



City of Torrance, California

Comprehensive Annual

Financial Report



Torrance City Hall



Twin Towers Flag - 43rd Armed Forces Day Parade

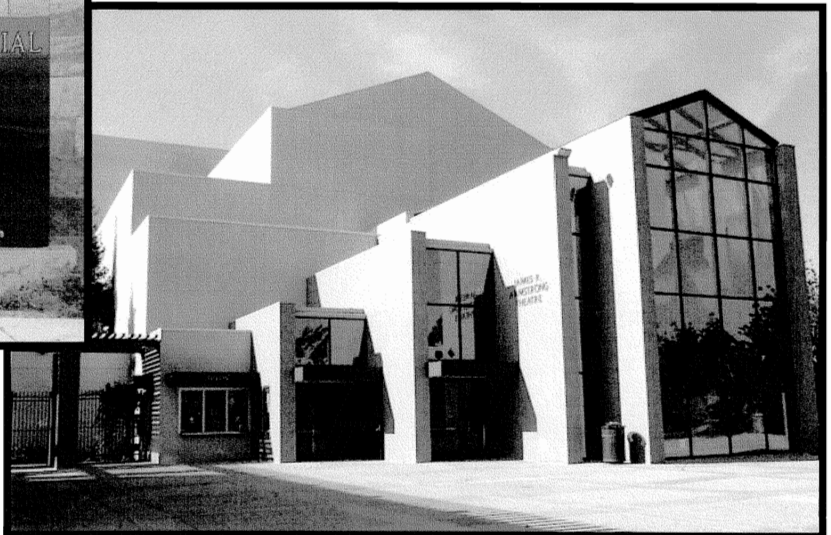
Fiscal Year Ended June 30, 2010
Department of Finance



Wilson Park Sports Center



City of Torrance Veterans Memorial



James R. Armstrong Theater

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2010

Prepared by
Department of Finance

Eric E. Tsao
Finance Director

CITY OF TORRANCE, CALIFORNIA

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA

Comprehensive Annual Financial Report

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i
Directory of City Officials	x
Elected and Appointed Officials	xi
City Departments	xii
Government Finance Officers Association Certificate of Achievement	xiii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities and Changes in Net Assets	20
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities and Changes in Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	28
Budgetary Comparison Statement – Budget-to-GAAP Reconciliation – General Fund	32
Proprietary Fund Financial Statements:	
Statement of Net Assets	34
Statement of Revenues, Expenses and Changes in Fund Net Assets	35
Statement of Cash Flows	36
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Fund Assets and Liabilities – Agency Funds	37
Notes to the Basic Financial Statements	39
Combining Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances– Nonmajor Governmental Funds	82
Combining Balance Sheet – Nonmajor Special Revenue Funds	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Nonmajor Special Revenue Funds	88
Combining Balance Sheet - Nonmajor Capital Project Funds	94

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds	96
Combining Balance Sheet – Nonmajor Debt Service Funds	99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds	100
Combining Statement of Net Assets – Nonmajor Proprietary Funds	102
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits) – Nonmajor Proprietary Funds	103
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	104
Combining Balance Sheet - Internal Service Funds	106
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits) – Internal Service Funds	107
Combining Statement of Cash Flows – Internal Service Funds	108
Combining Statement of Fiduciary Fund Assets and Liabilities – Agency Funds	109
Statement of Changes in Fiduciary Fund Assets and Liabilities – Agency Funds	110
Combined Statement of Changes in Fiduciary Fund Assets and Liabilities – All Agency Funds	112

STATISTICAL SECTION (Not Covered by Independent Auditors' Report):

Overview of Statistical Information Presented in Five Categories	113
Financial Trends:	
Net Assets by Component – Last Eight Fiscal Years	115
Changes in Net Assets – Last Eight Fiscal Years	116
Fund Balances of Governmental Funds – Last Eight Fiscal Years	118
Changes in Fund Balances of Governmental Funds – Last Eight Fiscal Years	119
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property – Last Five Fiscal Years	120
Direct and Overlapping Property Tax Rates – Last Five Fiscal Years	121
Principal Property Tax Payers – Current Fiscal Year	122
Property Tax Levies and Collections – Last Five Fiscal Years	123
Water Sold by Type of Customer – Last Five Fiscal Years	124
Water Rates – Last Five Fiscal Years	125
Principal Water Customers – Current Fiscal Year	126
Debt Capacity:	
Ratios of Outstanding Debt by Type – Last Five Fiscal Years	128
Ratio of Net General Bonded Debt Outstanding – Last Five Fiscal Years	130
Direct and Overlapping Debt – June 30, 2010	131
Legal Debt Margin Information – Last Five Fiscal Years	132
Pledged-Revenue Coverage – Last Five Fiscal Years	134
Demographic and Economic:	
Demographic and Economic Indicators – Last Five Calendar Years	136
Principal Employers – Current Year	137
Operating:	
Full-time and Part-time City Employees by Function – Last Five Fiscal Years	138
Operating Indicators by Function – Last Four Fiscal Years	139
Capital Asset Indicators by Function – Last Four Fiscal Years	140

City OF Torrance



Torrance City Hall

COMPREHENSIVE ANNUAL

Financial REPORT

Fiscal Year Ended June 30, 2010

❖ INTRODUCTORY SECTION ❖

December 21, 2010

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, 2010. The report reflects the fiscal plan of the City to provide a quality level of service to the community while providing for limited incremental funding of approved reserves and meeting operating expenditures with operating revenues. The prudent fiscal management of the Mayor and City Council provides the citizens of Torrance with continued fiscal responsibility at the local level.

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

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

REPORTING ENTITY

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

THE CITY

The City of Torrance is Los Angeles County's sixth largest city, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City has a population of 149,717 within a boundary of approximately 21 square miles. The City borders the beautiful Pacific Ocean and is an integral part of the larger regional area known as the South Bay. The City of Torrance provides a wide range of services. These services include police and fire protection; sanitation, sewer and water services; a library system; a cultural arts center and gallery; recreational services; a municipal airport and bus transit services; the construction and maintenance of streets and infrastructure; planning and zoning; and general administrative and support services.

SERVICE EFFORTS AND ACCOMPLISHMENTS

In fiscal year 2009-10, the City of Torrance continued to provide quality services and programs to its residents and citizens. \$313.9 million was budgeted to support the City's many services and programs and \$3.7 million was budgeted for capital projects for the year such as the Facilities Equipment Automation Projects (FEAPs), infrastructure, and community improvements.

Completed Projects:

Infrastructure Projects: The following infrastructure projects were completed in fiscal year 2009-10:

Street Related Projects:

The City completed the 190th Street rehabilitation project. The completed improvements consisted of pavement reconstruction, rehabilitation and replacement of displaced curbs, gutters and sidewalk from Hawthorne Boulevard to the west city limit. Other street related projects completed were the residential street slurry seal program, the city-wide sidewalk ramping/grinding project and the pavement evaluation project. The Public Works Department currently maintains a Pavement Management System that evaluates roadway conditions city-wide and helps to prioritize funding for street maintenance and rehabilitation. The data in the system is updated to comply with various legislation which mandate agencies to maintain a Pavement Management System with biennially updates.

Water Related Projects:

The water meter and vault replacement project was also completed this year. This project replaced large obsolete and deteriorated meters and vaults. The new meters utilized a touch read system which will reduce reading hazards and improve reading accuracy. The water main replacement project from Crenshaw Boulevard to Gramercy Place and from Artesia Boulevard to the Dominguez Channel and the Torrance Boulevard storm drain projects were also completed this year.

Traffic Projects:

The traffic signal controller upgrade project, which was a two phased project, and the city-wide traffic study were completed this year. A city-wide traffic study was conducted to evaluate existing traffic operation, provide support for the update of the Circulation Element, create a traffic model to forecast the future growth and its impact and recommend mitigation measures. The traffic study is available on the City of Torrance web page.

Sign Projects:

One of the goals of the City's Strategic Plan is to create attractive, identifiable gateways to the City which led to the city-wide entry sign project. There were twenty-six (26) monument signs installed at freeway entrances, at major city boundary arterials and thirty-one (31) "advanced" street signs were installed on Hawthorne and Artesia Boulevards.

Facilities Equipment Automation Projects (FEAPs): The following projects were completed this year:

One Stop Permit Center:

Construction of the City's One Stop Permit Center is scheduled to be completed in early 2011. The Community Development Department is working on several technology projects that relates to the Permit Center to streamline the workflow process.

Fleet:

The Fuel Focus System project was completed which replaced and modernized the City's existing fuel management system. This module provides wireless fuel transaction authorization for all users. Fleet also completed the supplemental environmental project which retrofitted equipment to reduce emissions on certain off-road diesel powered equipment.

Transit:

Ten (10) new alternate fuel hybrid gasoline electric buses were purchased this year and placed into service in June 2010.

Police:

The City purchased two ¾ ton pickups for the Police Commercial Enforcement Detail. The two ¾ ton pick-ups enables the police officers to complete traffic stops more quickly and improve commercial enforcement efforts because all the equipment necessary to complete truck inspections is housed in the inspection vehicle. The Police Department also completed its computer storage area network and server virtualization project. This project will provide better performance, improve disaster recovery time and increase cost effectiveness.

Culture and Recreation:

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

Library:

The following remodel, upgrades and automation were completed:

- Branch library refurbishment for Henderson, Walteria, and North Torrance branches.
- All branch libraries' exteriors were painted.
- Established wireless access to internet (WiFi) at all branch libraries.
- Installed automated external defibrillator (AED) at the Katy Geissert Civic Center Library.
- Lifelong Information Networks and Knowledge (LINK) project program was established to create enhanced programs such as health and fitness, travel expo, financial guidance, etc., for "baby boomers"; established ongoing podcasting and blogging (LINK Logs blog) for the Library.
- Established a Facebook page for the Library Services Division.

The Library Division continues the highly popular Live Homework Help program as well as the Summer Reading program for children and teens.

Cultural:

The Cultural Services Division implemented a policy this year on donating artworks to the City of Torrance and administered the donation and installation of "Dreamin' of the Kiss" sculpture in Miramar Park.

Recreational:

The City hosted the 2nd Environmental Fair at the Madrona Marsh Nature Center in June with 40 exhibits and over a thousand people attended.

The Youth Council implemented their 1st Annual Community Service Project, a collaborative effort between the Torrance Unified School District (TUSD) and the City. The first year project was weeding the Lago Seco Community Garden. The Youth Council also coordinated a teen Talent Show for seniors at the Bartlett Center. Talented teens volunteered from each of the four (4) TUSD high schools as well as Bishop Montgomery and California Academy of Mathematics and Science (CAMS). The Youth Council successfully organized and implemented their 13th Annual Scholarship Award Dinner that recognizes and awards college scholarships to graduating Torrance area high school students.

The 30th Annual Fourth of July Celebration was held and over 25,000 participants attended the event.

The City hosted the Halloween Carnival at Wilson Park with an estimated attendance of 1,400 participants.

The City coordinated the Parks and Recreation Commission selection and distribution of \$40,000 in Non-profit Social Service Agency grants to organizations servicing the Torrance residents.

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

Park Services:

The City supported numerous City sponsored events such as the Armed Forces Day Parade, the Torrance Theater Company productions, and movies and concerts in the parks.

Economic Development:

The City's Economic Development Team is working to promote business retention and expansion. The highlights of the City's ***Economic Development*** in fiscal year 2009-10 are:

The City hosted its "Torrance Advantage Awards" ceremony wherein the City honored and recognized businesses for their locally significant economic development strategies. Awards were given in four categories, focusing on businesses' investment in people, efforts on enriching the community, enhancing the quality of life, and long-term investment. The City honored the contributions of eight businesses. A special award was given to Miyako Hybrid Hotel for achieving Silver Leadership in Energy and Environmental Design (LEED) Certification.

The Torrance Tourism Business Improvement District was established, which is comprised of lodging businesses that contribute to the fund to market the district. The Tourism board's goal is to help market the City of Torrance to encourage people to discover and visit Torrance and contribute to the City's growth.

The City continues to work on revitalizing the Torrance Downtown area. The Tortilla Cantina and the Downtown Grill both will be operating in the Downtown area. City staff also continues to meet with local businesses and residents in the Downtown area to gain consensus and find creative ways to make Downtown Torrance a viable place for businesses.

Public-Private Construction Projects:

- Robinson Helicopter commenced their 135,000 sq. ft expansion project to accommodate a new helicopter model.
- Three automobile dealerships embarked on a facility modernization project with their buildings during the year. It is projected that the Mercedes dealership will be completed by the end of the calendar year. The Infinity dealership will begin their facility modernization next followed by the Ford dealership.

- A new quality assurance laboratory building was completed by ExxonMobil at their refinery.
- Standard Pacific commenced construction on the last phase of their residential project located on Jefferson Street near Wilson Park. This last phase is known as “The Laurels” which consist of 33 condominium units.

General Government Activities:

Safety:

In January 2010, the Police Department implemented “Team Policing.” This new integrated approach brings more officers on the streets when it’s most needed. The Police Department has a new Crime Scene Investigation unit and a DNA lab that helps process every crime scene for evidence and resolves cold cases.

The Police Department has fully staffed its Community Relations Division. This allows the Police Department to engage community members as partners in making Torrance safe. Programs such as Neighborhood Watch, Business Watch, Map your Neighborhood, email alerts and other social media communication tools are in place to help engage the community.

The Torrance Fire Department community outreach program offers public education classes such as the Community Emergency Response Team or CERT and encourages community involvement.

Transparent Government:

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

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

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

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

It took hard work and dedication of City Council, commissioners and all City personnel, police officers, firefighters, field crews, and administrators and cooperation of residents and commitments of businesses in Torrance that made 2009-10 fiscal year accomplishments possible.

FINANCIAL FORECAST AND FUTURE OUTLOOK

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

LONG-TERM PLANNING

Over the past ten years, General Fund revenues grew from \$112 million in fiscal year 1999-2000 to approximately \$153 million in fiscal year 2009-10. Over the ten year period, the General Fund revenues grew 3.5% annually. Revenues exceeded operating expenditures in the General Fund each year with the exception of the 2002-03 fiscal year and the recent recessionary years of 2008-09 and 2009-10. Operating expenditures grew from \$102 million in fiscal year 1999-2000 to \$143 million in fiscal year 2009-10.

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

The revenue forecast for the next two years reflects a minimal growth. The forecast closely parallels the economic recovery of the local economy. The severe economic recession will continue to impact local revenues for several more years. Our forecast projects two years of generally stagnant revenues, through FY 2011-12, followed by gradual improvement.

The City Water Enterprise Fund will be seeking a rate increase in February 2011 to offset increasing water import costs as well as funds for capital maintenance and replacement of water mains. In addition, in order to stabilize the cost of water, as well as become less dependent on purchased water, the City is seeking to issue debt to fund new water well construction.

INTERNAL CONTROLS

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

assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be realized; and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS

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

INDEPENDENT AUDIT

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

AWARDS

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Torrance for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. 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, 2010. 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, 2010

CITY COUNCIL

Frank Scotto, Mayor

Gene Barnett	Cliff Numark
Tom Brewer	Susan Rhilinger
Pat Furey	Bill Sutherland

CITY CLERK

Sue Herbers

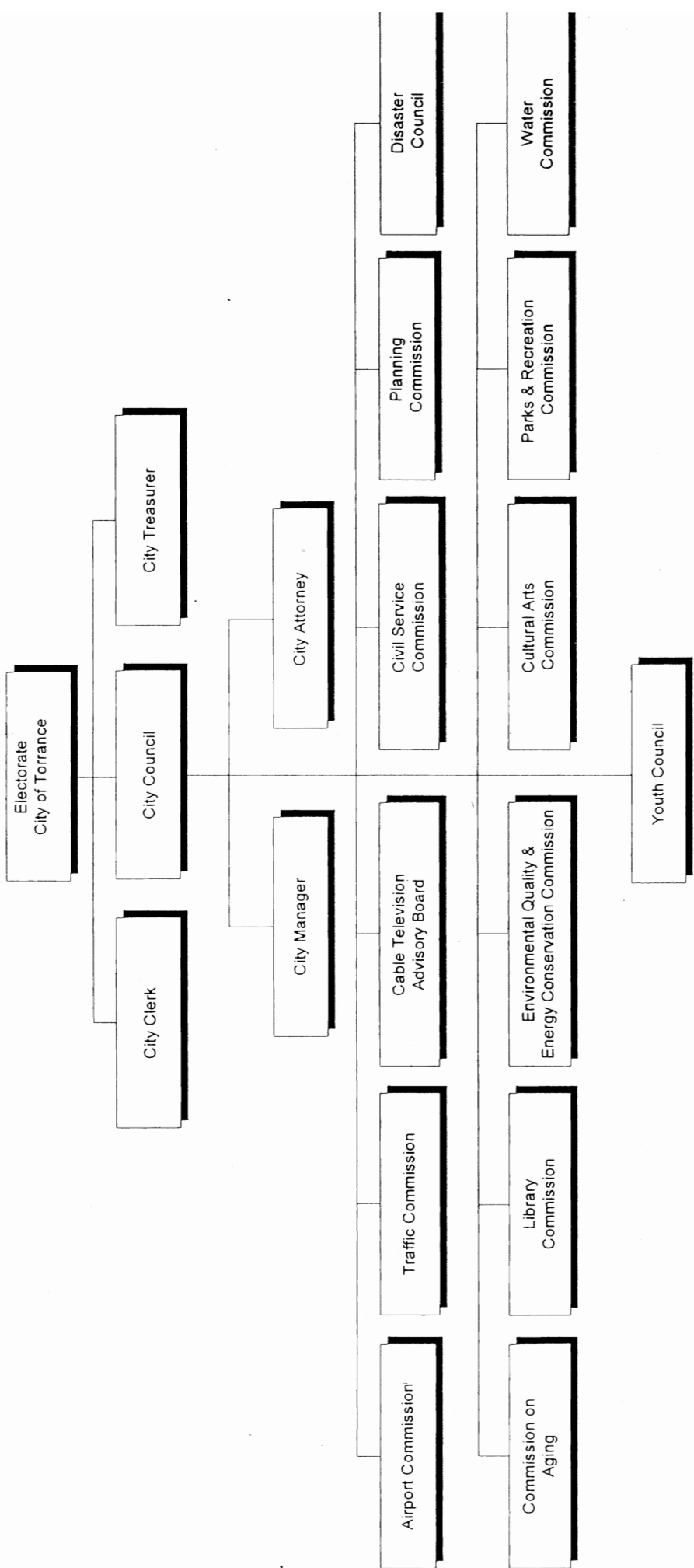
CITY TREASURER

Linda M. Barnett

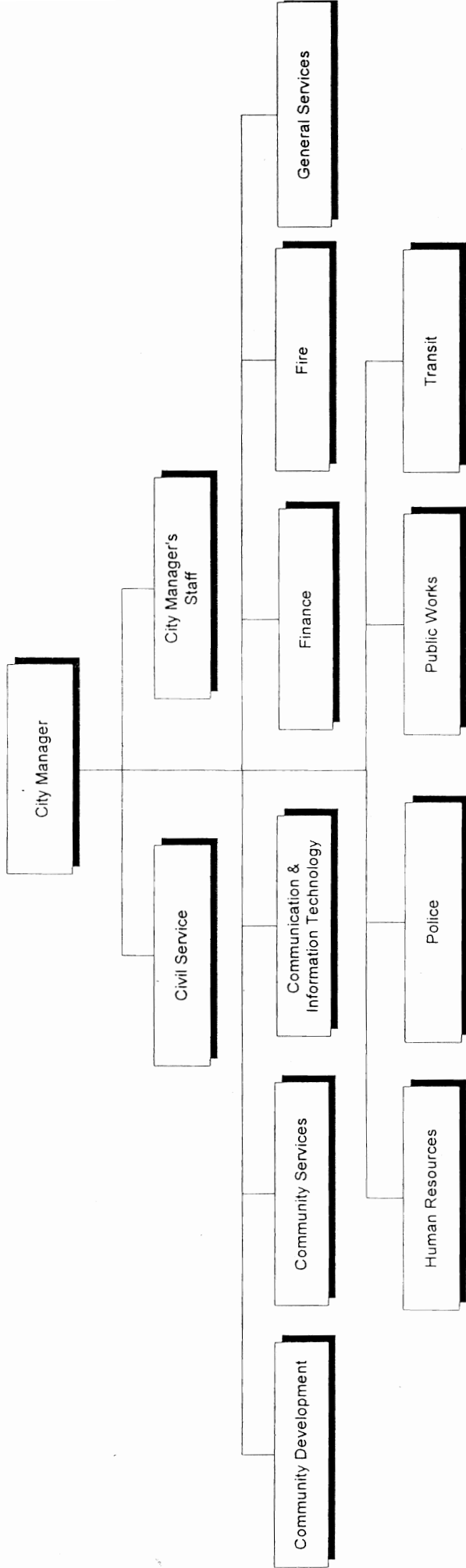
ADMINISTRATION

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

ELECTED AND APPOINTED OFFICIALS



CITY DEPARTMENTS



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Torrance
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director

(This page intentionally left blank)

City OF Torrance



COMPREHENSIVE ANNUAL

REPORT

Fiscal Year Ended June 30, 2010

❖ FINANCIAL SECTION ❖



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

The Honorable City Council
City of Torrance, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California ("City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Torrance. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of the City of Torrance, and the respective budgetary comparison information for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Honorable City Council
City of Torrance
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 22, 2010

City OF Torrance



Council Chamber

Management Discussion & Analysis

❖ DEPARTMENT OF FINANCE ❖

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Torrance financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. 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, 2010.

FINANCIAL HIGHLIGHTS

- The City's total assets (all funds) exceeded its liabilities at the close of fiscal year 2009-10 by \$415.8 million dollars (net assets). This is a 2.0 % or \$8.3 million dollars decrease from last fiscal year net assets of \$424.1 million primarily due to decreases in revenues primarily from sales taxes, utility users' taxes, and occupancy taxes. As prescribed by generally accepted accounting standards, the net assets reported here does not include the City's unfunded actuarial pension liability, which is disclosed in the notes to the financial statements (see Note 8).
- During the year, the City's expenditures (all funds) and net transfers exceeded its revenues for governmental activities by \$7.9 million.
- In the City's business-type activities, revenues and transfers exceeded expenditures by \$0.5 million.
- The General Fund reported an excess of expenditures over revenues before transfers of \$1.8 million and with a net transfers out of \$5.7 million, resulting in decrease to its fund balance of \$7.5 million during the year.
- The City kept General Fund expenditures within spending limits and actual General Fund expenditures on a budgetary basis were \$14.4 million less than budget. The General Fund revenues were \$18.2 million below budgetary basis which was attributable to decrease in sales taxes, utility users' taxes, and occupancy taxes.

USING THIS ANNUAL REPORT

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

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

The City as Trustee

Reporting the City's Fiduciary responsibilities

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's net assets for fiscal year 2009-10 compared to 2008-09 are shown in Table 1:

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$171.0	\$186.1	\$36.9	\$41.7	\$207.9	\$227.8
Capital assets	291.5	262.3	129.9	125.1	421.4	387.4
Total assets	462.5	448.4	166.8	166.8	629.3	615.2
Long-term debt	(166.6)	(144.1)	(2.2)	(2.7)	(168.8)	(146.8)
Other liabilities	(35.5)	(36.1)	(9.2)	(8.2)	(44.7)	(44.3)
Total liabilities	(202.1)	(180.2)	(11.4)	(10.9)	(213.5)	(191.1)
Net assets						
Invested in capital assets, net of related debt	227.9	216.5	127.6	122.4	355.5	338.9
Restricted	68.0	70.5	0.6	0.6	68.6	71.1
Unrestricted	(35.6)	(18.8)	27.3	32.9	(8.3)	14.1
Total net assets	\$260.3	\$268.2	\$155.5	\$155.9	\$415.8	\$424.1

Net assets of the City's governmental activities amounted to \$260.3 million. Of the \$260.3 million, \$227.9 is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$68.0 million is restricted for streets & highways, infrastructure, capital projects, community development, public safety and to pay debt service and (\$35.6) million is unrestricted. The net assets of the City's governmental activities decreased by \$7.9 million (\$260.3 million compared to \$268.2 million in 2008-09). The decrease of fund balance is primarily due to the decrease in sales taxes, utility users' taxes, and occupancy taxes.

Net assets of the City's business-type activities amounted to \$155.5 million. \$127.6 million is invested in capital assets; \$0.6 million is restricted to pay debt service and \$27.3 million is unrestricted. The net assets of the City's business-type activities decreased by \$0.4 million (\$155.5 million compared to \$155.9 million in 2008-09). The primary reason for the decrease in fund balance is the prior period adjustment in the Water and Sewer Enterprise fund balances due to the adjustment in the infrastructure capital assets.

Changes in net assets. The City's total revenues are \$269.2 million and total costs of all programs and services are \$276.6 million with a prior period adjustment of (\$0.9) million amounted to a change in net assets of (\$7.4) million during the year (See Table 2).

