

City of Torrance, California  
Comprehensive Annual

Financial  
Report



Torrance City Hall



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

Fiscal Year Ended June 30, 2017  
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, 2017

Prepared by  
Department of Finance

Eric E. Tsao  
Finance Director

**CITY OF TORRANCE, CALIFORNIA**

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# CITY OF TORRANCE, CALIFORNIA

## Comprehensive Annual Financial Report

### Table of Contents

|   | <b>Page</b> |
|---|-------------|
| <b>INTRODUCTORY SECTION</b>   |             |
| Letter of Transmittal   | i           |
| Directory of City Officials   | vi          |
| Elected and Appointed Officials   | vii         |
| City Departments  | viii        |
| Government Finance Officers Association Certificate of Achievement  | ix          |
| <b>FINANCIAL SECTION</b>  |             |
| Independent Auditors' Report  | 1           |
| Management Discussion and Analysis  | 5           |
| Basic Financial Statements:   |             |
| Government-Wide Financial Statements:   |             |
| Statement of Net Position   | 19          |
| Statement of Activities and Changes in Net Position   | 20          |
| Governmental Fund Financial Statements:   |             |
| Balance Sheet – Governmental Funds  | 24          |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position   | 25          |
| Statement of Revenues, Expenditures and Changes in Fund Balances – 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 Position | 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 Position   | 34          |
| Statement of Revenues, Expenses and Changes in Fund Net Position  | 35          |
| Statement of Cash Flows   | 36          |
| Fiduciary Fund Financial Statements:  |             |
| Statement of Net Position – Trust and Agency Funds  | 37          |
| Statement of Changes in Net Position – Trust Funds  | 38          |
| Notes to the Basic Financial Statements   | 39          |
| Required Supplementary Information:   |             |
| Pension Plan:   |             |
| Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period   | 99          |
| Schedule of Plan Contributions  | 102         |
| PARS Enhanced Retirement Defined Benefit Pension Plan:  |             |
| Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period   | 104         |
| Schedule of Plan Contributions  | 105         |

|  |     |
|--|-----|
| Other Post Employment Benefits:  |     |
| Schedule of Plan Contributions   | 106 |
| Combining Financial Statements and Schedules:  |     |
| Combining Balance Sheet – Nonmajor Governmental Funds  | 107 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances–<br>Nonmajor Governmental Funds     | 108 |
| Combining Balance Sheet – Nonmajor Special Revenue Funds   | 110 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances –<br>Nonmajor Special Revenue Funds | 114 |
| Combining Balance Sheet – Nonmajor Capital Project Funds   | 119 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances –<br>Nonmajor Capital Project Funds | 120 |
| Combining Balance Sheet – Nonmajor Debt Service Funds  | 121 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances –<br>Nonmajor Debt Service Funds    | 122 |
| Combining Statement of Net Position – Nonmajor Enterprise Funds  | 124 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position –<br>Nonmajor Enterprise Funds      | 125 |
| Combining Statement of Cash Flows - Nonmajor Enterprise Funds  | 126 |
| Combining Statement of Net Position - Internal Service Funds   | 128 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position –<br>Internal Service Funds         | 129 |
| Combining Statement of Cash Flows – Internal Service Funds   | 130 |
| Combining Statement of Fiduciary Fund Assets and Liabilities – Agency Funds                                    | 131 |
| Statement of Changes in Fiduciary Fund Assets and Liabilities – Agency Funds                                   | 132 |
| Combined Statement of Changes in Fiduciary Fund Assets and Liabilities – All Agency<br>Funds                   | 134 |

STATISTICAL SECTION (Not Covered by Independent Auditors’ Report)

|   |     |
|---|-----|
| Overview of Statistical Information Presented in Five Categories                      | 135 |
| Financial Trends:   |     |
| Net Position by Component – Last Ten Fiscal Years                                     | 137 |
| Changes in Net Position – Last Ten Fiscal Years                                       | 138 |
| Fund Balances of Governmental Funds – Last Ten Fiscal Years                           | 140 |
| Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years                | 141 |
| Revenue Capacity:   |     |
| Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years | 142 |
| Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years                     | 143 |
| Principal Property Tax Payers – Current Fiscal Year and Nine Years Ago                | 144 |
| Property Tax Levies and Collections – Last Ten Fiscal Years                           | 145 |
| Water Sold by Type of Customer – Last Ten Fiscal Years                                | 146 |
| Water Rates – Last Ten Fiscal Years   | 147 |
| Principal Water Customers – Current Fiscal Year and Nine Years Ago                    | 148 |
| Debt Capacity:  |     |
| Ratio of Outstanding Debt by Type – Last Ten Fiscal Years                             | 149 |
| Ratio of Net General Bonded Debt Outstanding – Last Ten Fiscal Years                  | 150 |
| Direct and Overlapping Debt – June 30, 2017   | 151 |
| Legal Debt Margin Information – Last Ten Fiscal Years                                 | 152 |
| Pledged-Revenue Coverage – Last Ten Fiscal Years                                      | 153 |

|  |     |
|--|-----|
| Demographic and Economic:  |     |
| Demographic and Economic Indicators – Last Ten Calendar Years              | 154 |
| Principal Employers – Current Fiscal Year and Nine Years Ago               | 155 |
| Operating:   |     |
| Full-time and Part-time City Employees by Function – Last Ten Fiscal Years | 156 |
| Operating Indicators by Function – Last Ten Fiscal Years                   | 157 |
| Capital Asset Indicators by Function – Last Ten Fiscal Years               | 158 |

OTHER SUPPLEMENTARY INFORMATION (Not Covered by Independent Auditors’ Report)

|  |     |
|--|-----|
| Continuing Disclosure Reporting - City of Torrance:  |     |
| General Fund – Audited Revenues, Expenditures and Fund Balances - For Fiscal Years 2013-14 through 2016-17   | 159 |
| General Fund – Audited Balance Sheet - As of June 30 for Fiscal years 2013-14 through 2016-17  | 160 |
| General Fund – Comparison of Budgeted and Actual Revenues, Expenditures and Fund Balances (Budgetary Basis) - For Fiscal Years 2014-15 through 2016-17 | 161 |
| General Fund – Tax Revenues by Source - For Fiscal Years 2011-12 through 2016-17   | 161 |
| Sales Tax Rates - For Current Year   | 162 |
| Historical Assessed Valuation - For Fiscal Years 2007-08 through 2016-17   | 162 |
| Secured Property Tax Levies and Tax Collections - For Fiscal Years 2012-13 through 2016-17   | 162 |
| Property Tax Levies and Tax Collections - For Fiscal Years 2012-13 through 2016-17   | 163 |
| Updated Description of Outstanding General Fund Debt and Lease Obligations   | 163 |
| Outstanding General Fund Debt - Principal Amount as of January 1, 2018   | 163 |
| Outstanding General Fund Debt - Reserve Fund Balance as of January 1, 2018 (estimated)   | 163 |
| Direct and Overlapping Debt – June 30, 2017  | 163 |
| Investment Portfolio Summary – As of June 30, 2017   | 163 |
| Retirement System Details  | 164 |
| Other Post-Employment Benefits (OPEB) Details  | 164 |
| Reporting of Significant Events  | 164 |
| Continuing Disclosure Reporting – Successor Agency to the City of Torrance   |     |
| Redevelopment Agency:  |     |
| Audited Financial Statements of the Agency   | 165 |
| Updated Description of Outstanding Successor Agency Debt   | 165 |
| Outstanding Successor Agency Debt - Principal Amount as of June 30, 2017   | 165 |
| Information Regarding Pending and Successful Appeals of Assessed Values  | 165 |
| Historical Assessed Values and Tax Increment Revenues – Downtown Redevelopment Project   | 166 |
| Historical Assessed Values and Tax Increment Revenues – Industrial Redevelopment Project   | 167 |
| Sales Tax Revenues - For Fiscal Years 2011-12 through 2016-17 – Industrial Redevelopment Project   | 168 |
| Actual/Estimated Debt Service Coverage – Downtown Redevelopment Project  | 168 |
| Actual/Estimated Debt Service Coverage – Industrial Redevelopment Project  | 169 |
| Additional Material Information  | 169 |
| Reporting of Significant Events  | 169 |

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# City OF Torrance



Torrance City Hall

## COMPREHENSIVE ANNUAL

# Financial

## REPORT

Fiscal Year Ended June 30, 2017

❖ INTRODUCTORY SECTION ❖






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# CITY OF TORRANCE

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December 21, 2017

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

Via: LeRoy W. Jackson, City Manager 

In accordance with Section 1100 of the City Charter, the Finance Department hereby submits the Comprehensive Annual Financial Report for the City of Torrance for the fiscal year ended June 30, 2017. The report reflects the fiscal plan of the City to provide a quality level of service to the community, while providing for limited incremental funding of approved reserves, and meeting operating expenditures with operating revenues. The prudent fiscal management of the Mayor and City Council provides the citizens of Torrance with continued fiscal responsibility at the local level.

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

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

## **REPORTING ENTITY**

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

## **THE CITY**

The City of Torrance is Los Angeles County's eighth largest city, by population, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City has a population of 147,101 within a boundary of approximately 21 square miles. The City borders the beautiful Pacific Ocean and is an integral part of the larger

regional area known as the South Bay. The City of Torrance provides a wide range of services. These services include police and fire protection; sanitation, sewer and water services; a library system; a cultural arts center and gallery; recreational services; a municipal airport and bus transit services; the construction and maintenance of streets and infrastructure; planning and zoning; and general administrative and support services.

### **ECONOMIC DEVELOPMENT HIGHLIGHTS**

The Del Amo Fashion Center continues with their renovations. The two-story 84,000 square foot Dicks Sporting Goods opened in June and the construction for the new 43,000 square foot Dave and Buster's is underway. Dave and Busters is an entertainment chain with the newest arcade games and sports bar. Marshalls is being relocated to its' new home by Dave and Buster's and also under construction. EMC Seafood & Bar restaurant is due to be completed in spring of 2018. Several new tenants such as Calvin Klein and Adidas opened in November and Din Tai Fung Restaurant has chosen to expand.

The eight (8) acre complex renamed Del Amo Crossing in the City's financial district, located on the other side of the "Boulevard" (Hawthorne) from the Del Amo Fashion Center is going through a \$35 million makeover. The iconic building will welcome two additional free standing buildings at the site. This will house a 24 Hour Fitness Super Sport, restaurant and small businesses.

Ganahl Lumber, a premier lumber company opened this year. This lumber yard is located on nearly 19 acres on Del Amo Boulevard near Crenshaw which includes an 86,000 square foot building supply store, a 12,700 square lumber mill for custom milling and over 40,500 square foot for lumber storage.

The former site of the Daily Breeze building is being transformed into the Little Company of Mary Advanced Care Center (ACC) which is slated to open next summer and will house multiple state of the art services all in one place. The \$80 million, 106,000 square foot facility will provide key programs including City of Hope's Multidisciplinary Cancer Center and Providence Little Company of Mary's Orthopedic and Spine Institute among others. The partnership with the City of Hope means South Bay patients can receive local, high-quality coordinated cancer care in one convenient place. Torrance continuously works to advocate for a healthy and safe community.

Torrance Memorial Medical Center is also undergoing improvements of its North Wing patient tower which includes new Pediatric, Neo-Natal Intensive Care and Medical Surgical Units. Completion of this construction is anticipated in 2019.

The Torrance Transit Park and Ride Regional Transit Terminal is under way with construction bids being evaluated. This project when completed, interfaces with the Regional Rapid Service and existing light rail. It is envisioned to have level boarding platforms for transit vehicles, state of the art passenger information kiosks and maps, parking spaces for rideshare van and carpool participants and enhanced shelters, public restrooms, fare vending machines and electric vehicle charging stations. It is

envisioned that the, Metropolitan Transportation Authority's Metro Rail Green Line will be extended and be part of the City's regional transit terminal.

Infrastructure improvements continue with the completion of the \$3.5 million Crenshaw Boulevard Rehabilitation program which included pavement repairs, signage, signal and landscape upgrades. The project for "Sidewalk Repair of Handicap Accessibility" repaired almost three miles of damaged and uplifted sidewalks in three residential areas. The annual residential slurry seal program resulted in 3.3 million square feet of sealed streets for summer 2016 and an additional 3.5 million square feet in summer 2017. This helps extend the pavement life and reduces maintenance costs.

The City's Office of Economic Development activity continues to flourish and one of the components is the business visitation program is a key to building and nurturing business relationships. The office continues to work with regional partners and hosted several events to promote Torrance businesses. A website was developed to further promote the City's economic development that allows to market the City to potential businesses and provides resources to existing businesses to learn more about the City's assistance programs. Digital signs were also installed and displayed information to the City's residents, business partners and visitors. Non-profit and community groups are also taking advantage of the promotional opportunities on digital displays.

Some of the companies that chose Torrance as their sites are: Phyn, a joint venture between Belkin International based in Playa Vista and a company based in Finland that identifies safe drinking water delivery systems; Global Aero Interior, an aircraft seating company; Forever Lamp, a high bay LED light used in warehouses and manufacturing plants and Gyu-Kaku, a Japanese barbeque restaurant will move their headquarters to Torrance with about 50 employees.

## **FINANCIAL FORECAST AND FUTURE OUTLOOK**

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

## **LONG-TERM PLANNING**

Over the past twelve years, General Fund revenues have grown from \$121 million in fiscal year 2002-2003 to \$174 million in fiscal year 2016-17.

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

The revenue forecast for the next two years reflects a modest growth of approximately 3 to 4% annually. The forecast closely parallels the economic recovery

of the local economy. Our forecast projects two years of continued moderate growth in revenues.

### **INTERNAL CONTROLS**

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

### **BUDGETARY CONTROLS**

The City is required by charter to adopt an annual budget. The following governmental funds are annually appropriated: General Fund, Capital Improvement Fund, Debt Service Fund, Rental Assistance Program Fund, Street Lighting District Assessment Fund, Vanpool Rideshare Fund, Animal Control Fund, Development Impact Fee Fund, State Gas Tax Street Improvement Fund, Air Quality Management District Fund, Meadow Park Parking Lot District Fund, Police Inmate Welfare Fund, Community Development Block Grant, Parks and Recreation Open Space, Parks and Recreation Facilities Fund, Proposition C Fund, Asset Forfeiture, Measure R Local Return and Measure R Highway Fund.

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. City Manager and Department Directors are held accountable for meeting the objectives within each of his or her programs, and for monitoring the use of budget allocations to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The City also maintains an encumbrance accounting system as another technique in accomplishing budgetary control. All operating appropriations lapse at year-end to the extent they have not been expended or encumbered. Capital project appropriations lapse when individual projects are closed.

### **INDEPENDENT AUDIT**

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

### **AWARDS**

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Torrance for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The City has received this award annually since 1987.

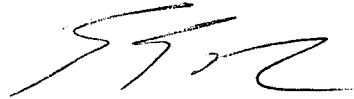
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal 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, 2017. This section also provides an overview of the City's financial activities at year end.

Respectfully submitted,



Eric E. Tsao  
Finance Director

# **CITY OF TORRANCE DIRECTORY OF CITY OFFICIALS**

**June 30, 2017**

## **CITY COUNCIL**

**Patrick J. Furey, Mayor**

|                           |                             |
|---------------------------|-----------------------------|
| <b>Heidi Ann Ashcraft</b> | <b>Milton S. Herring, I</b> |
| <b>Tim Goodrich</b>       | <b>Mike Griffiths</b>       |
| <b>Geoff Rizzo</b>        | <b>Kurt Weideman</b>        |

## **CITY CLERK**

**Rebecca Poirier**

## **CITY TREASURER**

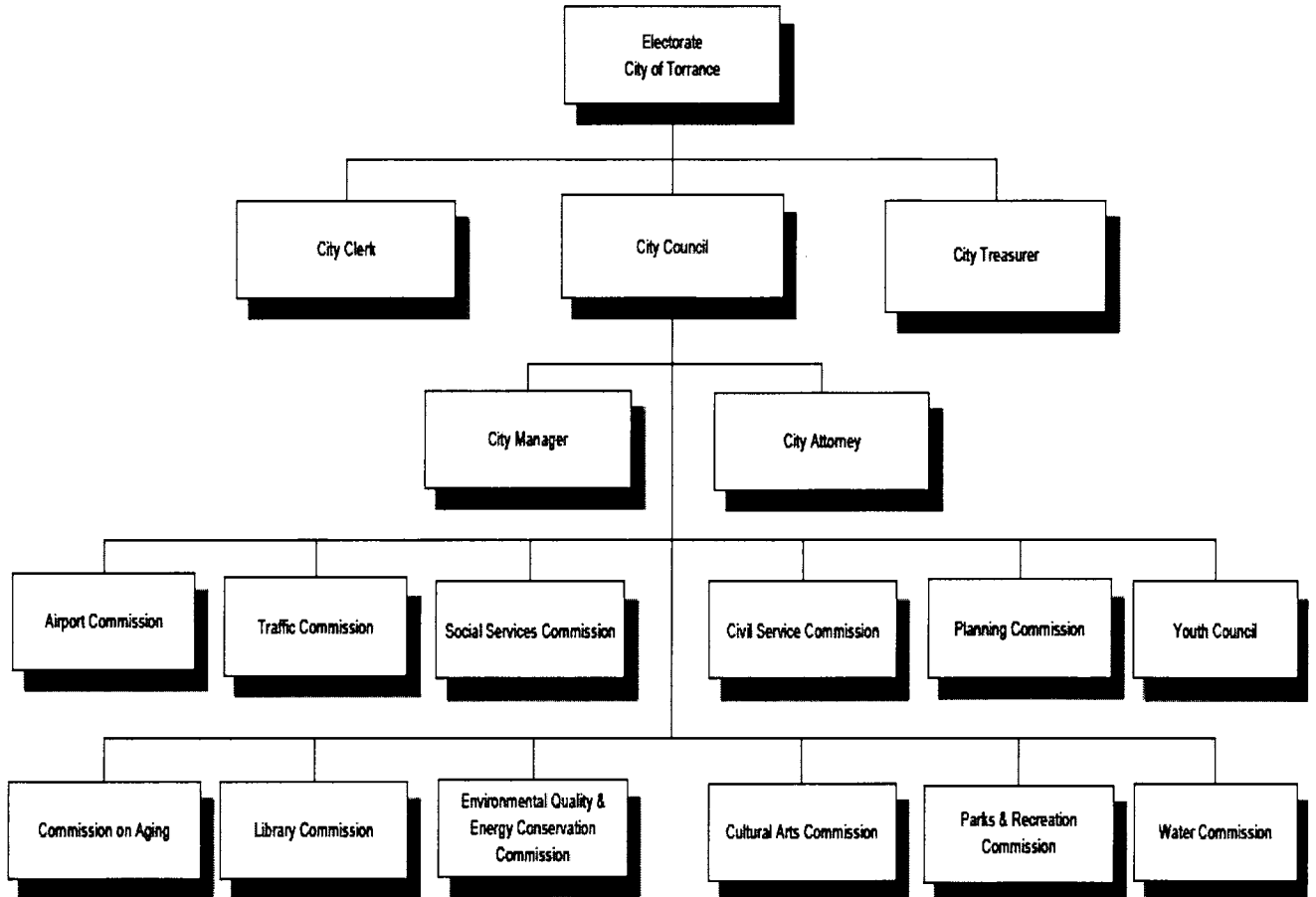
**Dana Cortez**

## **ADMINISTRATION**

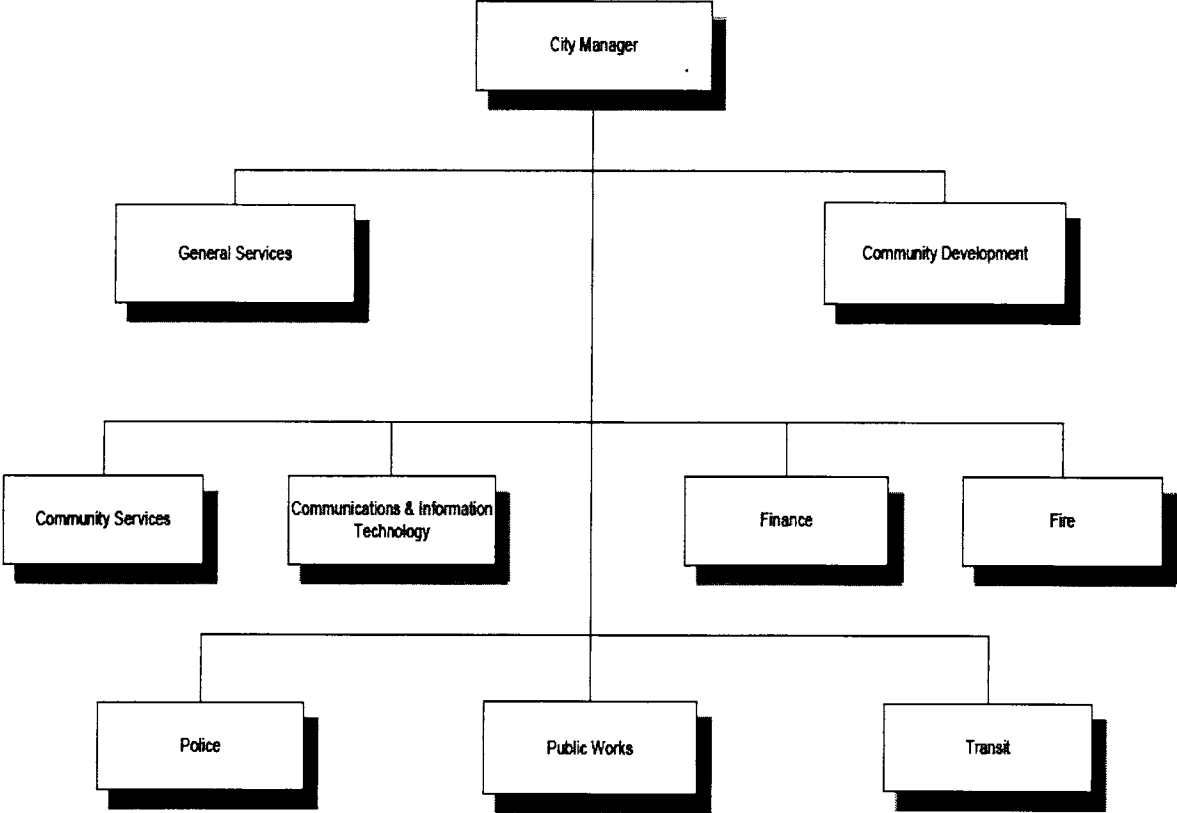
**LeRoy J. Jackson, City Manager**  
**Mary K. Giordano, Assistant City Manager**  
**Eric E. Tsao, Finance Director**  
**John L. Fellows III, City Attorney**  
**Jeff Gibson, Community Development Director**  
**John Jones, Community Services Director**  
**Martin A. Serna, Fire Chief**  
**Sheryl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



# ELECTED AND APPOINTED OFFICIALS



**CITY DEPARTMENTS**





Government Finance Officers Association

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

Presented to

**City of Torrance  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

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# City OF Torrance



## COMPREHENSIVE ANNUAL

# Financial

## REPORT

Fiscal Year Ended June 30, 2017

❖ FINANCIAL SECTION ❖



## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Torrance  
Torrance, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 18 and 21(e), the City restated the beginning balances of the net position of the governmental activities, business-type activities, private-purpose trust fund, water enterprise fund, and sewer enterprise fund. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements and schedules, statistical section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.



## **Other Matters (Continued)**

### *Other Information (Continued)*

The combining fund financial statements and schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, statistical section and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
December 20, 2017

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# City OF Torrance



Council Chamber

Management  
Discussion & Analysis

## Management Discussion & Analysis

❖ DEPARTMENT OF FINANCE ❖



## **MANAGEMENT DISCUSSION AND ANALYSIS**

The management discussion and analysis of the City of Torrance's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. 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, 2017.

### **FINANCIAL HIGHLIGHTS**

- The City's total net position, assets and deferred outflows less liabilities and deferred inflows, at fiscal year-end is \$184.0 million compared to \$175.6 million for the 2015-16 fiscal year. This represents an increase of \$8.4 million primarily due to the net difference between projected and actual earnings on CalPERS pension plan investments.
- During the year, the City's governmental activities revenues exceeded expenditures by \$6.4 million. With transfers of \$7.8 million to fund business type activities, net position decreased by \$1.5 million.
- In the City's business-type activities, expenditures exceeded revenues and transfers by \$1.9 million.
- The General Fund reported an excess of revenues over expenditures of \$9.2 million before a net transfers out of \$13.6 million resulting in a decrease to its fund balance of \$4.4 million during the year.

### **USING THIS ANNUAL REPORT**

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

### **REPORTING THE CITY AS A WHOLE**

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

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report

information about the City as a whole and about its activities in a way that helps answer this question. The Statement of Net Position and Statement of Activities include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

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

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

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

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

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

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

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

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

All of the City's fiduciary activities are reported in separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position.** The City's net position for fiscal year 2016-17 compared to 2015-16 is shown in Table 1:

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

|                                       | <b>Governmental Activities</b> |                | <b>Business-Type Activities</b> |                | <b>Total</b>   |                |
|---------------------------------------|--------------------------------|----------------|---------------------------------|----------------|----------------|----------------|
|                                       | <b>2017</b>                    | <b>2016</b>    | <b>2017</b>                     | <b>2016</b>    | <b>2017</b>    | <b>2016</b>    |
| Current and other assets              | \$211.7                        | \$168.0        | \$64.6                          | \$65.7         | \$276.3        | \$233.7        |
| Capital assets                        | 328.9                          | 322.7          | 157.6                           | 159.0          | 486.5          | 481.7          |
| <b>Total assets</b>                   | <b>540.6</b>                   | <b>490.7</b>   | <b>222.2</b>                    | <b>224.7</b>   | <b>762.8</b>   | <b>715.4</b>   |
| <b>Deferred outflows of resources</b> | <b>78.1</b>                    | <b>31.2</b>    | <b>15.8</b>                     | <b>5.4</b>     | <b>93.9</b>    | <b>36.6</b>    |
| Long-term debt                        | (511.9)                        | (452.7)        | (72.0)                          | (58.7)         | (583.9)        | (511.4)        |
| Other liabilities                     | (55.2)                         | (13.8)         | (13.9)                          | (14.6)         | (69.1)         | (28.4)         |
| <b>Total liabilities</b>              | <b>(567.1)</b>                 | <b>(466.5)</b> | <b>(85.9)</b>                   | <b>(73.3)</b>  | <b>(653.0)</b> | <b>(539.8)</b> |
| <b>Deferred inflows of resources</b>  | <b>(15.8)</b>                  | <b>(29.2)</b>  | <b>(3.9)</b>                    | <b>(7.4)</b>   | <b>(19.7)</b>  | <b>(36.6)</b>  |
| Net investment in capital assets      | 269.8                          | 272.4          | 156.1                           | 157.6          | 425.9          | 430.0          |
| Restricted                            | 46.0                           | 49.3           | -                               | -              | 46.0           | 49.3           |
| Unrestricted                          | (280.0)                        | (295.5)        | (7.9)                           | (8.2)          | (287.9)        | (303.7)        |
| <b>Net Position</b>                   | <b>\$35.8</b>                  | <b>\$26.2</b>  | <b>\$148.2</b>                  | <b>\$149.4</b> | <b>\$184.0</b> | <b>\$175.6</b> |

Net position of the City's governmental activities amounted to \$35.8 million. \$269.8 million is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$46.0 million is restricted for streets & highways, capital projects, community development, public safety and debt service; and (280.0) million is unrestricted. The net position of the City's governmental activities increased by \$9.6 million (\$35.8 million compared to \$26.2 million in 2015-16).

Net position of the City's business-type activities amounted to \$148.2 million. \$156.1 million is invested in capital assets, and (\$7.9) million is unrestricted. The net position of the City's business-type activities decreased by 1.2 million (\$148.2 million compared to \$149.4 million in 2015-16).

**Changes in net position.** The City's total revenues are \$301.1 million and total costs of all programs and services are \$304.5 million which amounted to a change in net position of (\$3.4) million during the year (See Table 2).



