050
<u>9,013</u>	<u>6,401,845</u>	<u>159,105</u>	<u>—</u>	<u>423,968</u>	<u>—</u>	<u>7,620</u>	<u>33,170,362</u>
2,159	—	—	—	693,675	—	—	1,075,883
—	7,311,344	159,105	—	—	486,690	—	23,529,704
—	—	—	—	—	—	—	1,417,671
—	—	—	—	—	—	—	6,435,682
<u>2,159</u>	<u>7,311,344</u>	<u>159,105</u>	<u>—</u>	<u>693,675</u>	<u>486,690</u>	<u>—</u>	<u>32,458,940</u>
6,854	(909,499)	—	—	(269,707)	(486,690)	7,620	711,422
—	—	—	—	—	—	—	1,719,902
—	—	—	—	—	—	—	(3,529,733)
<u>6,854</u>	<u>(909,499)</u>	<u>—</u>	<u>—</u>	<u>(269,707)</u>	<u>(486,690)</u>	<u>7,620</u>	<u>(1,098,409)</u>
44,475	1,999,287	—	777,556	3,730,858	531,666	12,278	37,853,950
<u>\$ 51,329</u>	<u>\$ 1,089,788</u>	<u>\$ —</u>	<u>\$ 777,556</u>	<u>\$ 3,461,151</u>	<u>\$ 44,976</u>	<u>\$ 19,898</u>	<u>\$ 36,755,541</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 CAPITAL IMPROVEMENT FUND is used to account for construction of street improvements, storm drain and building improvements and other capital projects within the City.

Non-Major
Capital Project Funds

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Capital Project Funds

June 30, 2015

Assets	Capital Improvement Fund	Total Nonmajor Capital Project Funds
Pooled cash and investments	\$ 15,411,849	\$ 15,411,849
Accounts receivable	7,996	7,996
Total assets	<u>\$ 15,419,845</u>	<u>\$ 15,419,845</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 539,331	\$ 539,331
Accounts payable - contract retention	72,454	72,454
Accrued liabilities	1,599	1,599
Deposits and guarantees	158,056	158,056
Total liabilities	<u>771,440</u>	<u>771,440</u>
Fund balances:		
Assigned to capital projects	<u>14,648,405</u>	<u>14,648,405</u>
Total fund balances	<u>14,648,405</u>	<u>14,648,405</u>
Total liabilities and fund balances	<u>\$ 15,419,845</u>	<u>\$ 15,419,845</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Project Funds

Year ended June 30, 2015

	<u>Capital Improvement Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:		
Other	\$ 442,524	\$ 442,524
Total revenues	<u>442,524</u>	<u>442,524</u>
Expenditures		
General government	1,834,873	1,834,873
Public safety	257,476	257,476
Public works	1,692,826	1,692,826
Culture and recreation	860,143	860,143
Community development	400,081	400,081
Total expenditures	<u>5,045,399</u>	<u>5,045,399</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,602,875)</u>	<u>(4,602,875)</u>
Other financing sources:		
Transfers in	4,399,913	4,399,913
Total other financing sources	<u>4,399,913</u>	<u>4,399,913</u>
Net change in fund balances	(202,962)	(202,962)
Fund balances, July 1, 2014	<u>14,851,367</u>	<u>14,851,367</u>
Fund balances, June 30, 2015	<u>\$ 14,648,405</u>	<u>\$ 14,648,405</u>

City OF Torrance



Wilson Park

Non-Major Debt Service Funds

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

The TORRANCE DEBT SERVICE FUND is used to account for debt service related to certificates of participation issued to provide for the refinance of a lease obligation that financed certain facilities and capital improvements within the City and the acquisition of real property for a regional transit center.

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet
Nonmajor Debt Service Funds

June 30, 2015

Assets	Torrance Debt Service Fund	Total Nonmajor Debt Service Funds
Cash and cash equivalents with fiscal agents	\$ <u>3,737,194</u>	\$ <u>3,737,194</u>
Total assets	\$ <u><u>3,737,194</u></u>	\$ <u><u>3,737,194</u></u>
Liabilities and Fund Balances		
Liabilities:		
Total liabilities	\$ <u>—</u>	\$ <u>—</u>
Fund balances:		
Restricted – debt service	<u>3,737,194</u>	<u>3,737,194</u>
Total fund balances	<u>3,737,194</u>	<u>3,737,194</u>
Total liabilities and fund balances	\$ <u><u>3,737,194</u></u>	\$ <u><u>3,737,194</u></u>

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Nonmajor Debt Service Funds
 Year ended June 30, 2015

	Torrance Debt Service Fund	Total Nonmajor Debt Service Funds
Revenues:		
Use of money and property	\$ 3,731,209	\$ 3,731,209
Total revenues	3,731,209	3,731,209
Expenditures:		
Debt Service:		
Principal retirement	895,000	895,000
Interest and fiscal charges	2,835,189	2,835,189
Total expenditures	3,730,189	3,730,189
Excess (deficiency) of revenues over (under) expenditures	1,020	1,020
Other financing sources (uses):		
Transfers out	(9,675)	(9,675)
Total other financing sources (uses)	(9,675)	(9,675)
Net change in fund balances	(8,655)	(8,655)
Fund balances, July 1, 2014	3,745,849	3,745,849
Fund balances, June 30, 2015	\$ 3,737,194	\$ 3,737,194

City OF Torrance



James Armstrong Theatre

Non-Major Enterprise Funds

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CITY OF TORRANCE, CALIFORNIA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015

Assets and Deferred Outflows of Resources	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Enterprise Funds
Current assets:					
Pooled cash and investments	\$ 320,220	\$ 6,543,260	\$ 685,722	\$ 16,069	\$ 7,565,271
Accounts receivable	2,041,523	497,338	21,608	58,875	2,619,344
Accrued interest receivable	9,079	20,442	2,104	—	31,625
Prepays	—	—	643	—	643
Total current assets	2,370,822	7,061,040	710,077	74,944	10,216,883
Noncurrent assets:					
Capital assets, net	—	6,832,971	14,333	429,543	7,276,847
Total noncurrent assets	—	6,832,971	14,333	429,543	7,276,847
Deferred outflows of resources:					
Pension contributions	363,175	82,091	234,260	144,587	824,113
Total Assets and Deferred Outflows of Resources	2,733,997	13,976,102	958,670	649,074	18,317,843
Liabilities and Deferred Inflows of Resources					
Current liabilities:					
Accounts payable	219,121	25,828	93,196	56,567	394,712
Deposits payable	—	44,449	—	137,528	181,977
Contract retainage payable	1,210	22,918	—	—	24,128
Accrued liabilities	422,203	112,919	96,556	110,336	742,014
Due to other funds	—	—	—	376,732	376,732
Unearned revenues	—	188,465	685,722	—	874,187
Total current liabilities	642,534	394,579	875,474	681,163	2,593,750
Noncurrent liabilities:					
Net pension liability	3,366,524	736,395	2,164,062	1,362,558	7,629,539
Deferred inflows of resources:					
Pension actuarial	1,254,775	288,279	863,407	543,626	2,950,087
Total Liabilities and Deferred Inflows of Resources	5,263,833	1,419,253	3,902,943	2,587,347	13,173,376
Net Position					
Investment in capital assets	—	6,832,971	14,333	429,543	7,276,847
Unrestricted	(2,529,836)	5,723,878	(2,958,606)	(2,367,816)	(2,132,380)
Total Net Position	\$ (2,529,836)	\$ 12,556,849	\$ (2,944,273)	\$ (1,938,273)	\$ 5,144,467

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year ended June 30, 2015

	<u>Sanitation Fund</u>	<u>Municipal Airport Fund</u>	<u>Parks and Recreation Fund</u>	<u>Cultural Arts Center Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:					
Charges for services	\$ 11,360,197	\$ 12,431,171	\$ 4,675,660	\$ 941,674	\$ 29,408,702
Other	24,090	1,303	14,915	10,500	50,808
Total operating revenues	<u>11,384,287</u>	<u>12,432,474</u>	<u>4,690,575</u>	<u>952,174</u>	<u>29,459,510</u>
Operating expenses:					
Salaries and employee benefits	4,047,236	1,473,820	4,186,426	1,451,235	11,158,717
Services and supplies	3,878,325	326,304	909,247	101,019	5,214,895
Other professional services	2,193,627	484,838	746,977	361,669	3,787,111
Depreciation and amortization	—	330,240	500	24,538	355,278
Insurance and claims	122,415	24,307	—	—	146,722
City charges	735,818	579,457	776,722	117,139	2,209,136
Other	3,551	60,698	17,860	27,199	109,308
Total operating expenses	<u>10,980,972</u>	<u>3,279,664</u>	<u>6,637,732</u>	<u>2,082,799</u>	<u>22,981,167</u>
Operating income (loss)	<u>403,315</u>	<u>9,152,810</u>	<u>(1,947,157)</u>	<u>(1,130,625)</u>	<u>6,478,343</u>
Nonoperating revenues (expenses):					
Investment earnings	—	56,771	2,534	—	59,305
Grants	40,947	—	4,500	96,056	141,503
Interest expense	(619)	(21,418)	—	(3,812)	(25,849)
Total nonoperating revenues, net	<u>40,328</u>	<u>35,353</u>	<u>7,034</u>	<u>92,244</u>	<u>174,959</u>
Income (loss) before transfers	443,643	9,188,163	(1,940,123)	(1,038,381)	6,653,302
Transfers in	163,511	—	2,487,209	805,521	3,456,241
Transfers out	(7,078)	(8,583,699)	(385,228)	(12,465)	(8,988,470)
Change in net position	<u>600,076</u>	<u>604,464</u>	<u>161,858</u>	<u>(245,325)</u>	<u>1,121,073</u>
Total net position - July 1, 2014	1,256,769	12,926,791	(225,150)	121,003	14,079,413
Prior period adjustment	<u>(4,386,681)</u>	<u>(974,406)</u>	<u>(2,880,981)</u>	<u>(1,813,951)</u>	<u>(10,056,019)</u>
Total net position - June 30, 2015	<u>\$ (2,529,836)</u>	<u>\$ 12,556,849</u>	<u>\$ (2,944,273)</u>	<u>\$ (1,938,273)</u>	<u>\$ 5,144,467</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year ended June 30, 2015

	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:					
Receipts from customers	\$ 11,435,971	\$ 12,289,530	\$ 4,658,735	\$ 931,998	\$ 29,316,234
Cash payments to suppliers for goods and services	(7,168,743)	(1,484,392)	(2,472,780)	(604,568)	(11,730,483)
Cash payments to employees for services	(4,181,445)	(1,512,128)	(4,257,263)	(1,493,358)	(11,444,194)
Internal activity-payments from other funds	—	—	—	310,935	310,935
Cash received from donations	—	—	9,073	—	9,073
Other receipts	—	—	5,842	—	5,842
Net cash provided by (used in) operating activities	<u>85,783</u>	<u>9,293,010</u>	<u>(2,056,393)</u>	<u>(854,993)</u>	<u>6,467,407</u>
Cash flows from noncapital financing activities:					
Cash received from grants and subsidies	79,460	—	4,500	96,056	180,016
Cash received from other funds	163,511	—	2,487,209	805,521	3,456,241
Cash paid to other funds	(7,078)	(8,583,699)	(385,228)	(12,465)	(8,988,470)
Net cash provided by (used in) noncapital financing activities	<u>235,893</u>	<u>(8,583,699)</u>	<u>2,106,481</u>	<u>889,112</u>	<u>(5,352,213)</u>
Cash flows from capital financing activities:					
Payments for long-term obligations - principal & interest	—	(21,418)	—	—	(21,418)
Payments for capital additions	—	(875,074)	—	(15,332)	(890,406)
Net cash used in capital financing activities	<u>—</u>	<u>(896,492)</u>	<u>—</u>	<u>(15,332)</u>	<u>(911,824)</u>
Cash flows from investing activities:					
Cash paid for interest on debt	(1,456)	—	—	(2,718)	(4,174)
Cash received from interest on investments	—	57,347	2,366	—	59,713
Net cash provided by investing activities	<u>(1,456)</u>	<u>57,347</u>	<u>2,366</u>	<u>(2,718)</u>	<u>55,539</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	320,220	(129,834)	52,454	16,069	258,909
Cash and cash equivalents, July 1, 2014	<u>—</u>	<u>6,673,094</u>	<u>633,268</u>	<u>—</u>	<u>7,306,362</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 320,220</u>	<u>\$ 6,543,260</u>	<u>\$ 685,722</u>	<u>\$ 16,069</u>	<u>\$ 7,565,271</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 403,315	\$ 9,152,810	\$ (1,947,157)	\$ (1,130,625)	\$ 6,478,343
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	—	330,240	500	24,538	355,278
Change in assets and liabilities:					
Accounts receivable	51,684	(161,308)	(10,024)	(25,292)	(144,940)
Contract retainage payable	1,210	—	—	—	1,210
Prepays and other assets	—	—	(643)	—	(643)
Accounts payable	9,493	(8,407)	(21,331)	(8,259)	(28,504)
Due to other funds	(245,710)	—	—	310,935	65,225
Accrued salaries and benefits	(5,652)	(6,485)	16,935	10,231	15,029
Other accrued liabilities	—	(381)	—	10,717	10,336
Pension contributions	(363,175)	(82,091)	(234,260)	(144,587)	(824,113)
Net pension liability	(1,020,157)	(238,011)	(716,919)	(451,393)	(2,426,480)
Pension actuarial	1,254,775	288,279	863,407	543,626	2,950,087
Deposits and guarantees	—	(460)	—	5,116	4,656
Unearned revenues	—	18,824	(6,901)	—	11,923
Net cash provided by (used in) operating activities	<u>\$ 85,783</u>	<u>\$ 9,293,010</u>	<u>\$ (2,056,393)</u>	<u>\$ (854,993)</u>	<u>\$ 6,467,407</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 FUND is used to account for interfund charges to the City's departments for postemployment benefits.