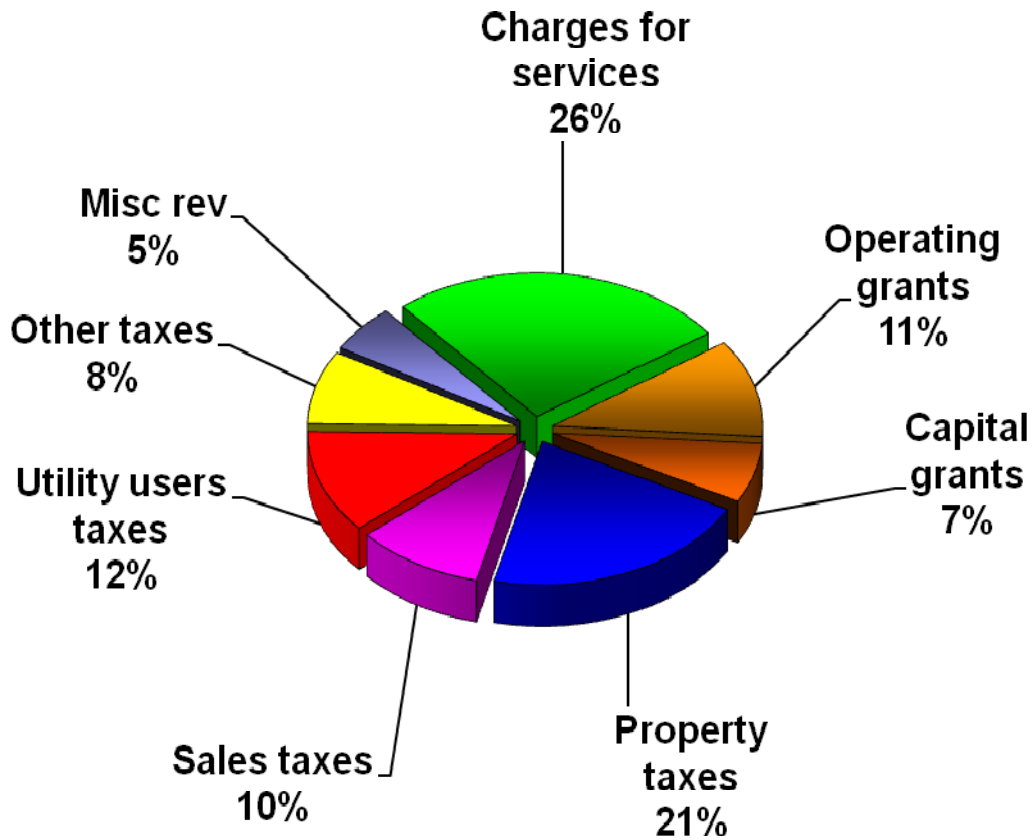
Table 2
Change in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$10.3	\$11.1	\$60.4	\$56.8	\$70.7	\$67.9
Operating grants/contr	12.9	10.7	16.7	15.8	29.6	26.5
Capital grants/contr	10.9	9.6	7.1	0.6	18.0	10.2
General revenues:						
Property taxes	56.1	57.8	-	-	56.1	57.8
Sales taxes	26.7	31.1	-	-	26.7	31.1
Other taxes	53.2	56.7	-	-	53.2	56.7
Investment earnings	7.3	6.4	0.9	1.4	8.2	7.8
Motor vehicle tax (unrestricted)	0.4	0.5	-	-	0.4	0.5
Miscellaneous	6.3	4.0	-	-	6.3	4.0
Total revenues	184.1	187.9	85.1	74.6	269.2	262.5
Expenses						
General government	36.5	39.6	-	-	36.5	39.6
Public safety	93.9	90.0	-	-	93.9	90.0
Public works	25.4	23.6	-	-	25.4	23.6
Culture and recreation	15.2	12.1	-	-	15.2	12.1
Community development	12.6	10.1	-	-	12.6	10.1
Interest on long term debt	5.5	5.7	-	-	5.5	5.7
Airport	-	-	5.5	5.6	5.5	5.6
Transit	-	-	21.8	21.3	21.8	21.3
Water	-	-	26.8	25.7	26.8	25.7
Sewer	-	-	2.3	2.4	2.3	2.4
Sanitation	-	-	11.4	11.0	11.4	11.0
Cultural Arts	-	-	2.1	2.1	2.1	2.1
Parks and Recreation	-	-	8.1	7.5	8.1	7.5
Emergency Medical Services	-	-	9.5	9.5	9.5	9.5
Total expenses	189.1	181.1	87.5	85.1	276.6	266.2
Excess of revenues over exp before transfers	(5.0)	6.8	(2.4)	(10.5)	(7.4)	(3.7)
Transfers	(2.9)	(7.7)	2.9	7.7	-	-
Increase (decrease) in net assets	(\$7.9)	(\$0.9)	\$0.5	(\$2.8)	(\$7.4)	(\$3.7)
Net Assets-beginning	268.2	268.4	155.9	158.7	424.1	427.1
Prior period adjustment	-	0.7	(0.9)	-	(0.9)	0.7
Net Assets-ending	\$260.3	\$268.2	\$155.5	\$155.9	\$415.8	\$424.1

The City's total revenues of \$269.2 million were derived from the following: Twenty six percent (26%) of the program revenues is derived from fees charged for services; twelve percent (12%) from utility users tax, eight percent (8%) from other taxes such as construction tax, occupancy tax, business license tax and franchise tax; ten percent (10%) come from sales taxes; twenty one percent (21%) come from property taxes; eleven percent (11%) from operating grants; seven percent (7%) from capital grants and five percent (5%) from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues increased by \$6.7 million primarily due to the business type activities increased by \$10.5 million while governmental activities decreased by \$3.8 million.

**Figure A-1
Sources of Revenues for Fiscal Year 2010**



The total costs of all programs and services are \$276.6 million. Thirty four percent (34%) of functional expenses are related to public safety; thirteen percent (13%) relates to general government; nine percent (9%) to public works; five percent (5%) to culture and recreation; five percent (5%) to community development; two percent (2%) to interest on debt and thirty two percent (32%) to business-type activities (See Figure A-2). The total cost of the City's programs and services increase by \$10.4 million.

**Figure A-2
Functional Expenses for Fiscal Year 2010**

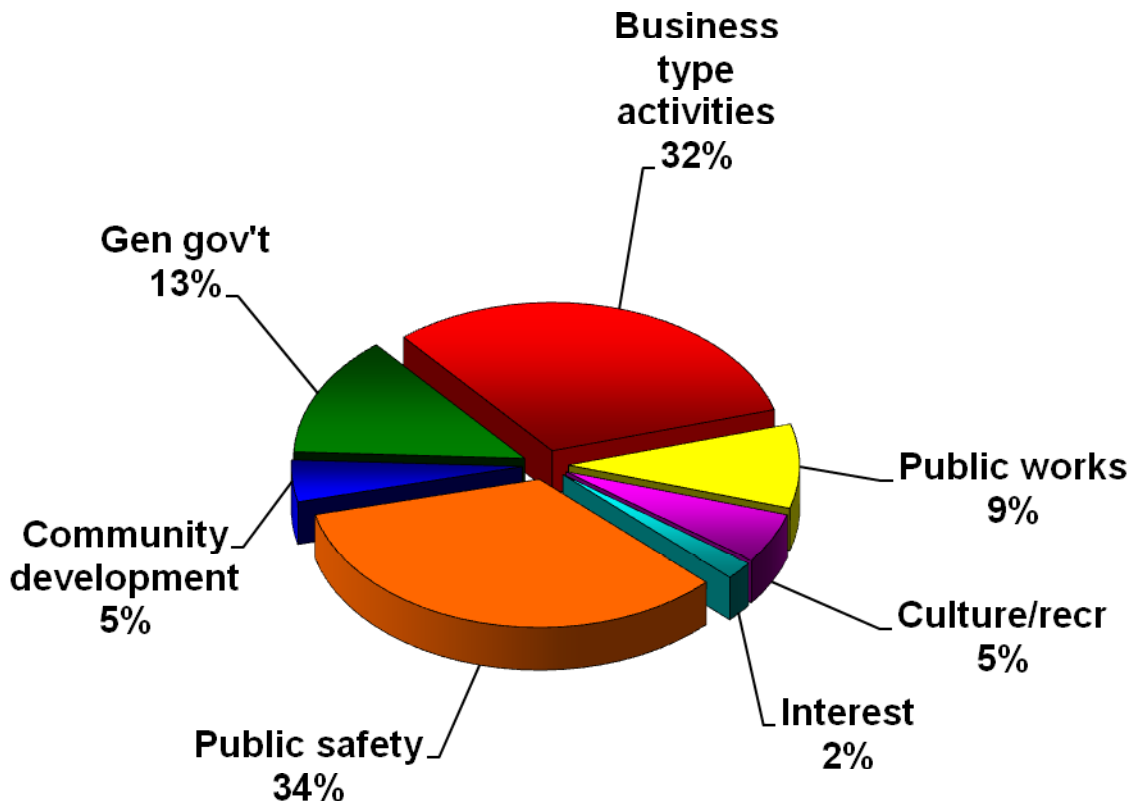


Table 2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

Governmental Activities

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

Revenues for the City's governmental activities decrease by 0.2 percent or \$3.8 million. This was primarily due to the decrease in sales taxes, utility users' taxes and occupancy taxes.

The total expenses of the governmental activities increase by 4.0 percent or \$8.0 million. The increase was primarily due to the increase in expenditures related to public safety, public works, culture and recreation and community development.

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

The cost of all governmental activities this year was \$189.1 million. \$154.9 million of these activities were paid through City taxes, sales taxes, investment earnings and other miscellaneous fees; \$10.3 million was paid by those who directly benefited from the programs and \$23.9 million was funded by other governments and organizations that subsidized certain programs with operating grants and contributions.

Table 3
Governmental Activities
(In Millions)

	Total cost of services		Net cost of services	
	2010	2009	2010	2009
General government	\$36.5	\$39.6	\$24.9	\$27.6
Public safety *	93.9	90.0	86.9	84.1
Public works	25.4	23.6	10.5	10.8
Culture and recreation	15.2	12.1	14.6	11.3
Community development	12.6	10.1	12.5	10.1
Others	5.5	5.7	5.5	5.7
Total	\$189.1	\$181.1	\$154.9	\$149.6

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

Business-type activities

Revenues of the City's business-type activities amounts to \$85.1 million and expenses are \$87.5 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues increased by \$10.5 million (\$85.1 million compared to \$74.6 million in 2008-09). This is primarily due to the increase in Transit's operating and capital grants and contributions, and increase in operating revenues for the Water Fund. The excess of expenses over revenues before transfers is \$2.4 million and with a net transfer in of \$2.9 million, the business-type activities had an increase of \$0.5 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 \$107.4 million.

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

The decrease in General fund balance is \$7.5 million this year which was primarily due to a decrease in revenues such as sales taxes, utility users' taxes and occupancy taxes. The General Fund excess of expenditures over revenues during the year was \$1.8 million and a net transfer of (\$5.7) million.

The Industrial Redevelopment Debt Service Fund reported a decrease in fund balance of \$0.8 million. The decrease was primarily due to the decrease in prior secured property taxes and sales taxes during the year.

The Capital Improvement Fund reported a decrease of \$4.4 million in fund balance. The decrease was due primarily to the increase in capital expenditures during the year.

Proprietary funds:

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

The Transit Fund has an increase in fund equity of \$2.7 million this year. This was due to an increase in operating and capital grants received during the year.

The Water Fund increased its fund equity by \$0.7 million this year. This was caused by the increase in water sales during the year. The Water Fund had an adjustment to fund equity this year of (\$0.9) million. This was due to an adjustment of construction in progress in the infrastructure capital assets report.

The Sewer Fund decreased its fund equity by (\$0.3) million this year. This decrease is primarily due to lower operating sewer revenues and interest earnings received.

General Fund Budgetary Highlights

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

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

During the first quarter the following capital project modifications were approved:

- Installation of privacy doors to bathroom stalls in all city park facilities – General Fund \$16,500.
- City-wide outdoor overhead lighting-General Fund \$65,000
- City Yard Camera Security System-Additional funding-General Fund \$55,000
- Temporary claim technician for the Workers Compensation Claims Management System Imaging project to prepare files for scanning-General Fund \$70,646
- Wilson Park Pond Renovation project-Additional Funding-General Fund \$200,000
- Storm Drain Master Plan Update project to provide update and identify the problematic areas throughout the City's drainage system-Additional funding-General Fund 200,000

Mid-Year program modifications that were approved:

- Appropriation of \$150,000 from the Housing Authority's fund balance to cover the increased costs in rental assistance payments for the remainder of the fiscal year.
- Additional appropriation of \$775,000 from the Self Insurance Reserve Fund to cover increase in workers compensation claims that exceed four years due to escalating permanent disability and life-time medical care costs.
- Reallocation of one Transit Supervisor position to one Information Technology Analyst position-\$133,100.

Mid-Year capital project modifications that were approved:

- Human Resources Building Expansion project for \$400,000.
- Meeting Hall Lighting Controls project for \$25,000.
- Fire Panel Replacement project for \$75,000.
- City Services Building-Abatement and Replacement Flooring project for \$75,000.

Although the City amended its expenditure budget, actual expenditures were \$14.4 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 \$18.2 million below the final adopted budgeted amount. The decrease in actual revenues over budget was due primarily to the decrease in revenues such as sales taxes, utility users' taxes and occupancy taxes.

The City's General Fund balance of \$51.2 million differs from the General Fund's budgetary fund balance of \$49.6 million reported in the budgetary comparison schedule. The difference in the two fund balances is because budgetary fund balance includes \$1.6 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, 2010 amounts to \$387.4 million (net of accumulated depreciation). The investment in capital assets includes land, right of way, buildings and improvements, equipment, construction in progress and infrastructure assets.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$64.3	\$46.4	\$6.9	\$6.9	\$71.2	\$53.3
Right of Way	19.3	19.3	-	-	19.3	19.3
Buildings and improvements	41.6	39.5	5.1	5.9	46.7	45.4
Equipment	16.5	14.1	12.1	6.5	28.6	20.6
Infrastructure	128.5	133.8	99.1	97.1	227.6	230.9
Construction in progress	21.3	9.2	6.7	8.7	28.0	17.9
Total	\$291.5	\$262.3	\$129.9	\$125.1	\$421.4	\$387.4

The total capital assets in the governmental activities increased by \$29.2 million (\$291.5 million compared to \$262.3 million in 2008-09) and the business activities increased by \$4.8 million (\$129.9 million to \$125.1 million in 2008-09). The capital assets are categorized by networks and subsystems in Note 3 of the notes to the basic financial statement. More detail information about the City's capital assets and its activities during the year is also shown in Note 3.

The City's fiscal year 2010-11 adopted capital project budget is \$5.3 million. The approved infrastructure projects for 2010-11 are the residential/curb gutter sidewalk replacement, the residential street rehabilitation, residential street slurry seal program and citywide sidewalk ramping/grinding projects. Other project funding approved are: McMaster park redevelopment; conversion of archived construction drawings to digital format; park bench, table and equipment replacement; ADA compliance projects; Human Resources building expansion; City services building abatement and flooring replacement; yearly funding for Torrance Centennial event; fire panel replacement; transit radiant heater; painting at branch libraries, fire stations, civic center and parks facilities; air conditioning units at the Historical Museum, 1339 Post, East Annex, Greenwood Building; boiler for the Benstead Plunge; and roof repairs for Sur La Brea Recreation, Torrance Art Museum, and Civic Center Library buildings.

The primary sources of funding for the 2010-11 capital projects are: General Fund, Parks and Recreation Open Space, Parks and Recreation Facilities Fund, Gas Tax Fund, Prop 42 Funds, Bicycle Fund, Fleet Services Fund, Other Grants, Cultural Arts Center, Sanitation, Sewer, Water and Transit Enterprise Funds.

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

Long-term debt.

At the end of the fiscal year, the City had total bonded debt outstanding of \$118.1 million as shown in Table 5. More detailed information about the City's long-term liabilities is presented in Notes 5 and 6 of the notes to the basic financial statements.

During fiscal year 2009-10, the total debt of the City increased by \$17.5 million. The increase is primarily due to the issuance of \$18.9 million Certificates of Participation, Series 2009 to finance the acquisition of 15 acres of real property located at 465 Crenshaw Boulevard in the City. The City expects to use the property for a regional transit center and other City uses.

The City of Torrance Public Financing Authority (Police and Fire) 1998 Refunding Certificates of Participation bonds; the 2004A and 2004B Refunding Certificates of Participation and 2009 Certificates of Participation bonds received an "AA" rating from Standards & Poor's. The Redevelopment Agency received bond ratings of "A" and "A-" on the outstanding bond issues for the Industrial and Downtown Tax Allocation Bonds.

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 \$804.6 million which is in excess of the City's outstanding debt.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds and notes (backed by specific tax and fee revenues)	\$115.9	\$98.0	\$2.2	\$2.7	\$118.1	\$100.7

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key Highlights of the 2010-11 Budget:

The City Council adopted in June 2010, the second year (2010-11 fiscal year) of the 2009-11 Two Year Operating budget. The key highlights of the 2010-11 fiscal year budget are:

- The operating budget is balanced for the 2010-11 fiscal year.
- At the time of the adoption of the budget, the 2010-11 budget eliminated a \$8.9 million General Fund projected structural deficit through the use of year-end savings from the expenditures and through the deferment of certain fund transfers to close the fiscal year balanced.
- As the 2009-10 fiscal year-ended and all year-end accounts were closed, an additional \$5.6 million shortfall became evident (October 2010). This was primarily due to revenues falling short of budget estimates for the prior fiscal year (2009-10).
- In October 2010, the City took steps to modify the adopted budget to offset this reduction and to rebalance the operating budget through internal adjustments to operating transfers, holding certain positions vacant, and further position reductions.

City Revenue Shortfall:

- The City of Torrance wrestled with a projected budget deficit of \$8.9 million to balance the 2010-11 budget. This deficit was primarily driven by the economic recession, which resulted in a projected shortfall of \$8.9 million at the time of budget adoption, and an additional \$5.6 million after first quarter revenues were received.

- While the core revenues of the City's General Fund were within 2% of budget projections, the forecast for the non-core revenue categories were too optimistic. Core revenues are property, sales, utility users' taxes, which account for about 70% of the General Fund.
- Historically, the non-core revenues (business license tax, occupancy tax, investment earnings and miscellaneous revenues) generally offset each other at year-end, with some revenues exceeding budget and others coming in below budget. This past year, however, substantially all revenues were below budget.
- Property taxes are based on property's assessed value. In the City of Torrance, this tax is 1% of assessed value, of which the City receives 12.2%. As real estate values have fallen locally, as well as throughout the state and nation, property owners are seeing their assessed values decrease, which in turn affects the amount of revenue the City receives through this tax. As such, projections for this revenue have been reduced by \$2.4 million.
- Sales tax revenue come from taxes on retail goods sold in the City. This revenue source is highly sensitive to the local economy. As people spend less in tough economic times, less sales tax revenue is generated. Torrance projected sales tax revenues were reduced by approximately \$6.0 million to more closely reflect the state of the economy.
- Utility Users' Tax (UUT) is a city tax applied on the use of utilities. UUT revenues are being reduced by approximately \$0.6 million to more closely reflect the receipts from this revenue source.
- Occupancy Tax revenue is a city tax on room rentals charged by hotels and motels that operate within the City. Due to the recession, both business and personal spending is down and as a result, hotels and motels are experiencing a reduction in room revenues.
- Investment Earnings represent interest earned on the City's investments. Due to a decreasing revenue base, there is less money available to the city for investments which, when combined with low interest rates, results in lower interest earnings.

Balancing the Budget:

- City Council had two main goals when deciding on the needed budget actions: minimize impact to the citizens and avoid layoffs. The City Council met these goals through major operational efficiencies, energy savings, selective reduction of positions, modifications to City programs, and the use of one-time monies.

Budget Balancing Strategies:

- Public Employees' Retirement System Contribution
 - One of the major balancing strategies is the phase-in of transferring the employee portion of pension costs back to employees. Employee pension cost is a major cost driver particularly in the past several years due to poor or below average investment earnings. The proposed phase-in impact is 9% of wages for police and fire positions and 7% for all other positions.
 - Savings are estimated at \$2.5 million over the next four years, or \$630,000 annually.
 - This change requires the City to meet and confer with affected employee organizations.
- Non-expansion of Wages and Materials – While the budget includes funding for agreed to wage packages for public safety personnel, and automatic step and longevity increases for all employees, due to revenue downturns, the budget does not provide for potential wage and material increases. The non-expansion of wages and materials for 2009-10 and 2010-11 fiscal years was \$1.5 million and \$2.25 million, respectively.
- Program Revisions-Changes to programs that were affected by budget cuts include: reductions to the number of concerts held for Concerts in Park and Wild Wednesdays, the elimination of the Oodles of Noodles event, and the elimination of the 4th of July fireworks celebration.

Furthermore, funding for the Rose Float was eliminated. The float will be funded through 2012 from the use of one-time money but could potentially be eliminated if a new funding source is not found.

The Police Department was able to offset the funding of a Police Services Officer through the receipt of a Recovery Act Grant. This allowed the City to preserve Sunday Library services for 2010-11 on a one-time basis and provides staff with the opportunity to identify an ongoing funding source.

- Operational Efficiencies-Budget reductions were achieved through operational efficiencies such as energy savings from projects, extending the replacement cycles of certain Communication and Information Technology (CIT) equipment, reductions in departmental overtime, reductions to the Service Awards Dinner, and conversion of internal and external newsletters from print to digital formats.
- Fees-The increase in fee revenue is attributable to an increase class fees based on a market study, increased picnic fees at additional parks, DVD rental and late fees, reduction to the Aquacade program, and the expansion of a short-term permit fee to include additional park facilities.