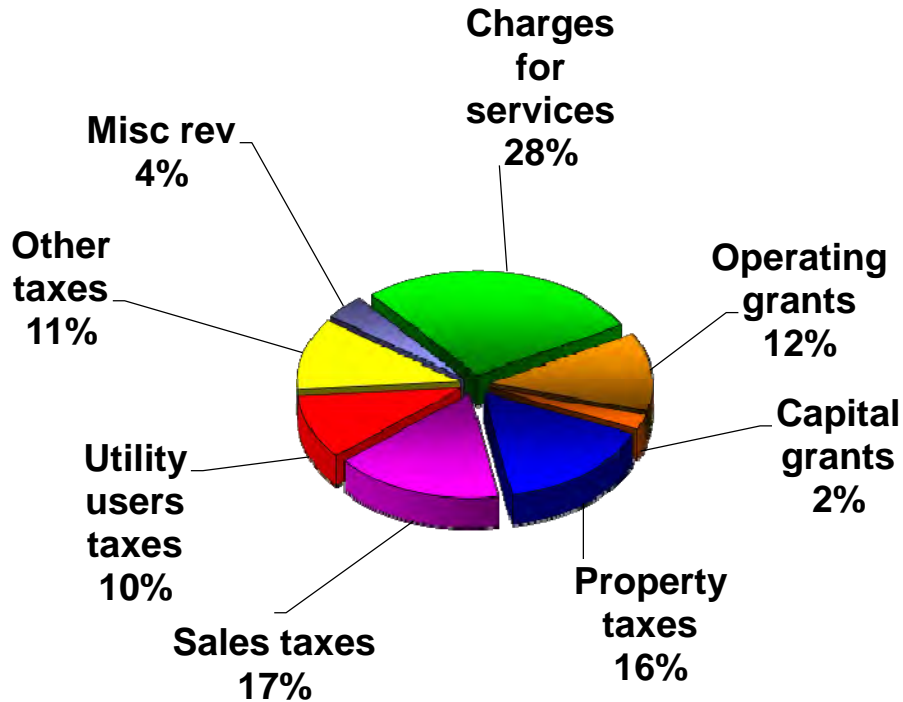
**Table 2**  
**Change in Net Position**  
**(In Millions)**

|   | <b>Governmental<br/>Activities</b> |               | <b>Business-type<br/>Activities</b> |                | <b>Total</b>   |                |
|---|------------------------------------|---------------|-------------------------------------|----------------|----------------|----------------|
|   | <b>2017</b>                        | <b>2016</b>   | <b>2017</b>                         | <b>2016</b>    | <b>2017</b>    | <b>2016</b>    |
| <b>Revenues</b>                                   |                                    |               |                                     |                |                |                |
| Program revenues:                                 |                                    |               |                                     |                |                |                |
| Charges for services                              | \$10.7                             | \$10.2        | \$74.4                              | \$70.0         | \$85.1         | \$80.2         |
| Operating grants/contr                            | 17.2                               | 22.1          | 18.8                                | 18.5           | 36.0           | 40.6           |
| Capital grants/contr                              | 6.2                                | 7.8           | 1.1                                 | 14.7           | 7.3            | 22.5           |
| General revenues:                                 |                                    |               |                                     |                |                |                |
| Property taxes                                    | 47.0                               | 54.3          | -                                   | -              | 47.0           | 54.3           |
| Sales taxes                                       | 50.1                               | 39.4          | -                                   | -              | 50.1           | 39.4           |
| Other taxes                                       | 63.5                               | 60.9          | -                                   | -              | 63.5           | 60.9           |
| Investment earnings                               | 5.0                                | 6.6           | 0.6                                 | 0.8            | 5.6            | 7.4            |
| Motor vehicle tax (unrestricted)                  | 0.1                                | 0.1           | -                                   | -              | 0.1            | 0.1            |
| Miscellaneous                                     | 6.1                                | 4.9           | 0.3                                 | 0.2            | 6.4            | 5.1            |
| <b>Total revenues</b>                             | <b>205.9</b>                       | <b>206.3</b>  | <b>95.2</b>                         | <b>104.2</b>   | <b>301.1</b>   | <b>310.5</b>   |
| <b>Expenses</b>                                   |                                    |               |                                     |                |                |                |
| General government                                | 27.8                               | 31.3          | -                                   | -              | 27.8           | 31.3           |
| Public safety                                     | 114.1                              | 99.0          | -                                   | -              | 114.1          | 99.0           |
| Public works                                      | 26.8                               | 28.2          | -                                   | -              | 26.8           | 28.2           |
| Culture and recreation                            | 17.4                               | 15.4          | -                                   | -              | 17.4           | 15.4           |
| Community development                             | 10.7                               | 10.4          | -                                   | -              | 10.7           | 10.4           |
| Interest on long term debt                        | 2.8                                | 2.7           | -                                   | -              | 2.8            | 2.7            |
| Airport   | -                                  | -             | 3.4                                 | 3.4            | 3.4            | 3.4            |
| Transit   | -                                  | -             | 27.7                                | 24.2           | 27.7           | 24.2           |
| Water   | -                                  | -             | 35.5                                | 31.8           | 35.5           | 31.8           |
| Sewer   | -                                  | -             | 5.1                                 | 5.5            | 5.1            | 5.5            |
| Sanitation  | -                                  | -             | 11.6                                | 10.9           | 11.6           | 10.9           |
| Cultural Arts                                     | -                                  | -             | 2.1                                 | 2.0            | 2.1            | 2.0            |
| Parks and Recreation                              | -                                  | -             | 7.1                                 | 6.9            | 7.1            | 6.9            |
| Emergency Medical Services                        | -                                  | -             | 12.4                                | 11.1           | 12.4           | 11.1           |
| <b>Total expenses</b>                             | <b>199.6</b>                       | <b>187.0</b>  | <b>104.9</b>                        | <b>95.8</b>    | <b>304.5</b>   | <b>282.8</b>   |
| Excess of revenues over expenses before transfers | 6.3                                | 19.3          | (9.7)                               | 8.4            | (3.4)          | 27.7           |
| Transfers   | (7.8)                              | (18.0)        | 7.8                                 | 18.0           | -              | -              |
| <b>Increase (decrease) in net position</b>        | <b>(\$1.5)</b>                     | <b>\$ 1.3</b> | <b>(\$1.9)</b>                      | <b>\$26.4</b>  | <b>(\$3.4)</b> | <b>\$27.7</b>  |
| Net Position-beginning                            | 26.2                               | 17.5          | 149.4                               | 123.0          | 175.6          | 140.5          |
| Prior Period adjustment                           | 11.1                               | 7.4           | .7                                  | -              | 11.8           | 7.4            |
| <b>Net Position-ending</b>                        | <b>\$35.8</b>                      | <b>\$26.2</b> | <b>\$148.2</b>                      | <b>\$149.4</b> | <b>\$184.0</b> | <b>\$175.6</b> |

The City's total revenues of \$301.1 million were derived from the following: Twenty eight percent (28%) of the program revenues is derived from fees charged for services; ten percent (10%) from utility users' tax; eleven percent (11%) from other taxes such as construction tax, occupancy tax, business license tax and franchise tax; seventeen percent (17%) from sales taxes; sixteen percent (16%) from property taxes; twelve percent (12%) from operating grants; two percent (2%) from capital grants; and four percent (4%) from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues decreased by \$9.4 million-governmental type activities decreased by \$0.4 million while business type activities decreased by \$9.0 million.

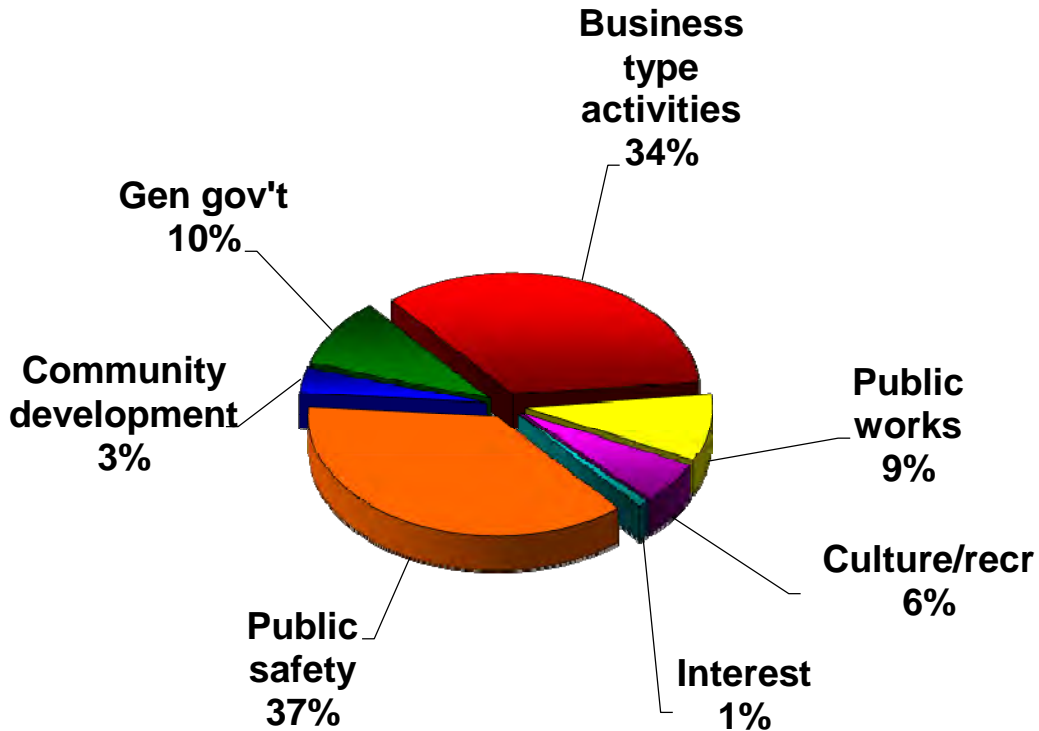
**Figure A-1  
Sources of Revenues for Fiscal Year 2017**



The total costs of all programs and services are \$304.5 million. Thirty seven percent (37%) of functional expenses are related to public safety; ten percent (10%) relates to general government; nine percent (9%) to public works; six percent (6%) to culture and recreation; three percent (3%) to community development; one percent (1%) to interest on debt; and thirty four percent (34%) to business-type activities (See Figure A-2). The total cost of the City's programs and services increased by \$21.7 million.

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

**Figure A-2  
Functional Expenses for Fiscal Year 2017**



**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 \$0.4 million. This is primarily due to the decrease in operating and capital grants during the year.

The total expenses of the governmental activities increase by 6.8 percent or \$12.6 million. The increase is primarily due to the public safety pension expenses.

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 \$199.6. \$165.4 million of these activities were paid through City taxes, sales taxes, investment

earnings and other miscellaneous fees; \$10.7 million was paid by those who directly benefited from the programs; and \$23.5 million was funded by other governments and organizations that subsidized certain programs with operating grants and contributions.

**Table 3  
Governmental Activities  
(In Millions)**

|                        | <b>Total cost of services</b> |                | <b>Net cost of services</b> |                |
|------------------------|-------------------------------|----------------|-----------------------------|----------------|
|                        | <b>2017</b>                   | <b>2016</b>    | <b>2017</b>                 | <b>2016</b>    |
| General government     | \$27.8                        | \$31.3         | \$23.9                      | \$27.4         |
| Public safety *        | 114.1                         | 99.0           | 103.2                       | 89.6           |
| Public works           | 26.8                          | 28.2           | 16.0                        | 8.7            |
| Culture and recreation | 17.4                          | 15.4           | 15.6                        | 14.6           |
| Community development  | 10.7                          | 10.4           | 3.9                         | 4.0            |
| Others                 | 2.8                           | 2.7            | 2.8                         | 2.7            |
| <b>Total</b>           | <b>\$199.6</b>                | <b>\$187.0</b> | <b>\$165.4</b>              | <b>\$147.0</b> |

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

### **Business-type Activities**

Revenues of the City's business-type activities amounts to \$95.2 million and expenses are \$104.9 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues decreased by \$9.0 million (\$95.2 million compared to \$104.2 million in 2015-16). The excess of expenses over revenues before transfers is \$9.7 million and with a net transfer in of \$7.8 million, the business-type activities had a decrease of \$1.9 million during the year. This was primarily due to a decrease in Transit capital grants this year. In fiscal year 2015-16 capital grants received was \$14.7 million compared to \$1.0 this year. There were 24 CNG buses that were purchased in 2015-16.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental funds**

As the City completed the year, its governmental funds reported a combined fund balance of \$118.5 million.

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

The decrease in General fund balance is \$4.4 million this year primarily due to transfers to the Capital Improvement Fund for capital projects and transfers made to the Post Employment Fund.

## **Enterprise funds**

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

The Transit Fund has a decrease in fund equity of \$2.4 million this year due to the decrease in capital grants received this year. The Water fund equity increase by \$1.8 million due to increase in water sales. Increase is due to the deactivation of the Level 2 Water supply shortage stage. The current water supply shortage stage was lowered to the more appropriate base level conservation restrictions due to the substantial improvement in California's water supplies. The Sewer fund equity decreased by \$1.3 million because of lower revenues received compared to the increasing cost of operations, maintenance and capital expenditures. On December 6, 2016, a public hearing was held and a resolution was adopted that approved a series of annual rate increase for a five year period (2017-2021) in the City's sewer (wastewater) collection service rate effective January 1, 2017. The Emergency Services fund equity increase by \$0.2 million primarily due to transfers received from the General Fund.

## **General Fund Budgetary Highlights**

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

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

First Quarter program modifications that were approved:

- Adjustment of Community Services' two .6 Maintenance workers to one 1.0 Lead Maintenance worker for the Park Services Turf Management Plan.
- Restructuring of the Human Resources and Civil Service Divisions
- Approval of Debt Management Policy
- Finance Department Reorganization
- Restructuring of Fire Department
- General Services addition of 1.0 Staff Assistant

Mid-Year program modification that was approved:

- Reorganization of the Planning function in Community Development

Although the City amended its expenditure budget, actual expenditures were \$7.4 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 \$6.7 million below the final adopted budgeted amount which was primarily due to the decrease in utility users' tax (UUT). The major incident at the refinery has significantly impacted the receipt of UUT. This incident has reduced revenues by \$300,000 a month. The refinery is the largest user of electricity and natural gas which generates UUT to the City.

The City's General Fund balance of \$54.9 million differs from the General Fund's budgetary fund balance of \$53.4 million reported in the budgetary comparison schedule. The difference in the two fund balances is because budgetary fund balance includes \$1.5 million of encumbrances reported as expenditures for budgetary purposes.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$486.5 million (net of accumulated depreciation). The investment in capital assets includes land, right of way, buildings and improvements, equipment, construction in progress, easement and infrastructure assets.

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

|                            | Governmental Activities |                | Business-type Activities |                | Total          |                |
|----------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
|                            | 2017                    | 2016           | 2017                     | 2016           | 2017           | 2016           |
| Land                       | \$78.0                  | \$77.2         | \$6.9                    | \$6.9          | \$84.9         | \$84.1         |
| Right of Way               | 19.3                    | 19.3           | -                        | -              | 19.3           | 19.3           |
| Buildings and improvements | 44.9                    | 46.9           | 4.1                      | 4.2            | 49.0           | 51.1           |
| Equipment                  | 19.5                    | 17.6           | 38.1                     | 36.6           | 57.6           | 54.2           |
| Infrastructure             | 140.9                   | 146.7          | 96.1                     | 97.7           | 237.0          | 244.4          |
| Construction in progress   | 26.3                    | 15.0           | 10.9                     | 12.1           | 37.2           | 27.1           |
| Easement                   | -                       | -              | 1.5                      | 1.5            | 1.5            | 1.5            |
| <b>Total</b>               | <b>\$328.9</b>          | <b>\$322.7</b> | <b>\$157.6</b>           | <b>\$159.0</b> | <b>\$486.5</b> | <b>\$481.7</b> |

The total capital assets in the governmental activities increase by \$6.2 million (\$328.9 million compared to \$322.7 million in 2015-16) and the business activities decrease by \$1.4 million (\$157.0 million to \$159.0 million in 2015-16). The capital assets are categorized by networks and subsystems. More

detail information about the City's capital assets and its activities during the year is shown 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 \$60.5 million as shown in Table 5. More detailed information about the City's long-term liabilities is presented in Notes 6 and 7 of the notes to the basic financial statements.

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

|   | <b>Governmental<br/>Activities</b> |             | <b>Business-type<br/>Activities</b> |             | <b>Total</b> |             |
|---|------------------------------------|-------------|-------------------------------------|-------------|--------------|-------------|
|   | <b>2017</b>                        | <b>2016</b> | <b>2017</b>                         | <b>2016</b> | <b>2017</b>  | <b>2016</b> |
| Revenue bonds and notes<br>(backed by specific tax<br>and fee revenues) | \$60.5                             | \$56.0      | \$ -                                | \$ -        | \$60.5       | \$56.0      |

During fiscal year 2016-17 the total debt of the City increased by \$4.5 million. The increase is primarily due to the Public Property Financing issuance of \$22.1 million 2016 Refunding Certificates of Participation that refinance the 2009 Certificates of Participation issued by the Torrance Public Financing Authority that was used to finance the acquisition of the 15 acres of real property for a Transit Regional Center. Portion of the 2016 proceeds will be used for the construction of capital improvements related to an emergency operations center and any other public capital improvements selected by the City.

The City's General Fund rating for the 2014 and 2016 Certificates of Participation is "AA" by Standard and Poors.

Per City Charter Article 4 Section 412, the City shall not incur any bonded indebtedness for public improvements, which shall in the aggregate exceed 3.75% of the assessed value of all the real and personal property of the City. The current debt limitation for the City is \$987.1 million which is in excess of the City's outstanding debt.

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

### **Key Highlights of the 2017-18 Budget**

The City Council adopted in May 23, 2017, the first year (2017-18 fiscal year) of the Two Year Operating budget. This budget is balanced and forecasts a balance budget throughout the next five years. The five year projection reflects revenue growth between 2.2% to 3.5% which is consistent with the five-year forecast presented in 2015-16. Additional budget projections through fiscal year 2020-21 are also balanced.

Council also approved the second year appropriation of \$24.3 million of the City's Five-Year Capital Budget Plan. The Capital Plan contains two separate actions plans:

- 1) the Facilities, Equipment, Automation Plan (FEAP) and
- 2) the Infrastructure Action Plan (IAP).

The City has been highly successful in competing for tens of millions of dollars in Measure R funds and federal grants. The benefits enjoyed from the award of these funds and grants are the Crenshaw Boulevard Intersection Improvements and 208<sup>th</sup> Street Extension, 186<sup>th</sup> Street Improvements at Columbia Park, Crenshaw Boulevard Rehabilitation (Sepulveda Blvd to Skypark Dr Pacific Coast Highway to South City Limit and 182<sup>nd</sup> Street to North City Limit, ), Intersection Improvements-Hawthorne Boulevard Pacific Coast Highway), Sidewalk Repair for handicap accessibility, Anza/Vista Montana/Pacific Coast Highway Intersection Improvements, I-405 at 182<sup>nd</sup> Street/Crenshaw Boulevard Operational Improvements and the upcoming Regional Transit Terminal Center.

***Budget Issues:***

Self-Insurance Fund

The budget increases the General Fund contribution by an additional \$100,000 annually for the 2017-18 through the five year forecast

***Workforce:***

The City is experiencing an increase in employee retirements and staff turnover as the current workforce ages. Efforts toward recruitment indicate a shortage of viable qualified candidates.

***Employee Memorandum of Understanding:***

Current memorandums of understanding expired in June 2017 for Police and Fire. All Miscellaneous group memorandums will expire in December of 2017. Contract negotiations are in process.

***Employee Pension:***

- The City is primarily a service organization with 76% of the General Fund budget in labor
- Pension costs are based on the state CalPERS actuarial evaluation. Recent revisions have impacted City pension costs as follows:
  - Decreasing return on investments by 0.25% from 7.75% to 7.5%, then to 7.0% in the next 3 fiscal years.
  - Limiting amortization to no greater than 30 years (fixed).
  - Increasing mortality age assumptions.
- CalPERS pension costs as percentage of the budget is 15.6%. This Projected to peak at 18.4% of budget in the 2022-23 fiscal year. The City also makes additional contributions to reduce pension liabilities
- The City has implemented "tiered" pension benefits that transfers more of pension cost to new employees while reducing some pension Benefits. This plan currently realizes savings of over \$2 million annually which will increase as new employees are hired.



***Other Post-Employment Benefits (OPEB):***

- Other Post-Employment Benefits continues to be fully funded
- OPEB are mainly for health benefits for retirees of roughly \$115 a month for retired Miscellaneous employees and up to an additional \$130 to \$225 a month for Fire and Police retirees.

***Third Party Non-Revocable Trust:***

The City will be entering a third party non-revocable trust for PERS pension obligations to provide budgetary flexibility and diversification of pension assets from PERS. Accumulated interest earnings could be used to offset current pension expense. The use of principal can additionally be used for the City's contribution to reduce the City's annual pension expenses.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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# City OF Torrance



City of Torrance Veteran's Memorial

# Basic Financial Statements



# *City* OF *Torrance*



Torrance Police Station

## *Government - Wide Financial Statements*

❖ DEPARTMENT OF FINANCE ❖



**CITY OF TORRANCE, CALIFORNIA**  
Statement of Net Position  
June 30, 2017

|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>   |
|--|------------------------------------|-------------------------------------|----------------|
| <b>Assets</b>  |                                    |                                     |                |
| Pooled cash and investments (note 2)   | \$ 146,470,348                     | \$ 46,306,119                       | \$ 192,776,467 |
| Cash and cash equivalents with fiscal agents (note 2)                            | 7,926,423                          | -                                   | 7,926,423      |
| Accounts receivable  | 11,836,424                         | 10,438,719                          | 22,275,143     |
| Accrued interest receivable  | 232,326                            | 80,517                              | 312,843        |
| Due from successor agency (note 21)  | 339,794                            | -                                   | 339,794        |
| Due from other governments (note 15)   | 13,246,250                         | 3,542,200                           | 16,788,450     |
| Advance to successor agency (note 21)  | 29,684,929                         | 2,262,486                           | 31,947,415     |
| Notes receivable (note 4)  | 59,055                             | -                                   | 59,055         |
| Internal balances  | 325                                | (325)                               | -              |
| Inventories, at cost   | 936,001                            | 1,976,699                           | 2,912,700      |
| Prepays and other assets   | 990,356                            | 19,983                              | 1,010,339      |
| Capital assets (note 3):   |                                    |                                     |                |
| Land   | 77,950,573                         | 6,940,713                           | 84,891,286     |
| Right of way   | 19,344,662                         | -                                   | 19,344,662     |
| Construction in progress   | 26,308,947                         | 10,989,568                          | 37,298,515     |
| Infrastructure, net of accumulated depreciation                                  | 140,911,390                        | 96,095,241                          | 237,006,631    |
| Building and improvements, net of accumulated depreciation                       | 44,889,258                         | 4,056,950                           | 48,946,208     |
| Equipment, net of accumulated depreciation                                       | 19,514,068                         | 38,002,942                          | 57,517,010     |
| Easement, net of accumulated depreciation  | -                                  | 1,462,586                           | 1,462,586      |
| Total Assets   | 540,641,129                        | 222,174,398                         | 762,815,527    |
| <b>Deferred Outflows of Resources</b>  |                                    |                                     |                |
| Deferred refunding charge  | 3,668,717                          | -                                   | 3,668,717      |
| Deferred pension contributions   | 74,401,943                         | 15,759,541                          | 90,161,484     |
| Total Deferred Outflows of Resources   | 78,070,660                         | 15,759,541                          | 93,830,201     |
| <b>Liabilities</b>   |                                    |                                     |                |
| Accounts payable   | 4,606,053                          | 6,020,871                           | 10,626,924     |
| Accounts payable-contract retention  | 127,576                            | 165,174                             | 292,750        |
| Accrued liabilities  | 6,536,367                          | 466,678                             | 7,003,045      |
| Due to other governments   | 12                                 | -                                   | 12             |
| Notes payable (note 5)   | 42,100,000                         | -                                   | 42,100,000     |
| Unearned revenue (note 16)   | 27,841                             | 6,825,642                           | 6,853,483      |
| Deposits and guarantees  | 1,518,447                          | 391,581                             | 1,910,028      |
| Interest payable   | 282,003                            | 119                                 | 282,122        |
| Long term liabilities-portion due or payable within one year (notes 6, 7 and 14) | 17,993,370                         | 1,866,291                           | 19,859,661     |
| Long term liabilities-portion due or payable after one year (notes 6, 7 and 14)  | 117,544,882                        | 1,726,084                           | 119,270,966    |
| Net pension liability (notes 8 and 9)  | 376,344,807                        | 68,375,409                          | 444,720,216    |
| Total Liabilities  | 567,081,358                        | 85,837,849                          | 652,919,207    |
| <b>Deferred Inflows of Resources</b>   |                                    |                                     |                |
| Pension actuarial  | 15,847,040                         | 3,868,545                           | 19,715,585     |
| Total Deferred Inflows of Resources  | 15,847,040                         | 3,868,545                           | 19,715,585     |
| <b>Net Position</b>  |                                    |                                     |                |
| Net investment in capital assets   | 269,819,206                        | 156,095,100                         | 425,914,306    |
| Restricted for:  |                                    |                                     |                |
| Streets & highways   | 26,528,388                         | -                                   | 26,528,388     |
| Capital projects   | 2,199,777                          | -                                   | 2,199,777      |
| Community development  | 11,216,910                         | -                                   | 11,216,910     |
| Public safety  | 3,592,188                          | -                                   | 3,592,188      |
| Debt service   | 2,449,604                          | -                                   | 2,449,604      |
| Unrestricted   | (280,022,682)                      | (7,867,555)                         | (287,890,237)  |
| Total Net Position   | \$ 35,783,391                      | \$ 148,227,545                      | \$ 184,010,936 |

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Activities and Changes in Net Position  
Year ended June 30, 2017

| <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> |
| <b>Primary Government:</b>            |                       |                             |   |   |
| <b>Governmental Activities:</b>       |                       |                             |   |   |
| General government                    | \$ 27,838,034         | \$ 413,553                  | \$ 3,200,667                              | \$ 319,909                              |
| Public safety                         | 114,080,789           | 8,475,367                   | 1,312,480                                 | 1,058,824                               |
| Public works                          | 26,807,245            | 1,164,221                   | 6,080,103                                 | 3,612,653                               |
| Culture and recreation                | 17,387,856            | 641,190                     | 193,959                                   | 979,297                                 |
| Community development                 | 10,621,296            | -                           | 6,491,993                                 | 207,053                                 |
| Interest on long term debt            | 2,826,284             | -                           | -   | -                                       |
| <b>Total Governmental Activities</b>  | <b>199,561,504</b>    | <b>10,694,331</b>           | <b>17,279,202</b>                         | <b>6,177,736</b>                        |
| <b>Business-Type Activities:</b>      |                       |                             |   |   |
| Municipal airport                     | 3,425,047             | 12,836,394                  | -   | -                                       |
| Transit system                        | 27,701,954            | 2,860,499                   | 18,595,137                                | 1,081,007                               |
| Water                                 | 35,447,530            | 36,847,656                  | -   | -                                       |
| Sewer                                 | 5,085,685             | 3,782,971                   | -   | -                                       |
| Sanitation                            | 11,620,006            | 11,363,406                  | 78,716                                    | -                                       |
| Cultural arts center                  | 2,118,798             | 1,017,480                   | 109,440                                   | -                                       |
| Parks and recreation                  | 7,079,535             | 4,635,269                   | 26,007                                    | -                                       |
| Emergency medical services            | 12,421,868            | 1,092,880                   | -   | -                                       |
| <b>Total Business-Type Activities</b> | <b>104,900,423</b>    | <b>74,436,555</b>           | <b>18,809,300</b>                         | <b>1,081,007</b>                        |
| <b>Total Primary Government</b>       | <b>\$ 304,461,927</b> | <b>\$ 85,130,886</b>        | <b>\$ 36,088,502</b>                      | <b>\$ 7,258,743</b>                     |

**General Revenues:**

Taxes:

Property taxes

Sales taxes

Utility users taxes

Occupancy taxes

Business license taxes

Construction, real property, cogeneration and misc. taxes

Investment earnings

Gain on sale of property

Motor vehicle tax (unrestricted)

Miscellaneous

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

**Net Position - beginning**

**Prior Period Adjustment (note 18)**

**Net Position - ending**

See accompanying notes to the basic financial statements.



| <b>Net (Expense) Revenue<br/>and Changes in Net Position</b> |                                     |                       |
|--|-------------------------------------|-----------------------|
| <u>Governmental<br/>Activities</u>                           | <u>Business-Type<br/>Activities</u> | <u>Total</u>          |
| \$ (23,903,905)  | \$ -                                | \$ (23,903,905)       |
| (103,234,118)  | -                                   | (103,234,118)         |
| (15,950,268)   | -                                   | (15,950,268)          |
| (15,573,410)   | -                                   | (15,573,410)          |
| (3,922,250)  | -                                   | (3,922,250)           |
| (2,826,284)  | -                                   | (2,826,284)           |
| <u>(165,410,235)</u>   | <u>-</u>                            | <u>(165,410,235)</u>  |
| -  | 9,411,347                           | 9,411,347             |
| -  | (5,165,311)                         | (5,165,311)           |
| -  | 1,400,126                           | 1,400,126             |
| -  | (1,302,714)                         | (1,302,714)           |
| -  | (177,884)                           | (177,884)             |
| -  | (991,878)                           | (991,878)             |
| -  | (2,418,259)                         | (2,418,259)           |
| -  | (11,328,988)                        | (11,328,988)          |
| <u>-</u>   | <u>(10,573,561)</u>                 | <u>(10,573,561)</u>   |
| <u>(165,410,235)</u>   | <u>(10,573,561)</u>                 | <u>(175,983,796)</u>  |
| 46,967,412   | -                                   | 46,967,412            |
| 50,132,686   | -                                   | 50,132,686            |
| 30,094,669   | -                                   | 30,094,669            |
| 12,014,738   | -                                   | 12,014,738            |
| 8,880,658  | -                                   | 8,880,658             |
| 12,494,813   | -                                   | 12,494,813            |
| 5,000,973  | 613,219                             | 5,614,192             |
| 1,551,812  | -                                   | 1,551,812             |
| 65,932   | -                                   | 65,932                |
| 4,560,013  | 247,188                             | 4,807,201             |
| (7,847,436)  | 7,847,436                           | -                     |
| <u>163,916,270</u>   | <u>8,707,843</u>                    | <u>172,624,113</u>    |
| (1,493,965)  | (1,865,718)                         | (3,359,683)           |
| 26,183,804   | 149,412,558                         | 175,596,362           |
| 11,093,552   | 680,705                             | 11,774,257            |
| <u>\$ 35,783,391</u>   | <u>\$ 148,227,545</u>               | <u>\$ 184,010,936</u> |