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CITY OF TORRANCE, CALIFORNIA

Combining Statement of Net Position

Internal Service Funds

June 30, 2015

Assets and Deferred Outflows of Resources	Self-Insurance Fund	Fleet Services Fund	Postemployment Fund	Total
Current assets:				
Pooled cash and investments	\$ 3,991,469	\$ 19,841,295	\$ 6,629,672	\$ 30,462,436
Accrued interest receivable	-	61,566	41,485	103,051
Other prepayments	-	-	711,130	711,130
Inventories	-	1,104,751	-	1,104,751
Total current assets	3,991,469	21,007,612	7,382,287	32,381,368
Capital assets, net	4,909	7,215,443	-	7,220,352
Deferred outflows of resources:				
Pension contributions	-	295,381	-	295,381
Total Assets and Deferred Outflows of Resources	3,996,378	28,518,436	7,382,287	39,897,101
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	143,983	181,121	-	325,104
Accrued salaries and benefits	11,226	394,046	24,234	429,506
Capital lease payable - current	-	90,312	-	90,312
Accrued liability for self-insurance claims – current	7,068,546	-	-	7,068,546
Total current liabilities	7,223,755	665,479	24,234	7,913,468
Noncurrent liabilities:				
Capital lease payable - long-term	-	64,988	-	64,988
Accrued liability for self-insurance claims – long-term	32,821,758	-	-	32,821,758
Accrued liability for net postemployment benefits - long-term	-	-	20,215,601	20,215,601
Net pension liability	-	2,730,267	-	2,730,267
Total noncurrent liabilities	32,821,758	2,795,255	20,215,601	55,832,614
Deferred inflows of resources:				
Pension actuarial	-	1,028,542	-	1,028,542
Total Liabilities and Deferred Inflows of Resources	40,045,513	4,489,276	20,239,835	64,774,624
Net Position				
Net position:				
Net investment in capital assets	4,909	7,060,143	-	7,065,052
Unrestricted	(36,054,044)	16,969,017	(12,857,548)	(31,942,575)
Total net position	\$ (36,049,135)	\$ 24,029,160	\$ (12,857,548)	\$ (24,877,523)

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Funds
Year ended June 30, 2015

	<u>Self-Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Postemployment Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 2,711,663	\$ 6,009,477	\$ -	\$ 8,721,140
Other	-	218	-	218
Total operating revenues	<u>2,711,663</u>	<u>6,009,695</u>	<u>-</u>	<u>8,721,358</u>
Operating expenses:				
Salaries and benefits	698,882	2,965,816	3,693,000	7,357,698
Materials and services	13,893	311,263	-	325,156
Other professional services	171,630	49,048	-	220,678
Insurance and claims	5,468,239	7,555	-	5,475,794
Depreciation	2,356	1,728,016	-	1,730,372
City charges	25,126	113,302	-	138,428
Other	3,171	6,954	-	10,125
Total operating expenses	<u>6,383,297</u>	<u>5,181,954</u>	<u>3,693,000</u>	<u>15,258,251</u>
Operating income (loss)	<u>(3,671,634)</u>	<u>827,741</u>	<u>(3,693,000)</u>	<u>(6,536,893)</u>
Nonoperating revenues (expenses):				
Investment earnings	-	157,308	77,805	235,113
Gain on sale of capital assets	-	92,010	-	92,010
Interest expense	-	(35,708)	-	(35,708)
Total nonoperating revenues (expenses)	<u>-</u>	<u>213,610</u>	<u>77,805</u>	<u>291,415</u>
Net income (loss) before transfers	<u>(3,671,634)</u>	<u>1,041,351</u>	<u>(3,615,195)</u>	<u>(6,245,478)</u>
Transfers in	3,780,337	471,868	1,375,000	5,627,205
Transfers out	<u>(467,900)</u>	<u>(18,004)</u>	<u>-</u>	<u>(485,904)</u>
Change in net position	<u>(359,197)</u>	<u>1,495,215</u>	<u>(2,240,195)</u>	<u>(1,104,177)</u>
Net position, July 1, 2014	(35,689,938)	27,946,721	(10,617,353)	(18,360,570)
Prior period adjustment	<u>-</u>	<u>(5,412,776)</u>	<u>-</u>	<u>(5,412,776)</u>
Net position, June 30, 2015	<u>\$ (36,049,135)</u>	<u>\$ 24,029,160</u>	<u>\$ (12,857,548)</u>	<u>\$ (24,877,523)</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2015

	<u>Self-Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Postemployment Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from Customers	\$ 2,738,248	\$ 6,011,281	\$ -	\$ 8,749,529
Cash payments to suppliers for goods and services	(6,007,161)	(493,507)	-	(6,500,668)
Cash payments to employees for services	(701,700)	(3,105,949)	(5,729,434)	(9,537,083)
Net Cash provided by (used in) operating activities	<u>(3,970,613)</u>	<u>2,411,825</u>	<u>(5,729,434)</u>	<u>(7,288,222)</u>
Cash flows from noncapital financing activities				
Cash received from other funds	3,780,337	471,868	1,375,000	5,627,205
Cash paid to other funds	(467,900)	(18,004)	-	(485,904)
Net Cash provided by (used in) noncapital financing	<u>3,312,437</u>	<u>453,864</u>	<u>1,375,000</u>	<u>5,141,301</u>
Cash flows from capital financing activities				
Payments for capital additions	-	(1,926,846)	-	(1,926,846)
Proceeds from sale of capital assets	-	92,010	-	92,010
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(1,834,836)</u>	<u>-</u>	<u>(1,834,836)</u>
Cash flows from investing activities:				
Cash received from interest on investments	-	117,176	73,131	190,307
Net increase (decrease) in cash, restricted cash and cash equivalents	(658,176)	1,148,029	(4,281,303)	(3,791,450)
Cash and cash equivalents, July 1, 2014	4,649,645	18,693,266	10,910,975	34,253,886
Cash and cash equivalents, June 30, 2015	<u>\$ 3,991,469</u>	<u>\$ 19,841,295</u>	<u>\$ 6,629,672</u>	<u>\$ 30,462,436</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (3,671,634)	\$ 827,741	\$ (3,693,000)	\$ (6,536,893)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,356	1,728,016	-	1,730,372
Change in assets and liabilities:				
Accounts receivable	26,585	1,586	-	28,171
Prepays and other assets	-	-	(711,130)	(711,130)
Inventories	-	88,252	-	88,252
Accounts payable	(325,102)	(93,637)	-	(418,739)
Accrued salaries and benefits	(2,818)	(34,196)	(1,325,304)	(1,362,318)
Pension contributions	-	(295,381)	-	(295,381)
Net pension liability	-	(839,098)	-	(839,098)
Pension actuarial	-	1,028,542	-	1,028,542
Net cash provided by (used in) operating activities	<u>\$ (3,970,613)</u>	<u>\$ 2,411,825</u>	<u>\$ (5,729,434)</u>	<u>\$ (7,288,222)</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 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 pre-tax benefits funds collected from the participating employees of the City.

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

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

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

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Fiduciary Fund Assets and Liabilities - Agency Funds
 June 30, 2015

	<u>Special Deposits Fund</u>	<u>Flexible Benefits Fund</u>	<u>Environmental Trust Fund</u>	<u>Property Room Evidence Fund</u>	<u>Torrance Tourism Business Improvement District Fund</u>	<u>Total Agency Funds</u>
Assets						
Pooled cash and investments	\$ 1,320,007	\$ 340,542	\$ 136,730	\$ 391,791	\$ 56,021	\$ 2,245,091
Accrued interest receivable	—	—	421	—	—	421
Total assets	<u>\$ 1,320,007</u>	<u>\$ 340,542</u>	<u>\$ 137,151</u>	<u>\$ 391,791</u>	<u>\$ 56,021</u>	<u>\$ 2,245,512</u>
Liabilities						
Deposits payable	\$ 1,320,007	\$ 340,542	\$ 137,151	\$ 391,791	\$ 56,021	\$ 2,245,512
Total liabilities	<u>\$ 1,320,007</u>	<u>\$ 340,542</u>	<u>\$ 137,151</u>	<u>\$ 391,791</u>	<u>\$ 56,021</u>	<u>\$ 2,245,512</u>

CITY OF TORRANCE, CALIFORNIA
Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds
Year ended June 30, 2015

	<u>Balance for fiscal year ended June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2015</u>
Special Deposits Fund				
ASSETS				
Pooled cash and investments	\$ 1,307,991	\$ 1,277,391	\$ (1,265,375)	\$ 1,320,007
Total assets	<u>\$ 1,307,991</u>	<u>\$ 1,277,391</u>	<u>\$ (1,265,375)</u>	<u>\$ 1,320,007</u>
LIABILITIES				
Deposits payable	\$ 1,307,991	\$ 1,277,391	\$ (1,265,375)	\$ 1,320,007
Total liabilities	<u>\$ 1,307,991</u>	<u>\$ 1,277,391</u>	<u>\$ (1,265,375)</u>	<u>\$ 1,320,007</u>
Flexible Benefits Fund				
ASSETS				
Pooled cash and investments	\$ 337,545	\$ 496,784	\$ (493,787)	\$ 340,542
Total assets	<u>\$ 337,545</u>	<u>\$ 496,784</u>	<u>\$ (493,787)</u>	<u>\$ 340,542</u>
LIABILITIES				
Deposits payable	\$ 337,545	\$ 496,784	\$ (493,787)	\$ 340,542
Total liabilities	<u>\$ 337,545</u>	<u>\$ 496,784</u>	<u>\$ (493,787)</u>	<u>\$ 340,542</u>
Environmental Trust Fund				
ASSETS				
Pooled cash and investments	\$ 135,411	\$ 1,319	\$ —	\$ 136,730
Accrued interest receivable	415	421	(415)	421
Total assets	<u>\$ 135,826</u>	<u>\$ 1,740</u>	<u>\$ (415)</u>	<u>\$ 137,151</u>
LIABILITIES				
Deposits payable	\$ 135,826	\$ 1,740	\$ (415)	\$ 137,151
Total liabilities	<u>\$ 135,826</u>	<u>\$ 1,740</u>	<u>\$ (415)</u>	<u>\$ 137,151</u>

CITY OF TORRANCE, CALIFORNIA
Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds
Year ended June 30, 2015
(continued)