Position Reductions

- Over 42 city positions were converted, deleted or placed on temporary hold to deal with revenue decline.
- Fire and Police realized savings of roughly \$2.9 million through position reductions, while non-safety position reductions realized a like amount of \$2.9 million.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City OF Torrance



City of Torrance Veteran's Memorial

Basic Financial Statements

City OF *Torrance*



Torrance Police Station

Government - Wide Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA

Statement of Net Assets

June 30, 2010

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Pooled cash and investments (note 2)	\$ 142,907,515	\$ 24,220,360	\$ 167,127,875
Cash and cash equivalents with fiscal agents (note 2)	9,543,602	—	9,543,602
Accounts receivable	7,033,247	6,545,080	13,578,327
Accrued interest receivable	1,236,881	193,429	1,430,310
Due from other governments (note 14)	6,822,100	4,072,352	10,894,452
Notes receivable (note 4)	89,055	—	89,055
Inventories, at cost	1,074,450	1,399,806	2,474,256
Prepays and other assets	1,248,628	18,156	1,266,784
Other	3,514	—	3,514
Restricted cash and investments (note 2)	1,011,958	535,356	1,547,314
Capital assets (note 3):			
Land	64,324,899	6,940,713	71,265,612
Right of way	19,344,662	—	19,344,662
Construction in progress	21,277,814	6,684,922	27,962,736
Infrastructure, net of accumulated depreciation	128,474,070	99,126,570	227,600,640
Building and improvements, net of accumulated depreciation	41,608,054	5,030,081	46,638,135
Equipment, net of accumulated depreciation	16,455,183	12,079,662	28,534,845
	<u>462,455,632</u>	<u>166,846,487</u>	<u>629,302,119</u>
Liabilities			
Accounts payable	5,541,974	5,639,291	11,181,265
Accounts payable-contract retention	448,974	52,948	501,922
Accrued liabilities	2,717,069	2,296,988	5,014,057
Due to other governments	1,109,548	—	1,109,548
Internal balances	1,255,603	(1,255,603)	—
Notes payable (note 5)	23,000,000	—	23,000,000
Unearned revenue (note 15)	52,846	2,363,489	2,416,335
Deposits and guarantees	267,324	—	267,324
Construction advances	—	17,510	17,510
Interest payable	1,104,458	35,350	1,139,808
Long term liabilities-portion due or payable within one year (notes 6, 7 and 13)	21,123,690	515,000	21,638,690
Long term liabilities-portion due or payable after one year (notes 6, 7 and 13)	145,488,022	1,730,000	147,218,022
	<u>202,109,508</u>	<u>11,394,973</u>	<u>213,504,481</u>
Net Assets	260,346,124	155,451,514	415,797,638
Invested in capital assets, net of related debt	227,869,682	127,616,948	355,486,630
Restricted for:			
Streets & highways	18,733,880	—	18,733,880
Infrastructure	7,661,287	—	7,661,287
Capital projects	25,970,742	—	25,970,742
Community development	5,607,419	—	5,607,419
Public safety	4,863,454	—	4,863,454
Debt service	5,196,209	535,356	5,731,565
Unrestricted	(35,556,549)	27,299,210	(8,257,339)
Total Net Assets	<u>\$ 260,346,124</u>	<u>\$ 155,451,514</u>	<u>\$ 415,797,638</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Activities and Changes in Net Assets
Year ended June 30, 2010

<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	\$ 36,479,364	\$ 3,128,623	\$ 8,497,445	\$ —
Public safety	93,924,585	5,933,431	1,074,369	—
Public works	25,400,993	620,955	3,333,344	10,952,244
Culture and recreation	15,219,602	593,899	30,781	—
Community development	12,580,241	—	—	—
Interest on long term debt	5,473,892	—	—	—
Total Governmental Activities	189,078,677	10,276,908	12,935,939	10,952,244
Business-Type Activities:				
Airport	5,534,784	10,428,324	—	—
Transit	21,802,610	3,273,253	16,582,455	7,045,410
Water	26,772,118	27,225,102	—	36,493
Sewer	2,262,821	1,718,280	—	—
Sanitation	11,430,175	10,860,155	47,768	—
Cultural arts	2,097,892	1,087,453	107,696	—
Parks and recreation	8,083,825	4,058,095	—	—
Emergency medical service	9,513,635	1,783,491	—	—
Total Business-Type Activities	87,497,860	60,434,153	16,737,919	7,081,903
Total Primary Government	\$ 276,576,537	\$ 70,711,061	\$ 29,673,858	\$ 18,034,147

General Revenues:

Taxes:

Property taxes; net

Sales taxes

Utility users taxes

Occupancy taxes

Business license taxes

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

Investment earnings

Motor vehicle tax (unrestricted)

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets—beginning

Prior Period Adjustment (note 17)

Net Assets—ending

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (24,853,296)	\$ —	\$ (24,853,296)
(86,916,785)	—	(86,916,785)
(10,494,450)	—	(10,494,450)
(14,594,922)	—	(14,594,922)
(12,580,241)	—	(12,580,241)
(5,473,892)	—	(5,473,892)
<u>(154,913,586)</u>	<u>—</u>	<u>(154,913,586)</u>
—	4,893,540	4,893,540
—	5,098,508	5,098,508
—	489,477	489,477
—	(544,541)	(544,541)
—	(522,252)	(522,252)
—	(902,743)	(902,743)
—	(4,025,730)	(4,025,730)
—	(7,730,144)	(7,730,144)
<u>—</u>	<u>(3,243,885)</u>	<u>(3,243,885)</u>
<u>(154,913,586)</u>	<u>(3,243,885)</u>	<u>(158,157,471)</u>
56,077,815	—	56,077,815
26,666,268	—	26,666,268
31,347,850	—	31,347,850
6,400,237	—	6,400,237
7,179,857	—	7,179,857
8,225,084	—	8,225,084
7,310,418	879,528	8,189,946
437,789	—	437,789
6,272,235	—	6,272,235
(2,902,446)	2,902,446	—
<u>147,015,107</u>	<u>3,781,974</u>	<u>150,797,081</u>
(7,898,479)	538,089	(7,360,390)
268,244,603	155,858,912	424,103,515
—	(945,487)	(945,487)
<u>\$ 260,346,124</u>	<u>\$ 155,451,514</u>	<u>\$ 415,797,638</u>

(This page intentionally left blank)

City OF Torrance



Madrona Marsh

Governmental Fund Financial Statements

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA

Balance Sheet
Governmental Funds
June 30, 2010

Assets	General Fund	Industrial Redevelopment Debt Service Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments (note 2)	\$ 51,659,788	\$ 774,684	\$ 22,583,996	\$ 40,671,699	\$ 115,690,167
Cash and cash equivalents with fiscal agents (note 2)	—	2,353,981	—	7,189,621	9,543,602
Accounts receivable	5,243,434	—	—	1,721,105	6,964,539
Accrued interest receivable	874,907	—	—	249,928	1,124,835
Due from other funds (note 11)	2,573,122	—	—	—	2,573,122
Due from other governments (note 14)	3,076,965	97,400	—	3,647,736	6,822,101
Interfund advances receivable (note 11)	15,858,555	—	—	2,233,409	18,091,964
Notes receivable (note 4)	—	—	—	89,055	89,055
Other assets	—	—	—	3,514	3,514
Prepays	291,197	—	—	—	291,197
Restricted cash and investments (note 2)	—	—	—	1,011,958	1,011,958
Total Assets	\$ 79,577,968	\$ 3,226,065	\$ 22,583,996	\$ 56,818,025	\$ 162,206,054
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 2,353,551	\$ —	\$ —	\$ 2,348,925	\$ 4,702,476
Accounts payable-contract retention	—	—	309,527	139,447	448,974
Accrued liabilities	2,340,384	—	—	—	2,340,384
Due to other funds (note 11)	—	—	—	2,255,265	2,255,265
Interfund advances payable (note 11)	600,000	16,845,416	—	3,220,008	20,665,424
Due to other governments	—	1,109,548	—	—	1,109,548
Notes payable (note 5)	23,000,000	—	—	—	23,000,000
Unearned revenue (note 15)	52,846	—	—	—	52,846
Deposits and guarantees	18,740	—	248,584	—	267,324
Total Liabilities	28,365,521	17,954,964	558,111	7,963,645	54,842,241
Fund Balances (deficit):					
Reserved for:					
Advances	15,858,555	—	—	2,233,409	18,091,964
Encumbrances	1,639,447	—	—	—	1,639,447
Capital improvements	—	—	—	1,945,219	1,945,219
Notes receivable	—	—	—	89,055	89,055
Prepays	291,197	—	—	—	291,197
Repayment of debt	—	—	—	5,196,209	5,196,209
Unreserved:					
General Fund:					
Designated for capital outlay	7,365,364	—	—	—	7,365,364
Undesignated	26,057,884	—	—	—	26,057,884
Reported in:					
Special Revenue Funds	—	—	—	33,173,015	33,173,015
Capital Project Funds	—	—	22,025,885	6,217,473	28,243,358
Debt Service Fund (note 16)	—	(14,728,899)	—	—	(14,728,899)
Total Fund Balances (deficit)	51,212,447	(14,728,899)	22,025,885	48,854,380	107,363,813
Total Liabilities and Fund Balances	\$ 79,577,968	\$ 3,226,065	\$ 22,583,996	\$ 56,818,025	\$ 162,206,054

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 June 30, 2010

Total fund balances for governmental funds \$ 107,363,813

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

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

Land	\$ 64,324,899	
Right of Way	19,344,662	
Construction in Progress	21,277,814	
Infrastructure net of \$133,383,132 accumulated depreciation	128,474,070	
Buildings and fixtures, net of \$39,053,107 accumulated depreciation	41,608,054	
Machinery and equipment, net of \$24,847,377 accumulated depreciation	<u>16,455,183</u>	
		291,484,682

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

Compensated absences (excluding internal service funds)	(17,341,062)	
City of Torrance Improvements Corporation refunding certificates of participation	(63,615,000)	
Torrance Redevelopment Agency bonds payable	(31,903,842)	
Advances due to developers	(1,726,608)	
Advances due to County	<u>(18,674,905)</u>	
		(133,261,417)

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

Accrued interest payable on bonded debt	<u>(1,104,458)</u>	
		(1,104,458)

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

(4,136,496)

Net Assets of Governmental Activities

\$ 260,346,124

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year ended June 30, 2010

	General Fund	Industrial Redevelopment Debt Service Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 124,017,956	\$ 8,179,087	\$ —	\$ 3,950,663	\$ 136,147,706
Licenses, fees and permits	1,617,719	—	—	—	1,617,719
Fines, forfeitures and penalties	1,039,810	—	—	964,295	2,004,105
Use of money and property	5,008,322	24,418	—	6,545,329	11,578,069
Intergovernmental	827,100	—	—	22,311,191	23,138,291
Charges for current services	6,920,643	—	—	—	6,920,643
Other revenues	2,030,642	48,090	119,494	646,860	2,845,086
Total revenues	141,462,192	8,251,595	119,494	34,418,338	184,251,619
Expenditures:					
Current expenditures:					
General government	22,766,134	—	—	2,755,411	25,521,545
Nondepartmental	5,439,841	—	—	—	5,439,841
Public safety	90,401,814	—	—	—	90,401,814
Public works	10,904,209	—	—	7,278,552	18,182,761
Community development	—	—	—	7,266,792	7,266,792
Culture and recreation	13,791,311	—	—	4,785	13,796,096
Capital outlays	—	—	4,686,452	30,855,150	35,541,602
Debt service:					
Principal retirement (note 7)	—	990,000	—	1,562,953	2,552,953
Interest and fiscal charges	—	1,523,528	—	3,788,995	5,312,523
Other	—	2,188,024	—	3,092,328	5,280,352
Total expenditures	143,303,309	4,701,552	4,686,452	56,604,966	209,296,279
Excess (deficiency) of revenues over (under) expenditures	(1,841,117)	3,550,043	(4,566,958)	(22,186,628)	(25,044,660)
Other financing sources (uses):					
Transfers in (note 12)	10,366,367	—	440,376	6,346,177	17,152,920
Transfers out (note 12)	(16,061,163)	(4,333,254)	(309,274)	(3,196,053)	(23,899,744)
Issuance of Bonds	—	—	—	18,880,000	18,880,000
Issuance of debt-advance from County (note 7)	—	—	—	1,577,046	1,577,046
Total other financing sources (uses)	(5,694,796)	(4,333,254)	131,102	23,607,170	13,710,222
Net change in fund balances	(7,535,913)	(783,211)	(4,435,856)	1,420,542	(11,334,438)
Fund balances (deficits), July 1, 2009	58,748,360	(13,945,688)	26,461,741	47,433,838	118,698,251
Fund balances (deficits), June 30, 2010	\$ 51,212,447	\$ (14,728,899)	\$ 22,025,885	\$ 48,854,380	\$ 107,363,813

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities and Changes in Net Assets
 For the Year Ended June 30, 2010

Net change in fund balances-total governmental funds \$ (11,334,438)

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

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

Depreciation expense (excluding internal service funds)	\$ (9,468,521)	
Asset additions funded by Governmental Funds	36,811,935	
Asset deletions	-	
		27,343,414

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

Bond principal payment (Downtown)	272,953	
Bond principal payment (Industrial)	200,000	
Bond principal payment (Skypark)	990,000	
Bond principal payment (Torrance Public Financing Authority Refunding Certificates of Participation)	1,090,000	
		2,552,953

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

Accrued interest payable on bonded debt	(282,251)	
Proceeds from Bonds	(18,880,000)	
Advances from County	(1,577,046)	
Advances from Developers	(48,090)	
		(20,787,387)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences (excluding internal service funds)	(2,348,655)
---	-------------

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

(3,324,366)

Change in net assets of governmental activities

\$ (7,898,479)

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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Budgetary fund balance, July 1, 2009	\$ 58,748,360	\$ 58,748,360	\$ 58,748,360	\$ —
Resources (inflows):				
Taxes:				
Property taxes:				
Current secured taxes	25,950,000	25,950,000	24,841,637	(1,108,363)
Current unsecured taxes	935,260	935,260	1,140,648	205,388
Prior years' secured taxes	100,000	100,000	123,879	23,879
Prior years' unsecured taxes	90,600	90,600	131,248	40,648
Property/sales flip taxes	9,915,000	9,915,000	7,666,250	(2,248,750)
VLF swap and repayment taxes	11,287,500	11,287,500	11,216,152	(71,348)
Penalties and interest	200,000	200,000	325,190	125,190
Supplemental prior year secured taxes	147,715	147,715	52,039	(95,676)
Supplemental current secured	730,000	730,000	177,189	(552,811)
Redemption	841,000	841,000	1,259,282	418,282
Aircraft assessment tax	200,000	200,000	175,991	(24,009)
	<u>50,397,075</u>	<u>50,397,075</u>	<u>47,109,505</u>	<u>(3,287,570)</u>
Taxes other than property:				
Sales and use tax	28,816,889	28,816,889	25,103,636	(3,713,253)
Prop 172 sales tax	1,364,928	1,364,928	1,148,942	(215,986)
Business license tax	7,729,960	7,729,960	7,179,857	(550,103)
Business permit tax	512,000	512,000	488,924	(23,076)
Utility users' tax	35,936,382	35,936,382	31,347,850	(4,588,532)
Construction tax	825,130	825,130	697,727	(127,403)
Real property transfer tax	450,000	450,000	516,996	66,996
Franchise tax – all other	4,418,719	4,418,719	3,106,740	(1,311,979)
Occupancy tax	8,329,408	8,329,408	6,400,237	(1,929,171)
Oil severance tax	10,000	10,000	6,391	(3,609)
Cogeneration tax	605,636	605,636	752,179	146,543
Alarm permit fees	80,000	80,000	158,972	78,972
	<u>89,079,052</u>	<u>89,079,052</u>	<u>76,908,451</u>	<u>(12,170,601)</u>
Total taxes	<u>139,476,127</u>	<u>139,476,127</u>	<u>124,017,956</u>	<u>(15,458,171)</u>
Licenses, fees and permits:				
Fire permits	124,600	124,600	129,224	4,624
Animal licenses	1,700	1,700	—	(1,700)
Construction/excavation permits	25,000	25,000	45,093	20,093
Grading permits	77,000	77,000	40,609	(36,391)
Combined building – resident permits	103,515	103,515	470	(103,045)
Building permits	940,261	940,261	774,082	(166,179)
Plumbing permits	156,710	156,710	65,900	(90,810)
Electrical permits	247,710	247,710	79,903	(167,807)
Mechanical permits	83,444	83,444	40,704	(42,740)
Special energy inspection fees	316,000	316,000	218,236	(97,764)
Sign permits and filing fees	40,540	40,540	45,979	5,439
Other licenses and permits	417	417	4,490	4,073
NPDES building permit fees	126,269	126,269	141,230	14,961
Building TEQECC filing fees	30,744	30,744	13,633	(17,111)
Oversized Vehicle Permit Fees	60,000	60,000	18,166	(41,834)
Total licenses, fees and permits	<u>2,333,910</u>	<u>2,333,910</u>	<u>1,617,719</u>	<u>(716,191)</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	\$ 849,321	\$ 849,321	\$ 412,709	\$ (436,612)
Traffic fines	587,726	587,726	178,896	(408,830)
General fines	529,000	529,000	448,205	(80,795)
Total fines, forfeitures and penalties	1,966,047	1,966,047	1,039,810	(926,237)
Revenue from use of money and property:				
Investment earnings	4,371,360	4,371,360	2,625,532	(1,745,828)
Rents and concessions	952,797	952,797	929,065	(23,732)
Franchise fees	1,984,032	1,984,032	1,434,283	(549,749)
Encroachment agreement fees	—	—	16,210	16,210
Royalties	3,000	3,000	3,232	232
Total revenue from use of money and property	7,311,189	7,311,189	5,008,322	(2,302,867)
Revenue from other intergovernmental agencies:				
State motor vehicle licenses	367,221	367,221	437,789	70,568
State homeowners' property tax relief	250,000	250,000	238,905	(11,095)
Other state grants	—	—	150,406	150,406
Total revenue from other intergovernmental agencies	617,221	617,221	827,100	209,879
Charges for current services:				
TUSD collection fees	53,583	53,583	13,330	(40,253)
Planning and zoning fees	554,940	554,940	216,475	(338,465)
Traffic signal maintenance	136,000	136,000	122,145	(13,855)
Environmental review and appeal fees	20,387	20,387	10,179	(10,208)
Vacation processing fees	1,300	1,300	—	(1,300)
Large family daycare unit	—	—	673	673
State encroach collection fees	1,061	1,061	2,400	1,339
Grading	40,357	40,357	23,385	(16,972)
Plan check fees – building	1,014,263	1,014,263	568,355	(445,908)
Plan check fees – engineering	71,823	71,823	13,484	(58,339)
Oil-related inspection fees	14,910	14,910	630	(14,280)
Appeal fees	1,500	1,500	1,975	475
Other inspection fees	348,014	348,014	218,644	(129,370)
Engineering mapping fees	5,305	5,305	10,856	5,551
Engineering inspection fees	55,465	55,465	219,657	164,192

See accompanying notes to the basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA

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

General Fund

(continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (See Note A)	Final Budget positive (negative)
Charges for current services, Continued:				
Parkway tree planting charges	\$ 100	\$ 100	\$ —	\$ (100)
General government service charges	7,200	7,200	2,706	(4,494)
Microfilming fees	92,759	92,759	134,293	41,534
Police charges – copies and photos	23,687	23,687	7,150	(16,537)
Police charges – fingerprinting and other	644,677	644,677	566,461	(78,216)
Fire department fees	864,202	864,202	753,260	(110,942)
Fire department fees – hazardous materials fees	620,350	620,350	972,901	352,551
Parks and recreational fees	266,523	241,523	335,259	93,736
Miscellaneous	14,400	14,400	8,837	(5,563)
Library revenues	180,600	180,600	145,452	(35,148)
In lieu charges to Enterprise Funds:				
Airport Fund	1,850,000	1,850,000	1,854,136	4,136
Water Fund	700,000	700,000	718,000	18,000
Total charges for current services	<u>7,583,406</u>	<u>7,558,406</u>	<u>6,920,643</u>	<u>(637,763)</u>
Other revenues:				
Donations – private sources	24,420	24,420	30,098	5,678
Miscellaneous	38,100	38,100	1,519,614	1,481,514
Premium Tax Revenue Anticipation Notes	—	480,930	480,930	—
Proceeds from loan	466,700	—	—	—
Total other revenues	<u>529,220</u>	<u>543,450</u>	<u>2,030,642</u>	<u>1,487,192</u>
Transfers in	<u>10,122,432</u>	<u>10,186,407</u>	<u>10,366,367</u>	<u>179,960</u>
Amounts available for appropriation	<u>228,687,912</u>	<u>228,741,117</u>	<u>210,576,919</u>	<u>(18,164,198)</u>
Charges to appropriations (outflows)				
General government:				
City council	452,705	467,860	431,428	36,432
Commissions and committees:				
Parks and recreation	56,539	57,127	52,548	4,579
Planning	36,845	41,845	40,384	1,461
Environmental quality	13,500	13,500	12,121	1,379
Cultural arts	13,652	13,652	11,719	1,933
Traffic	8,510	8,510	6,042	2,468
Youth council	7,548	9,748	7,397	2,351
Civil service	254,540	254,330	246,753	7,577
Commission on aging	8,852	8,852	5,954	2,898
Library	10,023	10,023	8,167	1,856
Disaster council	2,594	2,594	210	2,384
City manager	2,595,806	2,809,065	2,689,991	119,074
City attorney	2,668,748	2,667,883	2,318,646	349,237
City clerk	993,615	1,131,734	1,126,443	5,291
City treasurer	795,477	827,477	812,899	14,578
Finance	4,163,073	4,200,595	3,566,258	634,337
Human resources	2,700,654	2,711,701	2,560,098	151,603
Civil service	201,647	205,357	161,218	44,139
Community development	8,282,820	4,978,647	4,896,348	82,299
Communications & Info Tech	4,527,062	5,807,526	4,987,976	819,550
General services	4,124,220	4,181,704	3,810,288	371,416
Less indirect cost allocation, other funds	<u>(5,009,328)</u>	<u>(5,009,328)</u>	<u>(4,584,797)</u>	<u>(424,531)</u>
Total general government	<u>26,909,102</u>	<u>25,400,402</u>	<u>23,168,091</u>	<u>2,232,311</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	Variance with
	Original	Final	Budgetary Basis (See Note A)	Final Budget positive (negative)
Nondepartmental:				
Insurance, net	\$ 25,000	\$ 41,326	\$ 23,882	\$ 17,444
Community promotion	380,122	364,122	284,898	79,224
Employee benefits (net after charges to departments)	4,406,280	3,018,333	236,066	2,782,267
Other	533,140	2,120,301	1,913,329	206,972
Leaseback payments	2,855,356	3,056,148	3,024,201	31,947
Total				
nondepartmental	<u>8,199,898</u>	<u>8,600,230</u>	<u>5,482,376</u>	<u>3,117,854</u>
Public safety:				
Police	63,372,388	63,497,998	61,439,259	2,058,739
Fire	26,658,954	26,927,172	26,057,853	869,319
Building and safety	3,663,024	3,493,354	3,245,432	247,922
Total public safety	<u>93,694,366</u>	<u>93,918,524</u>	<u>90,742,544</u>	<u>3,175,980</u>
Public works	<u>12,291,236</u>	<u>13,108,638</u>	<u>11,708,917</u>	<u>1,399,721</u>
Culture and recreation	<u>14,466,800</u>	<u>14,531,120</u>	<u>13,840,829</u>	<u>690,291</u>
Transfers out	<u>21,202,349</u>	<u>19,820,391</u>	<u>16,061,163</u>	<u>3,759,228</u>
Total Charges to appropriations	<u>176,763,751</u>	<u>175,379,305</u>	<u>161,003,920</u>	<u>14,375,385</u>
 Budgetary Fund Balance, July 1, 2010	 \$ <u>51,924,161</u>	 \$ <u>53,361,812</u>	 \$ <u>49,572,999</u>	 \$ <u>(3,788,813)</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	\$ 210,576,919
Differences - budget to GAAP The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes	(58,748,360)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	<u>(10,366,367)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 141,462,192</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to to appropriations" from the budgetary comparison schedule.	\$ 161,003,920
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	(1,639,448)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(16,061,163)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 143,303,309</u>

City OF *Torrance*



Zamperini Field - Torrance Municipal Airport

Proprietary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA

Statement of Net Assets

Proprietary Funds

June 30, 2010

Assets	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Current assets:						
Pooled cash and investments (note 2)	\$ 1,166,008	\$ 4,629,051	\$ 10,735,562	\$ 7,689,739	\$ 24,220,360	\$ 27,217,348
Restricted cash and investments (note 2)	—	535,356	—	—	535,356	—
Accounts receivable	214	4,334,047	246,590	1,964,230	6,545,081	68,708
Accrued interest receivable	11,551	42,994	92,401	46,482	193,428	112,045
Inventory	982,277	417,529	—	—	1,399,806	1,074,450
Due from other governments (note 14)	3,834,685	—	—	237,667	4,072,352	—
Prepays	11,300	1,552	—	5,304	18,156	957,431
Total current assets	<u>6,006,035</u>	<u>9,960,529</u>	<u>11,074,553</u>	<u>9,943,422</u>	<u>36,984,539</u>	<u>29,429,982</u>
Noncurrent assets:						
Interfund advances receivable (note 11)	—	1,154,432	419,028	—	1,573,460	1,000,000
Capital assets, net (note 3)	13,988,381	65,160,855	42,741,430	7,971,282	129,861,948	9,735,034
Total noncurrent assets	<u>13,988,381</u>	<u>66,315,287</u>	<u>43,160,458</u>	<u>7,971,282</u>	<u>131,435,408</u>	<u>10,735,034</u>
Total Assets	<u>19,994,416</u>	<u>76,275,816</u>	<u>54,235,011</u>	<u>17,914,704</u>	<u>168,419,947</u>	<u>40,165,016</u>
Liabilities						
Current liabilities (payable from current assets):						
Accounts payable	1,111,160	3,750,818	16,536	760,776	5,639,290	839,498
Contract retainage payable	—	24,525	28,423	—	52,948	—
Due to other funds (note 9)	—	—	—	317,858	317,858	—
Accrued liabilities	1,136,177	398,337	—	762,474	2,296,988	3,314,789
Current bonds payable - interest	—	35,350	—	—	35,350	—
Current bonds payable - principal (notes 6 and 7)	—	515,000	—	—	515,000	—
Construction advances	—	17,510	—	—	17,510	—
Unearned revenues (note 15)	1,551,150	—	—	812,339	2,363,489	—
Accrued liabilities for self-insurance claims - current (note 13)	—	—	—	—	—	8,474,538
Total current liabilities	<u>3,798,487</u>	<u>4,741,540</u>	<u>44,959</u>	<u>2,653,447</u>	<u>11,238,433</u>	<u>12,628,825</u>
Noncurrent liabilities						
Long-term obligations (notes 6 and 7)	—	1,730,000	—	—	1,730,000	—
Accrued Liability for self-insurance claims long-term (note 13)	—	—	—	—	—	16,435,653
Accrued Liability for net postemployment benefits - long-term (note 9)	—	—	—	—	—	5,502,000
Total noncurrent liabilities	<u>—</u>	<u>1,730,000</u>	<u>—</u>	<u>—</u>	<u>1,730,000</u>	<u>21,937,653</u>
Total Liabilities	<u>3,798,487</u>	<u>6,471,540</u>	<u>44,959</u>	<u>2,653,447</u>	<u>12,968,433</u>	<u>34,566,478</u>
Net Assets						
Invested in capital assets, net of related debt	13,988,381	62,915,855	42,741,430	7,971,282	127,616,948	9,735,034
Restricted - debt service	—	535,356	—	—	535,356	—
Unrestricted	2,207,548	6,353,065	11,448,622	7,289,975	27,299,210	(4,136,496)
Total Net Assets	<u>\$ 16,195,929</u>	<u>\$ 69,804,276</u>	<u>\$ 54,190,052</u>	<u>\$ 15,261,257</u>	<u>\$ 155,451,514</u>	<u>\$ 5,598,538</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2010