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# City OF Torrance



Madrona Marsh

## Governmental Fund Financial Statements



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**CITY OF TORRANCE, CALIFORNIA**

Balance Sheet  
Governmental Funds  
June 30, 2017

|   | <b>General<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|--|---|
| <b>Assets</b>   |                         |  |   |
| Pooled cash and investments (note 2)  | \$ 66,617,587           | \$ 56,535,606                              | \$ 123,153,193                          |
| Cash and cash equivalents   |                         |  |   |
| with fiscal agents (note 2)   | -                       | 7,926,423                                  | 7,926,423                               |
| Accounts receivable   | 8,531,920               | 3,304,504                                  | 11,836,424                              |
| Accrued interest receivable   | 158,605                 | 45,293                                     | 203,898                                 |
| Due from successor agency   | 307,852                 | 31,942                                     | 339,794                                 |
| Due from other funds (note 12)  | 1,938,784               | -  | 1,938,784                               |
| Due from other governments (note 15)  | 12,808,921              | 437,329                                    | 13,246,250                              |
| Advance to successor agency (note 12)   | 29,050,350              | 634,579                                    | 29,684,929                              |
| Interfund advances receivable (note 12)                                       | -                       | 600,000                                    | 600,000                                 |
| Notes receivable (note 4)   | -                       | 59,055                                     | 59,055                                  |
| Prepays   | 250,782                 | -  | 250,782                                 |
| <b>Total Assets</b>   | <b>\$ 119,664,801</b>   | <b>\$ 69,574,731</b>                       | <b>\$ 189,239,532</b>                   |
| <b>Liabilities</b>  |                         |  |   |
| Accounts payable  | \$ 2,038,782            | \$ 2,113,384                               | \$ 4,152,166                            |
| Accounts payable-contract retention   | -                       | 127,576                                    | 127,576                                 |
| Accrued liabilities   | 6,045,584               | 437,537                                    | 6,483,121                               |
| Due to other funds (note 12)  | -                       | 1,938,459                                  | 1,938,459                               |
| Interfund advances payable (note 12)  | 600,000                 | -  | 600,000                                 |
| Due to other governments  | -                       | 12   | 12                                      |
| Notes payable (note 5)  | 42,100,000              | -  | 42,100,000                              |
| Unearned revenue (note 16)  | -                       | 27,841                                     | 27,841                                  |
| Deposits and guarantees   | 204,243                 | 1,314,204                                  | 1,518,447                               |
| <b>Total Liabilities</b>  | <b>50,988,609</b>       | <b>5,959,013</b>                           | <b>56,947,622</b>                       |
| <b>Deferred Inflows of Resources:</b>   |                         |  |   |
| Unavailable revenue   | 13,815,797              | -  | 13,815,797                              |
| <b>Total Deferred Inflows of Resources</b>                                    | <b>13,815,797</b>       | <b>-</b>                                   | <b>13,815,797</b>                       |
| <b>Fund Balances</b>  |                         |  |   |
| Nonspendable:   |                         |  |   |
| Advances, net   | 15,234,553              | -  | 15,234,553                              |
| Prepays   | 250,782                 | -  | 250,782                                 |
| Restricted for:   |                         |  |   |
| Public safety   | -                       | 3,561,446                                  | 3,561,446                               |
| Public works  | -                       | 29,347,468                                 | 29,347,468                              |
| Culture and recreation - Cable TV education                                   | 464,625                 | 2,199,777                                  | 2,664,402                               |
| Community development   | -                       | 3,170,275                                  | 3,170,275                               |
| Debt service  | -                       | 2,449,604                                  | 2,449,604                               |
| Assigned to:  |                         |  |   |
| Culture and recreation - Cable TV   | 4,762,930               | -  | 4,762,930                               |
| Public safety   | 30,742                  | -  | 30,742                                  |
| Special project reserves -  |                         |  |   |
| Economic development  | 1,539,743               | -  | 1,539,743                               |
| Alternative fuel vehicle  | 939,756                 | -  | 939,756                                 |
| Other   | 1,062,784               | -  | 1,062,784                               |
| Capital projects -  |                         |  |   |
| PC replacement  | 2,826,973               | 22,887,148                                 | 25,714,121                              |
| Fire vehicle replacement  | 2,130,895               | -  | 2,130,895                               |
| Radio communication replacement   | 1,389,169               | -  | 1,389,169                               |
| Other   | 148,055                 | -  | 148,055                                 |
| Unassigned  | 24,079,388              | -  | 24,079,388                              |
| <b>Total Fund Balances</b>  | <b>54,860,395</b>       | <b>63,615,718</b>                          | <b>118,476,113</b>                      |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources and Fund Balances</b> | <b>\$ 119,664,801</b>   | <b>\$ 69,574,731</b>                       | <b>\$ 189,239,532</b>                   |

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2017

Total fund balances for governmental funds \$ 118,476,113

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

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

|   |                   |             |
|---|-------------------|-------------|
| Land  | \$ 77,950,573     |             |
| Right of Way  | 19,344,662        |             |
| Construction in Progress  | 26,308,947        |             |
| Infrastructure net of \$168,811,312 accumulated depreciation          | 140,911,390       |             |
| Buildings and fixtures, net of \$54,109,216 accumulated depreciation  | 44,889,258        |             |
| Machinery and equipment, net of \$26,590,650 accumulated depreciation | <u>15,460,181</u> |             |
|   |                   | 324,865,011 |

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  | (13,507,457)         |               |
| Public Property Financing Corporation refunding certificates of participation | (60,475,000)         |               |
| Certificates of participation premium   | (2,293,409)          |               |
| Deferred refunding charge   | 3,668,717            |               |
| Net pension liability   | <u>(372,327,686)</u> |               |
|   |                      | (444,934,835) |

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

|   |                  |           |
|---|------------------|-----------|
| Accrued interest payable on bonded debt | <u>(282,003)</u> |           |
|   |                  | (282,003) |

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

|   |                   |            |
|---|-------------------|------------|
| Deferred inflows of resources-unavailable revenue | <u>13,815,797</u> |            |
|   |                   | 13,815,797 |

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

|  |                     |            |
|--|---------------------|------------|
| Deferred outflows of resources - pension contributions | 73,264,616          |            |
| Deferred inflows of resources - pension actuarial      | <u>(15,584,590)</u> |            |
|  |                     | 57,680,026 |

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

(33,836,718)

**Net Position of Governmental Activities**

**\$ 35,783,391**

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2017

|   | <u>General<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|--|---|
| <b>Revenues:</b>                                |                         |  |   |
| Taxes   | \$ 160,515,933          | \$ 1,301,373                               | \$ 161,817,306                          |
| Licenses, fees and permits                      | 3,497,207               | 1,046,427                                  | 4,543,634                               |
| Fines, forfeitures and penalties                | 1,151,651               | 382,226                                    | 1,533,877                               |
| Use of money and property                       | 1,816,918               | 4,265,361                                  | 6,082,279                               |
| Intergovernmental                               | 275,581                 | 22,621,371                                 | 22,896,952                              |
| Charges for current services                    | 5,749,468               | -  | 5,749,468                               |
| Other revenues                                  | 1,067,013               | 215,598                                    | 1,282,611                               |
| Total revenues                                  | <u>174,073,771</u>      | <u>29,832,356</u>                          | <u>203,906,127</u>                      |
| <b>Expenditures:</b>                            |                         |  |   |
| <b>Current expenditures:</b>                    |                         |  |   |
| General government                              | 19,163,125              | 1,223,837                                  | 20,386,962                              |
| Nondepartmental                                 | 6,422,693               | -  | 6,422,693                               |
| Public safety                                   | 108,998,597             | 3,161,689                                  | 112,160,286                             |
| Public works                                    | 11,736,012              | 19,122,706                                 | 30,858,718                              |
| Culture and recreation                          | 16,236,926              | 828,543                                    | 17,065,469                              |
| Community development                           | 3,868,792               | 6,749,995                                  | 10,618,787                              |
| <b>Debt service:</b>                            |                         |  |   |
| Principal retirement (note 7)                   | -                       | 1,165,000                                  | 1,165,000                               |
| Interest and fiscal charges                     | -                       | 2,522,276                                  | 2,522,276                               |
| Bond issuance costs                             | -                       | 369,057                                    | 369,057                                 |
| Payment to refunded bond escrow agent           | -                       | 1,251,320                                  | 1,251,320                               |
| Total expenditures                              | <u>166,426,145</u>      | <u>36,394,423</u>                          | <u>202,820,568</u>                      |
| Excess of revenues over (under)<br>expenditures | <u>7,647,626</u>        | <u>(6,562,067)</u>                         | <u>1,085,559</u>                        |
| <b>Other financing sources (uses):</b>          |                         |  |   |
| Transfers in (note 13)                          | 11,510,435              | 11,469,529                                 | 22,979,964                              |
| Transfers out (note 13)                         | (25,140,691)            | (10,769,647)                               | (35,910,338)                            |
| Proceeds from sale of property                  | 1,551,812               | -  | 1,551,812                               |
| Payment to refunded bond escrow agent           | -                       | (17,378,041)                               | (17,378,041)                            |
| Refunding bond proceeds                         | -                       | 22,135,000                                 | 22,135,000                              |
| Premium on refunding bonds                      | -                       | 1,727,100                                  | 1,727,100                               |
| Total other financing sources (uses)            | <u>(12,078,444)</u>     | <u>7,183,941</u>                           | <u>(4,894,503)</u>                      |
| Net change in fund balances                     | (4,430,818)             | 621,874                                    | (3,808,944)                             |
| Fund balances, July 1, 2016                     | <u>59,291,213</u>       | <u>62,993,844</u>                          | <u>122,285,057</u>                      |
| Fund balances, June 30, 2017                    | <u>\$ 54,860,395</u>    | <u>\$ 63,615,718</u>                       | <u>\$ 118,476,113</u>                   |

See accompanying notes to the basic financial statements.



**CITY OF TORRANCE, CALIFORNIA**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities and Changes in Net Position  
 For the Year Ended June 30, 2017

Net change in fund balances-total governmental funds \$ (3,808,944)

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

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

|   |                 |           |
|---|-----------------|-----------|
| Depreciation expense (excluding internal service funds) | \$ (12,705,201) |           |
| Asset additions funded by Governmental Funds            | 19,480,461      |           |
|   |                 | 6,775,260 |

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                    | 1,165,000    |             |
| Payment to bond escrow - principal        | 16,515,000   |             |
| Payment to bond escrow - deferred charge  | 2,114,361    |             |
| Amortization of bond premium              | 50,826       |             |
| Amortization of deferred refunding charge | (140,101)    |             |
| Bond premium                              | (1,727,100)  |             |
| Bond proceeds                             | (22,135,000) |             |
|   |              | (4,157,014) |

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

|   |         |         |
|---|---------|---------|
| Accrued interest payable on bonded debt | 154,324 |         |
|   |         | 154,324 |

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

|   |             |             |
|---|-------------|-------------|
| Compensated absences (excluding internal service funds) | (283,629)   |             |
| Pension expense   | (2,293,572) |             |
| Interest receivable on advance to Successor Agency      | 457,036     |             |
|   |             | (2,120,165) |

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

1,662,574

**Change in Net Position of governmental activities \$ (1,493,965)**

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, 2017

|   | Budgeted Amounts   |                    | Actual Amounts<br>Budgetary Basis<br>(See Note A) | Variance with<br>Final Budget<br>positive<br>(negative) |
|---|--------------------|--------------------|---|---|
|   | Original           | Final              |   |   |
| <b>Budgetary fund balance, July 1, 2016</b> | \$ 59,291,213      | \$ 59,291,213      | \$ 59,291,213                                     | \$ -  |
| <b>Resources (inflows):</b>                 |                    |                    |   |   |
| Taxes:                                      |                    |                    |   |   |
| Property taxes:                             |                    |                    |   |   |
| Current secured taxes                       | 32,015,901         | 32,015,901         | 30,245,338  | (1,770,563)   |
| Current unsecured taxes                     | 1,204,000          | 1,204,000          | 1,174,818   | (29,182)  |
| Prior years' secured taxes                  | 33,900             | 33,900             | (25,749)  | (59,649)  |
| Prior years' unsecured taxes                | 74,200             | 74,200             | 1,005,145   | 930,945   |
| VLF swap and repayment taxes                | 12,978,884         | 12,978,884         | 12,929,703  | (49,181)  |
| Penalties and interest                      | 257,500            | 257,500            | 138,079   | (119,421)   |
| Supplemental prior year secured taxes       | 51,500             | 51,500             | -   | (51,500)  |
| Supplemental current secured                | 494,400            | 494,400            | 765,046   | 270,646   |
| Redemption                                  | 966,400            | 966,400            | 410,106   | (556,294)   |
| Aircraft assessment tax                     | 185,400            | 185,400            | 324,926   | 139,526   |
|   | <u>48,262,085</u>  | <u>48,262,085</u>  | <u>46,967,412</u>                                 | <u>(1,294,673)</u>                                      |
| Taxes other than property:                  |                    |                    |   |   |
| Sales and use tax                           | 51,340,080         | 51,340,080         | 50,132,686  | (1,207,394)   |
| Prop 172 sales tax                          | 1,622,984          | 1,622,984          | 1,585,141   | (37,843)  |
| Business license tax                        | 8,955,449          | 8,955,449          | 8,880,658   | (74,791)  |
| Business permit tax                         | 526,144            | 526,144            | 369,160   | (156,984)   |
| Utility users' tax                          | 33,815,357         | 33,815,357         | 30,094,669  | (3,720,688)   |
| Construction tax                            | 1,065,946          | 1,065,946          | 1,800,207   | 734,261   |
| Real property transfer tax                  | 694,974            | 694,974            | 892,676   | 197,702   |
| Franchise tax – all other                   | 7,721,013          | 7,721,013          | 6,689,897   | (1,031,116)   |
| Public education government fees            | 370,000            | 370,000            | 347,953   | (22,047)  |
| Occupancy tax                               | 11,583,420         | 11,583,420         | 12,014,738  | 431,318   |
| Oil severance tax                           | 10,000             | 10,000             | 6,775   | (3,225)   |
| Cogeneration tax                            | 1,000,000          | 1,000,000          | 592,405   | (407,595)   |
| Alarm permit fees                           | 92,742             | 92,742             | 141,556   | 48,814  |
|   | <u>118,798,109</u> | <u>118,798,109</u> | <u>113,548,521</u>                                | <u>(5,249,588)</u>                                      |
| Total taxes                                 | <u>167,060,194</u> | <u>167,060,194</u> | <u>160,515,933</u>                                | <u>(6,544,261)</u>                                      |
| Licenses, fees and permits:                 |                    |                    |   |   |
| Fire permits                                | 142,123            | 142,123            | 123,957   | (18,166)  |
| Construction/excavation permits             | 30,000             | 30,000             | 63,353  | 33,353  |
| Grading permits                             | 60,000             | 60,000             | 50,086  | (9,914)   |
| Combined building – resident permits        | 50,000             | 50,000             | -   | (50,000)  |
| Building permits                            | 1,486,402          | 1,552,094          | 1,783,180   | 231,086   |
| Plumbing permits                            | 150,000            | 150,000            | -   | (150,000)   |
| Electrical permits                          | 100,666            | 100,666            | 163,024   | 62,358  |
| Mechanical permits                          | 64,946             | 64,946             | 84,823  | 19,877  |
| Special energy inspection fees              | 475,387            | 475,387            | 827,911   | 352,524   |
| Sign permits and filing fees                | 114,163            | 114,163            | 53,856  | (60,307)  |
| Other licenses and permits                  | -                  | -                  | 763   | 763   |
| NPDES building permit fees                  | 160,722            | 160,722            | 316,052   | 155,330   |
| Building TEQECC filing fees                 | 33,122             | 33,122             | 21,791  | (11,331)  |
| Oversized vehicle permit fees               | 22,082             | 22,082             | 8,411   | (13,671)  |
|   | <u>2,889,613</u>   | <u>2,955,305</u>   | <u>3,497,207</u>                                  | <u>541,902</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<br>Budgetary Basis<br>(See Note A) | Variance with<br>Final Budget<br>positive<br>(negative) |
|---|------------------|------------|---|---|
|   | Original         | Final      |   |   |
| Fines, forfeitures and penalties:                   |                  |            |   |   |
| Parking citations                                   | \$ 500,000       | \$ 500,000 | \$ 796,003  | \$ 296,003  |
| Traffic fines                                       | 480,000          | 480,000    | 242,988   | (237,012)   |
| General fines                                       | 350,000          | 350,000    | 112,660   | (237,340)   |
| Total fines, forfeitures and penalties              | 1,330,000        | 1,330,000  | 1,151,651   | (178,349)   |
| Revenue from use of money and property:             |                  |            |   |   |
| Investment earnings                                 | 1,310,140        | 1,310,140  | (272,755)   | (1,582,895)   |
| Rents and concessions                               | 2,340,655        | 2,340,655  | 2,068,373   | (272,282)   |
| Royalties   | -                | -          | 21,300  | 21,300  |
| Total revenue from use of money and property        | 3,650,795        | 3,650,795  | 1,816,918   | (1,833,877)   |
| Revenue from other intergovernmental agencies:      |                  |            |   |   |
| State motor vehicle licenses                        | -                | -          | 65,932  | 65,932  |
| State homeowners' property tax relief               | 250,000          | 250,000    | 200,394   | (49,606)  |
| Other state grants                                  | 120,000          | 120,000    | 9,255   | (110,745)   |
| Total revenue from other intergovernmental agencies | 370,000          | 370,000    | 275,581   | (94,419)  |
| Charges for current services:                       |                  |            |   |   |
| TUSD collection fees                                | 14,500           | 14,500     | 19,376  | 4,876   |
| Planning and zoning fees                            | 397,000          | 414,425    | 336,376   | (78,049)  |
| Traffic signal maintenance                          | 200,000          | 200,000    | 198,060   | (1,940)   |
| Vacation processing fees                            | 3,000            | 3,000      | 6,561   | 3,561   |
| State encroachment collection fees                  | 1,700            | 1,700      | 2,463   | 763   |
| Grading   | 36,500           | 36,500     | 38,104  | 1,604   |
| Plan check fees – building                          | 1,338,437        | 1,338,437  | 1,504,634   | 166,197   |
| Plan check fees – engineering                       | 7,700            | 7,700      | 12,292  | 4,592   |
| Oil-related inspection fees                         | 3,500            | 3,500      | 22,019  | 18,519  |
| Appeal fees   | 2,700            | 2,700      | 2,269   | (431)   |
| Other inspection fees                               | 639,700          | 639,700    | 609,700   | (30,000)  |
| Engineering mapping fees                            | 14,500           | 14,500     | 14,967  | 467   |
| Engineering inspection fees                         | 234,200          | 234,200    | 260,249   | 26,049  |

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<br>(See Note A) | Final Budget<br>positive<br>(negative) |
| Charges for current services, Continued:        |                    |                    |                                 |  |
| General government service charges              | \$ 2,200           | \$ 2,200           | \$ 1,520                        | \$ (680)                               |
| Microfilming fees                               | 339,100            | 339,100            | 287,013                         | (52,087)                               |
| Police charges – copies and photos              | 6,200              | 6,200              | 7,320                           | 1,120                                  |
| Police charges – fingerprinting and other       | 384,400            | 384,400            | 324,811                         | (59,589)                               |
| Fire department fees                            | 810,100            | 810,100            | 699,055                         | (111,045)                              |
| Fire department fees – hazardous materials fees | 750,000            | 750,000            | 742,199                         | (7,801)                                |
| Carry concealed weapon permit fees              | -                  | -                  | 1,110                           | 1,110                                  |
| Parks and recreational fees                     | 539,100            | 539,100            | 536,246                         | (2,854)                                |
| Miscellaneous                                   | 17,300             | 17,300             | 14,430                          | (2,870)                                |
| Library revenues                                | 118,300            | 118,300            | 108,694                         | (9,606)                                |
| Total charges for current services              | <u>5,860,137</u>   | <u>5,877,562</u>   | <u>5,749,468</u>                | <u>(128,094)</u>                       |
| Other revenues:                                 |                    |                    |                                 |  |
| Donations – private sources                     | 10,000             | 281,705            | 291,412                         | 9,707                                  |
| Miscellaneous                                   | 351,912            | 226,912            | 212,724                         | (14,188)                               |
| Premium Tax Revenue Anticipation Notes          | -                  | 562,877            | 562,877                         | -                                      |
| Proceeds from sale of property                  | -                  | -                  | 1,551,812                       | 1,551,812                              |
| Total other revenues                            | <u>361,912</u>     | <u>1,071,494</u>   | <u>2,618,825</u>                | <u>1,547,331</u>                       |
| Transfers in                                    | <u>10,832,381</u>  | <u>11,510,991</u>  | <u>11,510,435</u>               | <u>(556)</u>                           |
| Amounts available for appropriation             | <u>251,646,245</u> | <u>253,117,554</u> | <u>246,427,231</u>              | <u>(6,690,323)</u>                     |
| <b>Charges to appropriations (outflows)</b>     |                    |                    |                                 |  |
| General government:                             |                    |                    |                                 |  |
| City council                                    | 408,904            | 428,503            | 406,282                         | 22,221                                 |
| Commissions and committees:                     |                    |                    |                                 |  |
| Parks and recreation                            | 30,739             | 31,039             | 29,688                          | 1,351                                  |
| Planning  | 14,645             | 14,645             | 14,419                          | 226                                    |
| Environmental quality                           | 5,400              | 5,400              | 4,050                           | 1,350                                  |
| Cultural arts                                   | 9,352              | 9,652              | 9,326                           | 326                                    |
| Traffic   | 5,810              | 4,810              | 2,421                           | 2,389                                  |
| Youth council                                   | 9,748              | 13,748             | 7,843                           | 5,905                                  |
| Civil service                                   | 175,023            | 175,172            | 133,114                         | 42,058                                 |
| Commission on aging                             | 5,552              | 4,552              | 2,313                           | 2,239                                  |
| Library   | 6,223              | 6,523              | 6,092                           | 431                                    |
| Social services                                 | 15,000             | 15,000             | 4,336                           | 10,664                                 |
| Disaster council                                | 2,594              | 2,594              | -                               | 2,594                                  |
| City manager                                    | 4,914,322          | 5,360,061          | 5,207,521                       | 152,540                                |
| City attorney                                   | 2,536,511          | 2,551,094          | 2,504,777                       | 46,317                                 |
| City clerk                                      | 1,057,762          | 1,057,762          | 951,244                         | 106,518                                |
| City treasurer                                  | 830,228            | 864,204            | 769,665                         | 94,539                                 |
| Finance   | 4,787,321          | 5,027,321          | 4,422,549                       | 604,772                                |
| Human resources                                 | 2,315,645          | 2,417,957          | 2,137,536                       | 280,421                                |
| Civil service                                   | 389,253            | 321,906            | 321,512                         | 394                                    |
| Communications & Info Tech                      | 5,489,128          | 5,708,944          | 5,245,829                       | 463,115                                |
| General services                                | 4,262,192          | 4,287,524          | 3,832,914                       | 454,610                                |
| Less indirect cost allocation, other funds      | <u>(7,081,394)</u> | <u>(7,081,394)</u> | <u>(6,358,591)</u>              | <u>(722,803)</u>                       |
| Total general government                        | <u>20,189,958</u>  | <u>21,227,017</u>  | <u>19,654,840</u>               | <u>1,572,177</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<br>Budgetary Basis<br>(See Note A) | Variance with<br>Final Budget<br>positive<br>(negative) |
|---|----------------------|----------------------|---|---|
|   | Original             | Final                |   |   |
| Nondepartmental:  |                      |                      |   |   |
| Insurance, net  | \$ 25,000            | \$ 25,000            | \$ 23,397   | \$ 1,603  |
| Community promotion                                     | 365,900              | 390,900              | 344,534   | 46,366  |
| Employee benefits (net after<br>charges to departments) | 1,728,367            | 3,370,119            | 1,828,541   | 1,541,578   |
| Other   | 769,440              | 769,440              | 545,821   | 223,619   |
| Leaseback payments                                      | 3,745,088            | 3,706,527            | 3,689,533   | 16,994  |
| Total nondepartmental                                   | <u>6,633,795</u>     | <u>8,261,986</u>     | <u>6,431,826</u>                                  | <u>1,830,160</u>  |
| Community Development                                   | <u>4,172,161</u>     | <u>4,324,325</u>     | <u>3,881,224</u>                                  | <u>443,101</u>  |
| Public safety:  |                      |                      |   |   |
| Police  | 77,472,165           | 77,636,298           | 75,262,676  | 2,373,622   |
| Fire  | 29,079,258           | 30,429,357           | 30,256,424  | 172,933   |
| Building and safety                                     | 3,502,582            | 3,715,496            | 3,676,274   | 39,222  |
| Total public safety                                     | <u>110,054,005</u>   | <u>111,781,151</u>   | <u>109,195,374</u>                                | <u>2,585,777</u>  |
| Public works  | <u>12,447,381</u>    | <u>12,471,790</u>    | <u>12,252,261</u>                                 | <u>219,529</u>  |
| Culture and recreation                                  | <u>16,575,610</u>    | <u>16,652,316</u>    | <u>16,449,339</u>                                 | <u>202,977</u>  |
| Transfers out   | <u>21,850,144</u>    | <u>25,694,491</u>    | <u>25,140,691</u>                                 | <u>553,800</u>  |
| Extraordinary loss                                      | <u>-</u>             | <u>-</u>             | <u>-</u>  | <u>-</u>  |
| Total Charges to appropriations                         | <u>191,923,054</u>   | <u>200,413,076</u>   | <u>193,005,555</u>                                | <u>7,407,521</u>  |
| Budgetary Fund Balance, July 1, 2017                    | <u>\$ 59,723,191</u> | <u>\$ 52,704,478</u> | <u>\$ 53,421,676</u>                              | <u>\$ 717,198</u>                                       |

See accompanying notes to the basic financial statements

CITY OF TORRANCE, CALIFORNIA  
 Budgetary Comparison Statement  
 Budget-to-GAAP Reconciliation  
 General Fund

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

**Sources/inflows of resources**

|   |    |                           |
|---|----|---------------------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule                     | \$ | 246,427,231               |
| Differences - budget to GAAP  |    |                           |
| The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes              |    | (59,291,213)              |
| Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.     |    | <u>(11,510,435)</u>       |
| Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. | \$ | <u><u>175,625,583</u></u> |

**Uses/outflows of resources**

|   |    |                           |
|---|----|---------------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.  | \$ | 193,005,555               |
| 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 |    | (1,438,719)               |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes  |    | <u>(25,140,691)</u>       |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.   | \$ | <u><u>166,426,145</u></u> |