	<u>Balance for fiscal year ended June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2015</u>
Property Room Evidence Fund				
ASSETS				
Pooled cash and investments	\$ 296,223	\$ 115,199	\$ (19,631)	\$ 391,791
Total assets	<u>\$ 296,223</u>	<u>\$ 115,199</u>	<u>\$ (19,631)</u>	<u>\$ 391,791</u>
LIABILITIES				
Deposits payable	\$ 296,223	\$ 115,199	\$ (19,631)	\$ 391,791
Total liabilities	<u>\$ 296,223</u>	<u>\$ 115,199</u>	<u>\$ (19,631)</u>	<u>\$ 391,791</u>
Torrance Tourism Business Improvement District Fund				
ASSETS				
Pooled cash and investments	\$ 72,087	\$ 707,660	\$ (723,726)	\$ 56,021
Total assets	<u>\$ 72,087</u>	<u>\$ 707,660</u>	<u>\$ (723,726)</u>	<u>\$ 56,021</u>
LIABILITIES				
Deposits payable	\$ 72,087	\$ 707,660	\$ (723,726)	\$ 56,021
Total liabilities	<u>\$ 72,087</u>	<u>\$ 707,660</u>	<u>\$ (723,726)</u>	<u>\$ 56,021</u>

CITY OF TORRANCE, CALIFORNIA

Combined Statement of Changes in Fiduciary Fund Assets and Liabilities - All Agency Funds
Year ended June 30, 2015

	Balance for fiscal year ended June 30, 2014	Additions	Deductions	Balance for fiscal year ended June 30, 2015
Assets				
Pooled cash and investments	\$ 2,149,257	\$ 2,598,353	\$ (2,502,519)	\$ 2,245,091
Accrued interest receivable	415	421	(415)	421
Total assets	<u>\$ 2,149,672</u>	<u>\$ 2,598,774</u>	<u>\$ (2,502,934)</u>	<u>\$ 2,245,512</u>
Liabilities				
Deposits payable	\$ 2,149,672	\$ 2,598,774	\$ (2,502,934)	\$ 2,245,512
Total liabilities	<u>\$ 2,149,672</u>	<u>\$ 2,598,774</u>	<u>\$ (2,502,934)</u>	<u>\$ 2,245,512</u>

City
OF
Torrance



COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2015

(Not covered by Accountants' Report)

❖ **STATISTICAL SECTION** ❖

Overview of Statistical Information Presented in Five Categories

Financial Trend Information:

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

Revenue Capacity Information:

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

Debt Capacity Information:

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

Demographic and Economic Information:

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

Operating Information:

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

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

Financial Trends
 Exhibit I

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 275,454	\$ 262,639	\$ 254,085	\$ 252,519	\$ 239,087	\$ 227,870	\$ 216,501	\$ 210,615	\$ 224,386	\$ 215,731
Restricted	41,882	43,310	41,153	40,321	46,817	68,033	70,578	70,770	58,553	50,441
Unrestricted	(299,768)	23,786	75,519	42,384	(18,920)	(35,557)	(18,834)	(12,952)	(23,536)	(24,079)
Total governmental activities net position	<u>\$ 17,568</u>	<u>\$ 329,735</u>	<u>\$ 370,757</u>	<u>\$ 335,224</u>	<u>\$ 266,984</u>	<u>\$ 260,346</u>	<u>\$ 268,245</u>	<u>\$ 268,433</u>	<u>\$ 259,403</u>	<u>\$ 242,093</u>
Business-type activities										
Net investment in capital assets	\$ 142,408	\$ 142,562	\$ 141,472	\$ 137,492	\$ 128,307	\$ 127,617	\$ 122,331	\$ 122,144	\$ 120,780	\$ 121,301
Restricted	-	-	-	-	555	536	592	566	529	692
Unrestricted	(19,433)	38,997	33,848	30,500	28,492	27,299	32,936	35,993	38,519	35,981
Total business-type activities net position	<u>\$ 122,975</u>	<u>\$ 181,559</u>	<u>\$ 175,320</u>	<u>\$ 167,992</u>	<u>\$ 157,354</u>	<u>\$ 155,452</u>	<u>\$ 155,859</u>	<u>\$ 158,703</u>	<u>\$ 159,828</u>	<u>\$ 157,974</u>
Primary government										
Net investment in capital assets	\$ 417,862	\$ 405,201	\$ 395,557	\$ 390,011	\$ 367,394	\$ 355,487	\$ 338,832	\$ 332,759	\$ 345,166	\$ 337,032
Restricted	41,882	43,310	41,153	40,321	47,372	68,569	71,170	71,336	59,082	51,133
Unrestricted	(319,201)	62,783	109,367	72,884	9,572	(8,258)	14,102	23,041	14,983	11,902
Total primary government net position	<u>\$ 140,543</u>	<u>\$ 511,294</u>	<u>\$ 546,077</u>	<u>\$ 503,216</u>	<u>\$ 424,338</u>	<u>\$ 415,798</u>	<u>\$ 424,104</u>	<u>\$ 427,136</u>	<u>\$ 419,231</u>	<u>\$ 400,067</u>

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

Financial Trends
Exhibit 2

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities:										
General government	\$ 28,474	\$ 25,545	\$ 25,608	\$ 24,064	\$ 23,358	\$ 36,479	\$ 39,594	\$ 41,464	\$ 39,434	\$ 26,324
Public safety	102,909	109,959	94,153	94,889	93,170	93,924	89,966	88,256	82,078	80,672
Public works	23,908	29,676	33,598	33,837	29,070	25,401	23,617	20,166	19,206	20,102
Culture and recreation	17,212	18,139	14,568	12,423	13,936	15,220	12,115	14,615	10,532	13,178
Nondepartmental ¹	—	—	—	—	—	—	—	—	—	5,179
Community development	10,172	10,368	10,723	8,221	10,610	12,580	10,086	8,600	10,910	12,620
Interest on long term debt	2,867	1,499	3,035	4,596	6,460	5,474	5,708	5,045	6,012	5,123
Total governmental activities expenses	185,542	195,186	181,685	178,030	176,604	189,078	181,086	178,146	168,172	163,198
Business-type activities:										
Municipal Airport	3,301	5,530	5,331	5,405	5,334	5,535	5,630	5,241	4,997	5,060
Transit System	24,932	26,164	24,667	23,643	21,899	21,802	21,265	21,005	19,743	20,687
Water	34,414	35,416	32,915	31,355	29,334	26,772	25,662	23,283	23,778	21,884
Sewer	5,397	4,418	4,682	4,781	2,365	2,263	2,439	1,952	1,752	3,566
Sanitation	10,981	10,985	11,396	11,326	11,830	11,430	10,988	10,961	10,431	10,214
Cultural Arts Center	2,087	1,929	1,983	1,981	1,977	2,098	2,110	2,044	1,803	1,739
Parks and Recreation	6,638	6,464	7,309	7,697	7,925	8,084	7,529	7,414	7,237	7,185
Emergency Medical Services	11,060	10,698	10,318	10,140	9,683	9,514	9,528	8,031	8,127	7,431
Total business-type activities expenses	98,810	101,604	98,601	96,328	90,347	87,498	85,151	79,931	77,868	77,766
Total primary government expenses	\$ 284,352	\$ 296,790	\$ 280,286	\$ 274,358	\$ 266,951	\$ 276,576	\$ 266,237	\$ 258,077	\$ 246,040	\$ 240,964
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 450	\$ 2,978	\$ 2,890	\$ 2,880	\$ 2,941	\$ 3,129	\$ 4,707	\$ 4,547	\$ 4,620	\$ 4,570
Public safety	7,433	7,508	6,132	6,167	6,688	5,933	5,129	6,269	7,006	7,473
Public works	867	1,085	651	727	535	621	561	503	796	881
Culture and recreation	667	612	647	651	681	594	746	973	1,320	1,165
Community development	-	-	372	-	-	-	-	-	-	-
Operating grants and contributions	22,641	14,646	13,542	14,585	12,701	12,936	10,709	12,151	14,552	14,706
Capital grants and contributions	8,927	10,677	5,391	16,235	9,656	10,952	9,613	7,510	8,029	7,659
Total governmental activities program revenues	40,985	37,506	29,625	41,245	33,202	34,165	31,465	31,953	36,323	36,454
Business-type activities:										
Charges for services:										
Municipal Airport	12,407	12,139	11,726	11,895	10,896	10,428	10,896	10,481	10,794	9,009
Transit System	3,351	3,387	3,341	3,482	3,395	3,273	3,157	2,719	2,560	2,448
Water	35,983	40,670	36,156	34,011	30,159	27,225	23,562	23,843	23,167	22,319
Sewer	2,731	3,221	3,137	2,882	1,579	1,718	1,843	2,357	2,913	1,995
Sanitation	11,360	11,396	10,972	10,634	10,865	10,860	11,178	10,980	10,756	10,393
Cultural Arts Center	942	912	1,043	1,038	995	1,088	898	1,006	823	819
Parks and Recreation	4,521	3,950	3,994	4,279	4,157	4,058	4,154	4,201	4,273	3,971
Emergency Medical Services	901	2,230	2,186	2,022	1,896	1,784	1,120	1,225	1,119	1,058
Operating grants and contributions	19,091	21,061	19,952	19,339	18,208	16,738	15,812	15,964	15,493	16,153
Capital grants and contributions	2,703	1,104	5,689	10,298	312	7,082	603	976	687	481
Total business-type activities program revenues	93,990	100,070	98,196	99,880	82,462	84,254	73,223	73,752	72,585	68,646
Total primary government program revenues	\$ 134,975	\$ 137,576	\$ 127,821	\$ 141,125	\$ 115,664	\$ 118,419	\$ 104,688	\$ 105,705	\$ 108,908	\$ 105,100

(continued)

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

Financial Trends
Exhibit 2

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net (expense)/revenue										
Governmental activities	\$ (144,557)	\$ (157,680)	\$ (152,060)	\$ (136,785)	\$ (143,402)	\$ (154,913)	\$ (149,621)	\$ (146,193)	\$ (131,849)	\$ (126,744)
Business-type activities	(4,820)	(1,534)	(405)	3,552	(7,885)	(3,244)	(11,928)	(6,179)	(5,283)	(9,120)
Total primary government net expense	\$ (149,377)	\$ (159,214)	\$ (152,465)	\$ (133,233)	\$ (151,287)	\$ (158,157)	\$ (161,549)	\$ (152,372)	\$ (137,132)	\$ (135,864)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 54,609	\$ 53,576	\$ 51,534	\$ 52,643	\$ 56,978	\$ 56,078	\$ 57,815	\$ 55,596	\$ 53,136	\$ 44,647
Sales taxes	33,185	31,963	31,805	30,163	30,627	26,666	31,057	31,545	31,936	31,439
Other taxes	62,481	61,442	56,261	56,815	54,915	53,153	56,665	62,933	61,310	60,346
Investment earnings	6,043	6,509	5,073	8,800	8,149	7,310	6,447	6,271	4,634	2,304
Motor vehicle tax (unrestricted)	62	64	77	74	685	438	506	658	991	3,271
Other general revenues	15,617	4,849	5,623	4,621	4,490	6,272	4,023	3,679	3,871	2,617
Transfers	(6,855)	(5,961)	(7,169)	(6,493)	(5,801)	(2,902)	(7,734)	(5,458)	(6,719)	(8,669)
Total governmental activities	165,142	152,442	143,204	146,623	150,043	147,015	148,779	155,224	149,159	135,955
Business-type activities:										
Investment earnings	521	677	348	593	487	880	1,351	594	418	185
Other general revenues	83	546	216	—	—	—	—	—	—	—
Transfers	6,855	5,961	7,169	6,493	5,801	2,902	7,734	5,458	6,719	8,669
Total business-type activities	7,459	7,184	7,733	7,086	6,288	3,782	9,085	6,052	7,137	8,854
Total primary government general revenues	\$ 172,601	\$ 159,626	\$ 150,937	\$ 153,709	\$ 156,331	\$ 150,797	\$ 157,864	\$ 161,276	\$ 156,296	\$ 144,809
Extraordinary Gain (Loss) ²										
Governmental activities	—	(35,439)	—	58,403	—	—	—	—	—	—
Business-type activities	—	—	—	—	—	—	—	—	—	—
Total primary government extraordinary gain (loss)	—	(35,439)	—	58,403	—	—	—	—	—	—
Change in Net Position										
Governmental activities	20,585	(40,677)	(8,856)	68,241	6,641	(7,898)	(842)	9,031	17,310	9,211
Business-type activities	2,639	5,650	7,328	10,638	(1,597)	538	(2,843)	(127)	1,854	(266)
Total primary government	\$ 23,224	\$ (35,027)	\$ (1,528)	\$ 78,879	\$ 5,044	\$ (7,360)	\$ (3,685)	\$ 8,904	\$ 19,164	\$ 8,945

Notes:

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

² Effective February 1, 2012 all redevelopment agencies in the State of California were dissolved. Extraordinary amounts in 2012 represent losses due to write-off of advances to the former redevelopment agency of the City of Torrance and gains due to the transfer of bond debt obligations of the former redevelopment agency of the City of Torrance to a private-purpose Successor Agency Trust Fund. Extraordinary amounts in 2014 represent California Department of Finance adjustment to interest on a long-term advance from the General Fund to the Successor Agency Trust Fund.