	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 3,140,993	\$ 25,729,431	\$ 1,718,280	\$ 28,194,669	\$ 58,783,373	\$ 7,029,406
Other	151,920	1,495,671	3,445	23,407	1,674,443	—
Total operating revenues	<u>3,292,913</u>	<u>27,225,102</u>	<u>1,721,725</u>	<u>28,218,076</u>	<u>60,457,816</u>	<u>7,029,406</u>
Operating expenses:						
Salaries and employee benefits	12,343,189	4,426,487	865,052	22,083,939	39,718,667	5,958,583
Services and supplies	2,517,217	1,144,988	25,943	5,034,488	8,722,636	788,646
Other professional services	1,921,048	500,503	73,026	4,267,913	6,762,490	—
Depreciation /amortization	2,001,812	1,359,519	968,641	363,934	4,693,906	2,092,260
Insurance and claims	403,792	116,131	—	138,775	658,698	5,612,147
City charges	2,550,660	2,072,084	257,567	4,471,872	9,352,183	—
Cost of water	—	16,989,402	—	—	16,989,402	—
Other	64,892	33,937	72,592	151,972	323,393	19,588
Total operating expenses	<u>21,802,610</u>	<u>26,643,051</u>	<u>2,262,821</u>	<u>36,512,893</u>	<u>87,221,375</u>	<u>14,471,224</u>
Operating income (loss)	<u>(18,509,697)</u>	<u>582,051</u>	<u>(541,096)</u>	<u>(8,294,817)</u>	<u>(26,763,559)</u>	<u>(7,441,818)</u>
Nonoperating revenues (expenses):						
Investment earnings	72,791	196,329	340,391	246,353	855,864	478,095
Gain (loss) on sale of capital assets	—	—	—	—	—	101,821
Assistance from other governments	16,582,455	—	—	—	16,582,455	—
Interest expense	—	(129,067)	—	(147,418)	(276,485)	—
Grants	—	—	—	155,464	155,464	—
Other, net	—	36,493	—	—	36,493	(306,841)
Total nonoperating revenues(expenses) net	<u>16,655,246</u>	<u>103,755</u>	<u>340,391</u>	<u>254,399</u>	<u>17,353,791</u>	<u>273,075</u>
Income (loss) before contributions and operating transfers	<u>(1,854,451)</u>	<u>685,806</u>	<u>(200,705)</u>	<u>(8,040,418)</u>	<u>(9,409,768)</u>	<u>(7,168,743)</u>
Capital grants	7,045,410	—	—	—	7,045,410	—
Transfers in (note 12)	—	—	—	12,380,446	12,380,446	4,046,704
Transfers out (note 12)	(2,443,609)	(29,519)	(82,222)	(6,922,649)	(9,477,999)	(202,327)
Change in net assets	<u>2,747,350</u>	<u>656,287</u>	<u>(282,927)</u>	<u>(2,582,621)</u>	<u>538,089</u>	<u>(3,324,366)</u>
Total net asset - July 1, 2009	13,448,579	70,052,023	54,514,432	17,843,878	155,858,912	8,922,904
Prior period adjustment (note 17)	—	(904,034)	(41,453)	—	(945,487)	—
Total net assets - June 30, 2010	<u>\$ 16,195,929</u>	<u>\$ 69,804,276</u>	<u>\$ 54,190,052</u>	<u>\$ 15,261,257</u>	<u>\$ 155,451,514</u>	<u>\$ 5,598,538</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2010

	Business Type					Governmental
	Proprietary Funds				Total	Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash flow from operating activities:						
Receipts from customers	\$ 3,140,993	\$ 25,302,323	\$ 1,686,399	\$ 28,241,003	\$ 58,370,718	\$ 7,027,428
Cash payments to suppliers for goods and services	(7,084,223)	(20,600,215)	(436,825)	(13,907,040)	(42,028,303)	(6,918,521)
Cash payments to employees for services	(12,395,037)	(4,408,908)	(865,052)	(22,006,082)	(39,675,079)	(3,573,821)
Internal activity payments from/to funds	—	—	—	167,265	167,265	—
Cash received from donations	—	—	—	7,095	7,095	—
Other receipts	151,920	1,495,671	—	15,754	1,663,345	—
Net cash provided by (used in) operating activities	(16,186,347)	1,788,871	384,522	(7,482,005)	(21,494,959)	(3,464,914)
Cash flows from noncapital financing activities:						
Cash received noncapital from grants and subsidies	17,606,522	—	—	155,464	17,761,986	—
Cash transfers received from other funds	—	—	—	12,416,017	12,416,017	4,046,704
Cash transfers paid to other funds	(2,443,609)	(29,519)	(82,222)	(6,957,139)	(9,512,489)	(202,294)
Internal activity-payments to other funds	—	—	—	—	—	1,000,000
Net cash provided by (used in) noncapital financing activities	15,162,913	(29,519)	(82,222)	5,614,342	20,665,514	4,844,410
Cash flows from capital financing activities:						
Cash received from capital grants and subsidies	7,045,410	36,493	—	—	7,081,903	—
Payments for capital expenditures	(7,045,410)	(1,545,878)	(1,224,847)	(773,573)	(10,589,708)	(4,389,478)
Proceeds from the sale of capital assets	—	—	—	—	—	125,605
Payments for long-term obligations - principal & interest	—	—	—	(147,418)	(147,418)	—
Payments for long-term bonds - principal & interest	—	(634,692)	—	—	(634,692)	—
Net cash provided by (used in) capital financing activities	—	(2,144,077)	(1,224,847)	(920,991)	(4,289,915)	(4,263,873)
Cash flows from investing activities:						
Cash received from interest on investments	84,970	207,839	375,310	277,275	945,394	521,211
Net increase (decrease) in cash, restricted cash and cash equivalents	(938,464)	(176,886)	(547,237)	(2,511,379)	(4,173,966)	(2,363,166)
Cash, restricted cash and cash equivalents, July 1, 2009	2,104,472	5,341,293	11,282,799	10,201,118	28,929,682	29,580,514
Cash, restricted cash and cash equivalents, June 30, 2010	\$ 1,166,008	\$ 5,164,407	\$ 10,735,562	\$ 7,689,739	\$ 24,755,716	\$ 27,217,348
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	(18,509,697)	582,051	(541,096)	(8,294,817)	(26,763,559)	(7,441,818)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	2,001,812	1,359,519	968,641	363,934	4,693,906	2,092,260
Change in assets and liabilities:						
Accounts receivable	(214)	(427,108)	(35,326)	(144,479)	(607,127)	(1,978)
Due from other government	—	—	—	71,789	71,789	—
Accrued interest receivable	—	—	—	—	—	—
Prepays and other assets	(10,340)	(1,470)	—	9,950	(1,860)	(282,564)
Inventories	88,717	36,501	—	—	125,218	(41,693)
Accounts payable	284,633	223,355	(7,697)	237,807	738,098	(185,486)
Due to other funds	—	—	—	317,857	317,857	—
Accrued insurance/claims	—	—	—	—	—	—
Accrued salaries and benefits	(51,634)	17,579	—	49,772	15,717	2,396,398
Contract retainage payable	—	—	—	—	—	—
Other accrued liabilities	10,376	—	—	(61,692)	(51,316)	(33)
Deposits and guarantees	—	(1,556)	—	(8,785)	(10,341)	—
Unearned revenues	—	—	—	(23,341)	(23,341)	—
Bond issuance costs	—	—	—	—	—	—
Net cash provided by (used in) operating activities	\$ (16,186,347)	\$ 1,788,871	\$ 384,522	\$ (7,482,005)	\$ (21,494,959)	\$ (3,464,914)

Noncash, investing, capital, and financing activities:

During fiscal year 2009-10, 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 Fiduciary Fund Assets and Liabilities - Agency Funds

June 30, 2010

	Total Agency Funds
Assets	
Pooled cash and investments (note 2)	\$ 2,703,616
Restricted cash (note 2)	228,844
Accrued interest receivable	9,549
Due from other governments (note 12)	103,692
Total assets	<u>\$ 3,045,701</u>
Liabilities	
Deposits payable	<u>\$ 3,045,701</u>
Total Liabilities	<u>\$ 3,045,701</u>

See accompanying notes to basic financial statements.

(This page intentionally left blank)

City OF *Torrance*



Katy Geissert Library

Notes to Financial Statements

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

Reporting Entity

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

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

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

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

Government-Wide and Fund Financial Statements

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The City reports the following major Governmental Funds:

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

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

The City reports the following major Proprietary Funds:

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

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

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

Additionally, the City reports the following fund types:

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

The *Agency Funds* are used to account for the resources held by the City in a fiduciary capacity. The City's fiduciary funds include agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on an accrual basis of accounting. The City uses fiduciary (agency) funds to account for employee unspent pre-tax benefits collected from the participating employees in the Flexible Benefits Fund, safekeeping and disbursement of the private property collected and held in the custody of the police department in the Property Room Evidence Fund, environmental deposits from developers/contractors to account for the cost analysis and evaluation of air pollutants in the Environmental Trust fund, the Municipal Area Express fund used to account for Federal, County and local revenues to finance a special commuter bus service in the South Bay area, and the special deposits fund for private donations, deposits and other disbursements held on behalf of various depositors for disbursements on projects of the general government.

The proprietary funds are presented on an "economic resources" measurement focus and the full-accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

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

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

Accounting for Encumbrances

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

Cash and Investments

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

Restricted Cash and Investments

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

Inventories and Prepaids

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

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

Capital Assets

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

Buildings – 40 years

Improvements – 40 years

Equipment – 5 to 7 years

Infrastructure – 25 to 80 years

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

Property Tax Calendar

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

become delinquent on December 10 and April 10 for the first and second installments, respectively. The lien date is January 1. City property tax revenues are recognized when levied to the extent that they result in current receivables collectible within 60 days.

Pension Plan

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

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

Vacation and Sick Leave

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

Claims and Judgments

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

Fund Equity

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

Budgetary Principles

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

The City Council may amend the budget by a majority vote during the fiscal year. The City Manager may make such changes within the budget totals and allocations of any department during the fiscal year as he deems reasonably necessary in order to meet the City's needs or goals, however, the City Manager may not increase appropriations allocated in the budget for any

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

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

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$167,127,875
Cash and investments held by bond trustee	9,543,602
Restricted cash and investments	1,547,314
Fiduciary funds:	
Cash and investments	2,703,616
Restricted cash and investments	<u>228,844</u>
Total cash and investments	<u>\$181,151,251</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 21,596
Deposits with financial institutions	21,990,251
Investments	<u>159,139,404</u>
Total cash and investments	<u>\$181,151,251</u>

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

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

Investments Authorized by Debt Agreements

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

<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, 2010

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.

The City of Torrance adopted the Statement of Investment policy for 2010 on December 8, 2009.

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
U.S. Treasury notes	\$ 999,937	999,937	-	-
Local Municipal Bonds	783,841	-	-	783,841
Federal agency securities	103,047,346	4,000,443	11,000,914	88,045,989
Corporate medium term notes	13,056,114	4,011,203	-	9,044,911
Certificate of Deposit	2,450,000	-	490,000	1,960,000
State investment pool	<u>28,775,000</u>	<u>28,775,000</u>	<u>-</u>	<u>-</u>
Subtotal	149,112,238	37,786,583	11,490,914	99,834,741
<u>Held by bond trustee:</u>				
Money market funds	8,969,081	8,969,081	-	-
Investment contracts	<u>1,058,085</u>	<u>-</u>	<u>-</u>	<u>1,058,085</u>
Total	<u>\$159,139,404</u>	<u>46,755,664</u>	<u>11,490,914</u>	<u>99,834,741</u>
				<u>1,058,085</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

Disclosures Relating to Credit Risk

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

Investment Type		Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End			
				AAA	Aa	A	Not Rated
U.S. Treasury notes	\$ 999,937	N/A	\$ 999,937	-	-	-	-
Local Municipal Bonds	783,841		-	-	-	-	783,841
Federal agency securities	103,047,346	N/A	-	103,047,346	-	-	-
Corporate medium term notes	13,056,114	A	-	7,029,017	6,027,097	-	-
Certificate of Deposit	2,450,000	N/A	-	-	-	-	2,450,000
Money Market Funds	-	N/A	-	-	-	-	-
Mortgage-backed securities	-	AA	-	-	-	-	-
State investment pool	<u>28,775,000</u>	N/A	-	-	-	-	<u>28,775,000</u>
SUBTOTAL	149,112,238		999,937	110,076,363	6,027,097	-	32,008,841
Held by bond trustee:							
Money market funds	8,969,081	A	-	8,969,081	-	-	-
Investment contracts	<u>1,058,085</u>	N/A	-	-	-	-	<u>1,058,085</u>
TOTAL	<u>\$ 159,139,404</u>		<u>999,937</u>	<u>119,045,444</u>	<u>6,027,097</u>	<u>-</u>	<u>33,066,926</u>

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Agency	Federal agency securities	\$ 15,092,633
Federal Home Loan Bank	Federal agency securities	32,044,225
Federal Home Loan Mortgage Co	Federal agency securities	6,543,651
Federal National Mortgage Assoc	Federal agency securities	19,544,388

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Torrance investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2010, \$23,036,952 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, 2010, City of Torrance held no investments by the same broker-dealer (counterparty) that was used by the City of Torrance to buy the securities.

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

Investment in State Investment Pool

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

(3) Capital Assets

Infrastructure Assets at June 30, 2010 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$240,010	(\$ 126,729)	\$113,281
Storm drain system	21,848	(6,654)	15,194
Sewer lines	69,708	(29,565)	40,143
Water System	90,505	(31,522)	58,983
	<u>\$422,071</u>	<u>(\$ 194,470)</u>	<u>\$227,601</u>

Capital Asset activity for the year ended June 30, 2010 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 46,365	\$ 17,960	\$ -	\$ 64,325
Right of Way	19,344	-	-	19,344
Construction in progress	9,216	12,062	-	21,278
Total capital assets not being depreciated	<u>74,925</u>	<u>30,022</u>	<u>-</u>	<u>104,947</u>
Capital assets being depreciated:				
Land improvements and buildings	76,611	4,050	-	80,661
Machinery and equipment	37,274	4,030	-	41,304
Infrastructure	261,254	604	-	261,858
Total capital assets being depreciated	<u>375,139</u>	<u>8,684</u>	<u>-</u>	<u>383,823</u>
Less accumulated depreciation for:				
Land improvements and buildings	(37,125)	(1,928)	-	(39,053)
Machinery and equipment	(23,166)	(1,683)	-	(24,849)
Infrastructure	(127,447)	(5,936)	-	(133,383)
Total accumulated depreciation	<u>(187,738)</u>	<u>(9,547)</u>	<u>-</u>	<u>(197,285)</u>
Total capital assets, being depreciated, net	<u>187,401</u>	<u>(863)</u>	<u>-</u>	<u>186,538</u>
Governmental activities capital assets, net	<u>\$ 262,326</u>	<u>\$ 29,159</u>	<u>\$ -</u>	<u>\$ 291,485</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

	<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	<u>8,696</u>	<u>-</u>	<u>(2,010)</u>	<u>6,686</u>
Total capital assets not being depreciated	<u>15,637</u>	<u>-</u>	<u>(2,010)</u>	<u>13,627</u>
Capital assets being depreciated:				
Infrastructure	155,700	4,513	-	160,213
Land improvements and buildings	15,758	-	-	15,758
Machinery and equipment	29,322	7,126	-	36,448
Furniture and fixtures	374	-	-	374
Total capital assets being depreciated	<u>201,154</u>	<u>11,639</u>	<u>-</u>	<u>212,793</u>
Less accumulated depreciation for:				
Infrastructure	(58,677)	(2,410)	-	(61,087)
Land improvements and buildings	(9,848)	(402)	-	(10,250)
Machinery and equipment	(22,836)	(2,020)	-	(24,856)
Furniture and fixtures	(354)	(11)	-	(365)
Total accumulated depreciation	<u>(91,715)</u>	<u>(4,843)</u>	<u>-</u>	<u>(96,558)</u>
Total capital assets, being depreciated, net	<u>109,439</u>	<u>6,796</u>	<u>-</u>	<u>116,235</u>
Business-type activities capital assets, net	<u>\$ 125,076</u>	<u>\$ 6,796</u>	<u>\$ (2,010)</u>	<u>\$ 129,862</u>

The capital assets for the Fleet Services Fund have been consolidated into the governmental activities, and are included in the machinery and equipment category: asset additions amounted to \$3,945,989 and asset deductions amounted to \$2,052,824.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

Governmental Activities:	
General government	\$2,359
Public safety	507
Public works	6,057
Culture and recreation	624
	<hr/>
Total depreciation expense - governmental activities	\$9,547
	<hr/>
Business-type activities:	
Water	\$1,467
Sewer	1,010
Sanitation	25
Cultural Arts Center	22
Emergency Medical Services	12
Parks & Recreation	2
Airport	303
Transit	2,002
	<hr/>
Total depreciation expense - business-type activities	\$4,843
	<hr/>

Included in the depreciation charge to general government is the amount of depreciation for Fleet Services, an internal service fund. This amount includes depreciation expense of \$1,660,906 and retirements of \$1,583,019 or net addition to accumulated depreciation in the amount of \$77,887.

(4) Notes Receivable

a) Rehabilitation Housing

This represents a number of small loans given to eligible participants in the City's Federal Housing Rehabilitation program. These loans, usually less than \$10,000, are no-interest loans that will be repaid when the property is sold. The balance of these loans as of June 30, 2010 is \$89,055.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

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

The TRAN was for \$23,000,000 and was purchased with a net original issue premium of \$480,930 and an underwriter discount of \$1,610. The City repaid the TRAN within the same fiscal year therefore preventing debt from being carried forward.

Short-term debt activity for the year ended June 30, 2010:

		<u>Beginning fiscal year balance</u>	<u>Issued</u>	<u>Redeemed</u>		<u>Ending fiscal year balance</u>
Tax and revenue anticipation notes	\$	25,000,000	23,000,000	(25,000,000)	\$	23,000,000

(6) Long-term Debt

a) Redevelopment Agency Bonds

2001 Tax Allocation Refunding Bonds – Skypark Project

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

1998 Series A Tax Allocation Refunding Bonds – Downtown Project

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

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

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

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2011	\$1,580	\$1,743	\$3,323
2012	1,700	1,647	3,347
2013	1,659	1,543	3,202
2014	1,600	1,451	3,051
2015	1,130	1,375	2,505
2016-2020	6,655	5,842	12,497
2021-2025	8,790	3,726	12,516
2026-2029	8,790	1,019	9,809
Total	<u>\$31,904</u>	<u>\$18,346</u>	<u>\$50,250</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

b) Water Fund Revenue Bonds

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

The refunding bonds bear interest rates ranging from 3.0% to 5.0%. Interest is payable semiannually on March 1 and September 1. Among the provisions of the bond resolutions, the Water Fund covenants require that fees and charges for water services must be sufficient to yield net revenues equal to at least 125% of debt service for each fiscal year. At June 30, 2010, the \$2,245,000 face amount of the refunding bonds was outstanding, of which \$515,000 has been classified as a current liability in the accompanying proprietary fund financial statements.

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2011	\$515	\$106	\$621
2012	540	80	620
2013	570	53	623
2014	620	25	645
Total	<u>\$2,245</u>	<u>\$264</u>	<u>\$2,509</u>

c) Certificates of Participation

1998 Refunding Certificates of Participation

In 1991, the City of Torrance issued \$5,950,000 of certificates of participation (1991 Police COP's) to refinance certain lease revenue bonds issued by the Torrance Civic Center Authority to construct the City's police facilities and an adjacent parking area. The outstanding 1991 Police COP's had an average interest rate of 6.75% and a final maturity date of July 1, 2012. The City also issued \$3,520,000 of certificates of participation for improvements to a fire station in 1991 (1991 Fire COP's) with an outstanding balance that had an average rate of 6.29%. In December 1998, the Authority issued \$10,300,000 of refunding certificates of participation to refund the 1991 Police COP's and 1991 Fire COP's for substantial interest rate savings. In addition, given the low interest rates at the time and significant value of the pledged

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

asset (the Police Building valued at \$16,230,000), the City raised additional funds for capital projects by extending the term of the lease payments to a 30-year certificate of participation with an average interest rate of 5.07%. The City generated approximately \$2,900,000 for capital projects. As a result, the 1991 Police and Fire COP's were considered defeased, and the related liability was removed from the books. The refunding bond generated a net economic gain of approximately \$2,568,000, which represents a 4.79% present value savings.

The refunding certificates of participation for \$10,300,000 are dated December 1, 1998. The principal matures December 1 of each year through 2028 at variable amounts ranging from \$160,000 to \$590,000. Interest is payable semiannually on June 1 and December 1, with interest ranging from 4.0% to 4.75% and \$6,770,000 remains outstanding as of June 30, 2010. Certificates maturing on or before December 1, 2007 are subject to optional prepayment in whole or in part, on any business day on or after December 1, 2006 at the stated prepayment price.

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2011	\$230	\$314	\$544
2012	240	303	543
2013	255	292	547
2014	260	281	541
2015	275	268	543
2016-2020	1,575	1,128	2,703
2021-2025	1,980	708	2,688
2026-2029	1,955	191	2,146
Total	<u>\$6,770</u>	<u>\$3,485</u>	<u>\$10,255</u>

2004 A and B Refunding Certificates of Participation

In 2004, the Torrance Public Financing Authority issued \$43,130,000 of refunding certificates of participation, series A and series B to refinance the 1995 certificates of participation issued by the Torrance Improvement Corporation to construct certain maintenance and entertainment facilities within the City. Debt proceeds and the 1995 certificates of participation reserves of \$3,470,479 were deposited in an irrevocable trust with an escrow agent to redeem the 1995 certificates of participation on April 1, 2005. As a result, the 1995 certificates of participation are considered defeased, and the related liability has been removed from the books. The City

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

generated approximately \$13,130,719 for capital projects. The total net cash flow required to service the 1995 certificates of participation as of October 13, 2005 would have been \$35,065,262 while the amount required for the 2004 series A and B debt was \$56,014,615. The refunding bond generated a net economic loss of approximately \$1,440,487. The refunding resulted in a net accounting loss of \$340,053 which was expensed in fiscal year ending June 30, 2005 instead of amortizing over the life of the bonds due to the amount being immaterial.

2004 A Refunding Certificates of Participation

The refunding certificates of participation for series A in the amount of \$19,215,000 are dated October 13, 2004. The principal matures June 1 of each year through 2034 at variable amounts ranging from \$315,000 to \$1,005,000. Interest is payable semiannually on June 1 and December 1, with interest rates ranging from 2% to 5% and \$14,050,000 remains outstanding as of June 30, 2010. Certificates maturing on or before June 1, 2015 are subject to optional prepayment, in whole or in part, on any business day on or after June 1, 2014 at the stated prepayment price.

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2011	\$ 900	\$ 642	\$ 1,542
2012	925	615	1,540
2013	955	586	1,541
2014	990	554	1,544
2015	315	505	820
2016 to 2020	1,810	2,314	4,124
2021 to 2025	2,300	1,820	4,120
2026 to 2030	2,935	1,184	4,119
2031 to 2034	2,920	374	3,294
	<u>\$14,050</u>	<u>\$8,594</u>	<u>\$22,644</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

2004 B Refunding Certificates of Participation

The refunding certificates of participation for series B in the amount of \$23,915,000 are dated January 5, 2005. The principal matures June 1 commencing in 2015 and is due June 1 each year after until 2034 at variable amounts ranging from \$720,000 to \$1,855,000. Interest is payable semiannually on June 1 and December 1, with interest rates ranging from 5.0% to 5.25% and \$23,915,000 remains outstanding as of June 30, 2010. Certificates are subject to an optional prepayment, in whole or in part, on any business day on or after June 1, 2014 at the stated prepayment price.

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2011	\$ -	\$ 1,233	\$ 1,233
2012	-	1,233	1,233
2013	-	1,233	1,233
2014	-	1,233	1,233
2015	720	1,233	1,953
2016 to 2020	4,165	5,586	9,751
2021 to 2025	5,315	4,438	9,753
2026 to 2030	6,835	2,919	9,754
2031 to 2034	6,880	929	7,809
	<u>\$ 23,915</u>	<u>\$ 20,037</u>	<u>\$ 43,952</u>

2009 Land Acquisition Project

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

The principal matures June 30 commencing in 2011 and is due June 30 each year after until 2040 at variable amounts ranging from \$310,000 to \$1,220,000. Interest is payable on March 1 and September 1 with interest rates ranging from 2% to 4.5% commencing March 1, 2010 and \$18,880,000 remaining outstanding as of June 30, 2010. Annual debt service requirements are as follows:

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2011	\$ 310	\$ 948	\$ 1,258
2012	315	940	1,255
2013	325	931	1,256
2014	335	921	1,256
2015	345	910	1,255
2016 to 2020	1,955	4,327	6,282
2021 to 2025	2,455	3,826	6,281
2026 to 2030	3,185	3,091	6,276
2031 to 2035	4,170	2,107	6,277
2036 to 2040	5,485	788	6,273
	<u>\$ 18,880</u>	<u>\$ 18,789</u>	<u>\$ 37,669</u>

d) Advances and Notes Payable

At June 30, 2010, the City and its Redevelopment Agency had advances and notes payable in the following amounts:

Redevelopment Agency – Advances from developers: On June 9, 1987, the Redevelopment Agency and Honda entered into a First Implementation Agreement that amended the Participation Agreement to provide for an additional advance in the amount of \$3,000,000. This is to be repaid from available tax increments generated by Honda after providing for debt service on the outstanding Industrial Tax Allocation Bonds. The note shall be due and payable in full on July 19, 2012 with an interest rate adjusted semiannually using the average California Municipal Bond Index, source Merrill Lynch (or in the absence of a rate for similar bonds then for other District General Obligation Bonds) for the last 14 calendar days preceding the adjustment date. At June 30, 2010, the principal balance outstanding is \$910,788 and the accrued interest is \$815,820.