# City OF Torrance



Zamperini Field - Torrance Municipal Airport

## Proprietary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖





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**CITY OF TORRANCE, CALIFORNIA**  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

| Assets and Deferred Outflows of Resources                              | Business Type             |                      |                      |  |                                 | Total                 | Governmental              |
|--|---------------------------|----------------------|----------------------|--|---------------------------------|-----------------------|---------------------------|
|  | Enterprise Funds          |                      |                      |  |                                 |                       | Activity                  |
|  | Transit<br>System<br>Fund | Water<br>Fund        | Sewer<br>Fund        | Emergency<br>Medical<br>Services<br>Fund | Nonmajor<br>Enterprise<br>Funds |                       | Internal Service<br>Funds |
| <b>Current assets:</b>   |                           |                      |                      |  |                                 |                       |                           |
| Pooled cash and investments (note 2)                                   | \$ 15,425,931             | \$ 17,719,710        | \$ 2,721,115         | \$ -                                     | \$ 10,439,363                   | \$ 46,306,119         | \$ 23,317,155             |
| Accounts receivable  | 99,281                    | 6,440,885            | 1,011,150            | 56,236                                   | 2,831,167                       | 10,438,719            | -                         |
| Accrued interest receivable  | 24,160                    | 27,754               | 4,260                | -  | 24,343                          | 80,517                | 28,428                    |
| Inventory  | 1,310,899                 | 665,800              | -                    | -  | -                               | 1,976,699             | 936,001                   |
| Due from other governments (note 15)                                   | 3,535,588                 | -                    | -                    | 6,612                                    | -                               | 3,542,200             | -                         |
| Prepays  | 1,501                     | 16,155               | 172                  | 300                                      | 1,855                           | 19,983                | 739,574                   |
| Total current assets   | <u>20,397,360</u>         | <u>24,870,304</u>    | <u>3,736,697</u>     | <u>63,148</u>                            | <u>13,296,728</u>               | <u>62,364,237</u>     | <u>25,021,158</u>         |
| <b>Noncurrent assets:</b>  |                           |                      |                      |  |                                 |                       |                           |
| Advance to successor agency (note 12)                                  | -                         | 1,843,458            | 419,028              | -  | -                               | 2,262,486             | -                         |
| Capital assets, net (note 3)   | 32,899,525                | 71,786,646           | 40,739,874           | 12,274                                   | 12,109,681                      | 157,548,000           | 4,053,887                 |
| Total noncurrent assets  | <u>32,899,525</u>         | <u>73,630,104</u>    | <u>41,158,902</u>    | <u>12,274</u>                            | <u>12,109,681</u>               | <u>159,810,486</u>    | <u>4,053,887</u>          |
| <b>Deferred outflows of resources:</b>                                 |                           |                      |                      |  |                                 |                       |                           |
| Pension contributions  | 4,033,586                 | 1,721,239            | 751,548              | 6,020,275                                | 3,232,893                       | 15,759,541            | 1,137,327                 |
| Total Assets and Deferred Outflows of Resources                        | <u>57,330,471</u>         | <u>100,221,647</u>   | <u>45,647,147</u>    | <u>6,095,697</u>                         | <u>28,639,302</u>               | <u>237,934,264</u>    | <u>30,212,372</u>         |
| <b>Liabilities and Deferred Inflows of Resources</b>                   |                           |                      |                      |  |                                 |                       |                           |
| <b>Current liabilities:</b>  |                           |                      |                      |  |                                 |                       |                           |
| Accounts payable   | 766,154                   | 4,343,244            | 37,006               | 24,342                                   | 850,125                         | 6,020,871             | 453,887                   |
| Contract retainage payable   | 52,642                    | 44,612               | 43,439               | -  | 24,481                          | 165,174               | -                         |
| Deposits payable   | -                         | 44,570               | -                    | -  | 347,011                         | 391,581               | -                         |
| Accrued interest payable   | -                         | -                    | -                    | -  | 119                             | 119                   | -                         |
| Accrued liabilities  | 105,638                   | 120,352              | 18,635               | 85,919                                   | 136,134                         | 466,678               | 53,246                    |
| Compensated absences payable-current                                   | 928,912                   | 256,502              | 197,315              | -  | 425,446                         | 1,808,175             | 7,104,611                 |
| Easement payable - current   | -                         | 58,116               | -                    | -  | -                               | 58,116                | -                         |
| Accrued liabilities for self-insurance claims - current (note 14)      | -                         | -                    | -                    | -  | -                               | -                     | 7,068,546                 |
| Due to other funds (note 12)   | -                         | -                    | -                    | -  | 325                             | 325                   | -                         |
| Unearned revenues (note 16)  | 5,883,685                 | -                    | -                    | -  | 941,957                         | 6,825,642             | -                         |
| Total current liabilities  | <u>7,737,031</u>          | <u>4,867,396</u>     | <u>296,395</u>       | <u>110,261</u>                           | <u>2,725,598</u>                | <u>15,736,681</u>     | <u>14,680,290</u>         |
| <b>Noncurrent liabilities:</b>   |                           |                      |                      |  |                                 |                       |                           |
| Compensated absences payable-long term                                 | 187,006                   | 27,225               | 79,874               | -  | 37,195                          | 331,300               | -                         |
| Long-term obligations (notes 6 and 7)                                  | -                         | 1,394,784            | -                    | -  | -                               | 1,394,784             | -                         |
| Accrued liability for self-insurance claims long-term (note 14)        | -                         | -                    | -                    | -  | -                               | -                     | 34,870,472                |
| Accrued liability for net postemployment benefits - long-term (note 9) | -                         | -                    | -                    | -  | -                               | -                     | 10,218,757                |
| Net pension liability  | 14,193,038                | 6,335,661            | 2,775,328            | 33,762,171                               | 11,309,211                      | 68,375,409            | 4,017,121                 |
| Total noncurrent liabilities   | <u>14,380,044</u>         | <u>7,757,670</u>     | <u>2,855,202</u>     | <u>33,762,171</u>                        | <u>11,346,406</u>               | <u>70,101,493</u>     | <u>49,106,350</u>         |
| <b>Deferred inflows of resources:</b>                                  |                           |                      |                      |  |                                 |                       |                           |
| Pension actuarial  | 931,598                   | 393,339              | 171,609              | 1,624,332                                | 747,667                         | 3,868,545             | 262,450                   |
| Total Liabilities and Deferred Inflows of Resources                    | <u>23,048,673</u>         | <u>13,018,405</u>    | <u>3,323,206</u>     | <u>35,496,764</u>                        | <u>14,819,671</u>               | <u>89,706,719</u>     | <u>64,049,090</u>         |
| <b>Net Position</b>  |                           |                      |                      |  |                                 |                       |                           |
| Net investment in capital assets                                       | 32,899,525                | 70,333,746           | 40,739,874           | 12,274                                   | 12,109,681                      | 156,095,100           | 4,053,887                 |
| Unrestricted   | 1,382,273                 | 16,869,496           | 1,584,067            | (29,413,341)                             | 1,709,950                       | (7,867,555)           | (37,890,605)              |
| Total Net Position   | <u>\$ 34,281,798</u>      | <u>\$ 87,203,242</u> | <u>\$ 42,323,941</u> | <u>\$ (29,401,067)</u>                   | <u>\$ 13,819,631</u>            | <u>\$ 148,227,545</u> | <u>\$ (33,836,718)</u>    |

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year ended June 30, 2017

|  | Business Type             |                      |                      |  |                                 | Total                 | Governmental              |
|--|---------------------------|----------------------|----------------------|--|---------------------------------|-----------------------|---------------------------|
|  | Enterprise Funds          |                      |                      |  |                                 |                       | Activity                  |
|  | Transit<br>System<br>Fund | Water<br>Fund        | Sewer<br>Fund        | Emergency<br>Medical<br>Services<br>Fund | Nonmajor<br>Enterprise<br>Funds |                       | Internal Service<br>Funds |
| <b>Operating revenues:</b>                                 |                           |                      |                      |  |                                 |                       |                           |
| Charges for services                                       | \$ 2,643,500              | \$ 35,462,688        | \$ 3,775,808         | \$ 1,092,880                             | \$ 30,028,361                   | \$ 73,003,237         | \$ 7,617,298              |
| Other  | 287,272                   | 1,511,403            | 7,163                | -  | 48,066                          | 1,853,904             | 25,691                    |
| Total operating revenues                                   | <u>2,930,772</u>          | <u>36,974,091</u>    | <u>3,782,971</u>     | <u>1,092,880</u>                         | <u>30,076,427</u>               | <u>74,857,141</u>     | <u>7,642,989</u>          |
| <b>Operating expenses:</b>                                 |                           |                      |                      |  |                                 |                       |                           |
| Salaries and employee benefits                             | 14,387,714                | 5,343,423            | 1,847,789            | 11,953,824                               | 12,283,169                      | 45,815,919            | 2,869,395                 |
| Services and supplies                                      | 2,418,515                 | 2,049,922            | 264,484              | 329,010                                  | 4,403,801                       | 9,465,732             | 346,133                   |
| Other professional services                                | 1,527,901                 | 1,371,839            | 722,162              | 67,516                                   | 4,077,956                       | 7,767,374             | 78,808                    |
| Depreciation and amortization                              | 4,807,182                 | 1,978,479            | 1,294,831            | 3,659                                    | 1,049,285                       | 9,133,436             | 914,959                   |
| Insurance and claims                                       | 853,129                   | 47,634               | 97,999               | -  | 102,465                         | 1,101,227             | 6,841,097                 |
| City charges   | 3,576,302                 | 1,323,899            | 435,095              | -  | 2,240,821                       | 7,576,117             | 137,928                   |
| Cost of water  | -                         | 22,875,030           | -                    | -  | -                               | 22,875,030            | -                         |
| Other  | 131,211                   | 457,304              | 423,325              | 67,859                                   | 79,730                          | 1,159,429             | 22,056                    |
| Total operating expenses                                   | <u>27,701,954</u>         | <u>35,447,530</u>    | <u>5,085,685</u>     | <u>12,421,868</u>                        | <u>24,237,227</u>               | <u>104,894,264</u>    | <u>11,210,376</u>         |
| Operating income (loss)                                    | <u>(24,771,182)</u>       | <u>1,526,561</u>     | <u>(1,302,714)</u>   | <u>(11,328,988)</u>                      | <u>5,839,200</u>                | <u>(30,037,123)</u>   | <u>(3,567,387)</u>        |
| <b>Nonoperating revenues (expenses):</b>                   |                           |                      |                      |  |                                 |                       |                           |
| Investment earnings  | 73,205                    | 253,308              | 24,751               | -  | 107,564                         | 458,828               | 132,730                   |
| Gain (loss) on sale of capital assets                      | 7,000                     | -                    | -                    | -  | -                               | 7,000                 | 50,280                    |
| Assistance from other governments                          | 18,595,137                | -                    | -                    | -  | -                               | 18,595,137            | -                         |
| Interest expense   | -                         | -                    | -                    | -  | (6,159)                         | (6,159)               | (35,988)                  |
| Grants   | -                         | -                    | -                    | -  | 188,156                         | 188,156               | -                         |
| Total nonoperating revenues(expenses) net                  | <u>18,675,342</u>         | <u>253,308</u>       | <u>24,751</u>        | <u>-</u>                                 | <u>289,561</u>                  | <u>19,242,962</u>     | <u>147,022</u>            |
| Income (loss) before contributions and operating transfers | <u>(6,095,840)</u>        | <u>1,779,869</u>     | <u>(1,277,963)</u>   | <u>(11,328,988)</u>                      | <u>6,128,761</u>                | <u>(10,794,161)</u>   | <u>(3,420,365)</u>        |
| Capital grants   | 1,081,007                 | -                    | -                    | -  | -                               | 1,081,007             | -                         |
| Transfers in (note 13)                                     | 2,674,323                 | -                    | -                    | 11,547,278                               | 3,757,968                       | 17,979,569            | 5,916,814                 |
| Transfers out (note 13)                                    | <u>(60,918)</u>           | <u>(20,308)</u>      | <u>-</u>             | <u>(4,997)</u>                           | <u>(10,045,910)</u>             | <u>(10,132,133)</u>   | <u>(833,875)</u>          |
| Change in net position                                     | <u>(2,401,428)</u>        | <u>1,759,561</u>     | <u>(1,277,963)</u>   | <u>213,293</u>                           | <u>(159,181)</u>                | <u>(1,865,718)</u>    | <u>1,662,574</u>          |
| Total net position - July 1, 2016                          | 36,683,226                | 84,845,451           | 43,519,429           | (29,614,360)                             | 13,978,812                      | 149,412,558           | (35,499,292)              |
| Prior period adjustment (note 18)                          | -                         | 598,230              | 82,475               | -  | -                               | 680,705               | -                         |
| Total net position - June 30, 2017                         | <u>\$ 34,281,798</u>      | <u>\$ 87,203,242</u> | <u>\$ 42,323,941</u> | <u>\$ (29,401,067)</u>                   | <u>\$ 13,819,631</u>            | <u>\$ 148,227,545</u> | <u>\$ (33,836,718)</u>    |

See accompanying notes to the basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2017

|  | Business Type             |                      |                     |  |                                 | Total                  | Governmental<br>Activity |
|--|---------------------------|----------------------|---------------------|--|---------------------------------|------------------------|--------------------------|
|  | Enterprise Funds          |                      |                     |  |                                 |                        |                          |
|  | Transit<br>System<br>Fund | Water<br>Fund        | Sewer<br>Fund       | Emergency<br>Medical<br>Services<br>Fund | Nonmajor<br>Enterprise<br>Funds |                        |                          |
| Cash flow from operating activities  |                           |                      |                     |  |                                 |                        |                          |
| Receipts from customers  | \$ 2,643,500              | \$ 35,755,086        | \$ 3,355,345        | \$ 1,094,810                             | \$ 30,358,583                   | \$ 73,207,324          | \$ 7,646,097             |
| Cash payments to suppliers for goods and services  | (9,245,461)               | (28,717,982)         | (1,939,635)         | (449,750)                                | (10,519,772)                    | (50,872,600)           | (6,082,596)              |
| Cash payments to employees for services  | (14,836,844)              | (5,547,563)          | (1,883,416)         | (12,187,341)                             | (12,642,456)                    | (47,097,620)           | (8,699,343)              |
| Internal activity payments from/to funds   | -                         | -                    | -                   | -  | (136,235)                       | (136,235)              | -                        |
| Cash received from donations   | -                         | -                    | -                   | -  | 26,007                          | 26,007                 | -                        |
| Other receipts   | 287,272                   | 1,511,403            | -                   | -  | 14,040                          | 1,812,715              | -                        |
| Net cash provided by (used in) operating activities  | <u>(21,151,533)</u>       | <u>3,000,944</u>     | <u>(467,706)</u>    | <u>(11,542,281)</u>                      | <u>7,100,167</u>                | <u>(23,060,409)</u>    | <u>(7,135,842)</u>       |
| Cash flows from noncapital financing activities:   |                           |                      |                     |  |                                 |                        |                          |
| Cash received from noncapital grants and subsidies   | 19,558,416                | -                    | -                   | -  | 188,156                         | 19,746,572             | -                        |
| Cash received from other funds   | 2,674,323                 | -                    | -                   | 11,547,278                               | 3,757,968                       | 17,979,569             | 5,916,814                |
| Cash transfers paid to other funds   | (60,918)                  | (20,308)             | -                   | (4,997)                                  | (10,045,910)                    | (10,132,133)           | (833,875)                |
| Net cash provided by (used in) noncapital financing activities   | <u>22,171,821</u>         | <u>(20,308)</u>      | <u>-</u>            | <u>11,542,281</u>                        | <u>(6,099,786)</u>              | <u>27,594,008</u>      | <u>5,082,939</u>         |
| Cash flows from capital financing activities:  |                           |                      |                     |  |                                 |                        |                          |
| Cash received from capital grants and subsidies  | 1,081,007                 | -                    | -                   | -  | -                               | 1,081,007              | -                        |
| Cash payments for capital additions  | (1,364,534)               | (2,832,346)          | (355,981)           | -  | (2,672,149)                     | (7,225,010)            | (2,072,371)              |
| Proceeds from the sale of capital assets   | 7,000                     | -                    | -                   | -  | -                               | 7,000                  | 50,280                   |
| Cash payments for interest on capital debt   | -                         | -                    | -                   | -  | -                               | -                      | (35,988)                 |
| Payments for capital advances  | -                         | (6,393,375)          | -                   | -  | -                               | (6,393,375)            | -                        |
| Net cash provided by (used in) capital financing activities  | <u>(276,527)</u>          | <u>(9,225,721)</u>   | <u>(355,981)</u>    | <u>-</u>                                 | <u>(2,672,149)</u>              | <u>(12,530,378)</u>    | <u>(2,058,079)</u>       |
| Cash flows from investing activities   |                           |                      |                     |  |                                 |                        |                          |
| Cash paid for interest on debt   | -                         | -                    | -                   | -  | (4,056)                         | (4,056)                | -                        |
| Cash received from interest on investments   | 96,855                    | 274,978              | 32,495              | -  | 129,305                         | 533,633                | 150,144                  |
| Net cash provided by investing activities  | <u>96,855</u>             | <u>274,978</u>       | <u>32,495</u>       | <u>-</u>                                 | <u>125,249</u>                  | <u>529,577</u>         | <u>150,144</u>           |
| Net increase (decrease) in cash, restricted cash and cash equivalents                                    | 840,616                   | (5,970,107)          | (791,192)           | -  | (1,546,519)                     | (7,467,202)            | (3,960,838)              |
| Cash and cash equivalents, July 1, 2016  | 14,585,315                | 23,689,817           | 3,512,307           | -  | 11,985,882                      | 53,773,321             | 27,277,993               |
| Cash and cash equivalents, June 30, 2017   | <u>\$ 15,425,931</u>      | <u>\$ 17,719,710</u> | <u>\$ 2,721,115</u> | <u>\$ -</u>                              | <u>\$ 10,439,363</u>            | <u>\$ 46,306,119</u>   | <u>\$ 23,317,155</u>     |
| Reconciliation of cash and cash equivalents:   |                           |                      |                     |  |                                 |                        |                          |
| Pooled cash and investments  | \$ 15,425,931             | \$ 17,719,710        | \$ 2,721,115        | \$ -                                     | \$ 10,439,363                   | \$ 46,306,119          | \$ 23,317,155            |
| Cash and cash equivalents with fiscal agents   | -                         | -                    | -                   | -  | -                               | -                      | -                        |
| Total cash and cash equivalents  | <u>\$ 15,425,931</u>      | <u>\$ 17,719,710</u> | <u>\$ 2,721,115</u> | <u>\$ -</u>                              | <u>\$ 10,439,363</u>            | <u>\$ 46,306,119</u>   | <u>\$ 23,317,155</u>     |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:        |                           |                      |                     |  |                                 |                        |                          |
| Operating income (loss)  | \$ (24,771,182)           | \$ 1,526,561         | \$ (1,302,714)      | \$ (11,328,988)                          | \$ 5,839,200                    | \$ (30,037,123)        | \$ (3,567,387)           |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                           |                      |                     |  |                                 |                        |                          |
| Depreciation and amortization  | 4,807,182                 | 1,978,479            | 1,294,831           | 3,659                                    | 1,049,285                       | 9,133,436              | 914,959                  |
| Change in assets and liabilities:  |                           |                      |                     |  |                                 |                        |                          |
| Accounts receivable  | 27,302                    | 292,398              | (427,625)           | 1,725                                    | 240,776                         | 134,576                | 3,108                    |
| Due from other government  | -                         | -                    | -                   | 5,547                                    | -                               | 5,547                  | -                        |
| Prepays and other assets   | (1,501)                   | (365)                | (172)               | (300)                                    | 639                             | (1,699)                | -                        |
| Inventories  | 6,135                     | (282,297)            | -                   | -  | -                               | (276,162)              | 145,790                  |
| Accounts payable   | (4,840)                   | (594,201)            | 10,223              | 14,935                                   | 411,237                         | (162,646)              | 102,789                  |
| Due to other funds   | -                         | -                    | -                   | -  | (136,235)                       | (136,235)              | -                        |
| Accrued insurance and claims   | -                         | -                    | -                   | -  | -                               | -                      | -                        |
| Accrued salaries and benefits  | (191,608)                 | (104,715)            | 7,480               | (160,604)                                | (152,521)                       | (601,968)              | (5,758,518)              |
| Other accrued liabilities  | (767,856)                 | 284,510              | (6,622)             | -  | (17,676)                        | (507,644)              | 1,094,847                |
| Pension contributions  | (2,863,620)               | (1,174,657)          | (511,371)           | (3,534,086)                              | (2,306,433)                     | (10,390,167)           | (804,863)                |
| Net pension liability  | 3,552,701                 | 1,462,844            | 637,016             | 4,745,563                                | 2,860,119                       | 13,258,243             | 998,843                  |
| Pension actuarial  | (944,246)                 | (387,613)            | (168,752)           | (1,289,732)                              | (760,453)                       | (3,550,796)            | (265,410)                |
| Deposits and guarantees  | -                         | -                    | -                   | -  | 96,032                          | 96,032                 | -                        |
| Unearned revenues  | -                         | -                    | -                   | -  | (23,803)                        | (23,803)               | -                        |
| Net cash provided by (used in) operating activities  | <u>\$ (21,151,533)</u>    | <u>\$ 3,000,944</u>  | <u>\$ (467,706)</u> | <u>\$ (11,542,281)</u>                   | <u>\$ 7,100,167</u>             | <u>\$ (23,060,409)</u> | <u>\$ (7,135,842)</u>    |

Noncash, investing, capital, and financing activities:  
During fiscal year 2016-17, there were no significant noncash investing, capital, or financing activities.

See accompanying notes to the basic financial statements.

# City OF Torrance



Japanese Garden

## *Fiduciary Fund Financial Statements*

❖ DEPARTMENT OF FINANCE ❖



**CITY OF TORRANCE, CALIFORNIA**  
Statement of Net Position - Trust and Agency Funds  
June 30, 2017

| <b>Assets</b>   | <b>Private-<br/>Purpose<br/>Trust<br/>Fund</b> | <b>Total<br/>Agency<br/>Funds</b> |
|---|--|-----------------------------------|
| Pooled cash and investments (note 2)                  | \$ 2,392,832                                   | \$ 2,802,219                      |
| Cash and cash equivalents with fiscal agents (note 2) | 2,898,036                                      | -                                 |
| Accrued interest receivable                           | -  | 219                               |
| Total assets  | <u>\$ 5,290,868</u>                            | <u>\$ 2,802,438</u>               |
| <br>  |  |                                   |
| <b>Liabilities</b>                                    |  |                                   |
| Deposits payable                                      | \$ -   | \$ 2,802,438                      |
| Interest payable                                      | 402,958  | -                                 |
| Due to City (note 12)                                 | 339,794  | -                                 |
| Advances from City (note 12)                          | 31,947,415                                     | -                                 |
| Long-term debt:                                       |  |                                   |
| Due within one year (note 21)                         | 1,330,000                                      | -                                 |
| Due in more than one year (note 21)                   | 34,075,349                                     | -                                 |
| Total Liabilities                                     | <u>\$ 68,095,516</u>                           | <u>\$ 2,802,438</u>               |
| <br>  |  |                                   |
| <b>Net Position</b>                                   |  |                                   |
| Held in trust for successor agency                    | <u>\$ (62,804,648)</u>                         |                                   |

See accompanying notes to basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Changes in Net Position - Trust Funds  
Year Ended June 30, 2017

|  | <b>Private-<br/>Purpose<br/>Trust<br/>Fund</b> |
|--|--|
| <b>Additions</b>   |  |
| Property taxes   | \$ 3,518,589                                   |
| Use of money and property                                  | <u>37,541</u>                                  |
| Total additions  | <u>3,556,130</u>                               |
| <b>Deductions</b>  |  |
| Residual commitments of former redevelopment agency        | 313,153  |
| Debt service   |  |
| Interest and fiscal charges of former redevelopment agency | <u>1,713,351</u>                               |
| Total deductions   | <u>2,026,504</u>                               |
| Change in net position                                     | 1,529,626                                      |
| Net position - beginning                                   | (53,928,263)                                   |
| Prior period adjustment (note 21)                          | (10,406,011)                                   |
| Net position - ending                                      | <u>\$ (62,804,648)</u>                         |

See accompanying notes to basic financial statements.



# City OF Torrance



Katy Geissert Library

## *Notes to Basic Financial Statements*

Notes to Basic  
Financial Statements



## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

#### (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 Torrance Public Financing Authority (the Authority) was created in 1997 to assist the City of Torrance in purchasing real property and constructing certain fire and police protection, maintenance and entertainment facilities within the City. The City has used a third party to refund the last non-cancelable long-term lease with the Authority during the current fiscal year. The financial activity of the Authority has been blended into the City's financial statements within the Governmental Activities in the financial statements.

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

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

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

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

revenue are reported instead as general revenues. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between the governmental and business type activities have not been eliminated.

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and private-purpose trust funds financial statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statements of net position. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The City's fiduciary fund financial statements report agency funds and private-purpose trust funds. Agency funds are used to account for situations where the government's role is purely custodial. All assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. Agency funds have no measurement focus. Private-purpose trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

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

The City reports the following major Governmental Funds:

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

The City reports the following major Enterprise Funds:

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

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

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

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

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects), that are restricted to expenditures for special purposes.

The *Capital Project Funds* are used to account for the acquisition, construction and improvement of capital facilities financed by transfers from the General Fund or debt financing.

The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by proprietary funds.

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

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

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

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

## **CITY OF TORRANCE, CALIFORNIA**

### Notes to the Basic Financial Statements

Year ended June 30, 2017

#### ***Accounting for Encumbrances***

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

#### ***Cash and Investments***

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

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

#### ***Cash and Cash Equivalents with Fiscal Agents***

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

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

Inventories of supplies as determined by perpetual records are accounted for using the consumption method and are stated at cost applied on a first-in, first-out basis.

Prepaids are items that were paid in the current fiscal year but pertain to the next fiscal year activities. The governmental funds use 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 acquisition value when received. Depreciation is recorded on a straight-line basis over the useful life of the assets as follows:

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

Buildings – 40 years

Improvements – 40 years

Equipment – 5 to 7 years

Infrastructure – 25 to 80 years

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

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

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

#### ***Pension Plans***

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

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

|                         |                                |
|-------------------------|--------------------------------|
| Valuation date (VD)     | June 30, 2015                  |
| Measurement date (MD)   | June 30, 2016                  |
| Measurement period (MP) | June 30, 2015 to June 30, 2016 |



## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

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

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

#### ***Deferred Outflows and Deferred Inflows of Resources***

In addition to assets, the Statement of Net Position and the Governmental Funds Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding, net of accumulated amortization reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future periods and will not be recognized as an inflow of resources

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

(revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from *unavailable revenues*, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for interest. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.

#### ***Fund Balance***

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

#### *Nonspendable Fund Balance*

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

#### *Spendable Fund Balance*

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

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

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

#### ***Net Position***

In the government-wide financial statements and proprietary fund financial statements, net position is reported in three classifications:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

#### ***Net Position Flow Assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City’s practice to consider restricted net position to have been depleted before unrestricted net position is applied.

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

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

said budget shall include estimates for all revenues and expenditures for the ensuing year. From the effective date of the budget, the amounts stated therein, as proposed expenditures become appropriations to the various City departments. The following governmental funds are annually appropriated: General Fund, Capital Improvement Fund, Debt Service Fund, Rental Assistance Program Fund, Street Lighting District Assessment Fund, Vanpool Rideshare Fund, Animal Control Fund, Low Mod Housing Fund, Development Impact Fee Fund, State Gas Tax Street Improvement Fund, Air Quality Management District Fund, Meadow Park Parking Lot District Fund, Police Inmate Welfare Fund, Community Development Block Grant Fund, Parks Rehabilitation and Open Space Fund, Parks and Recreation Facilities Fund, Proposition C Fund, and Measure R Local Return and Highway Fund. The enterprise funds with annual appropriations are: Transit System Fund, Water Fund, Sewer Fund, Emergency Medical Services Fund, Sanitation Fund, Municipal Airport Fund, Parks and Recreation Fund and Cultural Arts Center Fund.

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

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

#### ***New Accounting Pronouncements***

##### *Current Year Standards*

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", was required to be implemented in the current fiscal year for provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the City.

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", was required to be implemented in the current fiscal year, effective for periods beginning after June 15, 2016 and did not impact the City.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

GASB Statement No. 77, "*Tax Abatement Disclosure*", was required to be implemented in the current fiscal year, effective for periods beginning after December 15, 2015 and did not impact the City.

GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", was required to be implemented in the current fiscal year, effective for periods beginning after December 15, 2015 and did not impact the City.

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*", was required to be implemented in the current fiscal year for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 80, "*Blending Requirements for Certain Component Units*", was required to be implemented in the current fiscal year, effective for periods beginning after June 15, 2016 and did not impact the City.

#### *Pending Accounting Standards*

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

GASB 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.

GASB 81, "*Irrevocable Split-Interest Agreements*", effective for periods beginning after December 15, 2016.

GASB 82, "*Pension Issues*", contains certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB 83, "*Certain Asset Retirement Obligations*", effective for periods beginning after June 15, 2018.

GASB 84, "*Fiduciary Activities*", effective for periods beginning after December 15, 2018.

GASB 85, "*Omnibus 2017*", effective for periods beginning after June 15, 2017.

GASB 86, "*Certain Debt Extinguishment Issues*", effective for periods beginning after June 15, 2017.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

GASB 87, "Leases", effective for periods beginning after December 15, 2019.

***Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**(2) Cash and Investments**

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

|   |                       |
|---|-----------------------|
| Statement of net position:                |                       |
| Cash and investments                      | \$ 192,776,467        |
| Cash and investments held by bond trustee | 7,926,423             |
| Fiduciary funds:                          |                       |
| Cash and investments                      | 5,195,051             |
| Cash and investments held by bond trustee | <u>2,898,036</u>      |
| Total cash and investments                | <u>\$ 208,795,977</u> |

Cash and investments as of June 30, 2017 consist of the following:

|                                      |                       |
|--------------------------------------|-----------------------|
| Cash on hand                         | \$ 21,410             |
| Cash with fiscal agent               | 93,013                |
| Deposits with financial institutions | 10,427,411            |
| Investments                          | <u>198,254,143</u>    |
| Total cash and investments           | <u>\$ 208,795,977</u> |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

| <u>Investment Types<br/>Authorized by State Law</u> | <u>Authorized<br/>By Investment<br/>Policy</u> | <u>*Maximum<br/>Maturity</u> | <u>*Maximum<br/>Percentage<br/>Of Portfolio</u> | <u>*Maximum<br/>Investment<br/>In One Issuer</u> |
|---|--|------------------------------|---|--|
| Local Agency Bonds                                  | Yes  | 5 years                      | 10%   | None   |
| U.S. Treasury Obligations                           | Yes  | 5 years                      | None  | None   |
| U.S. Agency Securities                              | Yes  | 5 years                      | 75%   | 30%  |
| Banker's Acceptances                                | Yes  | 180 days                     | 20%   | 5%   |
| Commercial Paper                                    | Yes  | 270 days                     | 15%   | 10%  |
| Negotiable Certificates of Deposit                  | Yes  | 5 years                      | 20%   | None   |
| Time Certificates of Deposit                        | Yes  | 1 year                       | 10%   | 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                          | \$65 mil per<br>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.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

#### Investments Authorized by Debt Agreements

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

| <u>Authorized<br/>Investment Type</u> | <u>Maximum<br/>Maturity</u> | <u>Maximum<br/>Percentage<br/>Allowed</u> | <u>Maximum<br/>Investment<br/>In One Issuer</u> |
|---------------------------------------|-----------------------------|---|---|
| U.S. Treasury Obligations             | None                        | None                                      | None  |
| U.S. Agency Securities                | None                        | None                                      | None  |
| Banker's Acceptances                  | 180 days                    | None                                      | None  |
| Commercial Paper                      | 270 days                    | None                                      | None  |
| Money Market Mutual Funds             | N/A                         | None                                      | None  |
| Investment Contracts                  | 30 years                    | None                                      | None  |
| Local Agency Investment Fund          | None                        | None                                      | None  |

#### Disclosures Relating to Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

The City has the following recurring fair value measurements as of June 30, 2017:

| Investment Type              | Fair Value Measurement |                                 |                                    |                                 |   |
|------------------------------|------------------------|---------------------------------|------------------------------------|---------------------------------|---|
|                              | Exempt from Disclosure | Level 1 Inputs (not applicable) | Level 2 Inputs (observable inputs) | Level 3 Inputs (not applicable) |   |
| U.S. treasury notes          | \$ 8,904,160           | -                               | -                                  | 8,904,160                       | - |
| Federal agency securities    | 85,612,155             | -                               | -                                  | 85,612,155                      | - |
| Corporate medium term notes  | 17,027,595             | -                               | -                                  | 17,027,595                      | - |
| Certificate of deposit       | 13,590,483             | -                               | -                                  | 13,590,483                      | - |
| Subtotal                     | 125,134,393            | -                               | -                                  | 125,134,393                     | - |
| Money market mutual funds    | 10,000,583             | 10,000,583                      | -                                  | -                               | - |
| State investment pool        | 52,387,721             | 52,387,721                      | -                                  | -                               | - |
|                              | 187,522,697            | 62,388,304                      | -                                  | 125,134,393                     | - |
| <u>Held by bond trustee:</u> |                        |                                 |                                    |                                 |   |
| Money market mutual funds    | 5,488,267              | 5,488,267                       | -                                  | -                               | - |
| Federal agency securities    | 5,243,179              | -                               | -                                  | 5,243,179                       | - |
|                              | 10,731,446             | 5,488,267                       | -                                  | 5,243,179                       | - |
| Total                        | \$ 198,254,143         | 67,876,571                      | -                                  | 130,377,572                     | - |

**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.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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:

| Investment Type              | Remaining Maturity (in Months) |                       |                      |                        |             |
|------------------------------|--------------------------------|-----------------------|----------------------|------------------------|-------------|
|                              | 12 Months<br>Or Less           | 13 to 24<br>Months    | 25 to 60<br>Months   | More than<br>60 Months |             |
| U.S. treasury notes          | \$ 8,904,160                   | \$ 3,002,580          | \$ 1,997,660         | \$ 3,903,920           | \$ -        |
| Federal agency securities    | 85,612,155                     | 44,932,290            | 9,980,580            | 30,699,285             | -           |
| Corporate medium term notes  | 17,027,595                     | 3,490,870             | 3,509,765            | 10,026,960             | -           |
| Certificate of deposit       | 13,590,483                     | 2,204,865             | 2,697,174            | 8,688,444              | -           |
| Money market mutual funds    | 10,000,583                     | 10,000,583            | -                    | -                      | -           |
| State investment pool        | 52,387,721                     | 52,387,721            | -                    | -                      | -           |
|                              | <u>187,522,697</u>             | <u>116,018,909</u>    | <u>18,185,179</u>    | <u>53,318,609</u>      | <u>-</u>    |
| <u>Held by bond trustee:</u> |                                |                       |                      |                        |             |
| Money market mutual funds    | 5,488,267                      | 5,488,267             | -                    | -                      | -           |
| Federal agency securities    | 5,243,179                      | -                     | 354,637              | 4,888,542              | -           |
|                              | <u>10,731,446</u>              | <u>5,488,267</u>      | <u>354,637</u>       | <u>4,888,542</u>       | <u>-</u>    |
| Total                        | <u>\$ 198,254,143</u>          | <u>\$ 121,507,176</u> | <u>\$ 18,539,816</u> | <u>\$ 58,207,151</u>   | <u>\$ -</u> |

**Disclosures Relating to Credit Risk**

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

| Investment Type             |                       | Minimum |             | Rating as of Year End |                      |                      |                      |
|-----------------------------|-----------------------|---------|-------------|-----------------------|----------------------|----------------------|----------------------|
|                             |                       | Legal   | Exempt from | AAA                   | AA                   | A                    | Not Rated            |
|                             |                       | Rating  | Disclosure  |                       |                      |                      |                      |
| U.S. Treasury notes         | \$ 8,904,160          | N/A     | \$ -        | \$ -                  | \$ 8,904,160         | \$ -                 | \$ -                 |
| Federal agency securities   | 85,612,155            | N/A     | -           | -                     | 67,276,762           | -                    | 18,335,393           |
| Corporate medium term notes | 17,027,595            | A       | -           | 2,007,200             | 14,020,475           | 999,920              | -                    |
| Certificate of deposit      | 13,590,483            | N/A     | -           | -                     | -                    | -                    | 13,590,483           |
| Money market mutual funds   | 10,000,583            | N/A     | -           | -                     | -                    | 10,000,583           | -                    |
| State investment pool       | 52,387,721            | N/A     | -           | -                     | -                    | -                    | 52,387,721           |
|                             | 187,522,697           |         | -           | 2,007,200             | 90,201,397           | 11,000,503           | 84,313,597           |
| Held by bond trustee        |                       |         |             |                       |                      |                      |                      |
| Money market mutual funds   | 5,488,267             | A       | -           | 5,488,267             | -                    | -                    | -                    |
| Federal agency securities   | 5,243,179             | N/A     | -           | -                     | 5,243,179            | -                    | -                    |
|                             | 10,731,446            |         | -           | 5,488,267             | 5,243,179            | -                    | -                    |
| <b>TOTAL</b>                | <b>\$ 198,254,143</b> |         | <b>\$ -</b> | <b>\$ 7,495,467</b>   | <b>\$ 95,444,576</b> | <b>\$ 11,000,503</b> | <b>\$ 84,313,597</b> |

**Concentration of Credit Risk**

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

| <u>Issuer</u>                    | <u>Investment Type</u>    | <u>Reported Amount</u> |
|----------------------------------|---------------------------|------------------------|
| Federal Agric. Mortgage Corp     | Federal agency securities | \$ 18,335,393          |
| Federal Farm Credit Agency       | Federal agency securities | 11,971,250             |
| Federal Home Loan Bank           | Federal agency securities | 17,937,840             |
| Federal Home Loan Mortgage Corp  | Federal agency securities | 16,960,290             |
| Federal National Mortgage Assoc. | Federal agency securities | 20,407,382             |

**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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

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, 2017, \$7,177,298 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, 2017, City of Torrance held no investments by the same broker-dealer (counterparty) that was used by the City of Torrance to buy the securities.

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

#### Investment in State Investment Pool

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

#### (3) Capital Assets

Infrastructure Assets at June 30, 2017 (in thousands):

| Description        | Cost              | Accumulated<br>Depreciation | Net Cost          |
|--------------------|-------------------|-----------------------------|-------------------|
| Road system        | \$ 283,957        | \$ (159,923)                | \$ 124,034        |
| Storm drain system | 25,766            | (8,888)                     | 16,878            |
| Sewer lines        | 74,782            | (36,207)                    | 38,575            |
| Water system       | 98,271            | (40,751)                    | 57,520            |
|                    | <u>\$ 482,776</u> | <u>\$ (245,769)</u>         | <u>\$ 237,007</u> |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

Capital Asset activity for the year ended June 30, 2017 was as follows (in thousands):

|   | Beginning<br>Balance As<br>Restated | Increases        | Decreases         | Transfers   | Ending Balance    |
|---|-------------------------------------|------------------|-------------------|-------------|-------------------|
| <b>Governmental Activities:</b>             |                                     |                  |                   |             |                   |
| Capital assets not being depreciated:       |                                     |                  |                   |             |                   |
| Land  | \$ 77,220                           | \$ 731           | \$ -              | \$ -        | \$ 77,951         |
| Right of way                                | 19,344                              | -                | -                 | -           | 19,344            |
| Construction in progress                    | 14,989                              | 14,742           | (3,422)           | -           | 26,309            |
| Total capital assets not being depreciated  | <u>111,553</u>                      | <u>15,473</u>    | <u>(3,422)</u>    | <u>-</u>    | <u>123,604</u>    |
| Capital assets being depreciated:           |                                     |                  |                   |             |                   |
| Land improvements and buildings *           | 97,124                              | 1,875            | -                 | -           | 98,999            |
| Machinery and equipment *                   | 51,552                              | 7,204            | (866)             | -           | 57,890            |
| Infrastructure                              | 309,329                             | 394              | -                 | -           | 309,723           |
| Total capital assets being depreciated      | <u>458,005</u>                      | <u>9,473</u>     | <u>(866)</u>      | <u>-</u>    | <u>466,612</u>    |
| Less accumulated depreciation for:          |                                     |                  |                   |             |                   |
| Land improvements and buildings *           | (51,507)                            | (2,603)          | -                 | -           | (54,110)          |
| Machinery and equipment *                   | (34,447)                            | (4,795)          | 866               | -           | (38,376)          |
| Infrastructure                              | (162,589)                           | (6,222)          | -                 | -           | (168,811)         |
| Total accumulated depreciation              | <u>(248,543)</u>                    | <u>(13,620)</u>  | <u>866</u>        | <u>-</u>    | <u>(261,297)</u>  |
| Total capital assets being depreciated, net | <u>209,462</u>                      | <u>(4,147)</u>   | <u>-</u>          | <u>-</u>    | <u>205,315</u>    |
| Governmental activities capital assets, net | <u>\$ 321,015</u>                   | <u>\$ 11,326</u> | <u>\$ (3,422)</u> | <u>\$ -</u> | <u>\$ 328,919</u> |

\* The asset categories Land Improvements & Buildings and Machinery & Equipment as well as their related accumulated depreciation categories beginning balances have been restated. See note 18.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

|   | Beginning<br>Balance As<br>Restated | Increases       | Decreases         | Transfers   | Ending<br>Balance |
|---|-------------------------------------|-----------------|-------------------|-------------|-------------------|
| <b>Business-Type Activities:</b>                    |                                     |                 |                   |             |                   |
| Capital assets not being depreciated:               |                                     |                 |                   |             |                   |
| Land  | \$ 6,941                            | \$ -            | \$ -              | \$ -        | \$ 6,941          |
| Construction in progress *                          | 11,649                              | 4,643           | (5,963)           | -           | 10,329            |
| Capitalized construction interest                   | 515                                 | 146             | -                 | -           | 661               |
| <b>Total capital assets not being depreciated</b>   | <b>19,105</b>                       | <b>4,789</b>    | <b>(5,963)</b>    | <b>-</b>    | <b>17,931</b>     |
| Capital assets being depreciated:                   |                                     |                 |                   |             |                   |
| Infrastructure                                      | 172,254                             | 799             | -                 | -           | 173,053           |
| Right of way  | 1,743                               | -               | -                 | -           | 1,743             |
| Land improvements and buildings                     | 16,666                              | 212             | -                 | -           | 16,878            |
| Machinery and equipment *                           | 68,250                              | 7,690           | (654)             | 98          | 75,384            |
| Furniture and fixtures                              | 1,994                               | 25              | (8)               | -           | 2,011             |
| <b>Total capital assets being depreciated</b>       | <b>260,907</b>                      | <b>8,726</b>    | <b>(662)</b>      | <b>98</b>   | <b>269,069</b>    |
| Less accumulated depreciation for:                  |                                     |                 |                   |             |                   |
| Infrastructure                                      | (74,528)                            | (2,430)         | -                 | -           | (76,958)          |
| Right of way  | (222)                               | (59)            | -                 | -           | (281)             |
| Land improvements and buildings                     | (12,505)                            | (316)           | -                 | -           | (12,821)          |
| Machinery and equipment *                           | (32,695)                            | (6,090)         | 654               | (98)        | (38,229)          |
| Furniture and fixtures                              | (933)                               | (238)           | 8                 | -           | (1,163)           |
| <b>Total accumulated depreciation</b>               | <b>(120,883)</b>                    | <b>(9,133)</b>  | <b>662</b>        | <b>(98)</b> | <b>(129,452)</b>  |
| <b>Total capital assets being depreciated, net</b>  | <b>140,024</b>                      | <b>(407)</b>    | <b>-</b>          | <b>-</b>    | <b>139,617</b>    |
| <b>Business-type activities capital assets, net</b> | <b>\$ 159,129</b>                   | <b>\$ 4,382</b> | <b>\$ (5,963)</b> | <b>\$ -</b> | <b>\$ 157,548</b> |

\* Machinery & Equipment asset and the related accumulated depreciation categories as well as Construction in Progress beginning balances have been restated. See note 18.

The capital assets for the Fleet Services Fund and the Self-Insurance Fund, internal service funds, have been consolidated into the governmental activities, and are included in the machinery and equipment category: asset additions amounted to \$2,043,835 and asset deductions amounted to \$866,186.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

|   |                  |
|---|------------------|
| Governmental Activities:                              |                  |
| General government                                    | \$ 4,516         |
| Public safety   | 1,534            |
| Public works  | 6,824            |
| Culture and recreation                                | 746              |
|   | <hr/>            |
| Total depreciation expense - governmental activities  | <u>\$ 13,620</u> |
| Business-type activities:                             |                  |
| Water   | \$ 1,978         |
| Sewer   | 1,295            |
| Sanitation  | 788              |
| Cultural Arts Center                                  | 23               |
| Emergency Medical Services                            | 4                |
| Parks and Recreation                                  | 1                |
| Municipal Airport                                     | 237              |
| Transit System  | 4,807            |
|   | <hr/>            |
| Total depreciation expense - business-type activities | <u>\$ 9,133</u>  |

Included in the depreciation charge to general government is the amount of depreciation for the Fleet Services Fund and the Self-Insurance Fund, internal service funds. This amount includes depreciation expense of \$914,959, retirements of \$866,186. The result is a net addition to accumulated depreciation in the amount of \$48,773.

**(4) Notes Receivable**

***Rehabilitation Housing***

This represents a number of small loans given to eligible participants in the City's Federal Housing Rehabilitation program. These loans, usually less than \$10,000, are no-interest loans that will be repaid when the property is sold. The balance of these loans as of June 30, 2017 is \$59,055.

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

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

The TRAN was for \$42,100,000 and was purchased with a net original issue premium of \$562,877 and an underwriter discount of \$8,420. The City repaid the previous TRAN before the end of the previous fiscal year preventing debt from being carried forward, resulting in no note payable balance at July 1, 2016.

Short-term debt activity for the year ended June 30, 2017:

|                                       |    | <u>Beginning<br/>fiscal year<br/>balance</u> | <u>Issued</u> | <u>Redeemed</u> |    | <u>Ending fiscal<br/>year balance</u> |
|---------------------------------------|----|--|---------------|-----------------|----|---------------------------------------|
| Tax and revenue<br>anticipation notes | \$ | -  | 42,100,000    | -               | \$ | 42,100,000                            |

**(6) Long-term Debt**

*a) Certificates of Participation*

***2009 Land Acquisition Project***

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

The principal matured September 1 of each year through 2016 when the certificates were refunded. In 2016, the certificates were defeased by placing a portion of the proceeds of the new 2016 certificates in an escrow account to provide for all future debt service payments on the 2009 certificates. At June 30, 2017, certificates totaling \$16,515,000 were outstanding and scheduled to be redeemed by September of 2019. The escrow account balance and the outstanding certificates are not considered assets or obligations, respectively, of the City.

***2014 Refunding Certificates of Participation***

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



**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

the current fiscal year. The refunding certificates of participation debt is considered to be capital related.

The principal matures June 1 each year through 2044 at variable amounts ranging from \$550,000 to \$2,360,000. Interest is payable on June 1 and December 1 with interest rates ranging from 2.50% to 5.25% and \$38,340,000 remains outstanding as of June 30, 2017.

Annual debt service requirements are as follows:

| Year ending June 30: | Annual Debt Service Requirement |                  |                  |
|----------------------|---------------------------------|------------------|------------------|
|                      | Principal                       | Interest         | Total            |
| 2018                 | \$ 820                          | \$ 1,656         | \$ 2,476         |
| 2019                 | 845                             | 1,627            | 2,472            |
| 2020                 | 880                             | 1,593            | 2,473            |
| 2021                 | 905                             | 1,566            | 2,471            |
| 2022                 | 940                             | 1,530            | 2,470            |
| 2023 to 2027         | 5,210                           | 7,161            | 12,371           |
| 2028 to 2032         | 6,380                           | 5,994            | 12,374           |
| 2033 to 2037         | 7,835                           | 4,526            | 12,361           |
| 2038 to 2042         | 9,905                           | 2,460            | 12,365           |
| 2043 to 2044         | 4,620                           | 314              | 4,934            |
|                      | <u>\$ 38,340</u>                | <u>\$ 28,427</u> | <u>\$ 66,767</u> |

***2016 Refunding Certificates of Participation***

In 2016, the City of Torrance, with the Public Property Financing Corporation of California, issued \$22,135,000 of refunding certificates of participation to refinance the 2009 certificates of participation issued by the Torrance Public Financing Authority to finance the acquisition of approximately 15 acres of real property for a regional transit center and other City uses. Debt proceeds and the 2009 certificates of participation reserves of \$1,251,320 were deposited in an irrevocable trust with an escrow agent to redeem the 2009 certificates of participation on November 15, 2016. As a result, the 2009 certificates of participation are considered defeased, and the related liability has been removed from the books. The undiscounted cash flows required to service the 2016 Refunding Certificates of Participation that were issued during the year ended June 30, 2016 will be \$10,134,685 more than the cash flows that would have been required to service the defeased 2009 Certificates. The 2016 Refunding Certificates of Participation extend the debt service period by 7 years through fiscal year 2046/47. The economic gain (difference between the present values of the old and the new debt service payments) resulting from this transaction was \$1,565,891. A portion (\$6,105,790) of the 2016 Refunding Certificates of Participation was set aside for the construction of capital

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

improvements related to an emergency operations center and any other public capital improvements selected by the City. The refunding certificates of participation debt is considered to be capital related.

The 2016 certificates of participation principal matures November 1 commencing in 2017 and is due November 1 each year after until 2046 at variable amounts ranging from \$395,000 to \$1,235,000. Interest is payable on November 1 and May 1 with interest rates ranging from 2.00% to 5.00% commencing May 1, 2017 and \$22,135,000 remains outstanding as of June 30, 2017.

Annual debt service requirements are as follows:

|                      | Annual Debt Service Requirement |                  |                  |
|----------------------|---------------------------------|------------------|------------------|
|                      | Principal                       | Interest         | Total            |
| Year ending June 30: |                                 |                  |                  |
| 2018                 | \$ 395                          | \$ 860           | \$ 1,255         |
| 2019                 | 405                             | 850              | 1,255            |
| 2020                 | 420                             | 838              | 1,258            |
| 2021                 | 435                             | 823              | 1,258            |
| 2022                 | 450                             | 805              | 1,255            |
| 2023 to 2027         | 2,550                           | 3,735            | 6,285            |
| 2028 to 2032         | 3,205                           | 3,086            | 6,291            |
| 2033 to 2037         | 3,905                           | 2,382            | 6,287            |
| 2038 to 2042         | 4,665                           | 1,623            | 6,288            |
| 2043 to 2047         | 5,705                           | 589              | 6,294            |
|                      | <u>\$ 22,135</u>                | <u>\$ 15,591</u> | <u>\$ 37,726</u> |

**b) Capital Lease**

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

The assets acquired through capital lease at June 30, 2017 are as follows (in thousands):

|                                | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Asset:                         |                                    |
| Vehicles                       | \$ 412                             |
| Less: Accumulated Depreciation | <u>(408)</u>                       |
| Total                          | <u><u>\$ 4</u></u>                 |

The final minimum lease payment was made by the City during the current fiscal year

**c) *Water Fund Easement***

In August 2012, the City of Torrance entered into a thirty year easement agreement with the Torrance Unified School District for access to a land-locked, City-owned parcel to be developed as a water well, treatment and storage facility. The value of the easement asset as of June 30, 2017 is \$1,462,586. The City paid the first five years of the easement obligation in advance in the amount of \$290,580. The related debt is considered to be capital debt.

The future easement obligations at June 30, 2017 are as follows (in thousands):

|                      | <u>Water Enterprise<br/>Fund</u> |
|----------------------|----------------------------------|
| Year ending June 30: |                                  |
| 2018                 | \$ 58                            |
| 2019                 | 58                               |
| 2020                 | 58                               |
| 2021                 | 58                               |
| 2022                 | 58                               |
| 2023 to 2027         | 291                              |
| 2028 to 2032         | 291                              |
| 2033 to 2037         | 291                              |
| 2038 to 2042         | 290                              |
|                      | <u><u>\$ 1,453</u></u>           |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

**(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, 2017 (in thousands):

|                                       | Balance<br>June 30,<br>2016 | Incurred or<br>Issued | Satisfied or<br>Matured | Balance<br>June 30,<br>2017 | Amounts due<br>within<br>One Year | Amounts Due<br>in more than<br>One Year |
|---------------------------------------|-----------------------------|-----------------------|-------------------------|-----------------------------|-----------------------------------|---|
| <b>Governmental Activities:</b>       |                             |                       |                         |                             |                                   |   |
| Compensated absences payable          | \$ 20,388                   | 10,811                | 10,587                  | \$ 20,612                   | 9,710                             | 10,902                                  |
| Net postemployment benefits payable   | 15,864                      | 64                    | 5,709                   | 10,219                      | -                                 | 10,219                                  |
| Capital lease payable                 | 65                          | -                     | 65                      | -                           | -                                 | -                                       |
| Claims & judgments                    | 40,790                      | 5,891                 | 4,742                   | 41,939                      | 7,068                             | 34,871                                  |
| Certificates of Participation:        |                             |                       |                         |                             |                                   |   |
| 2009 land acquisition certificates    | 16,890                      | -                     | 16,890                  | -                           | -                                 | -                                       |
| 2014 refunding certificates           | 39,130                      | -                     | 790                     | 38,340                      | 820                               | 37,520                                  |
| 2014 premium                          | 617                         | -                     | 22                      | 595                         | -                                 | 595                                     |
| 2016 refunding certificates           | -                           | 22,135                | -                       | 22,135                      | 395                               | 21,740                                  |
| 2016 premium                          | -                           | 1,727                 | 29                      | 1,698                       | -                                 | 1,698                                   |
| <b>Total Governmental Activities</b>  | <b>\$ 133,744</b>           | <b>40,628</b>         | <b>38,834</b>           | <b>\$ 135,538</b>           | <b>17,993</b>                     | <b>117,545</b>                          |
| <b>Business-Type Activities:</b>      |                             |                       |                         |                             |                                   |   |
| Compensated absences payable          | \$ 2,151                    | 1,380                 | 1,392                   | \$ 2,139                    | 1,808                             | 331                                     |
| Easement payable - Water Fund         | 1,453                       | -                     | -                       | 1,453                       | 58                                | 1,395                                   |
| <b>Total Business-Type Activities</b> | <b>\$ 3,604</b>             | <b>1,380</b>          | <b>1,392</b>            | <b>\$ 3,592</b>             | <b>1,866</b>                      | <b>1,726</b>                            |

***Compensated Absences***

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, is recorded in the Internal Service funds and business-type Enterprise funds totaling \$7,104,611 and \$2,139,475 respectively. The unfunded portion, amounting to \$13,507,456 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.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

#### *Net Postemployment Benefits*

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

#### *Claims and Judgments*

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

### **(8) Pension Plan**

#### *Plan Descriptions*

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

#### *Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

|   | <b>Miscellaneous</b>        |                                |
|---|-----------------------------|--------------------------------|
|   | Prior to<br>January 1, 2013 | On or after<br>January 1, 2013 |
| Hire date   |                             |                                |
| Benefit formula                                   | 2% @ 55                     | 2% @ 62                        |
| Benefit vesting schedule                          | 5 years of service          | 5 years of service             |
| Benefit payments                                  | monthly for life            | monthly for life               |
| Retirement age                                    | 50-55                       | 52-62                          |
| Monthly benefits, as a % of eligible compensation | 2.0%                        | 2.0%                           |
| Required employee contribution rates              | 6.986%                      | 6.000%                         |
| Required employer contribution rates              | 16.044%                     | 16.044%                        |

|   | <b>Safety - Police</b>      |                                |
|---|-----------------------------|--------------------------------|
|   | Prior to<br>January 1, 2013 | On or after<br>January 1, 2013 |
| Hire date   |                             |                                |
| Benefit formula                                   | 3% @ 50                     | 2.7% @ 57                      |
| Benefit vesting schedule                          | 5 years of service          | 5 years of service             |
| Benefit payments                                  | monthly for life            | monthly for life               |
| Retirement age                                    | 50                          | 50-57                          |
| Monthly benefits, as a % of eligible compensation | 3.0%                        | 2.7%                           |
| Required employee contribution rates              | 9.093%                      | 11.25 % or 13.00%              |
| Required employer contribution rates              | 57.480%                     | 57.480%                        |

|   | <b>Safety – Fire</b>        |                                |
|---|-----------------------------|--------------------------------|
|   | Prior to<br>January 1, 2013 | On or after<br>January 1, 2013 |
| Hire date   |                             |                                |
| Benefit formula                                   | 3% @ 50                     | 2.7% @ 57                      |
| Benefit vesting schedule                          | 5 years of service          | 5 years of service             |
| Benefit payments                                  | monthly for life            | monthly for life               |
| Retirement age                                    | 50                          | 50-57                          |
| Monthly benefits, as a % of eligible compensation | 3.0%                        | 2.7%                           |
| Required employee contribution rates              | 9.00%                       | 10.25% or 11.00%               |
| Required employer contribution rates              | 49.312%                     | 49.312%                        |

***Employees Covered***

At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

|   | <b>Miscellaneous</b> | <b>Safety - Police</b> | <b>Safety - Fire</b> |
|---|----------------------|------------------------|----------------------|
| Inactive employees or beneficiaries<br>currently receiving benefits | 1,041                | 363                    | 202                  |
| Inactive employees entitled to but<br>not yet receiving benefits    | 888                  | 97                     | 30                   |
| Active employees  | 959                  | 209                    | 137                  |
| <b>Total</b>  | <b>2,888</b>         | <b>669</b>             | <b>369</b>           |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

***Contribution Description***

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. For the measurement period ending June 30, 2016 (the measurement date), the average active employee contribution rate is 6.895 percent for Miscellaneous, 9.087 percent for Safety – Police and 9.016 percent for Safety – Fire, of annual pay, and the employer's contribution rate is 15.175 percent for Miscellaneous, 54.051 percent for Safety – Police and 46.696 percent for Safety – Fire, of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

|                           |  |
|---------------------------|--|
| Actuarial Cost Method     | Entry age normal in accordance with the requirements of GASB Statement No. 68        |
| Actuarial Assumptions     |  |
| Discount Rate             | 7.65%  |
| Inflation                 | 2.75%  |
| Salary Increases          | Varies by entry age and service  |
| Investment Rate of Return | 7.50% net of pension plan investment and administrative expenses; includes inflation |
| Retirement Age            | Based on 2010 CalPERS' Experience Study for the period 1997 - 2007                   |
| Mortality Rate Table      | Based on 2010 CalPERS' Experience Study for the period 1997 - 2007                   |

All other actuarial assumptions used to set the actuarially determined contributions for fiscal year 2015-16 were derived from the June 30, 2013 CalPERS' funding valuation report.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

#### *Change of Assumptions*

There were no changes of assumptions during the measurement period ending June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.65 percent for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, assets of the tested plans would not run out. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Fund's asset classes, (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.