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

Financial Trends
Exhibit 3

	Fiscal Year									
	2015	2014	2013	2012	2011 ¹	2010	2009	2008	2007	2006
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,789	\$ 17,731	\$ 16,064	\$ 15,277	\$ 14,608
Unreserved	-	-	-	-	-	33,423	41,017	45,803	41,474	30,422
Nonspendable ²	21,245	22,471	53,959	16,273	15,854	-	-	-	-	-
Restricted	580	479	1,253	1,128	773	-	-	-	-	-
Assigned to:										
Culture and recreation	4,484	4,897	3,706	3,183	2,852	-	-	-	-	-
Public safety	63	70	146	170	691	-	-	-	-	-
Special project reserves	4,204	4,353	9,389	9,943	9,602	-	-	-	-	-
Capital projects	6,719	7,655	6,956	6,500	7,809	-	-	-	-	-
Unassigned	29,439	21,200	15,466	15,500	14,156	-	-	-	-	-
Total general fund	\$ 66,734	\$ 61,125	\$ 90,875	\$ 52,697	\$ 51,737	\$ 51,212	\$ 58,748	\$ 61,867	\$ 56,751	\$ 45,030
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,830	\$ 8,396	\$ 8,567	\$ 8,669	\$ 16,183
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	33,173	28,801	29,337	24,742	19,761
Capital project funds	-	-	-	-	-	29,877	36,699	36,950	29,992	27,057
Debt service fund	-	-	-	-	-	(14,729)	(13,946)	(13,740)	(13,869)	(14,213)
Nonspendable	-	-	682	634	-	-	-	-	-	-
Restricted ³	40,493	41,600	41,240	41,375	49,131	-	-	-	-	-
Assigned to:										
Capital projects	14,648	14,851	18,014	19,869	21,430	-	-	-	-	-
Unassigned ³	-	-	-	-	(17,165)	-	-	-	-	-
Total all other governmental funds	\$ 55,141	\$ 56,451	\$ 59,936	\$ 61,878	\$ 53,396	\$ 56,151	\$ 59,950	\$ 61,114	\$ 49,534	\$ 48,788

Notes:

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

²The change in fund balance in 2013 reflects a prior period adjustment to record transfer of interest related to the long-term advance from the General Fund to the former City of Torrance Redevelopment Agency. The net liabilities are held in a successor agency trust not reported here. In 2014, the California Department of Finance required an adjustment to reduce this interest on long-term advance.

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

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

Financial Trends
 Exhibit 4

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Taxes	\$ 152,045	\$ 148,165	\$ 143,352	\$ 140,034	\$ 143,330	\$ 136,148	\$ 145,714	\$ 150,260	\$ 146,568	\$ 136,652
Licenses, fees and permits	3,140	3,797	2,767	1,919	1,639	1,618	1,426	1,962	2,671	2,693
Fine, forfeitures and penalties	1,608	1,804	1,665	1,464	1,840	2,004	1,779	2,201	2,799	2,139
Investment earnings	7,433	7,329	6,454	11,363	10,869	11,578	15,009	14,697	13,271	10,177
Intergovernmental	32,386	23,862	18,193	30,228	21,926	23,138	15,447	14,838	17,472	21,005
Charges for current services	5,095	7,904	6,907	6,728	7,174	6,921	6,090	6,443	6,865	7,453
Other	11,141	3,047	660	3,317	2,630	2,845	2,449	2,279	2,598	2,385
Total revenues	212,848	195,908	179,998	195,053	189,408	184,252	187,914	192,680	192,244	182,504
Expenditures										
General government	20,213	22,355	19,464	22,416	23,358	25,521	25,237	25,129	23,515	22,224
Public safety	103,043	99,376	97,331	92,934	90,971	90,402	89,435	86,869	82,069	79,675
Public works	36,532	23,134	22,062	27,726	22,469	18,183	17,685	14,697	13,763	14,249
Culture and recreation	17,131	15,523	14,033	13,565	13,997	13,796	14,013	13,747	12,809	13,356
Nondepartmental	5,445	5,478	5,598	6,428	8,121	5,440	5,258	5,695	4,604	8,373
Community development	10,459	10,312	10,723	6,908	7,285	7,267	6,574	6,115	8,893	10,675
Capital outlay ¹	—	—	—	4,428	6,203	35,542	12,344	5,016	13,685	7,327
Debt service										
Principal retirement ²	895	7,370	1,535	3,352	3,020	2,553	2,417	2,524	2,214	2,675
Interest and fiscal charges	2,835	959	3,042	4,603	6,812	5,312	5,887	5,083	6,040	5,148
Other	—	5,076	—	1,356	3,362	5,280	3,459	2,403	1,976	1,901
Total expenditures	196,553	189,583	173,788	183,716	185,598	209,296	182,309	167,278	169,568	165,603
Excess of revenues over (under) expenditures	16,295	6,325	6,210	11,337	3,810	(25,044)	5,605	25,402	22,676	16,901
Other financing sources (uses)										
Transfers in	16,033	30,007	12,535	14,686	16,802	17,153	18,463	20,474	16,280	15,223
Transfers out	(28,029)	(40,065)	(21,539)	(23,245)	(24,418)	(23,900)	(30,087)	(30,615)	(27,866)	(25,093)
Proceeds from refunding bonds ³	—	40,445	—	—	—	—	—	—	—	—
Proceeds of debt ³	—	—	—	—	—	—	—	—	—	580
Premium on refunding bonds ³	—	661	—	—	—	—	—	—	—	—
Bond escrow refunding ³	—	(31,540)	—	—	—	—	—	—	—	—
Premium Tax Revenue Anticipation Notes	—	—	—	—	—	—	312	—	—	—
Proceeds from bonds ⁴	—	—	—	—	—	18,880	—	—	—	—
Advances from developers/County	—	—	—	—	1,575	1,577	1,424	1,436	1,377	—
Total other financing sources (uses)	(11,996)	(492)	(9,004)	(8,559)	(6,041)	13,710	(9,888)	(8,705)	(10,209)	(9,290)
Extraordinary gain ⁵	—	—	—	6,664	—	—	—	—	—	—
Net change in fund balances	\$ 4,299	\$ 5,833	\$ (2,794)	\$ 9,442	\$ (2,231)	\$ (11,334)	\$ (4,283)	\$ 16,697	\$ 12,467	\$ 7,611
Debt service as a percentage of noncapital expenditures	2.2%	4.7%	2.7%	4.7%	5.9%	4.6%	4.9%	4.8%	5.3%	5.0%

Notes:

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

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

³ In 2014, the City issued refunding Certificates of Participation to refinance their 2004 A & B Certificates of Participation and generate additional monies for future capital projects.

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

⁵ Effective February 1, 2012 all redevelopment agencies in the State of California were dissolved. The extraordinary gain is due to the transfer of net liabilities of the former redevelopment agency of the City of Torrance to a private-purpose Successor Agency Trust Fund.

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

Revenue Capacity
Exhibit I

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
Real Property:							
2015	\$ 23,512,947	\$ 366,569	\$ 23,879,516	\$ -	\$ -	\$ -	
2014	22,611,717	347,846	22,959,563	-	-	-	
2013	21,608,163	332,873	21,941,036	-	-	-	
2012 ¹	21,447,810	323,995	21,771,805	-	-	-	
2011	21,143,423	346,420	21,489,843	882,547	2,232	884,779	
2010 ²	21,405,712	328,573	21,734,284	942,236	20,186	962,422	
2009 ²	20,936,580	306,876	21,243,457	907,262	23,520	930,783	
2008	19,809,734	286,572	20,096,306	712,884	1,789	714,673	
2007	18,453,138	268,512	18,721,650	664,430	25,862	690,292	
2006	16,940,111	272,792	17,212,903	612,169	37,452	649,621	
Personal Property:							
2015	\$ 365,633	\$ 648,079	\$ 1,013,712	\$ -	\$ -	\$ -	
2014	354,500	621,541	976,041	-	-	-	
2013	336,392	623,470	959,862	-	-	-	
2012 ¹	261,619	670,048	931,667	-	-	-	
2011	285,062	624,738	909,800	80,180	86,187	166,367	
2010 ²	216,219	698,217	914,437	70,921	80,746	151,667	
2009 ²	211,481	652,112	863,592	68,289	94,081	162,369	
2008	377,303	645,077	1,022,380	66,090	103,961	170,051	
2007	347,341	621,472	968,813	54,416	96,709	151,125	
2006	244,215	580,509	824,724	46,415	104,686	151,101	
Total:							
2015	\$ 23,878,580	\$ 1,014,648	\$ 24,893,228	\$ -	\$ -	\$ -	0.1507%
2014	22,966,217	969,387	23,935,604	-	-	-	0.1507%
2013	21,944,555	956,343	22,900,898	-	-	-	0.1504%
2012 ¹	21,709,429	994,043	22,703,472	-	-	-	0.1498%
2011	21,428,485	971,158	22,399,643	962,727	88,419	1,051,146	0.2777%
2010	21,621,931	1,026,790	22,648,721	1,013,157	100,932	1,114,089	0.2797%
2009	21,148,061	958,988	22,107,049	975,551	117,601	1,093,152	0.2798%
2008	20,187,037	931,649	21,118,686	778,974	105,750	884,724	0.2754%
2007	18,800,479	889,984	19,690,463	718,846	122,571	841,417	0.2711%
2006	17,184,326	853,301	18,037,627	658,584	142,138	800,722	0.2660%

Notes:

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

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity
Exhibit 2

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City Direct Rates:										
City basic rate	0.1507	0.1507	0.1504	0.1498	0.1495	0.1493	0.1480	0.1484	0.1492	0.1504
Redevelopment Agency ¹	—	—	—	—	0.1282	0.1304	0.1318	0.1270	0.1219	0.1156
Total City Direct Rate	0.1507	0.1507	0.1504	0.1498	0.2777	0.2797	0.2798	0.2754	0.2711	0.2660
Overlapping Rates:										
Metropolitan Water District	0.0035	0.0035	0.0035	0.0037	0.0037	0.0043	0.0043	0.0045	0.0047	0.0052
County Flood Control	—	—	—	—	—	—	—	—	0.0001	0.0001
Torrance Unified School District	0.4818	0.4754	0.4843	0.4925	0.4780	0.4653	0.4259	0.4279	0.4315	0.4356
Community College	0.0174	0.0175	0.0185	0.0169	0.0161	0.0148	0.0170	0.0165	0.0173	0.0184
County of Los Angeles	0.2407	0.2411	0.2415	0.2421	0.2416	0.2408	0.2397	0.2406	0.2367	0.2383
Successor Agency ¹	0.1306	0.1297	0.1279	0.1267	—	—	—	—	—	—
Special Districts	0.0697	0.0698	0.0705	0.0711	0.0711	0.0708	0.0719	0.0730	0.0793	0.0797
Total Direct Rate	1.0944	1.0877	1.0966	1.1028	1.0882	1.0757	1.0386	1.0379	1.0407	1.0433

Notes:

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity
Exhibit 3

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Exxon Mobil Oil Corporation	\$ 1,408,187,733	1	5.66%	\$ 1,353,738,377	1	7.19%
Toyota Motor Sales/Credit Corp	534,172,545	2	2.15%	421,430,896	2	2.24%
Del Amo Fashion Center Operating Company	418,344,159	3	1.68%	336,813,690	3	1.79%
American Honda Motor Company Inc.	308,718,962	4	1.24%	205,944,051	4	1.09%
Macy's West Stores Inc./Federated Western Properties Inc.	162,530,194	5	0.65%	48,955,668	10	0.26%
Torrance Memorial Medical Center	133,474,918	6	0.54%	—		—
Allied Signal Inc.	107,317,912	7	0.43%	57,130,000	8	0.30%
Continental Skypark LLC	95,059,313	8	0.38%	—		—
CTC Group Inc	69,109,809	9	0.28%	—		—
Diamondrock Torrance Owner LLC	66,096,898	10	0.27%	62,013,507	7	0.33%
Ball Metal Beverage Container Company	—		—	68,960,635	5	0.37%
Suncal Torrance Properties LLC	—		—	63,820,890	6	0.34%
Prologis Macquarie US LLC	—		—	49,498,807	9	0.26%
	<u>\$ 3,303,012,443</u>		<u>13.28%</u>	<u>\$ 2,668,306,521</u>		<u>14.17%</u>

Notes:

The amounts shown above for 2006 include assessed value data for both the City and the Redevelopment Agency.