Redevelopment Agency – Advance from Los Angeles County: The maximum annual debt service on Agency indebtedness may not exceed \$1,550,000. Such advances are to be repaid in the fiscal year immediately following the year in which the Agency’s annual tax increment allocation exceeds the annual debt service requirement. This advance bears simple interest at the rate of 7.0% per year. At June 30, 2010, the principal balance outstanding is \$11,998,711 and accrued interest is \$6,676,194.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

e) Pledged Revenue

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses where applicable)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax Increment (Skypark)	\$ 585,558	\$ 352,144	60%
Tax Increment (Downtown)	1,766,299	579,783	33%
Tax Increment (Industrial)	6,014,605	2,361,518	39%
Water Revenues	1,857,574	629,066	34%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

(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, 2010 (in thousands):

Governmental Activities:	<u>Balance June 30, 2009</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2010</u>	<u>Amounts due within One Year</u>	<u>Amounts Due in more than One Year</u>
Compensated absences payable	\$17,854	9,896	7,471	\$20,279	9,629	10,650
Net post employment benefits payable	3,416	4,163	2,077	5,502	-	5,502
Claims & judgments	24,910	4,537	4,537	24,910	8,475	16,435
Advances and notes payable						
American Honda Motor Co.	1,678	48		1,726	-	1,726
County of Los Angeles	17,098	1,577		18,675	-	18,675
Tax Allocation Bonds:						
Skypark project refunding	1,057	-	273	784	295	489
Downtown project refunding	6,945	-	200	6,745	210	6,535
Industrial project refunding	25,365	-	990	24,375	1,075	23,300
Certificates of Participation:						
1998 Police and Fire refunding certificates	6,985	-	215	6,770	230	6,540
2004 A refunding certificates	14,925	-	875	14,050	900	13,150
2004 B refunding certificates	23,915	-	-	23,915	-	23,915
2009 land acquisition certificates	-	18,880	-	18,880	310	18,570
Total Governmental Activities	<u>\$144,148</u>	<u>39,101</u>	<u>16,638</u>	<u>\$166,611</u>	<u>21,124</u>	<u>145,487</u>
Business-Type Activities:						
Revenue Bonds - Water Fund	\$2,745	-	500	\$2,245	515	1,730
Total Business-Type Activities	<u>\$2,745</u>	<u>-</u>	<u>500</u>	<u>\$2,245</u>	<u>515</u>	<u>1,730</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

Compensated Absences

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, totaling \$2,938,104, is recorded in the Internal Service Funds. The unfunded portion, amounting to \$17,341,059 is recorded in the governmental activities and is expected to be paid from future resources. In prior years, compensated absences have been liquidated primarily by the general fund.

Net Postemployment Benefits

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

Claims and Judgments

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

(8) Employee Benefits

Defined Benefit Pension Plan

Plan Description

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

Funding Policy

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

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2010 was 10.26% for miscellaneous employees, 38.383% for fire employees and 33.773% for police employees. The contribution requirements for Plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation. For the year ended June 30, 2010 the City's APC and its actual contributions were \$30,280,728. The City contributed \$21,927,917 on behalf of their employees. Employees directly contributed \$8,352,811. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2009 to June 30, 2010. The ARC for the year ended June 30, 2010 was determined as part of the June 30, 2007 actuarial valuation using the entry-age-normal-actuarial-cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members and from 3.55% to 13.15% for safety members; (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Plan's assets was determined

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

using a technique that smoothes the effect of short-term volatility in the market value of investments over a two- to five-year period depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

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

Three-Year Trend Information for the Plan

Fiscal year ended June 30	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligations
2008	\$28,478,307	100%	—
2009	29,513,612	100	—
2010	30,280,728	100	—

Required Supplementary Information-Pension Funding Information

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

Valuation date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded/ (overfunded) liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a % of payroll
2007	\$ 914.5	\$ 780.0	\$ 134.8	85.3%	\$ 95.8	140.7%
2008	964.7	824.9	139.8	85.5	98.8	141.5
2009	1,044.1	853.5	190.6	81.7	103.2	180.0

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

(9) Other Post Employment Benefits

Funding Policy

Below are the 2009/10 ARC (Annual Required Contribution), AOC (Annual Other Post Employment Benefit OPEB Cost), and the estimated June 30, 2010 NOO (Net OPEB Obligation).

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

Eligibility

Employees are generally eligible for postemployment benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a CalPERS pension benefit. As of June 30, 2009, there were 1,270 active participants potentially eligible for the benefit and 1,087 total service and disability retirees currently receiving benefits.

Annual Required Contribution (ARC)

The Annual Required Contribution is the sum of the Normal Cost plus a 30-year level percent of pay amortization of the Unfunded Actuarial Accrued Liability (UAAL) or less an amortization of excess assets determined as of the end of the fiscal year.

The 2009/10 Annual Required Contribution determined by this valuation includes the Normal Cost plus a combined 28-year amortization as a level of percent of pay and determined as of the end of the fiscal year (Amounts in \$000's):

▪ Normal	\$1,737
▪ UAAL Amortization	2,534
▪ Total	<u>\$4,271</u>
▪ Payroll	98,599
▪ ARC%	
• Normal Costs	1.8%
• UAAL Amort	2.6%
• Total	4.3%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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 2009/10 is determined as follows:

▪ ARC	\$4,271
▪ Interest on NOO	145
▪ Amortization of NOO	<u>(253)</u>
▪ Total AOC	\$4,163
▪ AOC as % of Payroll	4.23%

Net OPEB Obligation (NOO)

The NOO is the historical difference between the ARC and actual contributions. If an agency has always contributed the ARC, then the NOO equals zero. However, contributions have not been "made" for purposes of GASB 45 unless they have been segregated in an irrevocable trust for the sole purpose of paying plan benefits. To date the City has not funded contributed any amounts into an irrevocable trust. Pursuant to established City practice and employee MOUs, the postemployment benefits are funded on a "pay as you go" basis. For fiscal year 2010, 49.9% of the ARC was contributed in the form of benefit payments made.

Based on the AOC developed above, the estimated June 30, 2010 NOO is (Amounts in \$000's):

Annual required contribution	\$4,271
Interest on net OPEB obligation	145
Adjustment to annual required obligation	<u>(253)</u>
Annual OPEB cost (expense)	\$4,163
Contributions made (including benefit paid)	<u>(2,077)</u>
Increase in net OPEB obligation	\$2,086
Net OPEB obligation-beginning of year	<u>3,416</u>
Net OPEB obligation-end of year	<u>\$5,502</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$3,405	50.0%	\$3,416
6/30/10	\$4,163	50.0%	\$5,502

Actuarial Methods

<u>Method</u>	<u>June 30, 2009 Valuation</u>
▪ Plan Assets	- None
▪ Cost Method	- Entry Age Normal Level of Pay
▪ Amortization Period	- 30 years/20 years sensitivity
▪ Amortization Method	- Level percent of payroll
▪ Funding Policy	- Pay-As-You-Go
▪ Future New Entrants	- None-Closed group
▪ Unfunded Liability Amortization	- 30 year fixed (closed) period for initial 1/1/08 UAAL (28 years remaining on 6/30/09) 20 year fixed (closed) for plan charges 15 year fixed (closed) period for experience gains/losses, contributions gains/losses, method changes, and assumption changes Maximum 30-year combined period

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

Actuarial Assumptions

<p>Valuation Date</p> <ul style="list-style-type: none"> • June 30, 2009 												
<p>Discount Rate</p> <ul style="list-style-type: none"> • 4.25% (assets invested in General Fund, not pre-funded) • 7.75%,(sensitivity, pre-funded) 												
<p>Inflation</p> <ul style="list-style-type: none"> • 3.0% per annum 												
<p>Aggregate Payroll Increase</p> <ul style="list-style-type: none"> • 3.25% per annum 												
<p>Cap Increases</p> <ul style="list-style-type: none"> • 0% for all groups except Police yearly stipend <table border="0"> <thead> <tr> <th align="center"><u>Year</u></th> <th align="center"><u>Increase</u></th> </tr> </thead> <tbody> <tr> <td align="center">1-5</td> <td align="center">1.8%</td> </tr> <tr> <td align="center">6-10</td> <td align="center">1.8%</td> </tr> <tr> <td align="center">11-15</td> <td align="center">1.9%</td> </tr> <tr> <td align="center">16-20</td> <td align="center">3.2%</td> </tr> <tr> <td align="center">21+</td> <td align="center">3.25%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Increase</u>	1-5	1.8%	6-10	1.8%	11-15	1.9%	16-20	3.2%	21+	3.25%
<u>Year</u>	<u>Increase</u>											
1-5	1.8%											
6-10	1.8%											
11-15	1.9%											
16-20	3.2%											
21+	3.25%											
<p>Mortality, Withdrawal, and Disability</p> <ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study 												
<p>Retirement</p> <ul style="list-style-type: none"> • Calpers 1997-2007 Experience Study • Miscellaneous <ul style="list-style-type: none"> Level 2% @ 55 Hire Age 31.6 ERA 59.2 • Safety <ul style="list-style-type: none"> Level 3% @ 50 HA (F) 26.9 HA (P) 26.7 ERA (F) 54.54 ERA (P) 54.0 												

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

Medical Trend

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

Participation at retirement

	<u>Currently Covered</u>	<u>Currently Waived</u>
Misc	50%	40%
Fire	90%	72%
Police		
Svc <15	50%	40%
Svc ≥158	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 at 65

Future New Entrants

- None-Closed group

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

**Actuarial Obligations
4.25% Discount Rate
06/30/2009
(Amounts in \$000's)**

▪ Present Value of Benefits	
• Actives	\$42,739
• Retirees	34,285
• Total	<u>77,024</u>
▪ Actuarial Accrued Liability	
• Actives	23,931
• Retirees	34,285
• Total	<u>58,216</u>
▪ Normal Cost	1,737
▪ Pay-as-you-go-Cost	2,077

Funded Status and Funding Progress. The funded status of the plan as of the date of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$77,024
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$77,024</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$98,599
UAAL as a percentage of covered payroll	78.1%

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

SCHEDULE OF FUNDING PROGRESS

Required Supplementary Information

The funding progress of the plan as of the date of June 30, 2009 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
06/30/09	\$0	\$77,024	\$77,024	0%	\$98,599	78.1%

(10) Deferred Compensation Plan

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

As a result of changes to Section 457 deferred compensation plans resulting from the Small Business Job Protection Act of 1996, the City's deferred compensation plan administrator, Great West Life & Annuity Insurance Company (GWLAIC) established a custodial account on behalf of

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

the Plan participants. Effective July 1, 1998, all amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in the custodial account for the exclusive benefit of the employee participants and their beneficiaries.

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

The following is a summary of the increases and decreases of Plan net assets available for participants and beneficiaries for the year ended June 30, 2010:

Balance, July 1, 2009	\$ 107,604,805
Deferrals of compensation	9,600,110
Net investment earnings (loss)	9,685,642
Payment to Plan participants	<u>(6,214,376)</u>
Plan net assets available for participants and beneficiaries, June 30, 2010	\$ <u>120,676,181</u>

(11) Other Required Individual Fund Disclosures

Interfund Transactions – Due to/Due from other funds

Interfund receivable and payable balances at June 30, 2010 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$2,255
	Nonmajor Proprietary Funds	<u>318</u>
		<u>\$2,573</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

Interfund Transactions - Advances

The balances of advances between funds at June 30, 2010 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Industrial Redevelopment Debt Service Fund	\$14,272
	Nonmajor Governmental Funds	1,587
		<u>15,859</u>
Water Proprietary Fund	Industrial Redevelopment Debt Service Fund	<u>1,154</u>
Sewer Proprietary Funds	Industrial Redevelopment Debt Service Fund	<u>419</u>
Internal Service Funds	Industrial Redevelopment Debt Service Fund	<u>1,000</u>
Nonmajor Governmental Funds	General Fund	600
	Nonmajor Governmental Fund	1,633
		<u>2,233</u>
		<u><u>\$20,665</u></u>

The advances to the Industrial Redevelopment Debt Service Fund represent loans to fund infrastructure improvements. Advances to the Nonmajor Governmental Funds represent advances to the Downtown Redevelopment Debt Service Fund (a non-major governmental fund).

The Advance from the Parks and Recreation Facilities Fund (a non-major governmental fund) represents a loan for property acquisition. The advance to the Skypark Redevelopment Debt Service Fund from the Low-Moderate Housing Fund which are both non-major governmental funds amounting to \$1,633,409 represent a loan to fund the SERAF obligation for FY09-10. The borrowed funds must be fully repaid by June 30, 2015.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

(12) Transfers In and Out

The balances of transfers between funds at June 30, 2010 were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	\$ 440
	Nonmajor Proprietary Funds	12,306
	Internal Service Funds	787
	Nonmajor Governmental Funds	2,528
		<u>16,061</u>
Capital Improvements Fund	General Fund	46
	Nonmajor Governmental Funds	263
		<u>309</u>
Industrial Redevelopment Debt Service Fund	General Fund	3,130
	Nonmajor Governmental Funds	1,203
		<u>4,333</u>
Water Proprietary Fund	General Fund	<u>30</u>
Sewer Proprietary Fund	General Fund	7
	Nonmajor Proprietary Funds	75
		<u>82</u>
Transit Proprietary Fund	General Fund	49
	Internal Service Funds	2,395
		<u>2,444</u>
Internal Service Funds	General Fund	<u>202</u>
Nonmajor Proprietary Funds	General Fund	6,032
	Internal Service Fund	865
	Nonmajor Governmental Funds	26
		<u>6,923</u>
Nonmajor Governmental Funds	General Fund	870
	Nonmajor Governmental Funds	2,326
		<u>3,196</u>
Total		<u>\$ 33,580</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

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

(13) Risk Management

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

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

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

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

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

Crime: The City purchases crime (bond type) insurance up to \$10,000,000 per occurrence for the loss of money and securities caused by employees and or others.

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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

As of June 30, 2010, \$18,961,950 and \$5,948,241 have been accrued for workers' compensation and general liability claims, respectively. These accruals represent estimates of amounts to be ultimately paid for reported claims and incurred but unreported claims based upon past experience, modified for current trends and other information.

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

<u>Fiscal years</u>	<u>Beginning fiscal year liability balance</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Ending fiscal year balance</u>
2008-09	\$ 24,910	3,706	(3,706)	\$24,910
2009-10	\$ 24,910	4,537	(4,537)	\$24,910

(14) Due from Other Governments

Amounts due from other governments consisted of the following at June 30, 2010 (in thousands):

	<u>State of California</u>	<u>Federal Agencies</u>	<u>County of Los Angeles</u>	<u>Other Local Governments</u>	<u>Total</u>
Governmental Funds:					
General Fund	\$1,786	—	1,291	—	\$3,077
Special Revenue Funds:					
Air Quality Improvement Fund	45	—	—	—	45
Rental Assistance Program Fund	—	19	—	—	19
Grants & Donation Fund	1,388	1,216	158	—	2,762
Debt Service Fund:					
Skypark Redevelopment	—	—	—	—	—
Downtown Redevelopment	—	—	822	—	822
Industrial Redevelopment	97	—	—	—	97
Enterprise Funds:					
Transit System	100	2,554	1,128	53	3,835
Parks and Recreation	—	—	223	—	223
Sanitation	15	—	—	—	15
Subtotal	<u>3,431</u>	<u>3,789</u>	<u>3,622</u>	<u>53</u>	<u>10,895</u>
Fiduciary Fund:					
Municipal Area Express	—	—	10	94	104
Total	<u>\$3,431</u>	<u>3,789</u>	<u>3,632</u>	<u>147</u>	<u>\$10,999</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

(15) Unearned Revenue

The table below shows activity for the City's unearned revenue accounts as of June 30, 2010. The unearned revenue in the Transit Fund represents amounts that will be recognized when eligible purchases occur. The Airport rents received in June for July will be recognized in July. In May and June of 2010, the Parks & Recreation Enterprise Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July. The General Fund balance represents the Community Services recreation registration processing fees that are collected in May and June of 2010 for summer classes which begin in July.

Transit Prop 1 B	564	238	230	572
Transit Prop C (MOSIP)	465	322	209	578
Airport Rents received for July	214	231	214	231
Parks & Recreation Enterprise Fund revenues received in May and June for July classes	<u>622</u>	<u>581</u>	<u>622</u>	<u>581</u>
Total business-type activities	<u>2,245</u>	<u>1,433</u>	<u>1,315</u>	<u>2,363</u>
 General Fund	 <u>49</u>	 <u>53</u>	 <u>49</u>	 <u>53</u>
Total governmental activities	<u>49</u>	<u>53</u>	<u>49</u>	<u>53</u>
	<u>\$ 2,294</u>	<u>1,486</u>	<u>1,364</u>	<u>\$ \$ 2,416</u>

(16) Deficit Fund Equity (Accumulated Deficit)

The Self-Insurance Internal Service Fund reflected an accumulated deficit of \$15,360,510 at June 30, 2010. Such deficit is attributed to recording increases in the reserve for general liability claims resulting from settlements of claims in excess of established reserves and from increasing reserves for pending cases. In fiscal year-ended 2001, an adjustment of \$9,005,667 was made for Self-Insurance Fund Workers Compensation and Liability Claims. In fiscal year-ended 2008, a similar adjustment of \$2,032,846 was made. These adjustments were based on actuarial study reports as of fiscal year ended June 30, 2001 and June 30, 2008 respectively. It is anticipated that the deficit will be reduced over future years through increases in annual charges made through the budgeting process, as they become necessary. Excess charges will be distributed to all funds proportionately depending on their proportionate benefit of the Self-Insurance Fund, which resulted in the accumulated deficit balance.

The Postemployment/Compensated Absences Fund has an accumulated deficit of \$1,477,771 as of June 30, 2010. This deficit will be reduced by future transfers from the General Fund to fund the accrued liability for net postemployment benefits.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

Parks and Recreation has an accumulated deficit of \$610,619 as of June 30, 2010. The deficit will be reduced with the increase in class and program fees in fiscal year ending June 30, 2011.

The Industrial Redevelopment Debt Service Fund has an accumulated deficit of \$14,728,899 as of June 30, 2010, which represents the inclusion of advances due to other funds. This deficit will be reduced by future tax increment payments after annual bond payments have been made.

The Skypark Redevelopment Debt Service Fund has a deficit of \$1,567,564 as of June 30, 2010 as a result of the Agency's payment of SERAF (Supplemental Educational Revenue Augmentation Fund) amounting to \$2,123,409 as mandated by the State of California per AB1389. A portion of the payment was funded by an advance from the Low Moderate Housing Fund which is payable in five years.

(17) Prior Period Adjustment

During the year ended June 30, 2010, the City restated the beginning net assets of the Water Fund. This was done to restate the capital assets as of June 30, 2009 to move amounts recorded as Construction in Progress to Infrastructure capital assets in the amount of \$904,034.

Net assets for Water Fund, beginning, as previously reported:	\$ 70,052,023
Adjustment to capital assets for Infrastructure	<u>(904,034)</u>
Net assets for Water Fund, beginning, as adjusted	<u>\$ 69,147,989</u>

During the year ended June 30, 2010, the City restated the beginning net assets of the Sewer Fund. This was done to restate the capital assets as of June 30, 2009 to move amounts recorded as Construction in Progress to Infrastructure capital assets in the amount of \$41,453.

Net assets for Sewer Fund, beginning, as previously reported:	\$ 54,514,432
Adjustment to capital assets for Infrastructure	<u>(41,453)</u>
Net assets for Water Fund, beginning, as adjusted	<u>\$ 54,472,979</u>

(18) Commitments and Contingencies

The City has various outstanding contracts and purchase orders for services, supplies, materials and capital projects that have not been completed as of fiscal year-end. These commitments total \$11,676,190 at June 30, 2010.

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2010

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.

(This page intentionally left blank)

City OF *Torrance*



44th Armed Forces Day Parade

Combining Financial Statements and Schedules

❖ DEPARTMENT OF FINANCE ❖

City OF *Torrance*



Stanley Remelmeyer Cable Building

Non-Major Governmental Funds

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

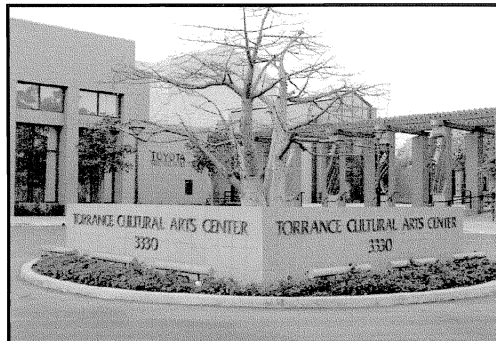
June 30, 2010

Assets	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 32,177,200	\$ 6,168,088	\$ 2,326,411	\$ 40,671,699
Cash and cash equivalents with fiscal agents	—	1,945,219	5,244,402	7,189,621
Accounts receivable	1,721,105	—	—	1,721,105
Accrued interest receivable	169,405	56,947	23,576	249,928
Due from other governments	2,825,908	—	821,828	3,647,736
Interfund advances receivable	600,000	1,633,409	—	2,233,409
Notes receivable	89,055	—	—	89,055
Other assets	—	3,514	—	3,514
Restricted cash and investments	1,011,958	—	—	1,011,958
Total Assets	\$ 38,594,631	\$ 9,807,177	\$ 8,416,217	\$ 56,818,025
 Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 2,341,725	\$ 7,200	\$ —	\$ 2,348,925
Accounts payable-contract retention	139,447	—	—	139,447
Due to other funds	2,251,389	3,876	—	2,255,265
Interfund advances payable	—	—	3,220,008	3,220,008
Total Liabilities	4,732,561	11,076	3,220,008	7,963,645
Fund Balance:				
Reserved for:				
Advances to other funds	600,000	1,633,409	—	2,233,409
Capital Improvements	—	1,945,219	—	1,945,219
Notes receivable	89,055	—	—	89,055
Repayment of debt	—	—	5,196,209	5,196,209
Unreserved	33,173,015	6,217,473	—	39,390,488
Total Fund Balances	33,862,070	9,796,101	5,196,209	48,854,380
Total Liabilities and Fund Balances	\$ 38,594,631	\$ 9,807,177	\$ 8,416,217	\$ 56,818,025

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2010

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Fund</u>
Revenues:				
Taxes	\$ 1,598,806	\$ —	\$ 2,351,857	\$ 3,950,663
Fines, forfeitures and penalties	964,295	—	—	964,295
Use of money and property	2,720,362	206,839	3,618,128	6,545,329
Intergovernmental	22,311,191	—	—	22,311,191
Other revenues	441,180	205,680	—	646,860
Total revenues	<u>28,035,834</u>	<u>412,519</u>	<u>5,969,985</u>	<u>34,418,338</u>
Expenditures:				
General government	2,715,456	—	39,955	2,755,411
Public works	7,278,552	—	—	7,278,552
Culture and recreation	4,785	—	—	4,785
Community development	6,727,404	539,388	—	7,266,792
Capital outlay	7,616,212	23,238,938	—	30,855,150
Debt service:				
Principal retirement	—	—	1,562,953	1,562,953
Interest and fiscal charges	—	—	3,788,995	3,788,995
Other	—	—	3,092,328	3,092,328
Total expenditures	<u>24,342,409</u>	<u>23,778,326</u>	<u>8,484,231</u>	<u>56,604,966</u>
Excess (deficiency) of revenues over expenditures	<u>3,693,425</u>	<u>(23,365,807)</u>	<u>(2,514,246)</u>	<u>(22,186,628)</u>
Other financing sources (uses):				
Proceeds from Bonds	—	18,880,000	—	18,880,000
Transfers in	2,076,754	2,983,533	1,285,890	6,346,177
Transfers out	(1,398,042)	(1,327,639)	(470,372)	(3,196,053)
Issuance of debt-advance from County	—	—	1,577,046	1,577,046
Total other financing sources (uses)	<u>678,712</u>	<u>20,535,894</u>	<u>2,392,564</u>	<u>23,607,170</u>
Net change in fund balances	4,372,137	(2,829,913)	(121,682)	1,420,542
Fund balances, July 1, 2009	<u>29,489,933</u>	<u>12,626,014</u>	<u>5,317,891</u>	<u>47,433,838</u>
Fund balances, June 30, 2010	<u>\$ 33,862,070</u>	<u>\$ 9,796,101</u>	<u>\$ 5,196,209</u>	<u>\$ 48,854,380</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 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 FUND is used for planning, right of way acquisitions, engineering, administration, construction, improvement, maintenance, and operation of public streets and roads, highways and exclusive public mass transit guide ways.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2010