**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

| <b>Asset Class</b>            | <b>New Strategic Allocation</b> | <b>Real Return Years 1 - 10<sup>1</sup></b> | <b>Real Return Years 11+<sup>2</sup></b> |
|-------------------------------|---------------------------------|---|--|
| Global Equity                 | 51.0%                           | 5.25%                                       | 5.71%                                    |
| Global Fixed Income           | 20.0                            | 0.99  | 2.43                                     |
| Inflation Sensitive           | 6.0                             | 0.45  | 3.36                                     |
| Private Equity                | 10.0                            | 6.83  | 6.95                                     |
| Real Estate                   | 10.0                            | 4.50  | 5.13                                     |
| Infrastructure and Forestland | 2.0                             | 4.50  | 5.09                                     |
| Liquidity                     | 1.0                             | (0.55)                                      | (1.05)                                   |

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

***Subsequent Events***

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

***Pension Plan Fiduciary Net Position***

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

***Changes in Net Pension Liability***

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

|  | Miscellaneous                     |                                       |   |
|--|-----------------------------------|---------------------------------------|---|
|  | Increase (Decrease)               |                                       |   |
|  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(c) = (a) - (b) |
| <b>Balance at: 6/30/2015</b>                                     | <b>\$ 544,525,548</b>             | <b>\$ 455,574,099</b>                 | <b>\$ 88,951,449</b>                        |
| <b>Changes Recognized for the<br/>Measurement Period:</b>        |                                   |                                       |   |
| Service Cost   | 9,326,290                         |                                       | 9,326,290                                   |
| Interest on the Total Pension Liability                          | 40,872,188                        |                                       | 40,872,188                                  |
| Changes of Benefit Terms   | 0                                 |                                       | 0   |
| Differences between Expected and<br>Actual Experience            | (2,057,399)                       |                                       | (2,057,399)                                 |
| Changes of Assumptions   | 0                                 |                                       | 0   |
| Plan to Plan Resource Movement                                   |                                   | (1,138)                               | 1,138                                       |
| Contributions from the Employer                                  |                                   | 10,695,442                            | (10,695,442)                                |
| Contributions from Employees                                     |                                   | 4,489,879                             | (4,489,879)                                 |
| Investment Income  |                                   | 2,292,263                             | (2,292,263)                                 |
| Administrative Expense   |                                   | (277,649)                             | 277,649                                     |
| Benefit Payments, including Refunds of<br>Employee Contributions | (25,708,633)                      | (25,708,633)                          | 0   |
| <b>Net Changes during 2015-16</b>                                | <b>\$ 22,432,446</b>              | <b>\$ (8,509,836)</b>                 | <b>\$ 30,942,282</b>                        |
| <b>Balance at: 6/30/2016</b>                                     | <b>\$ 566,957,994</b>             | <b>\$ 447,064,263</b>                 | <b>\$ 119,893,731</b>                       |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

|  | <b>Safety - Police</b>                     |  |  |
|--|--|--|--|
|  | <b>Increase (Decrease)</b>                 |  |  |
|  | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Liability<br/>(c) = (a) - (b)</b> |
| <b>Balance at: 6/30/2015</b>                                     | <b>\$ 493,135,953</b>                      | <b>\$ 321,639,282</b>                          | <b>\$ 171,496,671</b>                                |
| <b>Changes Recognized for the<br/>Measurement Period:</b>        |  |  |  |
| Service Cost   | 8,469,089                                  |  | 8,469,089  |
| Interest on the Total Pension Liability                          | 36,797,609                                 |  | 36,797,609   |
| Changes of Benefit Terms   | 0  |  | 0  |
| Differences between Expected and<br>Actual Experience            | (2,637,099)                                |  | (2,637,099)  |
| Changes of Assumptions   | 0  |  | 0  |
| Plan to Plan Resource Movement                                   |  | 404  | (404)  |
| Contributions from the Employer                                  |  | 15,412,320                                     | (15,412,320)   |
| Contributions from Employees                                     |  | 2,841,688                                      | (2,841,688)  |
| Investment Income  |  | 1,582,749                                      | (1,582,749)  |
| Administrative Expense   |  | (196,022)                                      | 196,022  |
| Benefit Payments, including Refunds of<br>Employee Contributions | (27,437,806)                               | (27,437,806)                                   | 0  |
| <b>Net Changes during 2015-16</b>                                | <b>\$ 15,191,793</b>                       | <b>\$ (7,796,667)</b>                          | <b>\$ 22,988,460</b>                                 |
| <b>Balance at: 6/30/2016</b>                                     | <b>\$ 508,327,746</b>                      | <b>\$ 313,842,615</b>                          | <b>\$ 194,485,131</b>                                |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

|   | Safety - Fire                  |                                    |  |
|---|--------------------------------|------------------------------------|--|
|   | Increase (Decrease)            |                                    |  |
|   | Total Pension Liability<br>(a) | Plan Fiduciary Net Position<br>(b) | Net Pension Liability<br>(c) = (a) - (b) |
| <b>Balance at: 6/30/2015</b>                                  | <b>\$ 318,480,619</b>          | <b>\$ 220,526,939</b>              | <b>\$ 97,953,680</b>                     |
| <b>Changes Recognized for the Measurement Period:</b>         |                                |                                    |  |
| Service Cost  | 4,792,460                      |                                    | 4,792,460                                |
| Interest on the Total Pension Liability                       | 23,824,477                     |                                    | 23,824,477                               |
| Changes of Benefit Terms                                      | 0                              |                                    | 0  |
| Differences between Expected and Actual Experience            | (643,989)                      |                                    | (643,989)                                |
| Changes of Assumptions  | 0                              |                                    | 0  |
| Plan to Plan Resource Movement                                |                                | 735                                | (735)                                    |
| Contributions from the Employer                               |                                | 9,381,268                          | (9,381,268)                              |
| Contributions from Employees                                  |                                | 1,645,230                          | (1,645,230)                              |
| Investment Income   |                                | 1,103,442                          | (1,103,442)                              |
| Administrative Expense  |                                | (134,400)                          | 134,400                                  |
| Benefit Payments, including Refunds of Employee Contributions | (17,603,550)                   | (17,603,550)                       | 0  |
| <b>Net Changes during 2015-16</b>                             | <b>\$ 10,369,398</b>           | <b>\$ (5,607,275)</b>              | <b>\$ 15,976,673</b>                     |
| <b>Balance at: 6/30/2016</b>                                  | <b>\$ 328,850,017</b>          | <b>\$ 214,919,664</b>              | <b>\$ 113,930,353</b>                    |

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

|  | Discount Rate – 1%<br>(6.65%) | Current Discount Rate<br>(7.65%) | Discount Rate + 1%<br>(8.65%) |
|--|-------------------------------|----------------------------------|-------------------------------|
| Plan's Net Pension Liability – Miscellaneous | \$ 193,307,123                | \$ 119,893,731                   | \$ 58,877,100                 |
| Plan's Net Pension Liability – Safety-Police | \$ 260,751,708                | \$ 194,485,131                   | \$ 139,921,843                |
| Plan's Net Pension Liability – Safety-Fire   | \$ 154,222,965                | \$ 113,930,353                   | \$ 80,360,266                 |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

For the measurement period ending June 30, 2016 (the measurement date), the City of Torrance recognized a pension expense of \$9,139,815 for the Miscellaneous Plan, \$17,607,482 for the Safety-Police Plan and \$9,453,130 for the Safety-Fire Plan.

As of June 30, 2016, the City of Torrance has deferred outflows and deferred inflows of resources related to the Plan as follows:

| Miscellaneous  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Pension Contributions Subsequent to Measurement Date                             | \$ 10,408,639                  | \$ 0                          |
| Differences between Expected and Actual Experience                               | 0                              | (4,331,953)                   |
| Changes of Assumptions   | 0                              | (3,708,025)                   |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 24,265,014                     | 0                             |
| <b>Total</b>   | <b>\$ 34,673,653</b>           | <b>\$ (8,039,978)</b>         |

| Safety - Police  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Pension Contributions Subsequent to Measurement Date                             | \$ 15,640,401                  | \$ 0                          |
| Differences between Expected and Actual Experience                               | 261,973                        | (1,904,571)                   |
| Changes of Assumptions   | 0                              | (3,825,263)                   |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 16,787,407                     | 0                             |
| <b>Total</b>   | <b>\$ 32,689,781</b>           | <b>\$ (5,729,834)</b>         |

| Safety - Fire  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Pension Contributions Subsequent to Measurement Date                             | \$ 8,711,092                   | \$ 0                          |
| Differences between Expected and Actual Experience                               | 0                              | (2,777,539)                   |
| Changes of Assumptions   | 0                              | (2,698,234)                   |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 11,561,958                     | 0                             |
| <b>Total</b>   | <b>\$ 20,273,050</b>           | <b>\$ (5,475,773)</b>         |

Deferred outflows of resources related to contributions subsequent to the measurement date reported above for Miscellaneous, Safety-Police and Safety-Fire in the amounts of \$10,408,639, \$15,640,401 and \$8,711,092, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

|   | <b>Deferred<br/>Outflows/(Inflows) of<br/>Resources</b> | <b>Deferred<br/>Outflows/(Inflows) of<br/>Resources</b> | <b>Deferred<br/>Outflows/(Inflows) of<br/>Resources</b> |
|---|---|---|---|
| <b>Measurement Period<br/>Ended June 30</b> | <b>Miscellaneous</b>                                    | <b>Safety - Police</b>                                  | <b>Safety - Fire</b>                                    |
| 2017  | \$ (2,455,943)  | \$ (803,766)  | \$ (1,044,536)  |
| 2018  | 1,111,645   | 87,056  | (1,044,535)   |
| 2019  | 11,149,461  | 7,510,929   | 5,074,404   |
| 2020  | 6,419,873   | 4,525,327   | 3,100,852   |
| 2021  | 0   | 0   | 0   |
| Thereafter                                  | 0   | 0   | 0   |

**(9) PARS Enhanced Retirement Defined Benefit Pension Plan**

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

Benefits are available to members hired on or before January 25, 2004 that retire from the City at an age of 55 or greater and with five or more years of City service. Benefits are also available to members hired between January 25, 2004 and December 31, 2012 that retire from the City at an age of 55 or greater and with 5 or more years of City service specific to the eligible bargaining unit, as identified previously. New hires after December 31, 2012 are not eligible for this benefit.

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

Employees covered – At June 30, 2016, the following employees were covered by the benefit term for the Plan:

|                     |            |
|---------------------|------------|
| Retirees            | 97         |
| Vested terminations | 32         |
| Active employees    | 140        |
| Total               | <u>269</u> |

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

#### ***Contribution Description***

The City of Torrance's funding policy is to make the contribution as determined by the Plan's actuary. The Plan's annual pension cost for the fiscal year ending June 30, 2017, is based on an actuarial valuation as of June 30, 2016. For the fiscal year ending June 30, 2017, the City's annual pension cost is \$1,618,000. The City of Torrance contributed \$1,349,000 to the plan.

|                            |  |
|----------------------------|--|
| Actuarial Valuation Date:  | June 30, 2015  |
| Asset Valuation Method:    | Investment gains and losses over 5 year period, not less than 80% nor more than 120% of market value |
| Discount rate:             | 6.25%  |
| Mortality:                 | CalPERS' 1997-2007 Experience Study  |
| General Inflation:         | 3%   |
| Cost of Living Adjustment: | 2%   |
| Termination:               | CalPERS' 1997-2007 Experience Study  |
| Salary Increases:          | Varies by entry age and service  |
| Retirement Age:            | CalPERS' 1997-2007 Experience Study  |

#### ***Actuarial Methods***

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

Plan funded status based on the excess of

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

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

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

#### ***Discount Rate***

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

***Change in Net Pension Liability***

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

|   | Increase (Decrease)            |                                    |  |
|---|--------------------------------|------------------------------------|--|
|   | Total Pension Liability<br>(a) | Plan Fiduciary Net Position<br>(b) | Net Pension Liability<br>(c) = (a) - (b) |
| <b>Balance at: 6/30/2015</b>                          | <b>\$ 26,525,000</b>           | <b>\$ 10,904,000</b>               | <b>\$ 15,621,000</b>                     |
| <b>Changes Recognized for the Measurement Period:</b> |                                |                                    |  |
| Service Cost  | 504,000                        |                                    | 504,000                                  |
| Interest on the total pension liability               | 1,664,000                      |                                    | 1,664,000                                |
| Differences between actual and expected experience    | 0                              |                                    | 0  |
| Change of assumptions                                 | 0                              |                                    | 0  |
| Contributions from the employer                       |                                | 1,349,000                          | (1,349,000)                              |
| Investment income                                     |                                | 77,000                             | (77,000)                                 |
| Administrative expense                                |                                | (48,000)                           | 48,000                                   |
| Benefit payments, including refunds                   | (844,000)                      | (844,000)                          | 0  |
| <b>Net Changes</b>                                    | <b>\$ 1,324,000</b>            | <b>\$ 534,000</b>                  | <b>\$ 790,000</b>                        |
| <b>Balance at: 6/30/2016</b>                          | <b>\$ 27,849,000</b>           | <b>\$ 11,438,000</b>               | <b>\$ 16,411,000</b>                     |

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

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

|                       | 1% Decrease<br>(5.25%) | Discount Rate<br>(6.25%) | 1% Increase<br>(7.25%) |
|-----------------------|------------------------|--------------------------|------------------------|
| Net Pension Liability | \$ 20,469,000          | \$ 16,411,000            | \$ 13,070,000          |



**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

As of the start of the measurement period (July 1, 2015), the net pension liability is \$15,621,000.

For the measurement period ending June 30, 2016 (the measurement date), the City of Torrance recognized a pension expense of \$1,618,000 for the Plan.

As of June 30, 2016, the City of Torrance has deferred outflows and deferred inflows of resources related to the Plan as follows:

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience                       | \$ 0                                      | \$ (470,000)                             |
| Changes of assumptions   | 499,000                                   | 0  |
| Net difference between projected and actual earnings on plan investments | 504,000                                   | 0  |
| Employer contributions made subsequent to the measurement date           | 1,522,000                                 | 0  |
| <b>Total</b>   | <b>\$ 2,525,000</b>                       | <b>\$ (470,000)</b>                      |

As of June 30, 2017, deferred outflows of resources related to employer contributions subsequent to the measurement date in the amount of \$1,522,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <b>Measurement Period Ended<br/>June 30:</b> | <b>Deferred Outflows/(Inflows)<br/>of Resources</b> |
|--|---|
| 2017   | \$ 98,000   |
| 2018   | 97,000  |
| 2019   | 216,000   |
| 2020   | 122,000   |
| 2021   | 0   |
| Thereafter                                   | 0   |

**(10) Other Post Employment Benefits**

**Plan Description**

The City has established the City of Torrance Retiree Healthcare Plan, a single-employer defined benefit retiree healthcare plan. The plan, which is administered by the City, provides medical insurance benefits to eligible retirees. The plan provides medical benefits through the California Public Employees Retirement System Healthcare Program (PEMHCA). The plan contributes PEMHCA minimum, which is \$125 in calendar year 2016 and \$128 in calendar year 2017, for all

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

eligible retirees. All employees are vested after five years of employment and must reach the age of 50 and qualify for CalPERS retirement in order to receive these benefits. The plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreement between the City and the bargaining units. The plan does not issue a separate report. During the fiscal year ended June 30, 2016, the City entered into an agreement with California Employers' Retiree Benefit Trust (CERBT) to prefund the City's OPEB liability.

#### **Funding Policy**

Below are the 2016/17 estimated ARC (Annual Required Contribution), AOC (Annual Other Post Employment Benefit (OPEB) Cost), and the estimated June 30, 2017 NOO (Net OPEB Obligation).

A trust fund was established for this plan during the fiscal year 2015/16.

#### **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, 2015, there were 1,224 active participants potentially eligible for the benefit and 1,147 total service and disability retirees receiving benefits.

#### **Annual Required Contribution (ARC)**

The Annual Required Contribution is the sum of the Normal Cost plus a 22-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 2016/17 Annual Required Contribution determined by this valuation includes the Normal Cost plus a combined 22-year amortization as a level of percent of pay and determined as of the end of the fiscal year (Amounts in \$000's):

|                     |                |
|---------------------|----------------|
| ▪ Normal            | \$1,735        |
| ▪ UAAL Amortization | 4,173          |
| ▪ Total             | <u>\$5,908</u> |
| ▪ Payroll           | 112,402        |
| ▪ ARC%              |                |
| • Normal Costs      | 1.5%           |
| • UAAL Amort        | 3.7%           |
| • Total             | 5.3%           |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

**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 2016/17 is determined as follows (Amounts in \$000's):

|                       |              |
|-----------------------|--------------|
| ▪ ARC                 | \$5,908      |
| ▪ Interest on NOO     | 997          |
| ▪ Amortization of NOO | <u>(933)</u> |
| ▪ Total AOC           | \$5,972      |
| ▪ AOC as % of Payroll | 5.32%        |

**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. For fiscal year 2016/17, 159.1% of the ARC was contributed in the form of benefit payments made.

Based on the AOC developed above, the estimated June 30, 2017 NOO is (Amounts in \$000's):

|  |                 |
|--|-----------------|
| Annual required contribution                 | \$ 5,908        |
| Interest on net OPEB obligation              | 997             |
| Adjustment to annual required obligation     | <u>(933)</u>    |
| Annual OPEB cost (expense)                   | \$ 5,972        |
| Contributions made (including benefits paid) | <u>(9,504)</u>  |
| Increase (decrease) in net OPEB obligation   | \$ (3,532)      |
| Net OPEB obligation-beginning of year        | <u>13,751</u>   |
| Net OPEB obligation-end of year              | <u>\$10,219</u> |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

| <u>Fiscal<br/>Year<br/>Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of<br/>Annual OPEB<br/>Cost Contributed</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|----------------------------------|-----------------------------|---|------------------------------------|
| 6/30/15                          | \$ 6,135                    | 39.8%   | \$ 16,523                          |
| 6/30/16                          | \$ 6,151                    | 170.7%  | \$ 13,751                          |
| 6/30/17                          | \$ 5,972                    | 159.1%  | \$ 10,219                          |

**Actuarial Methods**

| <u>Method</u>                     | <u>June 30, 2015 Valuation</u>  |
|-----------------------------------|---------------------------------|
| ▪ Plan Assets                     | - None                          |
| ▪ Cost Method                     | - Entry Age Normal Level of Pay |
| ▪ Amortization Period             | - 22 years-Closed               |
| ▪ Amortization Method             | - Valuation Fresh Start         |
| ▪ Funding Policy                  | - Pay-As-You-Go                 |
| ▪ Future New Entrants             | - None-Closed group             |
| ▪ Unfunded Liability Amortization | - 22 years-Closed               |

**Actuarial Assumptions**

|   |
|---|
| Valuation Date<br>• June 30, 2015   |
| Discount Rate<br>• 7.25% (pre-funded through CalPERS CERBT asset strategy #1) |
| Inflation<br>• 3.0% per annum   |
| Aggregate Payroll Increase<br>• 3.25% per annum                               |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

**Cap Increases**

- 0% for all groups except Police yearly stipend

| <u>Year</u> | <u>Increase</u> |
|-------------|-----------------|
| 1-5         | 2.0%            |
| 6-10        | 2.2%            |
| 11-15       | 2.5%            |
| 16-20       | 3.2%            |
| 21+         | 3.25%           |

**Mortality, Withdrawal, and Disability**

- CalPERS 1997-2011 Experience Study
- Mortality Improvement Scale MP-2014

**Retirement**

- CalPERS 1997-2011 Experience Study
  - Classical Members                      PEPRA Members
- |               |                 |
|---------------|-----------------|
| Miscellaneous |                 |
| Level 2% @ 55 | Level 2% @ 62   |
| EA     33.5   | EA     37.7     |
| ERA    61.4   | ERA    62.5     |
| Safety        |                 |
| Level 3% @ 50 | Level 2.7% @ 57 |
| EA (F) 26.7   | EA (F) 28.7     |
| EA (P) 26.6   | EA (P) 26.3     |
| ERA (F) 55.6  | ERA (F) 58.4    |
| ERA (P) 53.7  | ERA (P) 55.8    |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

| Participation at Retirement              |                          |                         |
|--|--------------------------|-------------------------|
| PEMHCA participation:                    | <u>Currently Covered</u> | <u>Currently Waived</u> |
| Misc                                     | 70%                      | 56%                     |
| Fire                                     | 90%                      | 72%                     |
| Police                                   |                          |                         |
| Svc <15                                  | 60%                      | 48%                     |
| Svc ≥15                                  | 90%                      | 72%                     |
| Fire and Police stipend benefit:         | 100%                     |                         |
| Marital Status:                          |                          |                         |
| Actives-                                 |                          |                         |
| Not currently covered-80% married        |                          |                         |
| Currently covered-current marital status |                          |                         |
| Retirees-current marital status          |                          |                         |
| Waived retiree re-election:              |                          |                         |
| Post 65 - 0%                             |                          |                         |
| Pre 65 - 10% at 65                       |                          |                         |

|                     |
|---------------------|
| Future New Entrants |
| None-Closed group   |

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

Actuarial Obligations  
7.25% Discount Rate  
06/30/2015  
(Amounts in \$000's)

|                               |               |
|-------------------------------|---------------|
| ▪ Present Value of Benefits   |               |
| • Actives                     | \$ 43,791     |
| • Retirees                    | <u>36,892</u> |
| • Total                       | 80,683        |
| ▪ Actuarial Accrued Liability |               |
| • Actives                     | 28,990        |
| • Retirees                    | <u>36,892</u> |
| • Total                       | 65,882        |
| ▪ Normal Cost                 | 1,680         |
| ▪ Pay-as-you-go-Cost          | 3,503         |

*Funded Status and Funding Progress.* The funded status of the plan as of the date of June 30, 2015, was as follows (Amounts in \$000's):

|   |                 |
|---|-----------------|
| Actuarial accrued liability (AAL)                 | \$65,882        |
| Actuarial value of plan assets                    | <u>-</u>        |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$65,882</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0%              |
| Covered payroll (active plan members)             | \$105,437       |
| UAAL as a percentage of covered payroll           | 62.5%           |

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

and new estimates are made about the future. The schedule of funding progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

**SCHEDULE OF FUNDING PROGRESS**

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a)/c |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| 06/30/15                 | \$0                           | \$65,882  | \$65,882                  | 0%                 | \$105,437           | 62.5%   |
| 06/30/13                 | \$0                           | \$73,215  | \$73,215                  | 0%                 | \$105,114           | 69.7%   |
| 06/30/11                 | \$0                           | \$62,596  | \$62,596                  | 0%                 | \$106,520           | 58.8%   |
| 06/30/09                 | \$0                           | \$77,024  | \$77,024                  | 0%                 | \$98,599            | 78.1%   |

**(11) Deferred Compensation Plan**

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



**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

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

***Interfund Transactions – Due to/Due from Other Funds***

Interfund receivable and payable balances at June 30, 2017 were as follows (in thousands):

| <u>Receivable Fund</u> | <u>Payable Fund</u>         | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General Fund           | Nonmajor Governmental Funds | \$ 1,938      |

The receivables from the nonmajor governmental funds represent short-term loans to cover negative cash balances in various funds.

***Interfund Transactions - Advances***

The balances of advances between funds at June 30, 2017 were as follows (in thousands):

| <u>Receivable Fund</u>      | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|---------------------|---------------|
| Nonmajor Governmental Funds | General Fund        | \$ 600        |

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

***Successor Agency – Advances***

The balances of advances to the Successor Agency Trust at June 30, 2017 were as follows (in thousands):

| <u>Receivable Fund</u>      | <u>Amount</u>    |
|-----------------------------|------------------|
| General Fund                | \$ 29,050        |
| Water Enterprise Fund       | 1,843            |
| Sewer Enterprise Fund       | 419              |
| Nonmajor Governmental Funds | <u>635</u>       |
|                             | <u>\$ 31,947</u> |

The advances to the Successor Agency Trust represents loans to fund infrastructure improvements and Supplemental Educational Revenue Augmentation Fund (SERAF) payments. More information regarding the Successor Agency Trust can be found in Note 21.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

**(13) Transfers In and Out**

The balances of transfers between funds at June 30, 2017 were as follows (in thousands):

| Transfer From                              | Transfer To                                | Amount                  |
|--|--|-------------------------|
| General Fund                               | Emergency Medical Services Enterprise Fund | \$ 11,547               |
|  | Nonmajor Enterprise Funds                  | 3,728                   |
|  | Internal Service Funds                     | 5,264                   |
|  | Nonmajor Governmental Funds                | 4,602                   |
|  |  | <u>25,141</u>           |
| Water Enterprise Fund                      | General Fund                               | 20                      |
| Transit System Enterprise Fund             | General Fund                               | 58                      |
|  | Nonmajor Enterprise Funds                  | 3                       |
|  |  | <u>61</u>               |
| Emergency Medical Services Enterprise Fund | General Fund                               | 5                       |
| Internal Service Funds                     | General Fund                               | 670                     |
|  | Nonmajor Governmental Funds                | 155                     |
|  | Nonmajor Enterprise Funds                  | 9                       |
|  |  | <u>834</u>              |
| Nonmajor Enterprise Funds                  | General Fund                               | 9,547                   |
|  | Nonmajor Enterprise Funds                  | 19                      |
|  | Nonmajor Governmental Funds                | 480                     |
|  |  | <u>10,046</u>           |
| Nonmajor Governmental Funds                | General Fund                               | 1,210                   |
|  | Transit System Enterprise Fund             | 2,674                   |
|  | Nonmajor Governmental Funds                | 6,233                   |
|  | Internal Service Funds                     | 653                     |
|  |  | <u>10,770</u>           |
| Total                                      |  | \$ <u><u>46,877</u></u> |

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

- General Fund transfers to the Self-Insurance Fund (an internal service fund) represent contributions to fund self-insured claims and settlements;
- General Fund transfers to the Fleet Services Fund (an internal service fund) represent contributions for fleet acquisitions;

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

- General Fund transfers to the Emergency Medical Services Enterprise Fund, the Street Lighting Assessment Fund (a nonmajor governmental fund), the Cultural Arts Center Enterprise Fund and the Parks and Recreation Enterprise Funds (each a nonmajor enterprise fund) represent additional subsidies for those funds' regular operations;
- General Fund transfers to the Capital Improvement Fund (a nonmajor governmental fund) represents contributions to fund various capital projects;
- Transfers to the General Fund from the Municipal Airport Enterprise Fund (a nonmajor enterprise fund) represent transfers to fund operations and equipment replacement;
- Transfers to the Transit System Enterprise Fund from the Proposition A Fund (a nonmajor governmental fund) represent contributions to improve public transit and related transportation infrastructure;
- Transfers to the Torrance Public Property Financing Capital Project Fund from the Torrance Public Property Financing Debt Service Fund (both nonmajor governmental funds) represent refunding bond proceeds to be used for emergency operation center and other capital improvements.

#### **(14) Risk Management**

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

**Liability:** The City insures automobile and general liability risks to \$5,000,000 per occurrence. There is excess liability coverage of \$25,000,000 for amounts above the \$5,000,000 self-insured retention.

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

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

**Property:** The City purchases all risk property insurance, subject to exclusions, covering City buildings, contents, higher cost vehicles, and machines subject to deductibles of \$1,000 to \$150,000 per occurrence depending upon the type of loss.

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

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

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

As of June 30, 2017, \$33,892,132 and \$8,046,886 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> |
|---------------------|--|---|-----------------------|-----------------------------------|
| 2015-16             | \$ 39,890                                      | 5,511   | (4,611)               | \$ 40,790                         |
| 2016-17             | \$ 40,790                                      | 5,891   | (4,742)               | \$ 41,939                         |

**(15) Due from Other Governments**

Amounts due from other governments consisted of the following at June 30, 2017 (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                         | \$ 9,535                   | -                       | 3,274                        | -                              | \$ 12,809        |
| Special Revenue Funds:               |                            |                         |                              |                                |                  |
| Air Quality Management District Fund | -                          | -                       | -                            | 48                             | 48               |
| Grants and Donation Fund             | 366                        | 4                       | 2                            | -                              | 372              |
| Street Lighting Assessment Fund      | -                          | -                       | 17                           | -                              | 17               |
| Enterprise Funds:                    |                            |                         |                              |                                |                  |
| Transit System Fund                  | -                          | 2,335                   | 1,200                        | -                              | 3,535            |
| Emergency Medical Services Fund      | 7                          | -                       | -                            | -                              | 7                |
| <b>Total</b>                         | <b>\$ 9,908</b>            | <b>2,339</b>            | <b>4,493</b>                 | <b>48</b>                      | <b>\$ 16,788</b> |

**(16) Unearned Revenue**

The table that follows shows activity for the City's unearned revenue accounts as of June 30, 2017. The annual parking lot maintenance fee in the Meadow Park Parking Lot District Fund (a special revenue governmental fund) will be recognized in July. The unearned revenue in the Transit System Enterprise Fund represents amounts that will be recognized when eligible purchases occur. The rents received by the Municipal Airport Enterprise Fund in June for July will be recognized in July. In May and June of 2017, the Parks and Recreation Enterprise Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

**Unearned Revenue Activity for Fiscal Year Ended June 30, 2017**  
(in thousands)

|  | <u>Balance at<br/>July 1, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at<br/>June 30, 2017</u> |
|--|------------------------------------|------------------|-------------------|-------------------------------------|
| Governmental Funds:                    |                                    |                  |                   |                                     |
| Meadow Park Parking Lot District Fund  |                                    |                  |                   |                                     |
| annual maintenance fee                 | \$ 5                               | \$ 28            | \$ 5              | \$ 28                               |
| Total governmental funds               | <u>5</u>                           | <u>28</u>        | <u>5</u>          | <u>28</u>                           |
| Enterprise Funds:                      |                                    |                  |                   |                                     |
| Transit Security Reserve               | 815                                | 71               | -                 | 886                                 |
| Transit Prop 1B                        | 3,171                              | 34               | 34                | 3,171                               |
| Transit Prop C (MOSIP)                 | 1,529                              | 30               | 38                | 1,521                               |
| Transit Measure R Capital              | 137                                |                  |                   | 137                                 |
| Transit Cap and Trade Capital          | 40                                 | 128              | -                 | 168                                 |
| Airport rents received for July        | 329                                | 165              | 329               | 165                                 |
| Parks and Recreation revenues received |                                    |                  |                   |                                     |
| in May and June for July classes       | 637                                | 777              | 637               | 777                                 |
| Total Enterprise Funds                 | <u>6,658</u>                       | <u>1,205</u>     | <u>1,038</u>      | <u>6,825</u>                        |
| Total                                  | <u>\$ 6,663</u>                    | <u>\$ 1,233</u>  | <u>\$ 1,043</u>   | <u>\$ 6,853</u>                     |

**(17) Deficit Fund Equity (Accumulated Deficit)**

The Self-Insurance Fund, an internal services fund, has an accumulated deficit of \$36,939,239 at June 30, 2017. Such deficit is attributed to replenishment of the reserve for general liability claims resulting from settlements of claims in excess of established reserves. It is anticipated that the deficit will continue to 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 Fund, an internal services fund, has an accumulated deficit of \$9,764,113 as of June 30, 2017. 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, 2017

The Emergency Medical Services Fund, Parks and Recreation Fund and Cultural Arts Center Fund, all enterprise funds, have accumulated deficits as of June 30, 2017. These deficits are primarily due to implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions.