The amounts shown above for 2015 include assessed value data for both the City and the Successor Agency Trust. Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Remaining assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Agency Trust.

Source: Los Angeles County Assessor 2014/15 & 2005/06 Secured & Unsecured Tax Rolls,
HdL Coren & Cone

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

Revenue Capacity
Exhibit 4

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within Fiscal Year		Collections in Subsequent Years ¹	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 30,778	\$ 30,243	98.26%	\$ (11)	\$ 30,232	98.23%
2014	29,533	28,995	98.18%	(122)	28,873	97.77%
2013	28,101	27,508	97.89%	687	28,195	100.33%
2012	27,920	27,283	97.72%	(12)	27,271	97.68%
2011	27,264	26,487	97.15%	241	26,728	98.03%
2010	27,657	26,601	96.18%	255	26,856	97.10%
2009	26,937	25,552	94.86%	267	25,819	95.85%
2008	25,765	24,374	94.60%	123	24,497	95.08%
2007	23,763	22,745	95.72%	141	22,886	96.31%
2006	22,092	21,417	96.94%	119	21,536	97.48%

Notes:

The amounts presented are for City property taxes only.

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

¹ Collections in Subsequent Years represent all collections received in a given year relating to all prior years. A breakdown by individual years is not available.

Source: Los Angeles County Auditor Controller's Office

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

Revenue Capacity
Exhibit 5

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Potable										
Type of Customer:										
Residential	431,201	467,408	457,444	456,784	447,819	459,863	507,328	524,985	540,753	507,649
Industrial	136,159	170,468	117,538	147,348	172,197	124,538	149,595	162,174	141,570	147,842
Commercial	193,565	197,237	198,152	179,642	178,176	196,891	191,098	196,752	209,959	186,960
Other	37,059	65,832	67,190	68,903	42,503	43,996	40,350	76,500	86,641	104,675
Total - Potable Water	797,984	900,945	840,324	852,677	840,695	825,288	888,371	960,411	978,923	947,126
Recycled/Reclaimed										
Type of Customer:										
Industrial	232,056	269,317	275,530	285,103	250,052	267,633	241,394	269,201	251,603	268,025
Other	15,154	15,072	11,755	13,598	9,981	18,731	12,362	13,591	12,415	11,236
Total - Recycled/Reclaimed Water	247,210	284,389	287,285	298,701	260,033	286,364	253,756	282,792	264,018	279,261
Total										
Type of Customer:										
Residential	431,201	467,408	457,444	456,784	447,819	459,863	507,328	524,985	540,753	507,649
Industrial	368,215	439,785	393,068	432,451	422,249	392,171	390,989	431,375	393,173	415,867
Commercial	193,565	197,237	198,152	179,642	178,176	196,891	191,098	196,752	209,959	186,960
Other	52,213	80,904	78,945	82,501	52,484	62,727	52,712	90,091	99,056	115,911
Total Water	1,045,194	1,185,334	1,127,609	1,151,378	1,100,728	1,111,652	1,142,127	1,243,203	1,242,941	1,226,387

Source: Global Water Usage Report for 2011 through 2015 data and Golden State Usage Report for 2006 through 2010 data.

City of Torrance Water Fund
Water Rates
Last Ten Fiscal Years

Revenue Capacity
Exhibit 6

Fiscal Year Ended June 30	Monthly Base Rate				
	Regular ¹	Low Income ¹	Exxon Contract ²	Wholesale Contract ²	Other - Recycled Regular ³
2015	\$ 5.84	\$ 5.84	\$ 92,960.00	\$ 394.37	\$ 19.24
2014	5.76	5.76	89,692.00	388.85	18.97
2013	5.76	5.76	81,167.00	388.73	18.97
2012	5.59	5.59	79,128.00	377.00	18.41
2011	5.25	5.25	65,966.00	360.00	17.29
2010	4.44	3.40	52,992.00	360.00	35.65
2009	4.44	3.40	40,495.00	360.00	35.65
2008	4.44	3.40	40,495.00	360.00	35.25
2007	4.44	3.40	40,495.00	360.00	35.25
2006	4.44	3.40	40,495.00	360.00	35.28

Fiscal Year Ended June 30	Rate Per 100 Cubic Feet				
	Regular ⁴	Low Income ⁴	Exxon Contract	Wholesale Contract	Other - Recycled Regular
2015	\$ 3.93	\$ 3.53	\$ 2.40	\$ 2.42	\$ 2.79
2014	3.79	3.40	2.29	2.37	2.65
2013	3.56	3.16	2.20	2.22	2.49
2012	3.41	3.02	2.08	2.10	2.39
2011	3.04	2.68	1.94	1.96	2.13
2010	2.66	2.30	1.79	1.81	1.86
2009	2.21	1.85	1.28	1.14	1.55
2008	1.99	1.63	1.28	1.14	1.39
2007	1.95	1.59	1.11	1.08	1.37
2006	1.88	1.52	1.11	1.08	1.30

Notes:

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

²Base rate reflects monthly fixed charge stated in contracts

³Base rate reflects monthly charge for 2 inch meter

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

Source: City of Torrance Public Works Department - Water Division

City of Torrance Water Fund
Principal Water Customers
Current Fiscal Year and Nine Years Ago
Ending June 30

Revenue Capacity
Exhibit 7

Water Customer	2015			2006		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Exxon-Mobil	\$ 8,513,016	1	24.57%	\$ 3,352,983	1	16.01%
City of Torrance	808,738	2	2.33%	357,950	3	1.71%
California Water Service -Wholesale	790,099	3	2.28%	944,590	2	4.51%
Torrance Unified School District	539,199	4	1.56%	334,271	4	1.60%
Honeywell International	361,373	5	1.04%	170,301	6	0.81%
Toyota Motor Sales -USA	270,263	6	0.78%	196,127	5	0.94%
Torrance Memorial Hospital	232,428	7	0.67%	121,876	10	0.58%
Don Wilson Builders	222,754	8	0.64%	140,153	8	0.67%
New Horizons HOA	213,422	9	0.62%	140,546	7	0.67%
Summerwind HOA	203,722	10	0.59%	127,760	9	0.61%
Total	\$ 12,155,014		35.08%	\$ 5,886,557		28.11%

Source: Global Water Top Customer Report

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

Fiscal Year Ended June 30	Governmental Activities					Business-type Activities				Total Primary Government	Percent of Assessed Value ⁵	Debt Per Capita
	General Government Certificates of Participation ¹	Tax Allocation Bonds ²	Notes Payable ²	Capital Lease Payable ³	Total Government Activities	Water Revenue Bonds ⁴	Easement Payable ³	Total Business-type Activities				
2015	\$ 57,784	\$ -	\$ -	\$ 155	\$ 57,939	\$ -	\$ 1,453	\$ 1,453	\$ 59,392	0.24%	\$ 401	
2014 ⁶	58,701	-	-	239	58,940	-	1,453	1,453	60,393	0.25%	409	
2013	59,160	-	-	310	59,470	620	1,453	2,073	61,543	0.27%	419	
2012	60,695	-	-	-	60,695	1,190	-	1,190	61,885	0.27%	424	
2011	62,175	30,324	13,635	-	106,134	1,730	-	1,730	107,864	0.46%	739	
2010	63,615	31,904	12,910	-	108,429	2,245	-	2,245	110,674	0.47%	743	
2009	45,825	33,367	12,117	-	91,309	2,745	-	2,745	94,054	0.41%	631	
2008	46,880	34,729	11,429	-	93,038	3,245	-	3,245	96,283	0.44%	646	
2007	47,905	36,229	10,676	-	94,810	3,710	-	3,710	98,520	0.48%	661	
2006	48,910	37,438	9,930	-	96,278	4,165	-	4,165	100,443	0.53%	683	

Notes:

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

¹ In December 2009 the City issued \$19 million of new Certificates of Participation for land. In 2014 the City issued \$40 million of new Certificates of Participation and retired \$35 million of older Certificates of Participation generating \$6 million for capital projects. The City also retired an additional \$6 million from a separate 1998 Certificate of Participation issuance.

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

³ In 2013, the City entered a 5-year capital lease agreement for vehicles and the City's Public Works Department - Water Division entered a 30-year easement agreement for access to a land-locked parcel of City property.

⁴ In 2014 the final scheduled payment was made on the City's Public Works Department-Water Division \$5 million Water Revenue Refunding Bonds.

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

⁶ 2014 amounts have been restated to include \$661,000.00 in premium on the 2014 debt issue.

City of Torrance
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars, except Per Capita)

Debt Capacity
Exhibit 2

Fiscal Year Ended June 30	Outstanding Net General Bonded Debt			Percent of Assessed Value ²	Per Capita
	General Government Certificates of Participation	Less Amounts Available in Debt Service Funds ¹	Net General Bonded Debt		
2015	\$ 57,784	\$ 3,737	\$ 54,047	0.22%	\$ 365
2014 ³	58,701	3,746	54,955	0.23%	372
2013	59,160	4,581	54,579	0.24%	371
2012	60,695	4,583	56,112	0.25%	384
2011	62,175	4,651	57,524	0.26%	394
2010	63,615	4,650	58,965	0.26%	393
2009	45,825	3,330	42,495	0.19%	285
2008	46,880	3,332	43,548	0.21%	292
2007	47,905	3,335	44,570	0.23%	299
2006	48,910	3,334	45,576	0.25%	310

Notes:

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

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

¹ Amounts represent cash in debt service reserve accounts held with fiscal agents restricted for the payment of existing bond debt.

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

³ 2014 amounts have been restated to include \$661,000.00 in premium on the 2014 debt issue.