Assets	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund	Parks, Rehabilitation and Open Space Fund
Pooled cash and investments	\$ 869,270	\$ —	\$ 57,703	\$ 146,279	\$ 19,531	\$ 3,042,100
Accounts receivable	—	521,114	—	41,484	—	—
Accrued interest receivable	7,442	—	494	—	—	26,045
Interfund advances receivable	600,000	—	—	—	—	—
Due from other governments	—	18,736	—	—	—	—
Restricted cash and investments	—	409,791	—	—	—	—
Notes receivable (note 4)	—	—	—	—	—	—
Total assets	<u>\$ 1,476,712</u>	<u>\$ 949,641</u>	<u>\$ 58,197</u>	<u>\$ 187,763</u>	<u>\$ 19,531</u>	<u>\$ 3,068,145</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ —	\$ —	\$ 26,337	\$ 160,702	\$ —	\$ —
Accounts payable – contract retention	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>26,337</u>	<u>160,702</u>	<u>—</u>	<u>—</u>
Fund balances:						
Reserved:						
Advances to other funds	600,000	—	—	—	—	—
Notes receivable	—	—	—	—	—	—
Unreserved:						
Undesignated	<u>876,712</u>	<u>949,641</u>	<u>31,860</u>	<u>27,061</u>	<u>19,531</u>	<u>3,068,145</u>
Total fund balances	<u>1,476,712</u>	<u>949,641</u>	<u>31,860</u>	<u>27,061</u>	<u>19,531</u>	<u>3,068,145</u>
Total liabilities and fund balances	<u>\$ 1,476,712</u>	<u>\$ 949,641</u>	<u>\$ 58,197</u>	<u>\$ 187,763</u>	<u>\$ 19,531</u>	<u>\$ 3,068,145</u>

Proposition C Fund	Measure R	Vanpool Rideshare Fund	Bicycle Transportation Fund	Animal Control Fund	Development Impact Fund	Underground Storage Fund	Geologic Hazard Abatement Fund
\$ 6,078,446	\$ 953,449	\$ 528	\$ —	\$ 37,400	\$ 974,447	\$ 3,000	\$ 14,317
—	—	4,649	—	31,050	—	—	—
48,805	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>6,127,251</u>	<u>953,449</u>	<u>5,177</u>	<u>—</u>	<u>68,450</u>	<u>974,447</u>	<u>3,000</u>	<u>14,317</u>
\$ 1,114	\$ —	\$ 5,177	\$ —	\$ 33,496	\$ 974,447	\$ —	\$ —
4,000	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>5,114</u>	<u>—</u>	<u>5,177</u>	<u>—</u>	<u>33,496</u>	<u>974,447</u>	<u>—</u>	<u>—</u>
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>6,122,137</u>	<u>953,449</u>	<u>—</u>	<u>—</u>	<u>34,954</u>	<u>—</u>	<u>3,000</u>	<u>14,317</u>
<u>6,122,137</u>	<u>953,449</u>	<u>—</u>	<u>—</u>	<u>34,954</u>	<u>—</u>	<u>3,000</u>	<u>14,317</u>
<u>\$ 6,127,251</u>	<u>\$ 953,449</u>	<u>\$ 5,177</u>	<u>\$ —</u>	<u>\$ 68,450</u>	<u>\$ 974,447</u>	<u>\$ 3,000</u>	<u>\$ 14,317</u>

(continued)

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

Assets	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund	Grants and Donations Fund	Federal Housing and Community Development Fund
Pooled cash and investments	\$ 7,263,713	\$ 116,756	\$ 23,761	\$ 51,436	\$ 1,062,974	\$ 649,434
Accounts receivable	217,896	—	23,827	—	—	—
Accrued interest receivable	62,188	—	—	440	209	—
Interfund advances receivable	—	—	—	—	—	—
Due from other governments	—	45,341	—	—	2,761,831	—
Restricted cash and investments	—	—	—	—	—	2,167
Notes receivable (note 4)	—	—	—	—	—	89,055
Total assets	\$ 7,543,797	\$ 162,097	\$ 47,588	\$ 51,876	\$ 3,825,014	\$ 740,656
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 48,915	\$ 3,219	\$ —	\$ —	\$ 826,245	\$ —
Accounts payable – contract retention	7,945	—	—	—	127,502	—
Due to other funds	—	—	—	—	2,251,389	—
Total liabilities	56,860	3,219	—	—	3,205,136	—
Fund balances:						
Reserved:						
Advances to other funds	—	—	—	—	—	—
Notes receivable	—	—	—	—	—	89,055
Unreserved:						
Undesignated	7,486,937	158,878	47,588	51,876	619,878	651,601
Total fund balances	7,486,937	158,878	47,588	51,876	619,878	740,656
Total liabilities and fund balances	\$ 7,543,797	\$ 162,097	\$ 47,588	\$ 51,876	\$ 3,825,014	\$ 740,656

Asset Forfeiture Fund	El Camino Training Fund	Cable Comm/PEG Public Access Fund	Proposition 1B Fund	AB2928 Traffic Congestion Relief Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
\$ 3,464,643	\$ 665,168	\$ 2,777,253	\$ 2,884,939	\$ 978,353	\$ 42,300	\$ 32,177,200
—	—	500,027	—	374,938	6,120	1,721,105
—	—	23,782	—	—	—	169,405
—	—	—	—	—	—	600,000
600,000	—	—	—	—	—	2,825,908
—	—	—	—	—	—	1,011,958
—	—	—	—	—	—	89,055
<u>\$ 4,064,643</u>	<u>\$ 665,168</u>	<u>\$ 3,301,062</u>	<u>\$ 2,884,939</u>	<u>\$ 1,353,291</u>	<u>\$ 48,420</u>	<u>\$ 38,594,631</u>
\$ 1,233	\$ 374	\$ 166,530	\$ 93,936	\$ —	\$ —	\$ 2,341,725
—	—	—	—	—	—	139,447
—	—	—	—	—	—	2,251,389
<u>1,233</u>	<u>374</u>	<u>166,530</u>	<u>93,936</u>	<u>—</u>	<u>—</u>	<u>4,732,561</u>
—	—	—	—	—	—	600,000
—	—	—	—	—	—	89,055
<u>4,063,410</u>	<u>664,794</u>	<u>3,134,532</u>	<u>2,791,003</u>	<u>1,353,291</u>	<u>48,420</u>	<u>33,173,015</u>
<u>4,063,410</u>	<u>664,794</u>	<u>3,134,532</u>	<u>2,791,003</u>	<u>1,353,291</u>	<u>48,420</u>	<u>33,862,070</u>
<u>\$ 4,064,643</u>	<u>\$ 665,168</u>	<u>\$ 3,301,062</u>	<u>\$ 2,884,939</u>	<u>\$ 1,353,291</u>	<u>\$ 48,420</u>	<u>\$ 38,594,631</u>

CITY OF TORRANCE, CALIFORNIA

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

Nonmajor Special Revenue Funds

Year ended June 30, 2010

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund	Parks, Rehabilitation and Open Space Fund
Revenues:						
Taxes	\$ 22,000	\$ —	\$ —	\$ 1,326,210	\$ —	\$ —
Fines, forfeitures and penalties	—	—	—	—	—	112,296
Use of money and property	25,829	22,542	1,658	—	—	90,313
Intergovernmental	—	6,226,079	—	—	—	—
Other	—	13,293	—	—	—	—
Total revenues	47,829	6,261,914	1,658	1,326,210	—	202,609
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public works	—	—	—	2,693,684	—	—
Culture and recreation	—	—	—	—	—	4,785
Community development	—	6,545,715	—	—	—	—
Capital outlay	—	—	—	—	—	—
Total expenditures	—	6,545,715	—	2,693,684	—	4,785
Excess (deficiency) of revenues over expenditures	47,829	(283,801)	1,658	(1,367,474)	—	197,824
Other financing sources (uses):						
Transfers in	—	—	—	1,134,839	—	—
Transfers out	—	—	—	—	—	—
Net change in fund balance	47,829	(283,801)	1,658	(232,635)	—	197,824
Fund balances, July 1, 2009	1,428,883	1,233,442	30,202	259,696	19,531	2,870,321
Fund balances, June 30, 2010	\$ <u>1,476,712</u>	\$ <u>949,641</u>	\$ <u>31,860</u>	\$ <u>27,061</u>	\$ <u>19,531</u>	\$ <u>3,068,145</u>

Proposition C Fund	Measure R	Vanpool Rideshare Fund	Bicycle Transportation Fund	Animal Control Fund	Development Impact Fund	Underground Storage Fund	Geologic Hazard Abatement Fund
\$ —	\$ —	\$ —	\$ —	\$ 185,578	\$ 65,018	\$ —	\$ —
—	—	—	—	—	—	—	—
181,547	7,504	—	—	—	—	—	—
1,572,181	945,945	44,654	—	—	—	—	—
—	—	57,977	—	9,557	—	—	—
<u>1,753,728</u>	<u>953,449</u>	<u>102,631</u>	<u>—</u>	<u>195,135</u>	<u>65,018</u>	<u>—</u>	<u>—</u>
—	—	222,911	—	442,493	65,018	—	—
613,726	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1,462,637	—	—	—	—	—	—	—
<u>2,076,363</u>	<u>—</u>	<u>222,911</u>	<u>—</u>	<u>442,493</u>	<u>65,018</u>	<u>—</u>	<u>—</u>
(322,635)	953,449	(120,280)	—	(247,358)	—	—	—
377,898	—	154,900	—	219,079	—	—	—
<u>(154,900)</u>	<u>—</u>	<u>(378,295)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
(99,637)	953,449	(343,675)	—	(28,279)	—	—	—
6,221,774	—	343,675	—	63,233	—	3,000	14,317
<u>\$ 6,122,137</u>	<u>\$ 953,449</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 34,954</u>	<u>\$ —</u>	<u>\$ 3,000</u>	<u>\$ 14,317</u>

(continued)

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

	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund	Grants and Donations Fund	Federal Housing and Community Development Fund
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Fines, forfeitures and penalties	—	—	—	—	—	—
Use of money and property	198,455	3,603	24,327	1,280	16,514	—
Intergovernmental	2,387,399	168,835	—	—	9,005,609	—
Other	—	—	—	—	254,960	—
Total revenues	<u>2,585,854</u>	<u>172,438</u>	<u>24,327</u>	<u>1,280</u>	<u>9,277,083</u>	<u>—</u>
Expenditures:						
Current:						
General government	—	—	24,526	2,185	—	—
Public works	—	—	—	—	3,971,142	—
Culture and recreation	—	—	—	—	—	—
Community development	—	181,689	—	—	—	—
Capital outlay	995,143	—	—	—	5,016,671	—
Total expenditures	<u>995,143</u>	<u>181,689</u>	<u>24,526</u>	<u>2,185</u>	<u>8,987,813</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	1,590,711	(9,251)	(199)	(905)	289,270	—
Other financing sources (uses):						
Transfers in	—	—	—	—	—	36,900
Transfers out	(840,000)	—	—	—	—	—
Net change in fund balance	750,711	(9,251)	(199)	(905)	289,270	36,900
Fund balances, July 1, 2009	6,736,226	168,129	47,787	52,781	330,608	703,756
Fund balances, June 30, 2010	<u>\$ 7,486,937</u>	<u>\$ 158,878</u>	<u>\$ 47,588</u>	<u>\$ 51,876</u>	<u>\$ 619,878</u>	<u>\$ 740,656</u>

<u>Asset Forfeiture Fund</u>	<u>El Camino Training Fund</u>	<u>Cable Comm/PEG Public Access Fund</u>	<u>Proposition 1B Fund</u>	<u>AB2928 Traffic Congestion Relief Fund</u>	<u>DNA Sampling Fund</u>	<u>Total Nonmajor Special Revenue Fund</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1,598,806
851,999	—	—	—	—	—	964,295
104,280	—	1,974,659	64,503	3,348	—	2,720,362
—	—	—	610,546	1,349,943	—	22,311,191
—	73,805	6,628	—	—	24,960	441,180
<u>956,279</u>	<u>73,805</u>	<u>1,981,287</u>	<u>675,049</u>	<u>1,353,291</u>	<u>24,960</u>	<u>28,035,834</u>
52,690	3,222	1,514,241	388,170	—	—	2,715,456
—	—	—	—	—	—	7,278,552
—	—	—	—	—	—	4,785
—	—	—	—	—	—	6,727,404
53,129	—	88,632	—	—	—	7,616,212
<u>105,819</u>	<u>3,222</u>	<u>1,602,873</u>	<u>388,170</u>	<u>—</u>	<u>—</u>	<u>24,342,409</u>
850,460	70,583	378,414	286,879	1,353,291	24,960	3,693,425
—	—	153,138	—	—	—	2,076,754
—	—	(24,847)	—	—	—	(1,398,042)
850,460	70,583	506,705	286,879	1,353,291	24,960	4,372,137
3,212,950	594,211	2,627,827	2,504,124	—	23,460	29,489,933
<u>\$ 4,063,410</u>	<u>\$ 664,794</u>	<u>\$ 3,134,532</u>	<u>\$ 2,791,003</u>	<u>\$ 1,353,291</u>	<u>\$ 48,420</u>	<u>33,862,070</u>

(This page intentionally left blank)

City OF Torrance



Torrance Beach

Non-Major Capital Project Funds

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

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

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

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

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

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

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

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

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

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA
 Combining Balance Sheet
 Nonmajor Capital Project Funds
 June 30, 2010

		Torrance Public Financing Fund
Assets		
Pooled cash and investments	\$	—
Cash and cash equivalents with fiscal agents		1,945,219
Accrued interest receivable		—
Due from other funds		—
Others		—
Total assets	\$	<u>1,945,219</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$	—
Due to other funds		3,876
Total liabilities		<u>3,876</u>
Fund balances:		
Reserved:		
Capital improvements		1,945,219
Unreserved:		
Designated:		
Infrastructure		—
Undesignated fund balance		<u>(3,876)</u>
Total fund balances		<u>1,941,343</u>
Total liabilities and fund balances	\$	<u>1,945,219</u>

Redevelopment Agency of the City of Torrance

Meadow Park Project Fund		Skypark Project Fund		Downtown Torrance Redevelopment Project Fund		Industrial Redevelopment Project Fund		Low/Moderate Income Housing Fund		Total Nonmajor Capital Project Funds	
\$	11,415	\$	6,785	\$	118,985	\$	78,208	\$	5,952,695	\$	6,168,088
	—		—		—		—		—		1,945,219
	98		—		4,461		—		52,388		56,947
	—		—		—		—		1,633,409		1,633,409
	—		—		—		—		3,514		3,514
\$	<u>11,513</u>	\$	<u>6,785</u>	\$	<u>123,446</u>	\$	<u>78,208</u>	\$	<u>7,642,006</u>	\$	<u>9,807,177</u>
\$	—	\$	—	\$	6,950	\$	—	\$	250	\$	7,200
	—		—		—		—		—		3,876
	—		—		6,950		—		250		11,076
	—		—		—		—		—		1,945,219
	—		—		—		—		7,641,756		7,641,756
	11,513		6,785		116,496		78,208		—		209,126
	11,513		6,785		116,496		78,208		7,641,756		9,796,101
\$	<u>11,513</u>	\$	<u>6,785</u>	\$	<u>123,446</u>	\$	<u>78,208</u>	\$	<u>7,642,006</u>	\$	<u>9,807,177</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Capital Project Funds
Year ended June 30, 2010

	Torrance Public Financing Fund
Revenues:	
Use of money and property	\$ —
Other	—
Total revenues	<u>—</u>
Expenditures	
Capital outlay	19,189,036
Community development	—
Total expenditures	<u>19,189,036</u>
Excess (deficiency) of revenues over expenditures	(19,189,036)
Other financing sources (uses):	
Proceeds from Bonds	18,880,000
Transfers in	1,310,240
Transfers out	<u>(1,285,890)</u>
Total other financing sources (uses), net	<u>18,904,350</u>
Net change in fund balance	(284,686)
Fund balances, July 1, 2009	<u>2,226,029</u>
Fund balances, June 30, 2010	<u>\$ 1,941,343</u>

Redevelopment Agency of the City of Torrance

Meadow Park Project Fund	Skypark Project Fund	Downtown Torrance Redevelopment Project Fund	Industrial Redevelopment Project Fund	Low/Moderate Income Housing Fund	Total Nonmajor Capital Project Funds
\$ 964	\$ —	\$ 8,709	\$ —	\$ 197,166	\$ 206,839
12,845	—	130,887	—	61,948	205,680
<u>13,809</u>	<u>—</u>	<u>139,596</u>	<u>—</u>	<u>259,114</u>	<u>412,519</u>
—	—	—	—	4,049,902	23,238,938
40,000	—	116,647	—	382,741	539,388
<u>40,000</u>	<u>—</u>	<u>116,647</u>	<u>—</u>	<u>4,432,643</u>	<u>23,778,326</u>
(26,191)	—	22,949	—	(4,173,529)	(23,365,807)
—	—	—	—	—	18,880,000
—	—	—	—	1,673,293	2,983,533
—	—	(22,949)	—	(18,800)	(1,327,639)
—	—	(22,949)	—	1,654,493	20,535,894
(26,191)	—	—	—	(2,519,036)	(2,829,913)
<u>37,704</u>	<u>6,785</u>	<u>116,496</u>	<u>78,208</u>	<u>10,160,792</u>	<u>12,626,014</u>
<u>\$ 11,513</u>	<u>\$ 6,785</u>	<u>\$ 116,496</u>	<u>\$ 78,208</u>	<u>\$ 7,641,756</u>	<u>\$ 9,796,101</u>

(This page intentionally left blank)

City OF Torrance



Wilson Park

Non-Major Debt Service Funds

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

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

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

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

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

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2010

	Redevelopment Agency of the City of Torrance			Total Nonmajor Debt Service Funds
	Torrance Public Financing Fund	Skypark Fund	Downtown Torrance Redevelopment Fund	
Assets				
Pooled cash and investments	\$ —	\$ 65,286	\$ 2,261,125	\$ 2,326,411
Cash and cash equivalents with fiscal agents	4,650,065	—	594,337	5,244,402
Accrued interest receivable	—	559	23,017	23,576
Due from other governments	—	—	821,828	821,828
Total assets	\$ 4,650,065	\$ 65,845	\$ 3,700,307	\$ 8,416,217
Liabilities and Fund Balances				
Liabilities:				
Interfund advances payable	\$ —	\$ 1,633,409	\$ 1,586,599	\$ 3,220,008
Total liabilities	—	1,633,409	1,586,599	3,220,008
Fund balances:				
Reserved – debt service	4,650,065	—	2,113,708	6,763,773
Unreserved:				
Undesignated (note 16)	—	(1,567,564)	—	(1,567,564)
Total fund balances	4,650,065	(1,567,564)	2,113,708	5,196,209
Total liabilities and fund balances	\$ 4,650,065	\$ 65,845	\$ 3,700,307	\$ 8,416,217

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year ended June 30, 2010

	<u>Torrance Public Financing Fund</u>	<u>Redevelopment Agency of the City of Torrance</u>		<u>Total Nonmajor Debt Service Funds</u>
		<u>Skypark Fund</u>	<u>Downtown Torrance Redevelopment Fund</u>	
Revenues:				
Property taxes	\$ —	\$ 585,558	\$ 1,766,299	\$ 2,351,857
Use of money and property	3,548,591	4,857	64,680	3,618,128
Total revenues	<u>3,548,591</u>	<u>590,415</u>	<u>1,830,979</u>	<u>5,969,985</u>
Expenditures:				
General government	—	10,039	29,916	39,955
Debt Service:				
Principal retirement	1,090,000	272,953	200,000	1,562,953
Interest and fiscal charges	2,424,713	79,192	1,285,090	3,788,995
Other	—	2,083,409	1,008,919	3,092,328
Total expenditures	<u>3,514,713</u>	<u>2,445,593</u>	<u>2,523,925</u>	<u>8,484,231</u>
Excess (deficiency) of revenues over expenditures	<u>33,878</u>	<u>(1,855,178)</u>	<u>(692,946)</u>	<u>(2,514,246)</u>
Other financing sources (uses):				
Transfers in	1,285,890	—	—	1,285,890
Transfers out	—	(117,112)	(353,260)	(470,372)
Issuance of debt-advance from County	—	—	1,577,046	1,577,046
Total other financing sources (uses)	<u>1,285,890</u>	<u>(117,112)</u>	<u>1,223,786</u>	<u>2,392,564</u>
Net change in fund balance	1,319,768	(1,972,290)	530,840	(121,682)
Fund balances, July 1, 2009	<u>3,330,297</u>	<u>404,726</u>	<u>1,582,868</u>	<u>5,317,891</u>
Fund balances, June 30, 2010	<u>\$ 4,650,065</u>	<u>\$ (1,567,564)</u>	<u>\$ 2,113,708</u>	<u>\$ 5,196,209</u>

City OF *Torrance*



James R. Armstrong Theater

Non-Major Proprietary Funds

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Net Assets
 Nonmajor Proprietary Funds
 June 30, 2010

Assets	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Funds
Current assets:						
Pooled cash and investments	\$ —	\$ 1,836,575	\$ 5,415,828	\$ —	\$ 437,336	\$ 7,689,739
Accounts receivable	199,024	1,457,661	268,911	2,036	36,598	1,964,230
Accrued interest receivable	—	—	46,482	—	—	46,482
Due from other governments	—	14,652	—	223,015	—	237,667
Prepays	—	251	—	5,053	—	5,304
Total current assets	<u>199,024</u>	<u>3,309,139</u>	<u>5,731,221</u>	<u>230,104</u>	<u>473,934</u>	<u>9,943,422</u>
Noncurrent assets:						
Capital assets, net	72,130	42,909	7,375,903	19,244	461,096	7,971,282
Total noncurrent assets	<u>72,130</u>	<u>42,909</u>	<u>7,375,903</u>	<u>19,244</u>	<u>461,096</u>	<u>7,971,282</u>
Total Assets	<u>271,154</u>	<u>3,352,048</u>	<u>13,107,124</u>	<u>249,348</u>	<u>935,030</u>	<u>17,914,704</u>
Liabilities						
Current liabilities (payable from current assets):						
Accounts payable	5,532	336,958	101,486	128,331	188,469	760,776
Accrued liabilities	56	564,126	101,769	—	96,523	762,474
Due to other funds	167,266	—	—	150,592	—	317,858
Unearned revenues	—	—	231,295	581,044	—	812,339
Total current liabilities	<u>172,854</u>	<u>901,084</u>	<u>434,550</u>	<u>859,967</u>	<u>284,992</u>	<u>2,653,447</u>
Total Liabilities	<u>\$ 172,854</u>	<u>\$ 901,084</u>	<u>\$ 434,550</u>	<u>\$ 859,967</u>	<u>\$ 284,992</u>	<u>\$ 2,653,447</u>
Net Assets:						
Invested in capital assets, net of related debt	72,130	42,909	7,375,903	19,244	461,096	7,971,282
Unrestricted	26,170	2,408,055	5,296,671	(629,863)	188,942	7,289,975
Total Net Assets (Deficits)	<u>\$ 98,300</u>	<u>\$ 2,450,964</u>	<u>\$ 12,672,574</u>	<u>\$ (610,619)</u>	<u>\$ 650,038</u>	<u>\$ 15,261,257</u>

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits)
 Nonmajor Proprietary Funds
 Year ended June 30, 2010

	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Funds
Operating revenues:						
Charges for services	\$ 1,783,491	\$ 10,860,155	\$ 10,428,324	\$ 4,035,246	\$ 1,087,453	\$ 28,194,669
Other	—	558	—	22,849	—	23,407
Total operating revenues	<u>1,783,491</u>	<u>10,860,713</u>	<u>10,428,324</u>	<u>4,058,095</u>	<u>1,087,453</u>	<u>28,218,076</u>
Operating expenses:						
Salaries and employee benefits	9,191,525	4,552,458	1,664,428	5,100,535	1,574,993	22,083,939
Services and supplies	289,241	3,281,377	299,454	1,072,770	91,646	5,034,488
Other professional services	613	2,440,734	413,637	1,126,433	286,496	4,267,913
Depreciation and amortization	12,235	25,102	303,334	1,720	21,543	363,934
Insurance and claims	—	106,831	22,548	9,396	—	138,775
City charges	—	1,002,686	2,595,545	762,518	111,123	4,471,872
Other	20,021	20,987	88,420	10,453	12,091	151,972
Total operating expenses	<u>9,513,635</u>	<u>11,430,175</u>	<u>5,387,366</u>	<u>8,083,825</u>	<u>2,097,892</u>	<u>36,512,893</u>
Operating income (loss)	<u>(7,730,144)</u>	<u>(569,462)</u>	<u>5,040,958</u>	<u>(4,025,730)</u>	<u>(1,010,439)</u>	<u>(8,294,817)</u>
Nonoperating revenues (expenses):						
Investment earnings	—	72,125	174,228	—	—	246,353
Grants	—	47,768	—	—	107,696	155,464
Interest expense	—	—	(147,418)	—	—	(147,418)
Total nonoperating revenues, net	<u>—</u>	<u>119,893</u>	<u>26,810</u>	<u>—</u>	<u>107,696</u>	<u>254,399</u>
Income (loss) before transfers	<u>(7,730,144)</u>	<u>(449,569)</u>	<u>5,067,768</u>	<u>(4,025,730)</u>	<u>(902,743)</u>	<u>(8,040,418)</u>
Transfers in	7,679,979	75,000	—	3,795,568	829,899	12,380,446
Transfers out	—	(867,943)	(5,973,378)	(67,594)	(13,734)	(6,922,649)
Change in net assets	<u>(50,165)</u>	<u>(1,242,512)</u>	<u>(905,610)</u>	<u>(297,756)</u>	<u>(86,578)</u>	<u>(2,582,621)</u>
Total net assets (deficits) - July 1, 2009	<u>148,465</u>	<u>3,693,476</u>	<u>13,578,184</u>	<u>(312,863)</u>	<u>736,616</u>	<u>17,843,878</u>
Total net assets (deficits) - June 30, 2010	<u>\$ 98,300</u>	<u>\$ 2,450,964</u>	<u>\$ 12,672,574</u>	<u>\$ (610,619)</u>	<u>\$ 650,038</u>	<u>\$ 15,261,257</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