**(18) Prior Period Adjustment**

During the year ended June 30, 2017, the City adjusted the beginning net position of the Water Enterprise Fund (a proprietary fund), the Business-Type Activities (which includes proprietary funds), and the Governmental Activities. This was done to report the inclusion of interest from prior fiscal years on a loan from the City to the Former Redevelopment Agency. For more information on the Former Redevelopment Agency and the Successor Agency Trust see note 21. The City also adjusted the beginning net position of the Sewer Enterprise Fund (a proprietary fund), the Business-Type Activities (which includes proprietary funds) and the Governmental Activities to reverse prior fiscal year's overstatement of asset costs and related accumulated depreciation on building, and machinery & equipment capital assets. In addition, the City adjusted the beginning net position of the Governmental Activities to correct under recorded pension contribution reported in Deferred Outflows of Resources in the prior fiscal year.

|   | Water<br>Enterprise<br>Fund | Sewer<br>Enterprise<br>Fund | Business-<br>Type<br>Activities | Governmental<br>Activities |
|---|-----------------------------|-----------------------------|---------------------------------|----------------------------|
| Net position, beginning   | \$ 84,845,451               | \$ 43,519,429               | \$ 149,412,558                  | \$ 26,183,804              |
| Adjustment to interest on City loan<br>to Former Redevelopment Agency | 598,230                     | -                           | 598,230                         | 9,807,781                  |
| Adjustment to capital assets -  |                             |                             |                                 |                            |
| land improvements & buildings   | -                           | -                           | -                               | (1,478,354)                |
| machinery & equipment   | -                           | (114,467)                   | (114,467)                       | (2,181,877)                |
| construction in progress  | -                           | 111,581                     | 111,581                         | -                          |
| Adjustment to accumulated depreciation -                              |                             |                             |                                 |                            |
| land improvements & buildings   | -                           | -                           | -                               | 199,796                    |
| machinery & equipment   | -                           | 85,361                      | 85,361                          | 1,746,206                  |
| Adjustment to deferred pension<br>contribution                        | -                           | -                           | -                               | 3,000,000                  |
| Net position, beginning, as restated                                  | <u>\$ 85,443,681</u>        | <u>\$ 43,601,904</u>        | <u>\$ 150,093,263</u>           | <u>\$ 37,277,356</u>       |

**(19) Commitments and Contingencies**

The City has various outstanding contracts and purchase orders for services, supplies, materials and capital projects that have not been completed as of fiscal year-end. These commitments total \$6,033,203 at June 30, 2017.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

The balances of encumbrances and other commitments by funds at June 30, 2017 were as follows (in thousands):

|                             |                 |
|-----------------------------|-----------------|
| Governmental Funds          |                 |
| General Fund                | \$ 1,439        |
| Capital improvement funds   | 4,547           |
| Nonmajor governmental funds | 47              |
| Total governmental funds    | <u>\$ 6,033</u> |

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

**(20) Fund Balance Policies of the General Fund**

Included in the unassigned fund balance of the General Fund is an economic anomaly reserve (\$14,534,645) and a program contingency reserve (\$489,492). The funding goal of the economic anomaly reserve is 10% of the combined net adopted 2017-18 appropriation level for the General Fund, Parks and Recreation Enterprise Fund, Cultural Arts Center Enterprise Fund, Animal Control Fund, and the Emergency Medical Services Enterprise Fund. The program contingency reserve does not have a funding goal.

Included in assigned fund balance of the General Fund is \$3,542,283 of special project reserves.

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

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

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

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



## **CITY OF TORRANCE, CALIFORNIA**

### Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

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

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

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

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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2017

#### **a) Long-term Debt – Successor Agency Bonds**

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

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

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

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

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

|                      | <b>Annual Debt Service Requirement</b> |                 |                  |
|----------------------|--|-----------------|------------------|
|                      | <b>Principal</b>                       | <b>Interest</b> | <b>Total</b>     |
| Year ending June 30: |  |                 |                  |
| 2018                 | \$ 1,330                               | \$ 1,172        | \$ 2,502         |
| 2019                 | 1,395                                  | 1,097           | 2,492            |
| 2020                 | 1,475                                  | 1,018           | 2,493            |
| 2021                 | 1,560                                  | 933             | 2,493            |
| 2022                 | 1,645                                  | 844             | 2,489            |
| 2023 to 2027         | 9,700                                  | 2,705           | 12,405           |
| 2028 to 2029         | 4,675                                  | 263             | 4,938            |
|                      | <u>\$ 21,780</u>                       | <u>\$ 8,032</u> | <u>\$ 29,812</u> |

*Advances and Notes Payable*

At June 30, 2017, the Successor Agency Trust had advances and notes payable in the following amounts:

Advance from Los Angeles County: The maximum annual debt service on Agency indebtedness may not exceed \$1,550,000. Such advances are to be repaid in the fiscal year immediately following the year in which the Agency's annual tax increment allocation exceeds the annual debt service requirement. This advance bears simple interest at the rate of 7.0% per year. At June 30, 2017 the principal balance outstanding is \$12,733,970 and accrued interest is \$891,378.

*Pledged Revenue*

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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

| Description of Pledged Revenue    | Annual Amount of RPTTF Revenue | Debt Service (Annual Principal and Interest) | Debt Service as a Percentage of RPTTF Revenue |
|-----------------------------------|--------------------------------|--|---|
| Successor Agency Revenues (RPTTF) | \$3,351,120                    | \$2,503,635                                  | 75%   |

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

The following is a summary of changes in the Successor Agency Trust’s long-term obligations for the year ended June 30, 2017 (in thousands):

| Trust Activities:            | Balance<br>June 30,<br>2016 | Incurred or<br>Issued | Satisfied or<br>Matured | Balance<br>June 30,<br>2017 | Amounts due<br>within One<br>Year | Amounts Due<br>in more than<br>One Year |
|------------------------------|-----------------------------|-----------------------|-------------------------|-----------------------------|-----------------------------------|---|
| Advances and notes payable:  |                             |                       |                         |                             |                                   |   |
| County of Los Angeles        | \$ 13,625                   | \$ -                  | \$ -                    | \$ 13,625                   | \$ -                              | \$ 13,625                               |
| Tax Allocation Bonds:        |                             |                       |                         |                             |                                   |   |
| Downtown project refunding   | 5,305                       | -                     | 290                     | 5,015                       | 305                               | 4,710                                   |
| Industrial project refunding | 17,735                      | -                     | 970                     | 16,765                      | 1,025                             | 15,740                                  |
|                              | <u>\$ 36,665</u>            | <u>\$ -</u>           | <u>\$ 1,260</u>         | <u>\$ 35,405</u>            | <u>\$ 1,330</u>                   | <u>\$ 34,075</u>                        |
| Total Trust Activities       |                             |                       |                         |                             |                                   |   |

***c) Advances from City – Successor Agency Advances***

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

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

The Successor Agency Trust has an accumulated deficit of \$62,804,648 as of June 30, 2017, which represents the inclusion of long-term advances and bond debt in excess of cash with fiscal agents including related interest.

***e) Prior Period Adjustment – Successor Agency Adjustment***

During the year ended June 30, 2017, the Successor Agency Trust adjusted the beginning fund balance. This was done to report the inclusion of interest from prior fiscal years on a loan from the City to the Former Redevelopment Agency.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2017

|  |                       |
|--|-----------------------|
| Net position, beginning as previously reported | \$(53,928,263)        |
| Adjustment to interest on loan from the City   | <u>(10,406,011)</u>   |
| Net position, beginning as restated            | <u>\$(64,334,274)</u> |

**(22) Subsequent Event**

On October 1, 2017, the City entered into an installment sale agreement to finance the acquisition and installation of improvements to the water system. The agreement matures through May 2032 and bears interest, payable on May 1 and November 1, at a rate of 2.36%.

Other events occurring after June 30, 2017 have been evaluated for possible adjustments to the financial statements or disclosure as of December 20, 2017, which is the date these financial statements were available to be issued.

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# City OF Torrance



Wilson Park

## Required Supplementary Information

❖ DEPARTMENT OF FINANCE ❖





**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2017

**Schedules of Required Supplementary Information**

**1) Pension Plan**

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

**MISCELLANEOUS**

| Fiscal Year  | 2016-17               | 2015-16               | 2014-15               |
|--|-----------------------|-----------------------|-----------------------|
| Measurement Period   | 2015-16               | 2014-15               | 2013-14 *             |
| <b>TOTAL PENSION LIABILITY</b>   |                       |                       |                       |
| Service Cost   | \$ 9,326,290          | \$ 9,144,087          | \$ 9,490,054          |
| Interest   | 40,872,188            | 39,258,518            | 38,027,142            |
| Changes of Benefit Terms   | -                     | -                     | -                     |
| Difference between Expected and Actual Experience  | (2,057,399)           | (7,405,941)           | -                     |
| Changes of Assumptions   | -                     | (9,412,681)           | -                     |
| Benefit Payments, Including Refunds of Employee Contributions  | (25,708,633)          | (24,976,500)          | (23,765,315)          |
| <b>Net Change in Total Pension Liability</b>   | <b>22,432,446</b>     | <b>6,607,483</b>      | <b>23,751,881</b>     |
| <b>Total Pension Liability – Beginning</b>   | <b>544,525,548</b>    | <b>537,918,065</b>    | <b>514,166,184</b>    |
| <b>Total Pension Liability – Ending (a)</b>  | <b>\$ 566,957,994</b> | <b>\$ 544,525,548</b> | <b>\$ 537,918,065</b> |
| <b>PLAN FIDUCIARY NET POSITION</b>   |                       |                       |                       |
| Contributions – Employer   | \$ 10,695,442         | \$ 8,666,613          | \$ 8,663,640          |
| Contributions – Employee   | 4,489,879             | 4,427,144             | 4,631,916             |
| Investment Income  | 2,292,263             | 10,203,028            | 70,021,160            |
| Administrative Expense   | (277,649)             | (512,710)             | (583,338)             |
| Plan to Plan Resource Movement   | (1,138)               | (1,092)               | -                     |
| Benefit Payments, Including Refunds of Employee Contributions  | (25,708,633)          | (24,976,500)          | (23,765,315)          |
| Other Changes in Net Fiduciary Position  | -                     | -                     | -                     |
| <b>Net Change in Fiduciary Net Position</b>  | <b>(8,509,836)</b>    | <b>(2,193,517)</b>    | <b>58,968,063</b>     |
| <b>Plan Fiduciary Net Position – Beginning</b>   | <b>455,574,099</b>    | <b>457,767,616</b>    | <b>398,799,553</b>    |
| <b>Plan Fiduciary Net Position – Ending (b)</b>  | <b>\$ 447,064,263</b> | <b>\$ 455,574,099</b> | <b>\$ 457,767,616</b> |
| <b>Plan Net Pension Liability – Ending (a) - (b)</b>   | <b>\$ 119,893,731</b> | <b>\$ 88,951,449</b>  | <b>\$ 80,150,449</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Covered-Employee Payroll</b> | <b>78.85%</b>         | <b>83.66%</b>         | <b>85.10%</b>         |
| <b>Plan Net Pension Liability as a Percentage of Covered-Employee Payroll</b>                              | <b>169.13%</b>        | <b>128.84%</b>        | <b>120.21%</b>        |

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2017

**SAFETY - POLICE**

| Fiscal Year   | 2016-17               | 2015-16               | 2014-15               |
|---|-----------------------|-----------------------|-----------------------|
| Measurement Period  | 2015-16               | 2014-15               | 2013-14 *             |
| <b>TOTAL PENSION LIABILITY</b>  |                       |                       |                       |
| Service Cost  | \$ 8,469,089          | \$ 8,309,481          | \$ 8,460,366          |
| Interest  | 36,797,609            | 35,673,874            | 34,278,788            |
| Changes of Benefit Terms  | -                     | -                     | -                     |
| Difference between Expected and Actual Experience                                 | (2,637,099)           | 589,439               | -                     |
| Changes of Assumptions  | -                     | (8,606,841)           | -                     |
| Benefit Payments, Including Refunds of Employee Contributions                     | (27,437,806)          | (26,035,590)          | (24,707,746)          |
| <b>Net Change in Total Pension Liability</b>                                      | <b>15,191,793</b>     | <b>9,930,363</b>      | <b>18,031,408</b>     |
| <b>Total Pension Liability – Beginning</b>  | <b>493,135,953</b>    | <b>483,205,590</b>    | <b>465,174,182</b>    |
| <b>Total Pension Liability – Ending (a)</b>                                       | <b>\$ 508,327,746</b> | <b>\$ 493,135,953</b> | <b>\$ 483,205,590</b> |
| <b>PLAN FIDUCIARY NET POSITION</b>  |                       |                       |                       |
| Contributions – Employer  | \$ 15,412,320         | \$ 13,719,737         | \$ 12,985,781         |
| Contributions – Employee  | 2,841,688             | 2,724,184             | 3,740,084             |
| Investment Income   | 1,582,749             | 7,263,861             | 50,235,622            |
| Administrative Expense  | (196,022)             | (361,983)             | (416,670)             |
| Plan to Plan Resource Movement  | 404                   | 1,092                 | -                     |
| Benefit Payments, Including Refunds of Employee Contributions                     | (27,437,806)          | (26,035,590)          | (24,707,746)          |
| Other Changes in Net Fiduciary Position   | -                     | -                     | -                     |
| <b>Net Change in Fiduciary Net Position</b>                                       | <b>(7,796,667)</b>    | <b>(2,688,699)</b>    | <b>41,837,071</b>     |
| <b>Plan Fiduciary Net Position – Beginning</b>                                    | <b>321,639,282</b>    | <b>324,327,981</b>    | <b>282,490,910</b>    |
| <b>Plan Fiduciary Net Position – Ending (b)</b>                                   | <b>\$ 313,842,615</b> | <b>\$ 321,639,282</b> | <b>\$ 324,327,981</b> |
| <b>Plan Net Pension Liability – Ending (a) - (b)</b>                              | <b>\$ 194,485,131</b> | <b>\$ 171,496,671</b> | <b>\$ 158,877,609</b> |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <b>61.74%</b>         | <b>65.22%</b>         | <b>67.12%</b>         |
| <b>Covered-Employee Payroll</b>   | <b>\$ 34,532,099</b>  | <b>\$ 33,611,327</b>  | <b>\$ 32,875,017</b>  |
| <b>Plan Net Pension Liability as a Percentage of Covered-Employee Payroll</b>     | <b>563.20%</b>        | <b>510.23%</b>        | <b>483.28%</b>        |

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2017

**SAFETY - FIRE**

| Fiscal Year   | 2016-17               | 2015-16               | 2014-15               |
|---|-----------------------|-----------------------|-----------------------|
| Measurement Period  | 2015-16               | 2014-15               | 2013-14 *             |
| <b>TOTAL PENSION LIABILITY</b>  |                       |                       |                       |
| Service Cost  | \$ 4,792,460          | \$ 4,548,904          | \$ 4,835,576          |
| Interest  | 23,824,477            | 23,092,358            | 22,588,535            |
| Changes of Benefit Terms  | -                     | -                     | -                     |
| Difference between Expected and Actual Experience                                 | (643,989)             | (4,479,829)           | -                     |
| Changes of Assumptions  | -                     | (5,267,980)           | -                     |
| Benefit Payments, Including Refunds of Employee Contributions                     | (17,603,550)          | (17,494,135)          | (16,210,971)          |
| <b>Net Change in Total Pension Liability</b>                                      | <b>10,369,398</b>     | <b>399,318</b>        | <b>11,213,140</b>     |
| <b>Total Pension Liability – Beginning</b>  | <b>318,480,619</b>    | <b>318,081,301</b>    | <b>306,868,161</b>    |
| <b>Total Pension Liability – Ending (a)</b>                                       | <b>\$ 328,850,017</b> | <b>\$ 318,480,619</b> | <b>\$ 318,081,301</b> |
| <b>PLAN FIDUCIARY NET POSITION</b>  |                       |                       |                       |
| Contributions – Employer  | \$ 9,381,268          | \$ 7,929,158          | \$ 7,969,925          |
| Contributions – Employee  | 1,645,230             | 1,582,829             | 1,677,069             |
| Investment Income   | 1,103,442             | 4,937,128             | 34,621,145            |
| Administrative Expense  | (134,400)             | (248,172)             | (277,780)             |
| Plan to Plan Resource Movement  | 735                   | 13,412                | -                     |
| Benefit Payments, Including Refunds of Employee Contributions                     | (17,603,550)          | (17,494,135)          | (16,210,971)          |
| Other Changes in Net Fiduciary Position   | -                     | -                     | -                     |
| <b>Net Change in Fiduciary Net Position</b>                                       | <b>(5,607,275)</b>    | <b>(3,279,780)</b>    | <b>27,779,388</b>     |
| <b>Plan Fiduciary Net Position – Beginning</b>                                    | <b>220,526,939</b>    | <b>223,806,719</b>    | <b>196,027,331</b>    |
| <b>Plan Fiduciary Net Position – Ending (b)</b>                                   | <b>\$ 214,919,664</b> | <b>\$ 220,526,939</b> | <b>\$ 223,806,719</b> |
| <b>Plan Net Pension Liability – Ending (a) - (b)</b>                              | <b>\$ 113,930,353</b> | <b>\$ 97,953,680</b>  | <b>\$ 94,274,582</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <b>65.35%</b>         | <b>69.24%</b>         | <b>70.36%</b>         |
| <b>Covered-Employee Payroll</b>   | <b>\$ 23,651,743</b>  | <b>\$ 22,790,050</b>  | <b>\$ 22,209,834</b>  |
| <b>Plan Net Pension Liability as a Percentage of Covered-Employee Payroll</b>     | <b>481.70%</b>        | <b>429.81%</b>        | <b>424.47%</b>        |

Notes to Schedule:

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

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016 – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017 – There were no changes in assumptions.

\* Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only three fiscal years are shown.

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2017

***Schedule of Plan Contributions***

| <b>Miscellaneous</b>   | <b>2016-17</b> | <b>2015-16</b> | <b>2014-15 *</b> |
|--|----------------|----------------|------------------|
| Actuarially Determined Contribution                                  | \$ 10,408,505  | \$ 9,699,067   | \$ 8,658,540     |
| Contributions in Relation to the Actuarially Determined Contribution | (10,408,505)   | (9,699,067)    | (8,658,540)      |
| Contribution Deficiency (Excess)                                     | \$ -           | \$ -           | \$ -             |

|   |               |               |               |
|---|---------------|---------------|---------------|
| Covered-Employee Payroll                                  | \$ 72,998,617 | \$ 70,886,923 | \$ 69,039,875 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.26%        | 13.68%        | 12.54%        |

| <b>Safety - Police</b>   | <b>2016-17</b> | <b>2015-16</b> | <b>2014-15 *</b> |
|--|----------------|----------------|------------------|
| Actuarially Determined Contribution                                  | \$ 15,640,401  | \$ 14,412,320  | \$ 13,719,737    |
| Contributions in Relation to the Actuarially Determined Contribution | (15,640,401)   | (14,412,320)   | (13,719,737)     |
| Contribution Deficiency (Excess)                                     | \$ -           | \$ -           | \$ -             |

|   |               |               |               |
|---|---------------|---------------|---------------|
| Covered-Employee Payroll                                  | \$ 35,008,338 | \$ 34,532,099 | \$ 33,611,327 |
| Contributions as a Percentage of Covered-Employee Payroll | 44.68%        | 41.74%        | 40.82%        |

| <b>Safety - Fire</b>   | <b>2016-17</b> | <b>2015-16</b> | <b>2014-15 *</b> |
|--|----------------|----------------|------------------|
| Actuarially Determined Contribution                                  | \$ 8,711,092   | \$ 8,381,268   | \$ 7,929,158     |
| Contributions in Relation to the Actuarially Determined Contribution | (8,711,092)    | (8,381,268)    | (7,929,158)      |
| Contribution Deficiency (Excess)                                     | \$ -           | \$ -           | \$ -             |

|   |               |               |               |
|---|---------------|---------------|---------------|
| Covered-Employee Payroll                                  | \$ 24,462,329 | \$ 23,651,743 | \$ 22,790,050 |
| Contributions as a Percentage of Covered-Employee Payroll | 35.61%        | 35.44%        | 34.79%        |

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2017

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

|                            |   |
|----------------------------|---|
| Actuarial Cost Method      | Entry Age Normal  |
| Amortization Method/Period | For details, see June 30, 2013 Funding Valuation Report   |
| Asset Valuation Method     | Market Value of Assets. For details, see June 30, 2013 Funding Valuation Report.  |
| Inflation                  | 2.75%   |
| Payroll Growth             | 3.00%   |
| Investment Rate of Return  | 7.50% Net of Pension Plan Investment and Admin Expenses, including Inflation.   |
| Retirement Age             | The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.  |
| Mortality                  | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

\* Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only three fiscal years are shown.

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2017

**2) PARS Enhanced Retirement Defined Benefit Pension Plan**

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

| Fiscal Year  | 2016-17       | 2015-16       | 2014-15       |
|--|---------------|---------------|---------------|
| Measurement Period   | 2015-16       | 2014-15       | 2013-14 *     |
| <b>TOTAL PENSION LIABILITY</b>   |               |               |               |
| Service Cost   | \$ 504,000    | \$ 504,000    | \$ 557,000    |
| Interest   | 1,664,000     | 1,581,000     | 1,499,000     |
| Changes of Benefit Terms   | -             | -             | -             |
| Difference between Expected and Actual Experience                          | -             | (772,000)     | -             |
| Changes of Assumptions   | -             | 821,000       | -             |
| Benefit Payments, Including Refunds  | (844,000)     | (756,000)     | (673,000)     |
| Net Change in Total Pension Liability                                      | 1,324,000     | 1,378,000     | 1,383,000     |
| Total Pension Liability – Beginning  | 26,525,000    | 25,147,000    | 23,764,000    |
| Total Pension Liability – Ending (a)                                       | \$ 27,849,000 | \$ 26,525,000 | \$ 25,147,000 |
| <b>PLAN FIDUCIARY NET POSITION</b>   |               |               |               |
| Contributions – Employer   | \$ 1,349,000  | \$ 1,347,000  | \$ 1,302,000  |
| Contributions – Employee   | -             | -             | -             |
| Investment Income  | 77,000        | 235,000       | 1,139,000     |
| Administrative Expense   | (48,000)      | (28,000)      | (45,000)      |
| Benefit Payments, Including Refunds  | (844,000)     | (756,000)     | (673,000)     |
| Other Changes in Net Fiduciary Position                                    | -             | -             | -             |
| Net Change in Fiduciary Net Position                                       | 534,000       | 798,000       | 1,723,000     |
| Plan Fiduciary Net Position – Beginning                                    | 10,904,000    | 10,106,000    | 8,383,000     |
| Plan Fiduciary Net Position – Ending (b)                                   | \$ 11,438,000 | \$ 10,904,000 | \$ 10,106,000 |
| Plan Net Pension Liability – Ending (a) - (b)                              | \$ 16,411,000 | \$ 15,621,000 | \$ 15,041,000 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 41.1%         | 41.1%         | 40.2%         |
| Covered-Employee Payroll   | \$ 14,409,690 | \$ 15,372,000 | \$ 15,758,000 |
| Plan Net Pension Liability as a Percentage of Covered-Employee Payroll     | 113.9%        | 101.6%        | 95.4%         |

Notes to Schedule:

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

Changes of Assumptions – The CalPERS experience study was changed from 1997-2007 to 2007-2011 and the mortality improvement projection was changed from scale AA to MP-14 in fiscal year 2014-15.

\* Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only two fiscal years are shown.

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2017

***Schedule of Plan Contributions***

|   | <b>Fiscal Year<br/>2016-17</b> | <b>Fiscal Year<br/>2015-16</b> | <b>Fiscal Year<br/>2014-15 *</b> |
|---|--------------------------------|--------------------------------|----------------------------------|
| Actuarially Determined Contribution                                     | \$ 1,522,134                   | \$ 1,348,502                   | \$ 1,347,000                     |
| Contributions in Relation to the Actuarially<br>Determined Contribution | (1,522,134)                    | (1,348,502)                    | (1,347,000)                      |
| Contribution Deficiency (Excess)  | \$ -                           | \$ -                           | \$ -                             |
| <br>  |                                |                                |                                  |
| Covered-Employee Payroll  | \$ 13,423,893                  | \$ 14,409,690                  | \$ 15,372,000                    |
| Contributions as a Percentage of Covered-Employee<br>Payroll            | 11.3%                          | 9.4%                           | 8.8%                             |

Notes to Schedule:

Methods and assumptions used to determine contribution rates -

|                           |  |
|---------------------------|--|
| Valuation Date            | June 30, 2015  |
| Actuarial Cost Method     | Entry Age Normal   |
| Amortization Method       | 6.02% minus normal cost  |
| Amortization Period       | 18 years   |
| Asset Valuation Method    | Investment gains and losses over 5 year period, not less than 80% nor more than 120% of market value |
| Inflation                 | 3.0%   |
| Cost of Living Adjustment | 2.0%   |
| Investment Rate of Return | 6.25%  |
| Retirement Age            | CalPERS 1997-2011 Experience Study   |
| Mortality                 | CalPERS 1997-2011 Experience Study   |

\* Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only three fiscal years are shown.