City of Torrance
Direct and Overlapping Debt
June 30, 2015
(in thousands of dollars)

Debt Capacity
Exhibit 3

City Assessed Valuation		<u>\$ 24,893,228</u>	
	Percentage Applicable ¹	Outstanding Debt 6/30/15	Estimated Share of Overlapping Debt
Overlapping Debt Repaid with Property Taxes:			
Los Angeles County Flood Control District	2.183%	\$ 15,105	\$ 330
Metropolitan Water District	1.127%	110,420	1,244
El Camino Community College District	29.399%	328,089	96,455
Los Angeles Community College District	0.003%	3,569,833	107
Los Angeles Unified School District	0.003%	10,348,733	310
Torrance Unified School District	99.997%	369,992	369,981
Los Angeles County Regional Park and Open Space Assessment District	2.173%	<u>82,880</u>	<u>1,801</u>
Total overlapping debt to be repaid with property taxes		<u>14,825,052</u>	<u>470,228</u>
Overlapping Other Debt:			
Los Angeles County General Fund Obligations	2.173%	\$ 1,898,066	\$ 41,245
Los Angeles County Superintendent of Schools Certificates of Participation	2.173%	8,719	189
Los Angeles County Sanitation District No.5 Authority	28.229%	31,644	8,933
Los Angeles County Sanitation South Bay Cities Authority	4.710%	5,391	254
Los Angeles Unified School District Certificates of Participation	0.003%	307,167	9
Torrance Unified School District General Fund Obligations	99.997%	<u>2,320</u>	<u>2,320</u>
Total overlapping other debt		<u>2,253,307</u>	<u>52,950</u>
Total overlapping debt		<u>\$ 17,078,359</u>	523,178
City direct debt:			
Certificates of Participation (including premium)			57,784
Capital Lease			<u>155</u>
Total City direct debt			57,939
Total direct and overlapping debt			<u>\$ 581,117</u>

Notes:

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

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

Source: California Municipal Statistics, Inc

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

Debt Capacity
 Exhibit 4

	Fiscal Year									
	2015	2014 ¹	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 933,496	\$ 897,585	\$ 858,784	\$ 851,380	\$ 839,987	\$ 849,327	\$ 829,014	\$ 791,951	\$ 738,392	\$ 676,411
Total net debt applicable to limit	<u>57,784</u>	<u>58,701</u>	<u>59,160</u>	<u>60,695</u>	<u>62,175</u>	<u>63,615</u>	<u>45,825</u>	<u>46,880</u>	<u>47,905</u>	<u>48,910</u>
Legal debt margin	<u>\$ 875,712</u>	<u>\$ 838,884</u>	<u>\$ 799,624</u>	<u>\$ 790,685</u>	<u>\$ 777,812</u>	<u>\$ 785,712</u>	<u>\$ 783,189</u>	<u>\$ 745,071</u>	<u>\$ 690,487</u>	<u>\$ 627,501</u>
Total net debt applicable to the limit as a percentage of debt limit	6.2%	6.5%	6.9%	7.1%	7.4%	7.5%	5.5%	5.9%	6.5%	7.2%

Legal Debt Margin Calculation for Fiscal Year 2015:

Assessed value	\$ 24,893,228
Debt limit (3.75% of assessed value)	\$ 933,496
Debt applicable to limit:	
General government Certificates of Participation	<u>57,784</u>
Legal debt margin	<u>\$ 875,712</u>

Notes:

¹ 2014 amounts have been restated to include \$661,000.00 in premium on the 2014 debt issue.

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

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

Fiscal Year Ended June 30	Water Revenue Bonds						Tax Allocation Bonds			
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Tax Increment	Debt Service		Coverage
				Principal	Interest			Principal	Interest	
2015	\$ 36,001	\$ 31,967	\$ 4,034	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
2014 ¹	40,726	33,628	7,098	620	17	11.14	-	-	-	-
2013	36,156	31,375	4,781	570	44	7.79	-	-	-	-
2012 ²	34,011	29,558	4,453	540	71	7.29	-	-	-	-
2011	30,159	27,501	2,658	515	97	4.34	8,505	1,580	1,743	2.56
2010	27,225	25,489	1,736	500	126	2.77	8,366	1,463	1,830	2.54
2009	23,562	22,023	1,539	500	133	2.43	9,122	1,362	1,911	2.79
2008	23,309	21,955	1,354	465	148	2.21	8,028	1,500	1,993	2.30
2007	22,671	20,779	1,892	455	162	3.07	7,058	1,209	2,071	2.15
2006	21,880	20,641	1,239	445	175	2.00	6,735	1,120	2,136	2.07

Notes:

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

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

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

City of Torrance
Demographic and Economic Indicators
Last Ten Calendar Years

Demographic and Economic
Exhibit 1

Calendar Year	Torrance Population ¹	Los Angeles County Population ¹	Personal Income (in thousands) ²	Per Capita Personal Income ²	Unemployment Rate ³
2014	148,427	10,136,559	\$ 466,098,988	45,982	5.8%
2013	147,706	10,041,797	443,088,010	44,124	4.9%
2012	146,860	9,958,091	420,913,463	42,268	5.4%
2011	146,115	9,884,632	410,674,615	41,547	6.2%
2010	145,927	9,858,989	402,459,119	40,822	6.4%
2009	149,717	10,441,080	413,316,582	39,586	5.8%
2008	149,111	10,393,185	390,295,865	37,553	3.7%
2007	148,965	10,363,850	369,174,348	35,621	2.4%
2006	148,558	10,331,939	342,231,121	33,123	2.3%
2005	147,108	10,245,572	329,048,068	32,115	2.5%

- Sources:
- ¹ State Department of Finance. Population for 2010 was adjusted based on the 2010 Federal Census.
 - ² U.S. Department of Commerce - Bureau of Economic Analysis
The Personal Income data shown is for the previous calendar year. The calendar year 2014 data will be available in the spring of 2016.
The Personal Income for the City of Torrance is unavailable, the data shown is for Los Angeles County.
 - ³ Office of Economic Development

City of Torrance
Principal Employers
Current Fiscal Year and Nine Years Ago Ending June 30

Demographic and Economic
Exhibit 2

Employer	2015			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Toyota Motor Sales/Credit Corp	3,886	1	5.2%	3,213	1	4.1%
Torrance Unified School District	2,461	2	3.3%	-	-	-
Providence Little Company of Mary Medical Center	2,088	3	2.8%	-	-	-
American Honda	2,009	4	2.7%	1,640	2	2.1%
City of Torrance	1,692	5	2.3%	-	-	-
Yoshinoya America	1,600	6	2.2%	-	-	-
Honeywell International	1,443	7	1.9%	1,041	5	1.3%
Lisi Aerospace / Hi Shear Corporation	1,216	8	1.6%	573	10	0.7%
Robinson Helicopter Company	1,212	9	1.6%	1,198	3	1.5%
Alcoa Fastening Systems	865	10	1.2%	1,129	4	1.4%
Adecco North America, LLC	-	-	-	970	6	1.2%
Motor Car Parts & Accessories, Inc.	-	-	-	850	7	1.1%
Exxon Mobil Oil Corporation	-	-	-	701	8	0.9%
L-3 Communications Electron Tech, Inc.	-	-	-	617	9	0.8%

Notes:

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

Data for 2006 does not include government and non-profit employers.

Source: City of Torrance Finance Department
Muniservices, LLC
State of California Employment Development Department

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

Operating
 Exhibit I

Function	Full-time and Part-time Employees as of June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	277	272	269	274	274	295	293	290	290	279
Public safety	520	522	507	504	513	515	531	526	531	525
Public works	141	148	148	145	141	145	154	145	139	141
Community services	441	445	454	444	465	500	476	489	470	463
Community development	63	62	61	59	65	71	69	72	71	73
Municipal Airport	10	9	10	10	10	9	5	4	5	5
Transit System	130	128	139	123	125	124	128	133	127	131
Water	29	31	28	33	29	29	26	26	25	29
Sewer	19	20	20	16	16	15	15	17	16	21
Cultural Arts Center	52	47	44	45	48	46	52	54	52	46
Workforce Investment Network	-	-	-	-	-	-	-	-	28	34
Total	<u>1,682</u>	<u>1,684</u>	<u>1,680</u>	<u>1,653</u>	<u>1,686</u>	<u>1,749</u>	<u>1,749</u>	<u>1,756</u>	<u>1,754</u>	<u>1,747</u>

Note:
 Source: City of Torrance Finance Department - Payroll Section

City of Torrance
Operating Indicators by Function
Last Ten Fiscal Years

Operating
Exhibit 2

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Arrests	4,217	4,546	4,480	5,424	5,538	6,294	6,772	6,097	7,181	7,075
Bookings	2,840	3,644	3,070	3,359	3,562	4,053	4,007	3,868	4,047	3,597
Parking violations	20,900	16,089	12,853	16,267	15,211	16,412	20,269	27,475	24,169	20,218
Traffic violations	19,776	12,831	16,837	16,913	14,820	18,157	15,695	15,743	17,179	19,786
Fire										
Number of calls answered	13,669	12,803	12,968	12,456	12,338	12,179	12,707	12,847	12,636	12,190
Inspections	9,424	7,264	9,493	8,977	8,862	8,322	9,137	8,028	8,572	10,314
Highways, streets and other transportation										
Potholes repaired	5,080	5,100	4,921	5,400	5,600	5,200	4,700	5,800	5,500	7,000
Number of tenant aircraft	500	500	500	500	500	500	500	500	500	500
Number of fixed bus routes	11	11	10	8	8	8	8	8	8	8
Sanitation										
Refuse collected (tons/day)	143	144	148	182	194	213	224	219	233	250
Recyclables collected (tons/day)	49	48	50	51	53	55	64	64	65	60
Green waste collected (tons/day)	66	63	67	31	22	18	12	8	—	—
Culture and recreation										
Number of registrants served	26,451	27,664	29,843	32,290	41,850	43,177	45,146	46,352	43,223	42,069
Registrant fees collected	\$2,952,473	\$2,919,262	\$3,162,396	\$3,145,548	\$3,401,771	\$3,151,047	\$3,489,623	\$3,345,329	\$3,253,641	\$3,063,565
Community center admissions	40,230	48,162	42,403	42,495	46,898	40,153	53,665	50,035	53,012	56,635
Water										
New connections	26	32	48	46	19	23	63	99	19	22
Water main emergency repairs (breaks)	36	67	46	41	57	55	55	64	90	72
Average daily consumption (thousands of gallons)	16,400	19,000	16,900	16,270	17,621	17,574	17,484	22,300	26,420	20,366

Notes:

¹ Inspection records are kept on a calendar year basis. The first half of fiscal year 2006 is estimated at 25% of total inspections reported for 2005. Most inspections are initiated in the second half of the fiscal year.

Sources: City of Torrance various departments

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

Operating
 Exhibit 3

Function	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	56	56	56	53	47	51	51	47	48	49
Motorcycles	16	16	16	16	16	19	19	19	19	19
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
In-service fire control vehicles	17	17	17	18	17	17	17	17	15	15
In-service paramedic vehicles	8	8	8	8	8	7	8	8	8	6
Sanitation										
Collection trucks	34	35	34	37	35	36	32	33	38	32
Highways, streets and airport										
Streets (centerline miles)-arterial	67	67	67	67	67	67	67	67	67	67
Streets (centerline miles)-collector	29	29	29	29	29	29	29	29	29	29
Streets (centerline miles)-residential	242	242	242	242	242	242	242	242	242	242
Streets (centerline miles)-alleys	19	19	19	19	19	19	19	19	19	19
Traffic signals	130	130	130	125	120	116	116	116	116	116
Streetlights	10,877	10,877	10,878	10,879	10,879	10,879	10,875	10,875	10,875	10,875
Airport hangars	341	341	341	341	341	341	341	341	341	339
Culture and recreation										
Parks acreage	279	279	279	279	279	279	278	278	278	280
Parks	33	33	33	33	33	33	32	32	32	32
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	11	11	11	11	11	11	11	11	11	11
Community centers	3	3	3	3	3	3	3	3	3	3
Public libraries	6	6	6	6	6	6	6	6	6	6
Water										
Water mains (miles)	311	311	311	311	311	310	311	310	310	310
Fire hydrants	2,670	2,670	2,670	2,662	2,660	2,606	2,650	2,631	2,606	2,606
Maximum daily capacity (thousands of gallons)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Sewer										
Sanitary sewers (miles)	287	287	287	287	287	287	287	287	287	287
Storm sewers (miles)	59	59	59	59	59	59	59	59	59	59

Sources: City of Torrance various departments

City OF Torrance



COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2015

(Not covered by Accountants' Report)

❖ OTHER SUPPLEMENTARY INFORMATION ❖

Other Supplementary
Information

**Continuing Disclosure Reporting
City of Torrance**

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

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

SECTION 4(b) – Content of Annual Reports

(i) General fund summary of revenues and expenditures:

City of Torrance
General Fund - Audited Revenues, Expenditures and Fund Balances
For Fiscal Years 2011-12 through 2014-15