Year ended June 30, 2010

	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities:						
Receipts from customers	\$ 1,674,256	\$ 10,869,345	\$ 10,412,470	\$ 4,230,601	\$ 1,054,331	\$ 28,241,003
Cash payments to suppliers for goods and services	(329,975)	(6,714,040)	(3,417,366)	(2,937,145)	(508,514)	(13,907,040)
Cash payments to employees for services	(9,191,525)	(4,524,373)	(1,619,927)	(5,100,535)	(1,569,722)	(22,006,082)
Internal activity-payments from (to) other funds	167,265	—	—	—	—	167,265
Cash received from donations	—	—	—	7,095	—	7,095
Other receipts	—	—	—	15,754	—	15,754
Net cash provided by (used in) operating activities	<u>(7,679,979)</u>	<u>(369,068)</u>	<u>5,375,177</u>	<u>(3,784,230)</u>	<u>(1,023,905)</u>	<u>(7,482,005)</u>
Cash flows from noncapital financing activities:						
Cash received from grants and subsidies	—	47,768	—	—	107,696	155,464
Cash transfers received from other funds	7,679,979	110,571	—	3,795,568	829,899	12,416,017
Cash transfers paid to other funds	—	(903,514)	(5,972,297)	(67,594)	(13,734)	(6,957,139)
Net cash provided by (used in) noncapital financing activities	<u>7,679,979</u>	<u>(745,175)</u>	<u>(5,972,297)</u>	<u>3,727,974</u>	<u>923,861</u>	<u>5,614,342</u>
Cash flows from capital financing activities:						
Payments for long-term obligations - principal & interest	—	—	(147,418)	—	—	(147,418)
Payments for capital expenditures	—	—	(773,573)	—	—	(773,573)
Net cash provided by (used in) capital financing activities	<u>—</u>	<u>—</u>	<u>(920,991)</u>	<u>—</u>	<u>—</u>	<u>(920,991)</u>
Cash flows from investing activities:						
Cash received from interest on investments	—	72,125	205,150	—	—	277,275
Net increase (decrease) in cash, restricted cash and cash equivalents	<u>—</u>	<u>(1,042,118)</u>	<u>(1,312,961)</u>	<u>(56,256)</u>	<u>(100,044)</u>	<u>(2,511,379)</u>
Cash, restricted cash and cash equivalents, July 1, 2009	<u>—</u>	<u>2,878,693</u>	<u>6,728,789</u>	<u>56,256</u>	<u>537,380</u>	<u>10,201,118</u>
Cash, restricted cash and cash equivalents, June 30, 2010	<u>\$ —</u>	<u>\$ 1,836,575</u>	<u>\$ 5,415,828</u>	<u>\$ —</u>	<u>\$ 437,336</u>	<u>\$ 7,689,739</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (7,730,144)	(569,462)	5,040,958	\$ (4,025,730)	\$ (1,010,439)	\$ (8,294,817)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	12,235	25,102	303,334	1,720	21,543	363,934
Change in assets and liabilities:						
Accounts receivable	(109,235)	23,284	(33,748)	(978)	(23,802)	(144,479)
Due from other government	—	(14,652)	—	86,441	—	71,789
Prepays and other assets	—	(251)	—	10,201	—	9,950
Accounts payable	(20,100)	227,228	3,319	34,224	(6,864)	237,807
Due to other funds	167,265	—	—	150,592	—	317,857
Other accrued liabilities	—	(60,317)	—	—	(294)	(60,611)
Accrued salaries and benefits	—	—	43,420	—	5,271	48,691
Deposits and guarantees	—	—	535	—	(9,320)	(8,785)
Unearned revenues	—	—	17,359	(40,700)	—	(23,341)
Net cash provided by (used in) operating activities	<u>\$ (7,679,979)</u>	<u>\$ (369,068)</u>	<u>\$ 5,375,177</u>	<u>\$ (3,784,230)</u>	<u>\$ (1,023,905)</u>	<u>\$ (7,482,005)</u>

City OF Torrance



Fleet

Internal Service Funds

The Internal Service funds are used to account for financing of goods or services provided by one City department to other departments of the City and to other governmental units on a cost-reimbursement basis.

The SELF-INSURANCE FUND is used to finance and account for the City's risk management and self-insurance programs.

The FLEET SERVICES FUND is used to finance and account for the City's vehicular equipment.

The POSTEMPLOYMENT/COMPENSATED ABSENCES FUND is used to account for interfund charges to the City's departments for postemployment benefits and compensated absences.

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Internal Service Funds

June 30, 2010

Assets	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current assets:				
Pooled cash and investments	\$ 8,357,769	\$ 12,261,889	\$ 6,597,690	\$ 27,217,348
Accounts receivable	-	68,708	-	68,708
Accrued interest receivable	-	112,045	-	112,045
Other prepayments	270,928	-	686,503	957,431
Inventories	-	1,074,450	-	1,074,450
Total current assets	<u>8,628,697</u>	<u>13,517,092</u>	<u>7,284,193</u>	<u>29,429,982</u>
Advances to other funds	1,000,000	-	-	1,000,000
Capital assets, net	-	9,735,034	-	9,735,034
Total assets	<u>\$ 9,628,697</u>	<u>\$ 23,252,126</u>	<u>\$ 7,284,193</u>	<u>\$ 40,165,016</u>
Liabilities and Net Assets (Deficit)				
Current liabilities:				
Accounts payable	\$ 79,016	\$ 438,622	\$ 321,860	\$ 839,498
Accrued salaries and benefits	-	376,685	2,938,104	3,314,789
Accrued liability for self-insurance claims – current	8,474,538	-	-	8,474,538
Total current liabilities	<u>8,553,554</u>	<u>815,307</u>	<u>3,259,964</u>	<u>12,628,825</u>
Accrued liability for self-insurance claims – long-term	16,435,653	-	-	16,435,653
Accrued liability for net postemployment benefits - long-term	-	-	5,502,000	5,502,000
Total liabilities	<u>24,989,207</u>	<u>815,307</u>	<u>8,761,964</u>	<u>34,566,478</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	-	9,735,034	-	9,735,034
Unrestricted - (note 16)	(15,360,510)	12,701,785	(1,477,771)	(4,136,496)
Total net assets (deficits)	<u>(15,360,510)</u>	<u>22,436,819</u>	<u>(1,477,771)</u>	<u>5,598,538</u>
Total liabilities and net assets	<u>\$ 9,628,697</u>	<u>\$ 23,252,126</u>	<u>\$ 7,284,193</u>	<u>\$ 40,165,016</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets (Deficits)
Internal Service Funds
Year ended June 30, 2010

	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
Operating revenues – charges for services	\$ 2,492,518	\$ 4,536,888	\$ -	\$ 7,029,406
Operating expenses:				
Salaries and benefits	795,260	3,077,323	2,086,000	5,958,583
Materials and services	165,009	623,637	-	788,646
Insurance and claims	5,598,919	13,228	-	5,612,147
Depreciation	-	2,092,260	-	2,092,260
Other	4,521	15,067	-	19,588
Total operating expenses	<u>6,563,709</u>	<u>5,821,515</u>	<u>2,086,000</u>	<u>14,471,224</u>
Operating income (loss)	<u>(4,071,191)</u>	<u>(1,284,627)</u>	<u>(2,086,000)</u>	<u>(7,441,818)</u>
Nonoperating revenues (expenses):				
Investment earnings	-	397,840	80,255	478,095
Gain on sale of capital assets	-	123,805	-	123,805
Loss on disposal of capital assets	-	(21,984)	-	(21,984)
Other, net	-	(306,841)	-	(306,841)
Total nonoperating revenues	<u>-</u>	<u>192,820</u>	<u>80,255</u>	<u>273,075</u>
Net income (loss) before transfers	<u>(4,071,191)</u>	<u>(1,091,807)</u>	<u>(2,005,745)</u>	<u>(7,168,743)</u>
Transfers in	2,488,269	1,558,435	-	4,046,704
Transfers out	<u>(5,966)</u>	<u>(196,361)</u>	<u>-</u>	<u>(202,327)</u>
Increase in net assets	<u>(1,588,888)</u>	<u>270,267</u>	<u>(2,005,745)</u>	<u>(3,324,366)</u>
Net assets (deficits), July 1, 2009	<u>(13,771,622)</u>	<u>22,166,552</u>	<u>527,974</u>	<u>8,922,904</u>
Net assets (deficits), June 30, 2010	<u>\$ (15,360,510)</u>	<u>\$ 22,436,819</u>	<u>\$ (1,477,771)</u>	<u>\$ 5,598,538</u>

CITY OF TORRANCE, CALIFORNIA

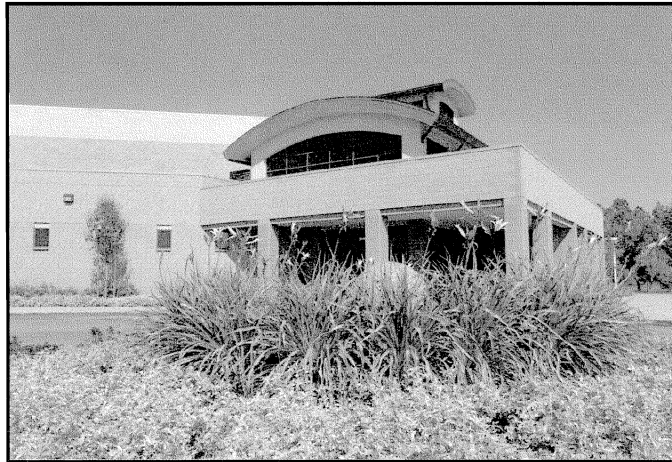
Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2010

	<u>Self-Insurance</u>	<u>Fleet Services</u>	<u>Postemployment/ Compensated</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Absences</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Cash flows from operating activities:				
Receipts from Customers	\$ 2,492,518	\$ 4,534,910	\$ -	\$ 7,027,428
Cash payments to suppliers for goods and services	(6,100,088)	(818,433)	-	(6,918,521)
Cash payments to employees for services	(795,260)	(3,068,777)	290,216	(3,573,821)
Net Cash provided by (used in) operating activities	<u>(4,402,830)</u>	<u>647,700</u>	<u>290,216</u>	<u>(3,464,914)</u>
Cash flows from noncapital financing activities				
Cash transfers received from other funds	2,488,269	1,558,435	-	4,046,704
Cash transfers paid to other funds	(5,966)	(196,328)	-	(202,294)
Internal activity-payments from (to) other funds	1,000,000	-	-	1,000,000
Net Cash provided by (used in) noncapital financing	<u>3,482,303</u>	<u>1,362,107</u>	<u>-</u>	<u>4,844,410</u>
Cash flows from capital financing activities				
Payments for capital expenditures	-	(4,389,478)	-	(4,389,478)
Proceeds from sale of capital assets	-	125,605	-	125,605
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(4,263,873)</u>	<u>-</u>	<u>(4,263,873)</u>
Cash flows from investing activities:				
Cash received from interest on investments	-	440,956	80,255	521,211
Net increase (decrease) in cash, restricted cash and cash equivalents	(920,527)	(1,813,110)	370,471	(2,363,166)
Cash and cash equivalents, July 1, 2009	9,278,296	14,074,999	6,227,219	29,580,514
Cash and cash equivalents, June 30, 2010	<u>\$ 8,357,769</u>	<u>\$ 12,261,889</u>	<u>\$ 6,597,690</u>	<u>\$ 27,217,348</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (4,071,191)	\$ (1,284,627)	\$ (2,086,000)	\$ (7,441,818)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	2,092,260	-	2,092,260
Change in assets and liabilities:				
Accounts receivable	-	(1,978)	-	(1,978)
Prepays and other assets	(270,928)	-	(11,636)	(282,564)
Inventories	-	(41,693)	-	(41,693)
Accounts payable	(60,711)	(124,775)	-	(185,486)
Accrued salaries and benefits	-	8,546	2,387,852	2,396,398
Other liabilities	-	(33)	-	(33)
Net cash provided by (used in) operating activities	<u>\$ (4,402,830)</u>	<u>\$ 647,700</u>	<u>\$ 290,216</u>	<u>\$ (3,464,914)</u>

City OF Torrance



City's Sports Complex

Agency Funds

The Agency funds are used to account for assets held by the City in a fiduciary capacity for individuals, governmental entities and others.

The MUNICIPAL AREA EXPRESS (MAX) FUND is used to account for Federal, County and local revenues to finance a special commuter bus service in the South Bay area of Los Angeles County.

The SPECIAL DEPOSITS FUND is used to account for private donations, deposits and other funds disbursements on projects of the general government.

The FLEXIBLE BENEFITS FUND is used to account for unspent per-tax benefits funds collected from the participating employees of the City.

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

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

^{TORRANCE}
The ^{TORRANCE} TOURISM BUSINESS IMPROVEMENT DISTRICT 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, 2010

	Municipal Area Express Fund	Special Deposits Fund	Flexible Benefits Fund	Environmental Trust Fund	Property Room Evidence Fund	Torrance Tourism Business Improvement Dist	Total Agency Funds
Assets							
Pooled cash and investments	\$ 987,312	\$ 1,202,263	\$ —	\$ 127,755	\$ 362,219	\$ 24,067	2,703,616
Restricted cash	—	—	228,844	—	—	—	228,844
Accrued interest receivable	8,455	—	—	1,094	—	—	9,549
Due from other governments	103,692	—	—	—	—	—	103,692
Total assets	<u>\$ 1,099,459</u>	<u>\$ 1,202,263</u>	<u>\$ 228,844</u>	<u>\$ 128,849</u>	<u>\$ 362,219</u>	<u>\$ 24,067</u>	<u>3,045,701</u>
Liabilities							
Deposits payable	\$ 1,099,459	\$ 1,202,263	\$ 228,844	\$ 128,849	\$ 362,219	\$ 24,067	3,045,701
Total liabilities	<u>\$ 1,099,459</u>	<u>\$ 1,202,263</u>	<u>\$ 228,844</u>	<u>\$ 128,849</u>	<u>\$ 362,219</u>	<u>\$ 24,067</u>	<u>3,045,701</u>

CITY OF TORRANCE, CALIFORNIA

Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds
Year ended June 30, 2010

	<u>Balance for fiscal year ended June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2010</u>
Municipal Area Express Fund				
ASSETS				
Pooled cash and investments	\$ 1,048,133	\$ —	\$ (60,821)	\$ 987,312
Accrued interest receivable	11,832	—	(3,377)	8,455
Due from other governments	75,195	28,497	—	103,692
Total assets	<u>\$ 1,135,160</u>	<u>\$ 28,497</u>	<u>\$ (64,198)</u>	<u>\$ 1,099,459</u>
LIABILITIES				
Accounts payable	\$ 194,605	\$ —	\$ (92,412)	\$ 102,193
Deposits payable	940,555	56,711	—	997,266
Total liabilities	<u>\$ 1,135,160</u>	<u>\$ 56,711</u>	<u>\$ (92,412)</u>	<u>\$ 1,099,459</u>
 Special Deposits Fund				
ASSETS				
Pooled cash and investments	\$ 1,026,362	\$ 175,901	\$ —	\$ 1,202,263
Total assets	<u>\$ 1,026,362</u>	<u>\$ 175,901</u>	<u>\$ —</u>	<u>\$ 1,202,263</u>
LIABILITIES				
Deposits payable	\$ 1,026,362	\$ 242,394	\$ (66,493)	\$ 1,202,263
Total liabilities	<u>\$ 1,026,362</u>	<u>\$ 242,394</u>	<u>\$ (66,493)</u>	<u>\$ 1,202,263</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2010

(continued)

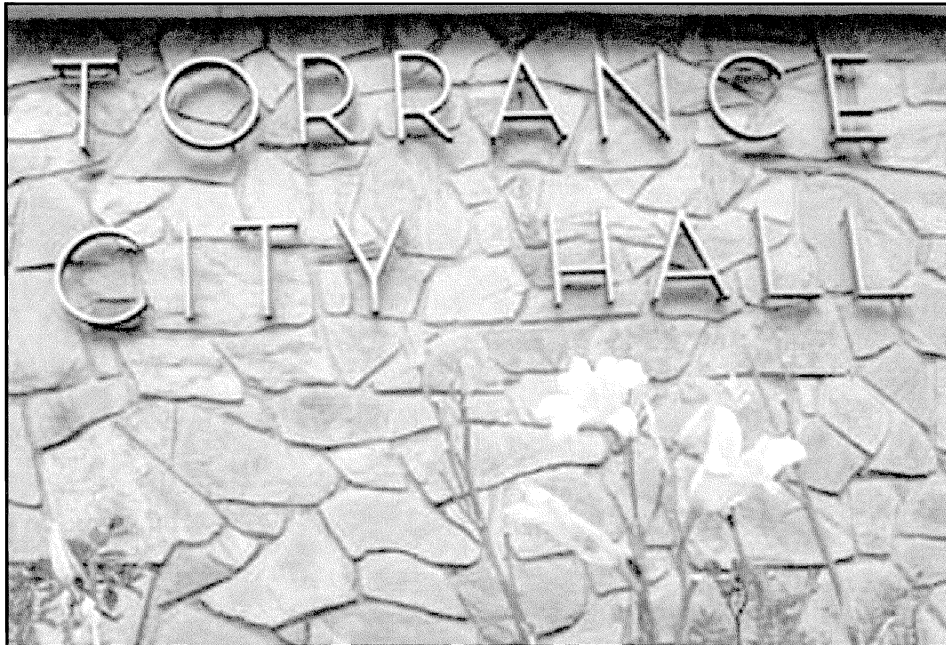
	<u>Balance for fiscal year ended June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2010</u>
Flexible Benefits Fund				
ASSETS				
Restricted cash	\$ 244,205	\$ —	\$ (15,361)	\$ 228,844
Total assets	<u>\$ 244,205</u>	<u>\$ —</u>	<u>\$ (15,361)</u>	<u>\$ 228,844</u>
LIABILITIES				
Deposits payable	\$ 244,205	\$ —	\$ (15,361)	\$ 228,844
Total liabilities	<u>\$ 244,205</u>	<u>\$ —</u>	<u>\$ (15,361)</u>	<u>\$ 228,844</u>
Environmental Trust Fund				
ASSETS				
Pooled cash and investments	\$ 123,623	\$ 4,132	\$ —	\$ 127,755
Accrued interest receivable	1,394	—	(300)	1,094
Total assets	<u>\$ 125,017</u>	<u>\$ 4,132</u>	<u>\$ (300)</u>	<u>\$ 128,849</u>
LIABILITIES				
Deposits payable	\$ 125,017	\$ 3,832	\$ —	\$ 128,849
Total liabilities	<u>\$ 125,017</u>	<u>\$ 3,832</u>	<u>\$ —</u>	<u>\$ 128,849</u>
Property Room Evidence				
ASSETS				
Pooled cash and investments	\$ 404,580	\$ —	\$ (42,361)	\$ 362,219
Total assets	<u>\$ 404,580</u>	<u>\$ —</u>	<u>\$ (42,361)</u>	<u>\$ 362,219</u>
LIABILITIES				
Deposits payable	\$ 404,580	\$ 575	\$ (42,936)	\$ 362,219
Total liabilities	<u>\$ 404,580</u>	<u>\$ 575</u>	<u>\$ (42,936)</u>	<u>\$ 362,219</u>
Torrance Tourism Business Improvement District				
ASSETS				
Pooled cash and investments	\$ —	\$ 24,067	\$ —	\$ 24,067
Total assets	<u>\$ —</u>	<u>\$ 24,067</u>	<u>\$ —</u>	<u>\$ 24,067</u>
LIABILITIES				
Deposits payable	\$ —	\$ 24,067	\$ —	\$ 24,067
Total liabilities	<u>\$ —</u>	<u>\$ 24,067</u>	<u>\$ —</u>	<u>\$ 24,067</u>

CITY OF TORRANCE, CALIFORNIA

Combined Statement of Changes in Fiduciary Fund Assets and Liabilities - All Agency Funds
Year ended June 30, 2010

	Balance for fiscal year ended June 30, 2009	Additions	Deductions	Balance for fiscal year ended June 30, 2010
Assets				
Pooled cash and investments	\$ 2,602,698	\$ 204,100	\$ (103,182)	\$ 2,703,616
Restricted cash	244,205	—	(15,361)	228,844
Accrued interest receivable	13,226	—	(3,677)	9,549
Due from other governments	<u>75,195</u>	<u>28,497</u>	<u>—</u>	<u>103,692</u>
Total assets	<u>\$ 2,935,324</u>	<u>\$ 232,597</u>	<u>\$ (122,220)</u>	<u>\$ 3,045,701</u>
Liabilities				
Deposits payable	<u>\$ 2,935,324</u>	<u>\$ 327,578</u>	<u>\$ (217,201)</u>	<u>\$ 3,045,701</u>
Total liabilities	<u>\$ 2,935,324</u>	<u>\$ 327,578</u>	<u>\$ (217,201)</u>	<u>\$ 3,045,701</u>

City
OF
Torrance



COMPREHENSIVE ANNUAL



R E P O R T

Fiscal Year Ended June 30, 2010

(Not covered by Accountants' Report)

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

Overview of Statistical Information Presented in Five Categories

Financial Trend Information:

Intended to assist users in understanding and assessing how a 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.

(This page intentionally left blank)

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

Financial Trends
Exhibit 1

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003 ¹
Governmental activities								
Invested in capital assets, net of related debt	\$ 227,870	\$ 216,501	\$ 210,615	\$ 224,386	\$ 215,731	\$ 220,620	\$ 237,695	\$ 220,643
Restricted	68,033	70,578	70,770	58,553	50,441	61,456	44,515	51,699
Unrestricted	(35,557)	(18,834)	(12,952)	(23,536)	(24,079)	(49,575)	(49,256)	(48,068)
Total governmental activities net assets	\$ 260,346	\$ 268,245	\$ 268,433	\$ 259,403	\$ 242,093	\$ 232,501	\$ 232,954	\$ 224,274
Business-type activities								
Invested in capital assets, net of related debt	\$ 127,617	\$ 122,331	\$ 122,144	\$ 120,780	\$ 121,301	\$ 120,513	\$ 120,595	\$ 122,010
Restricted	536	592	566	529	692	684	1,483	1,797
Unrestricted	27,299	32,936	35,993	38,519	35,981	37,043	33,715	31,761
Total business-type activities net assets	\$ 155,452	\$ 155,859	\$ 158,703	\$ 159,828	\$ 157,974	\$ 158,240	\$ 155,793	\$ 155,568
Primary government								
Invested in capital assets, net of related debt	\$ 355,487	\$ 338,832	\$ 332,759	\$ 345,166	\$ 337,032	\$ 341,133	\$ 358,290	\$ 342,653
Restricted	68,569	71,170	71,336	59,082	51,133	62,140	45,998	53,496
Unrestricted	(8,258)	14,102	23,041	14,983	11,902	(12,532)	(15,541)	(16,307)
Total primary government net assets	\$ 415,798	\$ 424,104	\$ 427,136	\$ 419,231	\$ 400,067	\$ 390,741	\$ 388,747	\$ 379,842

Notes:

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

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

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

Financial Trends
Exhibit 2

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Expenses								
Governmental activities:								
General government	\$ 36,479	\$ 39,594	\$ 41,464	\$ 39,434	\$ 26,324	\$ 25,771	\$ 27,796	\$ 29,502
Public safety	93,924	89,966	88,256	82,078	80,672	76,576	70,405	73,774
Public works	25,401	23,617	20,166	19,206	20,102	18,743	15,924	18,520
Culture and recreation	15,220	12,115	14,615	10,532	13,178	10,569	14,179	18,717
Nondepartmental ¹	—	—	—	—	5,179	6,135	7,336	6,944
Community development ²	12,580	10,086	8,600	10,910	12,620	13,138	1,589	1,372
Other programs	5,474	—	—	—	—	—	1,780	1,564
Interest on long term debt	—	5,708	5,045	6,012	5,123	5,685	4,948	4,987
Total governmental activities expenses	189,078	181,086	178,146	168,172	163,198	156,617	143,957	155,380
Business-type activities:								
Airport	5,535	5,630	5,241	4,997	5,060	6,018	4,891	4,936
Transit	21,802	21,265	21,005	19,743	20,687	19,516	18,498	18,076
Water	26,772	25,662	23,283	23,778	21,884	21,376	20,919	19,811
Sewer	2,263	2,439	1,952	1,752	3,566	2,019	1,655	1,048
Sanitation	11,430	10,988	10,961	10,431	10,214	8,487	7,908	7,805
Cultural Arts	2,098	2,110	2,044	1,803	1,739	1,663	1,539	1,461
Parks and Recreation	8,084	7,529	7,414	7,237	7,185	6,976	6,462	6,261
Emergency Medical Service ³	9,514	9,528	8,031	8,127	7,431	7,174	6,694	—
Other Programs ⁴	—	—	—	—	—	—	—	—
Total business-type activities expenses	87,498	85,151	79,931	77,868	77,766	73,229	68,566	59,398
Total primary government expenses	\$ 276,576	\$ 266,237	\$ 258,077	\$ 246,040	\$ 240,964	\$ 229,846	\$ 212,523	\$ 214,778
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 3,129	\$ 4,707	\$ 4,547	\$ 4,620	\$ 4,570	\$ 4,437	\$ 4,264	\$ 1,610
Public safety	5,933	5,129	6,269	7,006	7,473	6,719	5,548	4,595
Public works	621	561	503	796	881	648	502	448
Culture and recreation	594	746	973	1,320	1,165	947	786	523
Operating grants and contributions	12,936	10,709	12,151	14,552	14,706	14,629	14,646	16,025
Capital grants and contributions	10,952	9,613	7,510	8,029	7,659	5,696	9,731	8,274
Total governmental activities program revenues	34,165	31,465	31,953	36,323	36,454	33,076	35,477	31,475
Business-type activities:								
Charges for services:								
Airport	10,428	10,896	10,481	10,794	9,009	7,672	6,155	5,679
Transit	3,273	3,157	2,719	2,560	2,448	2,548	2,505	2,598
Water	27,225	23,562	23,843	23,167	22,319	22,095	22,542	22,130
Sewer	1,718	1,843	2,357	2,913	1,995	2,046	1,918	1,840
Sanitation	10,860	11,178	10,980	10,756	10,393	9,591	9,042	8,206
Cultural Arts	1,088	898	1,006	823	819	807	773	846
Parks and Recreation	4,058	4,154	4,201	4,273	3,971	4,180	3,860	3,297
Emergency Medical Service ³	1,784	1,120	1,225	1,119	1,058	1,051	654	—
Other Programs ⁴	—	—	—	—	—	—	—	—
Operating grants and contributions	16,738	15,812	15,964	15,493	16,153	13,289	13,204	12,308
Capital grants and contributions	7,082	603	976	687	481	1,463	3,657	1,089
Total business-type activities program revenues	84,254	73,223	73,752	72,585	68,646	64,742	64,310	57,993
Total primary government program revenues	\$ 118,419	\$ 104,688	\$ 105,705	\$ 108,908	\$ 105,100	\$ 97,818	\$ 99,787	\$ 89,468

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

Financial Trends
Exhibit 2

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense)/revenue								
Governmental activities	\$ (154,913)	\$ (149,621)	\$ (146,193)	\$ (131,849)	\$ (126,744)	\$ (123,541)	\$ (108,480)	\$ (123,905)
Business-type activities	(3,244)	(11,928)	(6,179)	(5,283)	(9,120)	(8,487)	(4,256)	(1,405)
Total primary government net expense	<u>\$ (158,157)</u>	<u>\$ (161,549)</u>	<u>\$ (152,372)</u>	<u>\$ (137,132)</u>	<u>\$ (135,864)</u>	<u>\$ (132,028)</u>	<u>\$ (112,736)</u>	<u>\$ (125,310)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 56,078	\$ 57,815	\$ 55,596	\$ 53,136	\$ 44,647	\$ 42,245	\$ 25,577	\$ 22,963
Sales taxes	26,666	31,057	31,545	31,936	31,439	28,312	35,911	34,901
Other taxes	53,153	56,665	62,933	61,310	60,346	55,992	53,179	54,137
Investment earnings	7,310	6,447	6,271	4,634	2,304	2,104	1,544	2,301
Motor vehicle tax (unrestricted)	438	506	658	991	3,271	946	6,609	8,203
Other general revenues	6,272	4,023	3,679	3,871	2,617	2,026	2,545	1,775
Transfers	(2,902)	(7,734)	(5,458)	(6,719)	(8,669)	(8,537)	(8,205)	(1,596)
Total governmental activities	<u>147,015</u>	<u>148,779</u>	<u>155,224</u>	<u>149,159</u>	<u>135,955</u>	<u>123,088</u>	<u>117,160</u>	<u>122,684</u>
Business-type activities:								
Investment earnings	880	1,351	594	418	185	206	155	414
Other general revenues	—	—	—	—	—	—	—	—
Transfers	2,902	7,734	5,458	6,719	8,669	8,538	8,205	1,596
Total business-type activities	<u>3,782</u>	<u>9,085</u>	<u>6,052</u>	<u>7,137</u>	<u>8,854</u>	<u>8,744</u>	<u>8,360</u>	<u>2,010</u>
Total primary government	<u>\$ 150,797</u>	<u>\$ 157,864</u>	<u>\$ 161,276</u>	<u>\$ 156,296</u>	<u>\$ 144,809</u>	<u>\$ 131,832</u>	<u>\$ 125,520</u>	<u>\$ 124,694</u>
Change in Net Assets								
Governmental activities	(7,898)	(842)	9,031	17,310	9,211	(453)	8,680	(1,221)
Business-type activities	538	(2,843)	(127)	1,854	(266)	257	4,104	605
Total primary government	<u>\$ (7,360)</u>	<u>\$ (3,685)</u>	<u>\$ 8,904</u>	<u>\$ 19,164</u>	<u>\$ 8,945</u>	<u>\$ (196)</u>	<u>\$ 12,784</u>	<u>\$ (616)</u>

Notes:

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

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

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

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

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

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

Financial Trends
Exhibit 3

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General fund								
Reserved	\$ 17,789	\$ 17,731	\$ 16,064	\$ 15,277	\$ 14,608	\$ 14,501	\$ 14,205	\$ 18,095
Unreserved	33,423	41,017	45,803	41,474	30,422	24,098	23,893	18,620
Total general fund	<u>\$ 51,212</u>	<u>\$ 58,748</u>	<u>\$ 61,867</u>	<u>\$ 56,751</u>	<u>\$ 45,030</u>	<u>\$ 38,599</u>	<u>\$ 38,098</u>	<u>\$ 36,715</u>
All other governmental funds								
Reserved	\$ 7,830	\$ 8,396	\$ 8,567	\$ 8,669	\$ 16,183	\$ 20,683	\$ 7,294	\$ 6,382
Unreserved, reported in:								
Special revenue funds	33,173	28,801	29,337	24,742	19,761	17,683	20,172	25,484
Capital project funds	29,877	36,699	36,950	29,992	27,057	23,701	19,036	20,692
Debt service fund	(14,729)	(13,946)	(13,740)	(13,869)	(14,213)	(14,840)	(14,950)	(15,225)
Total all other governmental funds	<u>\$ 56,151</u>	<u>\$ 59,950</u>	<u>\$ 61,114</u>	<u>\$ 49,534</u>	<u>\$ 48,788</u>	<u>\$ 47,227</u>	<u>\$ 31,552</u>	<u>\$ 37,333</u>

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

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

Financial Trends
 Exhibit 4

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Revenues								
Taxes	\$ 136,148	\$ 145,714	\$ 150,260	\$ 146,568	\$ 136,652	\$ 126,782	\$ 114,841	\$ 109,510
Licenses, fees and permits	1,618	1,426	1,962	2,671	2,693	2,503	2,056	1,505
Fine, forfeitures and penalties	2,004	1,779	2,201	2,799	2,139	2,358	1,881	2,080
Investment earnings	11,578	15,009	14,697	13,271	10,177	9,124	9,100	9,460
Intergovernmental	23,138	15,447	14,838	17,472	21,005	16,888	26,067	26,139
Charges for current services	6,921	6,090	6,443	6,865	7,453	6,418	5,605	5,214
Other	2,845	2,449	2,279	2,598	2,385	5,202	1,291	3,054
Total revenues	184,252	187,914	192,680	192,244	182,504	169,275	160,841	156,962
Expenditures								
General government	25,521	25,237	25,129	23,515	22,224	21,085	30,631	22,774
Public safety	90,402	89,435	86,869	82,069	79,675	75,392	71,476	71,776
Public works	18,183	17,685	14,697	13,763	14,249	12,760	10,661	12,770
Culture and recreation	13,796	14,013	13,747	12,809	13,356	11,569	16,336	18,371
Nondepartmental	5,440	5,258	5,695	4,604	8,373	6,135	7,337	6,944
Community development ¹	7,267	6,574	6,115	8,893	10,675	11,334	1,295	1,372
Capital outlay	35,542	12,344	5,016	13,685	7,327	6,675	9,296	8,364
Debt service								
Principal retirement	2,553	2,417	2,524	2,214	2,675	5,791	2,680	2,880
Interest and fiscal charges	5,312	5,887	5,083	6,040	5,148	4,981	4,828	4,913
Other	5,280	3,459	2,403	1,976	1,901	1,815	1,780	1,564
Total expenditures	209,296	182,309	167,278	169,568	165,603	157,537	156,320	151,728
Excess of revenues over (under) expenditures	(25,044)	5,605	25,402	22,676	16,901	11,738	4,521	5,234
Other financing sources (uses)								
Transfers in	17,153	18,463	20,474	16,280	15,223	19,358	11,950	9,580
Transfers out	(23,900)	(30,087)	(30,615)	(27,866)	(25,093)	(30,834)	(22,174)	(14,152)
Proceeds from refunding bonds ²	—	—	—	—	—	27,566	—	—
Proceeds of debt ²	—	—	—	—	580	15,914	—	—
Bond escrow refunding ²	—	—	—	—	—	(27,566)	—	—
Premium Tax Revenue Anticipation Notes	—	312	—	—	—	—	—	—
Developer contributions	—	—	—	—	—	—	—	—
Proceeds from Bonds	18,880	—	—	—	—	—	—	—
Advances from developers/County	1,577	1,424	1,436	1,377	—	—	1,305	—
Total other financing sources (uses)	13,710	(9,888)	(8,705)	(10,209)	(9,290)	4,438	(8,919)	(4,572)
Net change in fund balances	\$ (11,334)	\$ (4,283)	\$ 16,697	\$ 12,467	\$ 7,611	\$ 16,176	\$ (4,398)	\$ 662
Debt service as a percentage of noncapital expenditures	7.6%	7.0%	6.3%	6.6%	6.2%	9.1%	7.1%	6.5%

Notes:

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

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

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

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

Revenue Capacity
Exhibit 1

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
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:

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity
 Exhibit 2

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
City Direct Rates:					
City basic rate	0.1493	0.1480	0.1484	0.1492	0.1504
Redevelopment agency	<u>0.1304</u>	<u>0.1318</u>	<u>0.1270</u>	<u>0.1219</u>	<u>0.1156</u>
Total City Direct Rate	0.2797	0.2798	0.2754	0.2711	0.2660
Overlapping Rates:					
Metropolitan Water District	0.0043	0.0043	0.0045	0.0047	0.0052
County Flood Control	—	—	—	0.0001	0.0001
Torrance Unified School District	0.4653	0.4259	0.4279	0.4315	0.4356
Community College	0.0148	0.0170	0.0165	0.0173	0.0184
County of Los Angeles	0.2408	0.2397	0.2406	0.2367	0.2383
Special Districts	<u>0.0708</u>	<u>0.0719</u>	<u>0.0730</u>	<u>0.0793</u>	<u>0.0797</u>
Total Direct Rate	<u><u>1.0757</u></u>	<u><u>1.0386</u></u>	<u><u>1.0379</u></u>	<u><u>1.0407</u></u>	<u><u>1.0433</u></u>

Notes:

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity
Exhibit 3

Taxpayer	2010			2000		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Exxon Mobil Oil Corporation Corp	\$ 1,479,268,404	1	6.23%	\$ 1,154,641,011	1	8.78%
Toyota Motor Sales United States	515,055,316	2	2.17%	256,965,662	2	1.95%
Del Amo Fashion Center Operating Company	514,130,584	3	2.16%	—		—
American Honda Motor Company Inc.	389,360,691	4	1.64%	202,709,086	3	1.54%
Mobil Oil Corporation	262,531,040	5	1.10%			
Allied Signal Inc.	102,159,133	6	0.43%	153,953,999	4	1.17%
Panasonic Disc Manufacturing Company	72,640,701	7	0.31%	64,285,657	7	0.49%
Sunrider Corporation	65,038,533	8	0.27%	—		—
CTC Group Inc.	63,166,168	9	0.27%	—		—
Diamondrock Torrance Owner LLC	62,919,615	10	0.26%	—		—
Rreef America Reit III Corporation GG2	—		—	—		—
Torrance Company	—		—	97,464,071	5	0.74%
Torrance Crenshaw Properties II L P	—		—	90,818,147	6	0.69%
Raytheon Company	—		—	50,853,637	8	0.39%
Rolling Hills Plaza Shopping Center	—		—	46,663,971	9	0.35%
Dow Chemical Company	—		—	40,617,870	10	0.31%
	<u>\$ 3,526,270,185</u>		<u>14.84%</u>	<u>\$ 2,158,973,111</u>		<u>16.41%</u>

Notes:

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

Source: Los Angeles County Assessor 2009/10 & 1999/00 Secured & Unsecured Tax Rolls, HdL Coren & Cone

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

Revenue Capacity
Exhibit 4

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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 City of Torrance has elected to show only five years of data for this schedule.

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

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

Source: Los Angeles County Auditor Controller's Office

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

Revenue Capacity
Exhibit 5

	Fiscal Year				
	2010	2009	2008	2007	2006
<u>Potable</u>					
Type of Customer:					
Residential	459,863	507,328	524,985	540,753	507,649
Industrial	124,538	149,595	162,174	141,570	147,842
Commercial	196,891	191,098	196,752	209,959	186,960
Other	43,996	40,350	76,500	86,641	104,675
Total - Potable Water	<u>825,288</u>	<u>888,371</u>	<u>960,411</u>	<u>978,923</u>	<u>947,126</u>
<u>Recycled/Reclaimed</u>					
Type of Customer:					
Industrial	267,633	241,394	269,201	251,603	268,025
Other	18,731	12,362	13,591	12,415	11,236
Total - Recycled/Reclaimed Water	<u>286,364</u>	<u>253,756</u>	<u>282,792</u>	<u>264,018</u>	<u>279,261</u>
<u>Total</u>					
Type of Customer:					
Residential	459,863	507,328	524,985	540,753	507,649
Industrial	392,171	390,989	431,375	393,173	415,867
Commercial	196,891	191,098	196,752	209,959	186,960
Other	62,727	52,712	90,091	99,056	115,911
Total Water	<u>1,111,652</u>	<u>1,142,127</u>	<u>1,243,203</u>	<u>1,242,941</u>	<u>1,226,387</u>

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

Source: Golden State Usage Report

City of Torrance Water Fund
Water Rates
Last Five Fiscal Years

Revenue Capacity
Exhibit 6

Monthly Base Rate					
Fiscal Year Ended June 30	Regular ¹	Low Income ¹	Exxon Contract ²	Wholesale Contract ²	Other - Recycled Regular ³
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

Rate Per 100 Cubic Feet					
Fiscal Year Ended June 30	Regular	Low Income	Exxon Contract	Wholesale Contract	Other - Recycled Regular
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:

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

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

²Base rate reflects monthly fixed charge stated in contracts

³Base rate reflects monthly charge for 2 inch meter

Source: City of Torrance Public Works Department - Water Division

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

Revenue Capacity
Exhibit 7

Water Customer	2010	
	Water Charges	Percent of Total Water Revenues
Exxon-Mobil	\$ 4,002,756	15.02%
City of Torrance	498,283	1.87%
Torrance Unified School District	412,302	1.55%
American Honda	321,357	1.21%
California Water Service-Wholesale	273,873	1.03%
Toyota Motor Sales	210,854	0.79%
Honeywell International	196,520	0.74%
Torrance Memorial Hospital	183,710	0.69%
Don Wilson Builders	181,774	0.68%
Ball Metal	162,458	0.61%
Total	<u>\$ 6,443,887</u>	<u>24.19%</u>

Note:

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

Source: Golden State Report On Top Customers

(This page intentionally left blank)

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

Debt Capacity
Exhibit 1

Fiscal Year Ended June 30	Governmental Activities			
	General Government Certificates of Participation ¹	Tax Allocation Bonds	Notes Payable	Total Government Activities
2010	\$ 44,735	\$ 31,904	\$ 12,910	89,549
2009	45,825	33,367	12,117	91,309
2008	46,880	34,729	11,429	93,038
2007	47,905	36,229	10,676	94,810
2006	48,910	37,438	9,930	96,278

Notes:

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

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

¹ In 2005 the City issued \$43 million of new Certificates of Participation and retired \$29 million of older Certificates of Participation generating \$13 million for capital projects.

² In 2005 the City's Public Works Department - Water Division issued \$5 million of new Water Revenue Refunding Bonds and retired 5.5 million of Water Revenue Refunding Bonds.

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

<u>Business-type Activities</u>					
<u>Water Revenue Bonds²</u>	<u>Total Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percent of Assessed Value³</u>	<u>Debt Per Capita</u>	
\$ 2,245	\$ 2,245	91,794	0.39%	616	
2,745	2,745	94,054	0.41%	631	
3,245	3,245	96,283	0.44%	646	
3,710	3,710	98,520	0.48%	661	
4,165	4,165	100,443	0.53%	683	

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

Debt Capacity
Exhibit 2

Fiscal Year Ended June 30	Outstanding Net General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	General Government Certificates of Participation	Tax Allocation Bonds	Total		
2010	\$ 41,620	\$ 28,979	\$ 70,599	0.30%	474
2009	42,495	30,442	72,937	0.31%	490
2008	43,550	31,804	75,354	0.34%	506
2007	44,575	33,304	77,879	0.38%	523
2006	45,580	34,505	80,085	0.43%	545

Notes:

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

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

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

City of Torrance
Direct and Overlapping Debt
June 30, 2010
(in thousands of dollars)

Debt Capacity
Exhibit 3

City Assessed Valuation	\$ 22,648,721
Redevelopment Agency Incremental Valuation	<u>1,114,089</u>
Total Assessed Valuation	<u><u>\$ 23,762,810</u></u>

	Percentage Applicable ¹	Outstanding Debt 6/30/10	Estimated Share of Overlapping Debt
Overlapping Debt Repaid with Property Taxes:			
Los Angeles County Flood Control District	2.447%	\$ 69,610	1,703
Metropolitan Water District	1.274%	264,220	3,366
El Camino Community College District	30.610%	175,244	53,642
Los Angeles Community College District	0.004%	2,365,515	94
Los Angeles Unified School District	0.005%	11,874,430	594
Torrance Unified School District	99.998%	187,604	187,600
Los Angeles County Regional Park and Open Space Assessment District	2.478%	<u>222,660</u>	<u>5,518</u>
Total overlapping debt to be repaid with property taxes		<u>15,159,283</u>	<u>252,517</u>
Overlapping Other Debt:			
Los Angeles County General Fund Obligations	2.478%	\$ 855,696	\$ 21,204
Los Angeles County Pension Obligations	2.478%	118,486	\$ 2,936
Los Angeles County Superintendent of Schools Certificates of Participation	2.478%	13,185	327
Los Angeles County Sanitation District No.5 Authority	29.040%	56,909	16,526
Los Angeles County Sanitation South Bay Cities Authority	4.734%	9,696	459
Los Angeles Unified School District Certificates of Participation	0.005%	456,780	23
Torrance Unified School District General Fund Obligations	99.998%	<u>2,320</u>	<u>2,320</u>
Total overlapping other debt		<u>1,513,072</u>	<u>43,795</u>
Total overlapping debt		<u><u>\$ 16,672,355</u></u>	296,312
City direct debt			<u>89,549</u>
Total direct and overlapping debt			<u><u>\$ 385,861</u></u>

Notes:

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

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 Five Fiscal Years
 (in thousands of dollars)

Debt Capacity
 Exhibit 4

	Fiscal Year				
	2010	2009	2008	2007	2006
Debt limit	\$ 849,327	\$ 829,014	\$ 791,951	\$ 738,392	\$ 676,411
Total net debt applicable to limit	44,735	45,825	46,880	47,905	48,910
Legal debt margin	\$ 804,592	\$ 783,189	\$ 745,071	\$ 690,487	\$ 627,501
Total net debt applicable to the limit as a percentage of debt limit	5.3%	5.5%	5.9%	6.5%	7.2%

Legal Debt Margin Calculation for Fiscal Year 2010:

Assessed value	\$ 22,648,721
Debt limit (3.75% of assessed value)	\$ 849,327
Debt applicable to limit:	
General government Certificates of Participation	44,735
Legal debt margin	\$ 804,592

Notes:

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

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

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

(This page intentionally left blank)

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

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	\$ 27,225	\$ 25,489	\$ 1,736	\$ 515	\$ 126	2.71
2009	23,562	22,023	1,539	500	133	2.43
2008	23,309	21,955	1,354	465	148	2.21
2007	22,671	20,779	1,892	455	162	3.07
2006	21,880	20,641	1,239	445	175	2.00

Notes:

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

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

Tax Allocation Bonds

Tax Increment	Debt Service		Coverage
	Principal	Interest	
\$ 8,366	\$ 1,463	\$ 1,830	2.54
9,122	1,362	1,911	2.79
8,028	1,500	1,993	2.30
7,058	1,209	2,071	2.15
6,735	1,120	2,136	2.07

City of Torrance
Demographic and Economic Indicators
Last Five 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
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%

Note:

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

Sources:

¹ State Department of Finance

² U.S. Department of Commerce - Bureau of Economic Analysis

The Personal Income data shown is for the previous calendar year. The calendar year 2009 data will be available in the spring of 2011.

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

³ Office of Economic Development

Employer	2010	
	Number of Employees	Percent of Total Employment
Toyota Motor Sales	3,372	5.0%
American Honda	2,196	3.2%
Honeywell International	1,163	1.7%
Robinson Helicopter Co.	1,107	1.6%
Hi Shear Corporation	1,000	1.5%
Alcoa Fastening Systems	902	1.3%
Exxon Mobil Oil Corporation	765	1.1%
L-3 Communications Electron Tech, Inc.	673	1.0%
Pelican Products, Inc.	569	0.8%
Adecco	434	0.6%

Notes:

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

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

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

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

Operating
 Exhibit 1

<u>Function</u>	Full-time and Part-time Employees as of June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General government	295	293	290	290	279
Public safety	515	531	526	531	525
Public works	145	154	145	139	141
Community services	500	476	489	470	463
Community development	71	69	72	71	73
Airport	9	5	4	5	5
Transit	124	128	133	127	131
Water	29	26	26	25	29
Sewer	15	15	17	16	21
Cultural Arts Center	46	52	54	52	46
Workforce Investment Network	—	—	—	28	34
Total	1749	1749	1756	1754	1747

Note:

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

Source: City of Torrance Finance Department - Payroll Section

City of Torrance
Operating Indicators by Function
Last Four Fiscal Years

Operating
Exhibit 2

Function	Fiscal Year			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police				
Arrests	6,294	6,772	6,097	7,181
Bookings	4,053	4,007	3,868	4,047
Parking violations	16,412	20,269	27,475	24,169
Traffic violations	18,157	15,695	15,743	17,179
Fire				
Number of calls answered	12,179	12,707	12,847	12,636
Inspections	8,322	9,137	8,028	8,572 ¹
Highways, streets and other transportation				
Potholes repaired	5,200	4,700	5,800	5,500
Number of tenant aircraft	500	500	500	500
Number of fixed bus routes		8	8	8
Sanitation				
Refuse collected (tons/day)	213	224	219	233
Recyclables collected (tons/day)	55	64	64	65
Green Waste collected (tons/day)	18	12	8	—
Culture and recreation				
Number of registrants served	43,177	45,146	46,352	43,223
Registrant fees collected	\$3,151,047	\$3,489,623	\$3,345,329	\$3,253,641
Community center admissions	40,153	53,665	50,035	53,012
Water				
New connections	23	63	99	19
Water main emergency repairs (breaks)	55	55	64	90
Average daily consumption (thousands of gallons)	17,574	17,484	22,300	26,420

Notes:

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

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

Sources: City of Torrance various Departments

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

Operating
Exhibit 3

Function	Fiscal Year			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Function				
Public safety				
Police				
Stations	1	1	1	1
Patrol Units	51	51	47	48
Motorcycles	19	19	19	19
Fire				
Stations	6	6	6	6
In-service fire control vehicles	17	17	17	15
In-service paramedic vehicles	7	8	8	8
Sanitation				
Collection trucks	36	32	33	38
Highways, streets and airport				
Streets (centerline miles)-arterial	67	67	67	67
Streets (centerline miles)-collector	29	29	29	29
Streets (centerline miles)-residential	242	242	242	242
Streets (centerline miles)-alleys	19	19	19	19
Traffic signals	116	116	116	116
Streetlights	10,879	10,875	10,875	10,875
Airport hangars	341	341	341	341
Culture and recreation				
Parks acreage	279	278	278	278
Parks	33	32	32	32
Swimming pools	1	1	1	1
Tennis courts	11	11	11	11
Community centers	3	3	3	3
Public Libraries	6	6	6	6
Water				
Water mains (miles)	310	311	310	310
Fire hydrants	2,606	2,650	2,631	2,606
Maximum daily capacity (thousands of gallons)	50,000	50,000	50,000	50,000
Sewer				
Sanitary sewers (miles)	287	287	287	287
Storm sewers (miles)	59	59	59	59

Note:

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

Sources: City of Torrance various Departments