	Audited FY 2011-12	Audited FY 2012-13	Audited FY 2013-14	Audited FY 2014-15
Revenues:				
Taxes	\$ 134,698,431	\$ 142,048,398	\$ 146,866,492	\$ 150,734,683
Licenses, fees and permits	1,919,074	2,044,556	2,893,100	2,741,239
Fines, forfeitures and penalties	1,225,781	1,009,813	1,075,432	1,245,062
Use of money and property	6,345,471	1,459,391	2,386,431	3,264,494
Intergovernmental	412,071	384,721	318,023	1,929,517
Charges for current services	6,727,769	6,906,785	7,904,101	5,094,701
Other revenues	1,609,802	367,026	1,897,953	10,494,567
Total Revenues	152,938,399	154,220,690	163,341,532	175,504,263
Expenditures:				
Current operating:				
General government	21,283,272	16,731,643	17,119,409	18,377,829
Nondepartmental	6,427,951	5,597,878	5,477,858	5,445,281
Public safety	92,933,698	95,665,694	97,391,758	101,709,051
Public works	9,121,333	11,103,789	11,372,329	11,309,683
Cultural and recreation	13,507,550	13,499,223	14,539,491	14,853,552
Community development	—	3,916,116	3,747,524	3,622,984
Capital outlays	196,521	—	—	—
Total Expenditures	143,470,325	146,514,343	149,648,369	155,318,380
Excess (deficiency) of revenues over expenditures	9,468,074	7,706,347	13,693,163	20,185,883
Other financing sources (uses)				
Operating transfers in	10,501,978	9,436,987	19,676,580	9,913,094
Operating transfers out	(19,010,308)	(17,996,011)	(24,052,142)	(24,489,489)
Total other financing sources (uses)	(8,508,330)	(8,559,024)	(4,375,562)	(14,576,395)
Excess (deficiency) of revenues and other financing sources over expenditures	959,744	(852,677)	9,317,601	5,609,488
Fund balance, July 1	51,737,301	52,697,045	90,874,722	61,124,568
Prior period adjustment	—	39,030,354	(39,067,755)	—
Fund balance, June 30	\$ 52,697,045	\$ 90,874,722	\$ 61,124,568	\$ 66,734,056

(ii) General fund balance sheet:

City of Torrance
General Fund - Audited Balance Sheet
As of June 30 for Fiscal Years 2011-12 through 2014-15

	Audited FY 2011-12	Audited FY 2012-13	Audited FY 2013-14	Audited FY 2014-15
Assets:				
Pooled cash and investments	\$ 64,416,869	\$ 58,161,227	\$ 60,562,920	\$ 61,883,774
Accounts receivable	7,465,291	8,834,645	8,194,733	17,963,762
Accrued interest receivable	494,413	418,668	271,787	254,442
Due from other funds	3,500,188	1,599,140	965,282	3,377,182
Due from other governments	8,125,962	7,749,795	7,405,507	9,005,864
Advances to other funds	15,271,956	54,302,310	24,978,265	25,015,829
Prepays and other assets	1,000,567	256,761	1,376,506	246,277
Total Assets	\$ 100,275,246	\$ 131,322,546	\$ 103,755,000	\$ 117,747,130
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Accounts payable	\$ 2,738,675	\$ 1,542,393	\$ 1,906,872	\$ 2,304,170
Accrued liabilities	6,239,298	5,781,624	6,728,107	13,644,915
Interfund advances payable	600,000	600,000	600,000	600,000
Notes payable	38,000,000	32,500,000	30,000,000	31,000,000
Unearned revenue	—	9,722	—	—
Deposits and guarantees	228	14,085	111,328	46,914
Total Liabilities	47,578,201	40,447,824	39,346,307	47,595,999
Deferred Inflows of Resources:				
Unavailable revenue	—	—	3,284,125	3,417,075
Total Deferred Inflows of Resources	—	—	3,284,125	3,417,075
Fund Balance:				
Nonspendable:				
Advances, net	—	53,702,310	21,094,140	20,998,754
Prepays	1,000,567	256,761	1,376,506	246,277
Restricted for:				
Culture and recreation	1,128,008	1,252,662	478,941	579,748
Assigned to:				
Culture and recreation	3,183,286	3,706,213	4,897,304	4,483,706
Public safety	170,162	146,320	69,947	63,075
Special project reserves	9,943,482	9,388,503	4,353,354	4,203,835
Capital projects	6,499,983	6,956,112	7,654,677	6,719,600
Unassigned	30,771,557	15,465,841	21,199,699	29,439,061
Total Fund Balance	52,697,045	90,874,722	61,124,568	66,734,056
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 100,275,246	\$ 131,322,546	\$ 103,755,000	\$ 117,747,130

(iii) General fund budget:

City of Torrance
General Fund - Comparison of Budgeted and Actual
Revenues, Expenditures and Fund Balances (Budgetary Basis)
For Fiscal Years 2012-13 through 2014-15

	Budgeted FY 2012-13	Audited FY 2012-13	Budgeted FY 2013-14	Audited FY 2013-14	Budgeted FY 2014-15	Audited FY 2014-15
Fund Balance, July 1	\$ 52,697,045	\$ 52,697,045	\$ 90,874,722	\$ 90,874,722	\$ 61,124,568	\$ 61,124,568
Revenues:						
Taxes	144,752,308	142,048,398	149,325,714	146,866,492	154,355,220	150,734,683
Licenses, fees and permits	1,932,900	2,044,556	1,969,186	2,893,100	2,330,051	2,741,239
Fines, forfeitures and penalties	1,330,000	1,009,813	1,330,000	1,075,432	1,330,000	1,245,062
Use of money and property	2,881,200	1,459,391	2,772,462	2,386,431	3,519,302	3,264,494
Intergovernmental	370,000	384,721	370,000	318,023	370,000	1,929,517
Charges for current services	7,431,500	6,906,785	7,062,000	7,904,101	5,655,277	5,094,701
Other revenues	1,529,548	367,026	1,843,899	1,897,953	516,590	10,494,567
Transfers in	9,336,921	9,436,987	19,676,580	19,676,580	11,213,094	9,913,094
Total Revenues	169,564,377	163,657,677	184,349,841	183,018,112	179,289,534	185,417,357
Expenditures:						
Current operating:						
General government	19,103,972	17,486,060	19,503,766	17,747,072	19,858,165	19,308,809
Nondepartmental	6,570,112	5,602,408	6,399,386	5,496,235	6,422,423	5,449,325
Public safety	96,963,999	95,741,625	98,555,749	97,514,843	102,810,244	101,790,804
Public works	11,810,581	11,523,315	11,595,552	11,500,735	11,794,512	11,480,193
Cultural and recreation	13,971,582	13,602,978	14,846,934	14,664,126	15,534,437	15,034,976
Community development	3,963,680	4,036,860	4,003,578	3,951,583	3,836,975	3,811,572
Transfers out	18,790,981	17,996,011	25,562,169	24,052,142	25,077,502	24,489,489
Total Expenditures	171,174,907	165,989,257	180,467,134	174,926,736	185,334,258	181,365,168
Fund balance, June 30	\$ 51,086,515	\$ 50,365,465	\$ 94,757,429	\$ 98,966,098	\$ 55,079,844	\$ 65,176,757

(iv) General fund tax revenues by source:

City of Torrance
General Fund Tax Revenues by Source
For Fiscal Years 2009-10 through 2014-15

Source	Audited FY 2009-10	Audited FY 2010-11	Audited FY 2011-12	Audited FY 2012-13	Audited FY 2013-14	Audited FY 2014-15
Property taxes	\$ 47,109,505	\$ 47,935,430	\$ 49,017,500	\$ 51,533,859	\$ 53,575,684	\$ 54,609,105
Sales and use tax	25,103,636	28,965,148	30,163,249	31,804,636	31,963,111	33,185,057
Utility users tax	31,347,850	31,357,562	30,348,324	30,530,728	31,345,769	30,709,802
Other taxes	20,456,965	22,264,687	25,169,358	28,179,175	29,981,928	32,230,719
Licenses, fees and permits	1,617,719	1,639,218	1,919,074	2,044,556	2,893,100	2,741,239
Fines, forfeitures and penalties	1,039,810	1,084,493	1,225,781	1,009,813	1,075,432	1,245,062
Use of money and property	5,008,322	5,853,273	6,345,471	1,459,391	2,386,431	3,264,494
Intergovernmental	827,100	1,020,138	412,071	384,721	318,023	1,929,517
Current service charges & other revenues	8,951,285	8,770,083	8,337,571	7,273,811	9,802,054	15,589,268
Total	\$ 141,462,192	\$ 148,890,032	\$ 152,938,399	\$ 154,220,690	\$ 163,341,532	\$ 175,504,263

(v) Sales tax rates:

**City of Torrance
Current Sales Tax Rates**

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

Source: California State Board of Equalization

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

**City of Torrance
Historical Assessed Valuation
Fiscal Years 2005-06 through 2014-15
(Dollars in Thousands)**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2005-06	\$ 17,836,645	\$ 6,264	\$ 995,440	\$ 18,838,349	-
2006-07	19,513,908	5,418	1,012,554	20,531,880	9.0%
2007-08	20,963,741	2,270	1,037,399	22,003,410	7.2%
2008-09	22,121,342	2,270	1,076,589	23,200,201	5.4%
2009-10	22,621,364	13,724	1,127,722	23,762,810	2.4%
2010-11	22,388,556	2,656	1,059,577	23,450,789	-1.3%
2011-12	21,709,424	5	994,043	22,703,472	-3.2%
2012-13	21,944,550	5	956,343	22,900,898	0.9%
2013-14	22,966,213	5	969,386	23,935,604	4.5%
2014-15	23,878,575	5	1,014,648	24,893,228	4.0%

**City of Torrance
Secured Property Tax Levies and Tax Collections
Fiscal Years 2010-11 through 2014-15**

Fiscal Year	Secured Tax Levy (as of June 30)	Amount Delinquent (as of June 30)	% Delinquent (as of June 30)
2010-11	\$ 25,842,962	\$ 640,998	2.5%
2011-12	26,432,270	572,661	2.2%
2012-13	26,690,685	488,550	1.8%
2013-14	28,085,401	423,177	1.5%
2014-15	29,302,614	426,872	1.5%

City of Torrance
Property Tax Levies and Tax Collections
Fiscal Years 2010-11 through 2014-15
(Dollars in Thousands)

Fiscal Year	Total Current Tax Levy	Collections of Secured & Unsecured Taxes for Current Fiscal Year	% of Levy Collected During Fiscal Year	Total Tax Collections (Including Delinquencies)	Collections as % of Current Levy	Outstanding Delinquent Taxes	Delinquent Taxes as % of Current Levy
2010-11	\$ 27,264	\$ 26,487	97.2%	\$ 26,728	98.0%	\$ 777	2.8%
2011-12	27,920	27,283	97.7%	27,271	97.7%	637	2.3%
2012-13	28,101	27,508	97.9%	28,195	100.3%	593	2.1%
2013-14	29,533	28,995	98.2%	28,873	97.8%	538	1.8%
2014-15	30,778	30,243	98.3%	30,232	98.2%	535	1.7%

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

This information can be found beginning on page 55 of this CAFR.

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

Outstanding Principal Amount (as of January 1, 2016)	
Certificates of Participation, Series 2009	\$16,890,000
Certificates of Participation, Series 2014	\$39,895,000

Reserve Fund Balance (estimated as of January 1, 2016)	
Certificates of Participation, Series 2009	\$1,258,018.84
Certificates of Participation, Series 2014	\$2,478,996.12

(ix) Table of direct and overlapping debt:

A table showing direct and overlapping debt information can be found on page 141 of this CAFR.

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

City of Torrance
Investment Portfolio Summary
(as of June 30, 2015)

Type of Investment	Book Value	Market Value	% of Portfolio
LAIF	50,000,000	50,000,000	26.35%
Federal Agency Issues	106,072,199	106,168,850	55.90%
CD Collateralized-Insured	9,065,000	9,066,537	4.78%
Treasury Securities - Coupon	4,984,277	5,039,460	2.63%
Medium Term Notes	19,631,246	19,723,207	10.34%
Total	189,752,722	189,998,054	100%

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

Details for the City's retirement system can be found beginning on page 60 of this CAFR.

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

Details for the City's OPEB system can be found beginning on page 72 of this CAFR.

SECTION 5 – Reporting of Significant Events

There were no significant events that occurred during the Fiscal Year ended June 30, 2015. According to the Continuing Disclosure Certificate, significant events include:

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

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

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

\$12,770,000 TAX ALLOCATION SUBORDINATE LIEN REFUNDING BONDS 1998 SERIES B (UNINSURED) (TORRANCE INDUSTRIAL REDEVELOPMENT PROJECT)	\$18,500,000 TAX ALLOCATION SENIOR LIEN FORWARD REFUNDING BONDS 1999 SERIES C (INSURED) (TORRANCE INDUSTRIAL REDEVELOPMENT PROJECT)
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SECTION 4 – Content of Annual Reports

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

a) Audited Financial Statements of the Agency:

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

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

b) Financial information and operating data:

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

A summary of Agency indebtedness can be found beginning on page 89 of this CAFR.

Outstanding Principal Amount (as of June 30, 2015)	
1998 Series A (Downtown)	\$5,580,000
1998 Series B (Industrial)	\$6,205,000
1999 Series C (Industrial)	\$12,450,000

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

Pending and successful appeals did not exceed 5% of the total assessed value for either Project Area for the fiscal year ending June 30, 2015.

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

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

Assessed Values	1978-79 (Base Year)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Secured:										
Land	\$ 7,527,039	\$79,958,737	\$85,934,323	\$92,481,845	\$91,017,597	\$89,044,391	\$89,863,069	\$89,463,399	\$92,847,560	\$97,496,844
Improvements	7,392,401	75,419,063	77,701,124	80,438,321	80,975,943	80,229,196	84,670,725	87,355,983	90,863,112	96,531,347
Personal Property	641,133	181,410	183,730	183,730	183,730	158,477	158,477	158,477	154,777	154,777
Public Utility	—	25,409	—	—	—	—	—	—	—	—
Exemptions	(288,120)	(2,625,445)	(2,713,189)	(2,805,823)	(2,836,163)	(2,831,815)	(2,810,581)	(2,826,427)	(2,834,612)	(3,094,226)
Total Secured	15,272,453	152,959,174	161,105,988	170,298,073	169,341,107	166,600,249	171,881,690	174,151,432	181,030,837	191,088,742
Unsecured:										
Improvements	—	12,542,590	7,204,722	11,826,039	9,774,544	9,560,067	9,068,450	10,139,109	12,764,339	12,893,800
Personal Property	3,686,640	12,187,704	12,283,939	14,931,998	12,158,952	9,706,822	9,190,682	10,699,630	9,880,815	10,444,720
Exemptions	(8,700)	(11,500)	(11,500)	(11,500)	(11,500)	(26,500)	(27,000)	(27,000)	(27,000)	(27,000)
Total Unsecured	3,677,940	24,718,794	19,477,161	26,746,537	21,921,996	19,240,389	18,232,132	20,811,739	22,618,154	23,311,520
Grand Total	18,950,393	177,677,968	180,583,149	197,044,610	191,263,103	185,840,638	190,113,822	194,963,171	203,648,991	214,400,262
Less Base Year	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)	(18,950,393)
Incremental Assessed Value	—	158,727,575	161,632,756	178,094,217	172,312,710	166,890,245	171,163,429	176,012,778	184,698,598	195,449,869
<hr/>										
Gross Tax Increment Revenues	—	1,587,276	1,616,328	1,780,942	1,723,127	1,668,902	1,711,634	1,760,128	2,015,284	2,118,312
Less County Pass-Through	—	(319,685)	(305,491)	(458,717)	(216,300)	(352,370)	(1,189,574)	(1,115,575)	(1,154,758)	(1,213,793)
Less SB 2557 Admin. Fee	—	(23,425)	(22,940)	(24,579)	(26,079)	(29,286)	(27,836)	(30,182)	(28,715)	(28,562)
Less Housing Set-Aside	—	(317,455)	(323,266)	(356,188)	(344,625)	(333,780)	—	—	—	—
Available for Debt Service	\$ —	\$ 926,711	\$ 964,631	\$ 941,458	\$ 1,136,123	\$ 953,466	\$ 494,224	\$ 614,371	\$ 831,811	\$ 875,957

Source: MuniServices, LLC and County of Los Angeles

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

Assessed Values	1982-83 (Base Year)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Secured:							
Land	\$ 45,694,325	\$ 233,870,121	\$ 215,921,995	\$ 212,621,429	\$ 191,370,968	\$ 201,390,708	\$ 221,311,875
Improvements	17,326,416	407,504,896	396,441,659	378,541,948	318,184,293	335,468,266	354,742,173
Personal Property	27,645,795	81,874,898	80,022,104	74,562,405	70,024,354	53,542,725	66,324,309
Public Utility	—	13,718,745	2,650,745	2,566,095	6,213,855	116,755	116,755
Exemptions	(185,006)	(364,819)	(371,342)	(372,850)	(376,886)	(381,003)	(3,295,121)
Total Secured	90,481,530	736,603,841	694,665,161	667,919,027	585,416,584	590,137,451	639,199,991
Unsecured:							
Improvements	—	11,013,774	11,863,823	8,988,891	8,220,797	8,516,576	8,199,128
Personal Property	22,492,461	62,732,420	53,861,113	49,205,553	44,908,933	48,316,895	52,805,731
Exemptions	—	(27,505,000)	(27,505,000)	(27,505,000)	(27,505,000)	(27,505,000)	(27,505,000)
Total Unsecured	22,492,461	46,241,194	38,219,936	30,689,444	25,624,730	29,328,471	33,499,859
Grand Total	112,973,991	782,845,035	732,885,097	698,608,471	611,041,314	619,465,922	672,699,850
Less Base Year	(112,973,991)	(112,973,991)	(112,973,991)	(112,973,991)	(112,973,991)	(112,973,991)	(112,973,991)
Incremental Assessed Value	—	669,871,044	619,911,106	585,634,480	498,067,323	506,491,931	559,725,859
<hr/>							
Gross Tax Increment Revenues	—	6,698,710	6,199,111	5,856,345	4,980,673	5,007,421	5,268,165
Project Area Sales Tax Revenues	—	1,562,633	1,662,056	1,776,019	1,932,400	1,644,154	2,003,666
Less County Pass-Through	—	(2,188,025)	(1,836,885)	(971,326)	(1,860,808)	(1,882,118)	(1,971,412)
Less SB 2557 Admin. Fee	—	(98,408)	(99,939)	(87,492)	(73,612)	(72,684)	(75,842)
Less Housing Set-Aside	—	(1,339,742)	(1,239,822)	—	—	—	—
Available for Debt Service	\$ —	\$ 4,635,168	\$ 4,684,521	\$ 6,573,546	\$ 4,978,653	\$ 4,696,773	\$ 5,224,577

Source: MuniServices, LLC and County of Los Angeles

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

**Successor Agency to the City of Torrance
Redevelopment Agency
Industrial Redevelopment Project
Sales Tax Revenues
Fiscal Years 2009-10 through 2014-15**

Fiscal Year	Sales Tax Revenues	Percent Change
2009-10	\$ 1,562,633	-
2010-11	1,662,056	6.4%
2011-12	1,776,019	6.9%
2012-13	1,932,400	8.8%
2013-14	1,644,154	-14.9%
2014-15	2,003,666	21.9%

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

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

Year Ending June 30	Project Area Gross Tax Increment Revenues	Less: County Pass-Throughs	Less: SB 2557 Charge	Less: Housing Set-Aside Requirements	Project Area Net Tax Increment Revenues	Series A Bond Debt Service*	Debt Service Coverage
2015*	\$ 2,118,312	\$ (1,213,793)	\$ (28,562)	\$ —	\$ 875,957	\$ 579,100	1.51
2016	2,160,678	(1,238,069)	(29,133)	—	893,476	579,254	1.54
2017	2,203,892	(1,262,830)	(29,716)	—	911,346	578,575	1.58
2018	2,247,970	(1,288,087)	(30,310)	—	929,573	577,064	1.61
2019	2,292,929	(1,313,849)	(30,916)	—	948,164	574,720	1.65
2020	2,338,788	(1,340,126)	(31,535)	—	967,127	576,320	1.68
2021	2,385,564	(1,366,929)	(32,165)	—	986,470	576,720	1.71
2022	2,433,275	(1,394,268)	(32,809)	—	1,006,198	576,000	1.75
2023	2,481,941	(1,422,153)	(33,465)	—	1,026,323	574,160	1.79
2024	2,531,580	(1,450,596)	(34,134)	—	1,046,850	571,200	1.83
2025	2,582,212	(1,479,608)	(34,817)	—	1,067,787	571,980	1.87
2026	2,633,856	(1,509,200)	(35,513)	—	1,089,143	571,360	1.91
2027	2,686,533	(1,539,384)	(36,224)	—	1,110,925	569,340	1.95
2028	2,740,264	(1,570,172)	(36,948)	—	1,133,144	570,780	1.99
2029	2,795,069	(1,601,575)	(37,687)	—	1,155,807	570,540	2.03

Source:
MuniServices, LLC
* Based on actual

Successor Agency to the City of Torrance Redevelopment Agency

Industrial Redevelopment Project

Projected Debt Service Coverage

Year Ending June 30	Project Area Gross Tax Increment Revenues	Project Area Sales Tax Revenues	Less: County Pass-Throughs	Less: SB 2557 Charge	Less: Housing Set-Aside Requirements	Pledged Tax Revenues	Series A & C (Senior Lien) Bonds Debt Service*	Senior Lien Debt Service Coverage	Pledged Tax Revenues Available After Senior Lien Debt Service	Series B Bond Debt Service*	Subordinate Lien Debt Service Coverage
2015*	\$5,268,165	\$2,003,666	\$(1,971,412)	\$(75,842)	\$ —	\$5,224,577	\$1,284,356	4.07	\$3,940,221	\$642,047	6.14
2016	5,373,528	2,043,739	(2,010,840)	(79,418)	—	5,327,009	1,281,656	4.16	4,045,353	645,453	6.27
2017	5,480,999	2,084,614	(2,051,057)	(81,007)	—	5,433,549	1,282,185	4.24	4,151,364	642,875	6.46
2018	5,590,619	2,126,306	(2,092,078)	(82,627)	—	5,542,220	1,280,806	4.33	4,261,414	644,313	6.61
2019	5,702,431	2,168,832	(2,133,920)	(84,279)	—	5,653,064	1,277,520	4.43	4,375,544	639,766	6.84
2020	5,816,480	2,212,209	(2,176,598)	(85,965)	—	5,766,126	1,277,000	4.52	4,489,126	639,234	7.02
2021	5,932,810	2,256,453	(2,220,130)	(87,684)	—	5,881,449	1,274,100	4.62	4,607,349	642,437	7.17
2022	6,051,466	2,301,582	(2,264,533)	(89,438)	—	5,999,077	1,273,863	4.71	4,725,214	639,375	7.39
2023	6,172,495	2,347,614	(2,309,824)	(91,227)	—	6,119,058	1,271,150	4.81	4,847,908	640,047	7.57
2024	6,295,945	2,394,566	(2,356,020)	(93,051)	—	6,241,440	1,270,825	4.91	4,970,615	639,312	7.77
2025	6,421,864	2,442,457	(2,403,140)	(94,912)	—	6,366,269	1,272,613	5.00	5,093,656	637,172	7.99
2026	6,550,301	2,491,306	(2,451,203)	(96,810)	—	6,493,594	1,271,375	5.11	5,222,219	638,484	8.18
2027	6,681,307	2,541,132	(2,500,227)	(98,747)	—	6,623,465	1,267,113	5.23	5,356,352	638,109	8.39
2028	6,814,933	2,591,955	(2,550,232)	(100,721)	—	6,755,935	1,264,688	5.34	5,491,247	636,047	8.63
2029	6,951,232	2,643,794	(2,601,237)	(102,736)	—	6,891,053	1,263,825	5.45	5,627,228	632,297	8.90

Source: MuniServices, LLC and City of Torrance

* Based on actual

f. Additional material information:

None.

SECTION 5 – Reporting of Significant Events

There were no significant events that occurred during the Fiscal Year ended June 30, 2015. According to the Continuing Disclosure Certificate, significant events include:

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

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