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2017

**3) Other Post Employment Benefits**

*Schedule of Plan Contributions*

|   | <b>Fiscal Year<br/>2016-17</b> | <b>Fiscal Year<br/>2015-16</b> | <b>Fiscal Year<br/>2014-15</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| Actuarially Determined Contribution                                     | \$ 5,908,000                   | \$ 6,016,000                   | \$ 6,333,000                   |
| Contributions in Relation to the Actuarially<br>Determined Contribution | (9,504,000)                    | (10,503,000)                   | (2,442,000)                    |
| Contribution Deficiency (Excess)  | <u>\$ (3,596,000)</u>          | <u>\$ (4,487,000)</u>          | <u>\$ 3,891,000</u>            |
| <br>  |                                |                                |                                |
| Covered-Employee Payroll  | \$ 112,402,000                 | \$ 108,864,000                 | \$ 108,530,000                 |
| Contributions as a Percentage of Covered-Employee<br>Payroll            | 8.5%                           | 9.6%                           | 2.3%                           |

Notes to Schedule:

Methods and assumptions used to determine contribution rates -

|                            |                                    |
|----------------------------|------------------------------------|
| Valuation Date             | June 30, 2015                      |
| Actuarial Cost Method      | Entry Age Normal                   |
| Amortization Method        | Valuation Fresh Start              |
| Amortization Period        | 22 years                           |
| Asset Valuation Method     | None                               |
| Inflation                  | 3.0%                               |
| Aggregate Payroll Increase | 3.25%                              |
| Retirement Age             | CalPERS 1997-2011 Experience Study |
| Mortality                  | CalPERS 1997-2011 Experience Study |



# City OF Torrance



Armed Forces Day Parade

## Combining Financial Statements and Schedules



# City OF Torrance



Stanley Remelmeyer Cable Building

Non-Major  
Governmental Funds

## Non-Major Governmental Funds

❖ DEPARTMENT OF FINANCE ❖



**CITY OF TORRANCE, CALIFORNIA**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

| <b>Assets</b>                                   | <b>Special<br/>Revenue<br/>Funds</b> | <b>Capital<br/>Project<br/>Funds</b> | <b>Debt<br/>Service<br/>Funds</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---|--------------------------------------|--------------------------------------|-----------------------------------|--|
| Pooled cash and investments                     | \$ 37,814,789                        | \$ 18,720,817                        | \$ -                              | \$ 56,535,606  |
| Cash and cash equivalents<br>with fiscal agents | -                                    | 5,476,819                            | 2,449,604                         | 7,926,423  |
| Accounts receivable                             | 3,304,504                            | -                                    | -                                 | 3,304,504  |
| Accrued interest receivable                     | 45,293                               | -                                    | -                                 | 45,293   |
| Due from successor agency                       | 31,942                               | -                                    | -                                 | 31,942   |
| Due from other governments                      | 437,329                              | -                                    | -                                 | 437,329  |
| Advance to successor agency                     | 634,579                              | -                                    | -                                 | 634,579  |
| Interfund advances receivable                   | 600,000                              | -                                    | -                                 | 600,000  |
| Notes receivable                                | 59,055                               | -                                    | -                                 | 59,055   |
|   | <hr/>                                | <hr/>                                | <hr/>                             | <hr/>  |
| Total Assets                                    | \$ 42,927,491                        | \$ 24,197,636                        | \$ 2,449,604                      | \$ 69,574,731  |
|   | <hr/>                                | <hr/>                                | <hr/>                             | <hr/>  |
| <b>Liabilities and Fund Balances</b>            |                                      |                                      |                                   |  |
| Liabilities:                                    |                                      |                                      |                                   |  |
| Accounts payable                                | \$ 1,313,128                         | \$ 800,256                           | \$ -                              | \$ 2,113,384   |
| Accounts payable-contract retention             | 77,893                               | 49,683                               | -                                 | 127,576  |
| Accrued liabilities                             | 135,044                              | 302,493                              | -                                 | 437,537  |
| Due to other funds                              | 1,938,459                            | -                                    | -                                 | 1,938,459  |
| Due to other governments                        | 12                                   | -                                    | -                                 | 12   |
| Unearned revenue                                | 27,841                               | -                                    | -                                 | 27,841   |
| Deposits and guarantees                         | 1,156,148                            | 158,056                              | -                                 | 1,314,204  |
|   | <hr/>                                | <hr/>                                | <hr/>                             | <hr/>  |
| Total Liabilities                               | 4,648,525                            | 1,310,488                            | -                                 | 5,959,013  |
|   | <hr/>                                | <hr/>                                | <hr/>                             | <hr/>  |
| Fund Balances:                                  |                                      |                                      |                                   |  |
| Restricted for:                                 |                                      |                                      |                                   |  |
| Public safety                                   | 3,561,446                            | -                                    | -                                 | 3,561,446  |
| Public works                                    | 29,347,468                           | -                                    | -                                 | 29,347,468   |
| Culture and recreation                          | 2,199,777                            | -                                    | -                                 | 2,199,777  |
| Community development                           | 3,170,275                            | -                                    | -                                 | 3,170,275  |
| Debt service                                    | -                                    | -                                    | 2,449,604                         | 2,449,604  |
| Assigned to:                                    |                                      |                                      |                                   |  |
| Capital projects                                | -                                    | 22,887,148                           | -                                 | 22,887,148   |
| Unassigned                                      | -                                    | -                                    | -                                 | -  |
|   | <hr/>                                | <hr/>                                | <hr/>                             | <hr/>  |
| Total Fund Balances                             | 38,278,966                           | 22,887,148                           | 2,449,604                         | 63,615,718   |
|   | <hr/>                                | <hr/>                                | <hr/>                             | <hr/>  |
| Total Liabilities and Fund Balances             | \$ 42,927,491                        | \$ 24,197,636                        | \$ 2,449,604                      | \$ 69,574,731  |
|   | <hr/>                                | <hr/>                                | <hr/>                             | <hr/>  |

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2017

|  | <b>Special<br/>Revenue<br/>Funds</b> | <b>Capital<br/>Project<br/>Funds</b> | <b>Debt<br/>Service<br/>Funds</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Fund</b> |
|--|--------------------------------------|--------------------------------------|-----------------------------------|---|
| <b>Revenues:</b>   |                                      |                                      |                                   |   |
| Taxes  | \$ 1,301,373                         | \$ -                                 | \$ -                              | \$ 1,301,373  |
| Licenses, fees and permits   | 1,046,427                            | -                                    | -                                 | 1,046,427   |
| Fines, forfeitures and penalties                                     | 382,226                              | -                                    | -                                 | 382,226   |
| Use of money and property  | 603,879                              | 14,535                               | 3,646,947                         | 4,265,361   |
| Intergovernmental  | 22,621,371                           | -                                    | -                                 | 22,621,371  |
| Other revenues   | 205,798                              | 9,800                                | -                                 | 215,598   |
| <b>Total revenues</b>  | <b>26,161,074</b>                    | <b>24,335</b>                        | <b>3,646,947</b>                  | <b>29,832,356</b>                                   |
| <b>Expenditures:</b>   |                                      |                                      |                                   |   |
| General government   | -                                    | 1,223,837                            | -                                 | 1,223,837   |
| Public safety  | 1,126,954                            | 2,034,735                            | -                                 | 3,161,689   |
| Public works   | 17,481,892                           | 1,640,814                            | -                                 | 19,122,706  |
| Culture and recreation   | 595,845                              | 232,698                              | -                                 | 828,543   |
| Community development  | 6,686,455                            | 63,540                               | -                                 | 6,749,995   |
| <b>Debt service:</b>   |                                      |                                      |                                   |   |
| Principal retirement   | -                                    | -                                    | 1,165,000                         | 1,165,000   |
| Interest and fiscal charges  | -                                    | -                                    | 2,522,276                         | 2,522,276   |
| Bond issuance costs  | -                                    | -                                    | 369,057                           | 369,057   |
| Payment to refunded bond escrow agent                                | -                                    | -                                    | 1,251,320                         | 1,251,320   |
| <b>Total expenditures</b>  | <b>25,891,146</b>                    | <b>5,195,624</b>                     | <b>5,307,653</b>                  | <b>36,394,423</b>                                   |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>269,928</b>                       | <b>(5,171,289)</b>                   | <b>(1,660,706)</b>                | <b>(6,562,067)</b>                                  |
| <b>Other financing sources (uses):</b>                               |                                      |                                      |                                   |   |
| Transfers in   | 1,831,386                            | 9,638,143                            | -                                 | 11,469,529  |
| Transfers out  | (4,001,919)                          | (652,722)                            | (6,115,006)                       | (10,769,647)  |
| Payment to refunded bond escrow agent                                | -                                    | -                                    | (17,378,041)                      | (17,378,041)  |
| Refunding bond proceeds  | -                                    | -                                    | 22,135,000                        | 22,135,000  |
| Premium on refunding bonds   | -                                    | -                                    | 1,727,100                         | 1,727,100   |
| <b>Total other financing sources (uses)</b>                          | <b>(2,170,533)</b>                   | <b>8,985,421</b>                     | <b>369,053</b>                    | <b>7,183,941</b>                                    |
| <b>Net change in fund balances</b>                                   | <b>(1,900,605)</b>                   | <b>3,814,132</b>                     | <b>(1,291,653)</b>                | <b>621,874</b>                                      |
| Fund balances, July 1, 2016  | 40,179,571                           | 19,073,016                           | \$ 3,741,257                      | 62,993,844  |
| Fund balances, June 30, 2017   | <u>\$ 38,278,966</u>                 | <u>\$ 22,887,148</u>                 | <u>\$ 2,449,604</u>               | <u>\$ 63,615,718</u>                                |

# City OF Torrance



Torrance Cultural Arts Center

## Non-Major Special Revenue Funds

Non-Major  
Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

The LOW MOD HOUSING FUND is used to account for the revenues and expenditures in connection with developing and managing affordable housing for low, very low and extreme low income households.

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

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

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

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

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

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

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

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

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

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

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

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





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**CITY OF TORRANCE, CALIFORNIA**

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2017

| <b>Assets</b>                                  | <b>Parks and<br/>Recreation<br/>Facilities<br/>Fund</b> | <b>Rental<br/>Assistance<br/>Program<br/>Fund</b> | <b>Seismic<br/>Education<br/>Fund</b> | <b>Street Lighting<br/>District<br/>Assessment<br/>Fund</b> | <b>Drainage<br/>Improvement<br/>Fund</b> |
|--|---|---|---------------------------------------|---|--|
| Pooled cash and investments                    | \$ 335,866  | \$ 484,651  | \$ 139,631                            | \$ 162,118  | \$ 19,444                                |
| Accounts receivable                            | -   | -   | -                                     | -   | -  |
| Accrued interest receivable                    | 526   | -   | 219                                   | -   | -  |
| Due from successor agency                      | -   | -   | -                                     | -   | -  |
| Due from other governments                     | -   | -   | -                                     | 17,597  | -  |
| Advance to successor agency                    | -   | -   | -                                     | -   | -  |
| Interfund advances receivable                  | 600,000   | -   | -                                     | -   | -  |
| Notes receivable                               | -   | -   | -                                     | -   | -  |
| <b>Total assets</b>                            | <b>\$ 936,392</b>                                       | <b>\$ 484,651</b>                                 | <b>\$ 139,850</b>                     | <b>\$ 179,715</b>   | <b>\$ 19,444</b>                         |
| <b>Liabilities and Fund Balances</b>           |   |   |                                       |   |  |
| <b>Liabilities:</b>                            |   |   |                                       |   |  |
| Accounts payable                               | \$ 28,997   | \$ 1  | \$ 90,190                             | \$ 135,148  | \$ -                                     |
| Accounts payable – contract retention          | 7,236   | -   | -                                     | -   | -  |
| Accrued liabilities                            | 24,294  | 3,862   | -                                     | 12,567  | -  |
| Due to other funds                             | -   | -   | -                                     | -   | -  |
| Due to other governments                       | -   | 12  | -                                     | -   | -  |
| Unearned revenue                               | -   | -   | -                                     | -   | -  |
| Deposits and guarantees                        | -   | -   | -                                     | -   | -  |
| <b>Total liabilities</b>                       | <b>60,527</b>   | <b>3,875</b>                                      | <b>90,190</b>                         | <b>147,715</b>  | <b>-</b>                                 |
| <b>Fund balances:</b>                          |   |   |                                       |   |  |
| <b>Restricted for:</b>                         |   |   |                                       |   |  |
| Public safety                                  | -   | -   | -                                     | -   | -  |
| Public works                                   | -   | -   | 49,660                                | 32,000  | 19,444                                   |
| Culture and recreation                         | 875,865   | -   | -                                     | -   | -  |
| Community development                          | -   | 480,776   | -                                     | -   | -  |
| <b>Total fund balances</b>                     | <b>875,865</b>  | <b>480,776</b>                                    | <b>49,660</b>                         | <b>32,000</b>   | <b>19,444</b>                            |
| <b>Total liabilities and fund<br/>balances</b> | <b>\$ 936,392</b>                                       | <b>\$ 484,651</b>                                 | <b>\$ 139,850</b>                     | <b>\$ 179,715</b>   | <b>\$ 19,444</b>                         |

| <b>Parks,<br/>Rehabilitation<br/>and Open Space<br/>Fund</b> | <b>Proposition A<br/>Fund</b> | <b>Proposition C<br/>Fund</b> | <b>Measure R<br/>Local Return<br/>and Highway<br/>Fund</b> | <b>Vanpool<br/>Rideshare<br/>Fund</b> | <b>Bicycle<br/>Transporation<br/>Fund</b> | <b>Animal<br/>Control Fund</b> | <b>Low Mod<br/>Housing Fund</b> |
|--|-------------------------------|-------------------------------|--|---------------------------------------|---|--------------------------------|---------------------------------|
| \$ 1,337,563   | \$ 1,528,042                  | \$ 5,458,709                  | \$ 3,911,145   | \$ 601                                | \$ -                                      | \$ 16,689                      | \$ 1,155,654                    |
| -  | -                             | -                             | 1,449,879  | -                                     | -   | -                              | -                               |
| 2,094  | 2,392                         | 8,545                         | 7,898  | -                                     | -   | -                              | 31,942                          |
| -  | -                             | -                             | -  | -                                     | -   | -                              | -                               |
| -  | -                             | -                             | -  | -                                     | -   | -                              | 634,579                         |
| -  | -                             | -                             | -  | -                                     | -   | -                              | -                               |
| <u>\$ 1,339,657</u>  | <u>\$ 1,530,434</u>           | <u>\$ 5,467,254</u>           | <u>\$ 5,368,922</u>  | <u>\$ 601</u>                         | <u>\$ -</u>                               | <u>\$ 16,689</u>               | <u>\$ 1,822,175</u>             |
| \$ 4,995   | \$ -                          | \$ 195,718                    | \$ 81,951  | \$ -                                  | \$ -                                      | \$ 7,054                       | \$ 733                          |
| 10,750   | -                             | 10,301                        | -  | -                                     | -   | -                              | -                               |
| -  | -                             | 131                           | 20,901   | 601                                   | -   | 7,420                          | 411                             |
| -  | -                             | -                             | 225,000  | -                                     | -   | -                              | -                               |
| -  | -                             | -                             | -  | -                                     | -   | -                              | -                               |
| -  | -                             | -                             | -  | -                                     | -   | -                              | -                               |
| <u>15,745</u>  | <u>-</u>                      | <u>206,150</u>                | <u>327,852</u>   | <u>601</u>                            | <u>-</u>                                  | <u>14,474</u>                  | <u>1,144</u>                    |
| -  | -                             | -                             | -  | -                                     | -   | 2,215                          | -                               |
| -  | 1,530,434                     | 5,261,104                     | 5,041,070  | -                                     | -   | -                              | -                               |
| 1,323,912  | -                             | -                             | -  | -                                     | -   | -                              | -                               |
| -  | -                             | -                             | -  | -                                     | -   | -                              | 1,821,031                       |
| <u>1,323,912</u>   | <u>1,530,434</u>              | <u>5,261,104</u>              | <u>5,041,070</u>   | <u>-</u>                              | <u>-</u>                                  | <u>2,215</u>                   | <u>1,821,031</u>                |
| <u>\$ 1,339,657</u>  | <u>\$ 1,530,434</u>           | <u>\$ 5,467,254</u>           | <u>\$ 5,368,922</u>  | <u>\$ 601</u>                         | <u>\$ -</u>                               | <u>\$ 16,689</u>               | <u>\$ 1,822,175</u>             |

(continued)

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

|  | <b>Development<br/>Impact Fund</b> | <b>Geologic<br/>Hazard<br/>Abatement<br/>Fund</b> | <b>State Gas<br/>Tax Street<br/>Improvement<br/>Fund</b> | <b>Air Quality<br/>Management<br/>District<br/>Fund</b> | <b>Meadow Park<br/>Parking Lot<br/>District<br/>Fund</b> |
|--|------------------------------------|---|--|---|--|
| <b>Assets</b>                          |                                    |   |  |   |  |
| Pooled cash and investments            | \$ 1,950,632                       | \$ 14,317   | \$ 14,730,353  | \$ 265,777  | \$ 114,352   |
| Accounts receivable                    | -                                  | -   | -  | -   | 4,401  |
| Accrued interest receivable            | -                                  | -   | 23,057   | 416   | -  |
| Due from successor agency              | -                                  | -   | -  | -   | -  |
| Due from other governments             | -                                  | -   | -  | 47,775  | -  |
| Advance to successor agency            | -                                  | -   | -  | -   | -  |
| Interfund advances receivable          | -                                  | -   | -  | -   | -  |
| Notes receivable                       | -                                  | -   | -  | -   | -  |
|  | <u>1,950,632</u>                   | <u>14,317</u>                                     | <u>14,753,410</u>  | <u>313,968</u>  | <u>118,753</u>   |
| Total assets                           | <u>\$ 1,950,632</u>                | <u>\$ 14,317</u>                                  | <u>\$ 14,753,410</u>                                     | <u>\$ 313,968</u>                                       | <u>\$ 118,753</u>  |
| <b>Liabilities and Fund Balances</b>   |                                    |   |  |   |  |
| Liabilities:                           |                                    |   |  |   |  |
| Accounts payable                       | \$ 114,646                         | \$ -  | \$ 102,535   | \$ 6,810  | \$ -   |
| Accounts payable – contract retention  | 5,466                              | -   | 7,765  | -   | -  |
| Accrued liabilities                    | 3,454                              | -   | 36,917   | 422   | -  |
| Due to other funds                     | -                                  | -   | -  | -   | -  |
| Due to other governments               | -                                  | -   | -  | -   | -  |
| Unearned revenue                       | -                                  | -   | -  | -   | 27,841   |
| Deposits and guarantees                | 1,155,149                          | -   | -  | -   | -  |
|  | <u>1,278,715</u>                   | <u>-</u>  | <u>147,217</u>   | <u>7,232</u>  | <u>27,841</u>  |
| Total liabilities                      | <u>1,278,715</u>                   | <u>-</u>  | <u>147,217</u>   | <u>7,232</u>  | <u>27,841</u>  |
| Fund balances:                         |                                    |   |  |   |  |
| Restricted for:                        |                                    |   |  |   |  |
| Public safety                          | -                                  | -   | -  | -   | -  |
| Public works                           | 671,917                            | 14,317  | 14,606,193   | 306,736   | -  |
| Culture and recreation                 | -                                  | -   | -  | -   | -  |
| Community development                  | -                                  | -   | -  | -   | 90,912   |
|  | <u>671,917</u>                     | <u>14,317</u>                                     | <u>14,606,193</u>  | <u>306,736</u>  | <u>90,912</u>  |
| Total fund balances                    | <u>671,917</u>                     | <u>14,317</u>                                     | <u>14,606,193</u>  | <u>306,736</u>  | <u>90,912</u>  |
| Total liabilities and fund<br>balances | <u>\$ 1,950,632</u>                | <u>\$ 14,317</u>                                  | <u>\$ 14,753,410</u>                                     | <u>\$ 313,968</u>                                       | <u>\$ 118,753</u>  |

| Police<br>Inmate<br>Welfare<br>Fund | Grants and<br>Donations<br>Fund | Community<br>Development<br>Block Grant<br>Fund | Federal<br>Housing and<br>Rehabilitation<br>Fund | Asset<br>Forfeiture<br>Fund | Proposition<br>1B<br>Fund | DNA<br>Sampling<br>Fund | Total<br>Nonmajor<br>Special Revenue<br>Fund |
|-------------------------------------|---------------------------------|---|--|-----------------------------|---------------------------|-------------------------|--|
| \$ 66,871                           | \$ 1,838,603                    | \$ -  | \$ 718,501                                       | \$ 3,492,169                | \$ 38,143                 | \$ 34,958               | \$ 37,814,789                                |
| -                                   | 1,652,968                       | 95,931  | -  | 101,325                     | -                         | -                       | 3,304,504                                    |
| 104                                 | 42                              | -   | -  | -                           | -                         | -                       | 45,293                                       |
| -                                   | -                               | -   | -  | -                           | -                         | -                       | 31,942                                       |
| -                                   | 369,887                         | -   | -  | -                           | -                         | 2,070                   | 437,329                                      |
| -                                   | -                               | -   | -  | -                           | -                         | -                       | 634,579                                      |
| -                                   | -                               | -   | -  | -                           | -                         | -                       | 600,000                                      |
| -                                   | -                               | -   | 59,055   | -                           | -                         | -                       | 59,055                                       |
| <u>\$ 66,975</u>                    | <u>\$ 3,861,500</u>             | <u>\$ 95,931</u>                                | <u>\$ 777,556</u>                                | <u>\$ 3,593,494</u>         | <u>\$ 38,143</u>          | <u>\$ 37,028</u>        | <u>\$ 42,927,491</u>                         |
| \$ -                                | \$ 406,084                      | \$ -  | \$ -   | \$ 138,266                  | \$ -                      | \$ -                    | \$ 1,313,128                                 |
| -                                   | 19,309                          | 17,066  | -  | -                           | -                         | -                       | 77,893                                       |
| -                                   | 24,064                          | -   | -  | -                           | -                         | -                       | 135,044                                      |
| -                                   | 1,634,594                       | 78,865  | -  | -                           | -                         | -                       | 1,938,459                                    |
| -                                   | -                               | -   | -  | -                           | -                         | -                       | 12   |
| -                                   | -                               | -   | -  | -                           | -                         | -                       | 27,841                                       |
| -                                   | 999                             | -   | -  | -                           | -                         | -                       | 1,156,148                                    |
| -                                   | <u>2,085,050</u>                | <u>95,931</u>                                   | <u>-</u>   | <u>138,266</u>              | <u>-</u>                  | <u>-</u>                | <u>4,648,525</u>                             |
| 66,975                              | -                               | -   | -  | 3,455,228                   | -                         | 37,028                  | 3,561,446                                    |
| -                                   | 1,776,450                       | -   | -  | -                           | 38,143                    | -                       | 29,347,468                                   |
| -                                   | -                               | -   | -  | -                           | -                         | -                       | 2,199,777                                    |
| -                                   | -                               | -   | 777,556  | -                           | -                         | -                       | 3,170,275                                    |
| <u>66,975</u>                       | <u>1,776,450</u>                | <u>-</u>  | <u>777,556</u>                                   | <u>3,455,228</u>            | <u>38,143</u>             | <u>37,028</u>           | <u>38,278,966</u>                            |
| <u>\$ 66,975</u>                    | <u>\$ 3,861,500</u>             | <u>\$ 95,931</u>                                | <u>\$ 777,556</u>                                | <u>\$ 3,593,494</u>         | <u>\$ 38,143</u>          | <u>\$ 37,028</u>        | <u>\$ 42,927,491</u>                         |

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year ended June 30, 2017

|  | <b>Parks and<br/>Recreation<br/>Facilities<br/>Fund</b> | <b>Rental<br/>Assistance<br/>Program<br/>Fund</b> | <b>Seismic<br/>Education<br/>Fund</b> | <b>Street Lighting<br/>District<br/>Assessment<br/>Fund</b> | <b>Drainage<br/>Improvement<br/>Fund</b> |
|--|---|---|---------------------------------------|---|--|
| Revenues:  |   |   |                                       |   |  |
| Taxes  | \$ -  | \$ -  | \$ -                                  | \$ 1,301,373  | \$ -                                     |
| Licenses, fees and permits                                   | 17,600  | -   | -                                     | -   | -  |
| Fines, forfeitures and penalties                             | -   | -   | -                                     | -   | -  |
| Revenue from use of money and property                       | 4,841   | 6,098   | 1,641                                 | -   | -  |
| Revenue from other intergovernmental agencies                | -   | 6,483,410   | -                                     | -   | -  |
| Other revenues   | -   | 8,583   | 1,932                                 | -   | -  |
| Total revenues   | <u>22,441</u>   | <u>6,498,091</u>                                  | <u>3,573</u>                          | <u>1,301,373</u>  | <u>-</u>                                 |
| Expenditures:  |   |   |                                       |   |  |
| Public safety  | -   | -   | -                                     | -   | -  |
| Public works   | -   | -   | -                                     | 2,813,836   | -  |
| Culture and recreation                                       | 191,495   | -   | -                                     | -   | -  |
| Community development  | -   | 6,367,228   | -                                     | -   | -  |
| Total expenditures   | <u>191,495</u>  | <u>6,367,228</u>                                  | <u>-</u>                              | <u>2,813,836</u>  | <u>-</u>                                 |
| Excess (deficiency) of revenues<br>over (under) expenditures | (169,054)   | 130,863   | 3,573                                 | (1,512,463)   | -  |
| Other financing sources (uses):                              |   |   |                                       |   |  |
| Transfers in   | -   | -   | -                                     | 1,512,114   | -  |
| Transfers out  | -   | -   | -                                     | -   | -  |
| Net change in fund balances                                  | (169,054)   | 130,863   | 3,573                                 | (349)   | -  |
| Fund balances, July 1, 2016                                  | \$ 1,044,919  | \$ 349,913  | \$ 46,087                             | \$ 32,349   | \$ 19,444                                |
| Fund balances, June 30, 2017                                 | <u>\$ 875,865</u>                                       | <u>\$ 480,776</u>                                 | <u>\$ 49,660</u>                      | <u>\$ 32,000</u>  | <u>\$ 19,444</u>                         |

| <b>Parks,<br/>Rehabilitation<br/>and Open Space<br/>Fund</b> | <b>Proposition A<br/>Fund</b> | <b>Proposition C<br/>Fund</b> | <b>Measure R<br/>Local Return<br/>and Highway<br/>Fund</b> | <b>Vanpool<br/>Rideshare<br/>Fund</b> | <b>Bicycle<br/>Transportation<br/>Fund</b> | <b>Animal<br/>Control Fund</b> | <b>Low Mod<br/>Housing Fund</b> |
|--|-------------------------------|-------------------------------|--|---------------------------------------|--|--------------------------------|---------------------------------|
| \$ -   | \$ -                          | \$ -                          | \$ -   | \$ -                                  | \$ -                                       | \$ -                           | \$ -                            |
| 114,017  | -                             | -                             | -  | -                                     | -  | 235,391                        | -                               |
| -  | -                             | -                             | -  | -                                     | -  | -                              | -                               |
| 81,570   | 18,556                        | 61,260                        | 59,070   | -                                     | 250  | -                              | 62,920                          |
| -  | 2,708,400                     | 2,244,535                     | 4,027,656  | 42,245                                | -  | -                              | -                               |
| -  | -                             | -                             | -  | 54,524                                | -  | 258                            | 7,954                           |
| <u>195,587</u>   | <u>2,726,956</u>              | <u>2,305,795</u>              | <u>4,086,726</u>   | <u>96,769</u>                         | <u>250</u>                                 | <u>235,649</u>                 | <u>70,874</u>                   |
| -  | -                             | -                             | -  | -                                     | -  | 445,517                        | -                               |
| -  | -                             | 1,202,682                     | 3,945,109  | -                                     | 250  | -                              | -                               |
| 404,350  | -                             | -                             | -  | -                                     | -  | -                              | -                               |
| -  | -                             | -                             | -  | 203,958                               | -  | -                              | 91,470                          |
| <u>404,350</u>   | <u>-</u>                      | <u>1,202,682</u>              | <u>3,945,109</u>   | <u>203,958</u>                        | <u>250</u>                                 | <u>445,517</u>                 | <u>91,470</u>                   |
| (208,763)  | 2,726,956                     | 1,103,113                     | 141,617  | (107,189)                             | -  | (209,868)                      | (20,596)                        |
| -  | -                             | -                             | -  | 107,189                               | -  | 212,083                        | -                               |
| -  | (2,674,323)                   | (277,189)                     | -  | -                                     | -  | -                              | -                               |
| <u>(208,763)</u>   | <u>52,633</u>                 | <u>825,924</u>                | <u>141,617</u>   | <u>-</u>                              | <u>-</u>                                   | <u>2,215</u>                   | <u>(20,596)</u>                 |
| \$ 1,532,675   | \$ 1,477,801                  | \$ 4,435,180                  | \$ 4,899,453   | \$ -                                  | \$ -                                       | \$ -                           | \$ 1,841,627                    |
| <u>\$ 1,323,912</u>  | <u>\$ 1,530,434</u>           | <u>\$ 5,261,104</u>           | <u>\$ 5,041,070</u>  | <u>\$ -</u>                           | <u>\$ -</u>                                | <u>\$ 2,215</u>                | <u>\$ 1,821,031</u>             |

(continued)

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

|  | <b>Development<br/>Impact Fund</b> | <b>Geologic<br/>Hazard<br/>Abatement<br/>Fund</b> | <b>State Gas<br/>Tax Street<br/>Improvement<br/>Fund</b> | <b>Air Quality<br/>Management<br/>District<br/>Fund</b> | <b>Meadow Park<br/>Parking Lot<br/>District<br/>Fund</b> |
|--|------------------------------------|---|--|---|--|
| <b>Revenues:</b>                                     |                                    |   |  |   |  |
| Taxes  | \$ -                               | \$ -  | \$ -   | \$ -  | \$ -   |
| Licenses, fees and permits                           | 679,419                            | -   | -  | -   | -  |
| Fines, forfeitures and penalties                     | -                                  | -   | -  | -   | -  |
| Revenue from use of money and property               | 27,490                             | -   | 178,358  | 2,899   | 37,339   |
| Revenue from other intergovernmental agencies        | -                                  | -   | 2,765,344  | 189,515   | -  |
| Other revenues                                       | -                                  | -   | -  | -   | -  |
| Total revenues                                       | <u>706,909</u>                     | <u>-</u>  | <u>2,943,702</u>   | <u>192,414</u>  | <u>37,339</u>  |
| <b>Expenditures:</b>                                 |                                    |   |  |   |  |
| Public safety  | -                                  | -   | -  | -   | -  |
| Public works   | 570,912                            | -   | 3,039,146  | 152,579   | -  |
| Culture and recreation                               | -                                  | -   | -  | -   | -  |
| Community development                                | -                                  | -   | -  | -   | 23,799   |
| Total expenditures                                   | <u>570,912</u>                     | <u>-</u>  | <u>3,039,146</u>   | <u>152,579</u>  | <u>23,799</u>  |
| Excess (deficiency) of revenues<br>over expenditures | 135,997                            | -   | (95,444)   | 39,835  | 13,540   |
| <b>Other financing sources (uses):</b>               |                                    |   |  |   |  |
| Transfers in   | -                                  | -   | -  | -   | -  |
| Transfers out  | -                                  | -   | (1,040,000)  | -   | (10,407)   |
| Net change in fund balances                          | 135,997                            | -   | (1,135,444)  | 39,835  | 3,133  |
| Fund balances, July 1, 2016                          | \$ 535,920                         | \$ 14,317   | \$ 15,741,637  | \$ 266,901  | \$ 87,779  |
| Fund balances, June 30, 2017                         | <u>\$ 671,917</u>                  | <u>\$ 14,317</u>                                  | <u>\$ 14,606,193</u>                                     | <u>\$ 306,736</u>                                       | <u>\$ 90,912</u>   |



|    | <b>Police<br/>Inmate<br/>Welfare<br/>Fund</b> | <b>Grants and<br/>Donations<br/>Fund</b> | <b>Community<br/>Development<br/>Block Grant<br/>Fund</b> | <b>Federal<br/>Housing and<br/>Rehabilitation<br/>Fund</b> | <b>Asset<br/>Forfeiture<br/>Fund</b> | <b>Proposition<br/>1B<br/>Fund</b> | <b>DNA<br/>Sampling<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Special Revenue<br/>Fund</b> |
|----|---|--|---|--|--------------------------------------|------------------------------------|----------------------------------|--|
| \$ | -   | -  | -   | -  | -                                    | -                                  | -                                | \$ 1,301,373   |
|    | -   | -  | -   | -  | -                                    | -                                  | -                                | 1,046,427  |
|    | -   | -  | -   | -  | 382,226                              | -                                  | -                                | 382,226  |
|    | 797   | 11,642                                   | -   | -  | 49,148                               | -                                  | -                                | 603,879  |
|    | -   | 3,485,567                                | 674,699   | -  | -                                    | -                                  | -                                | 22,621,371   |
|    | 4,623   | 113,354                                  | -   | -  | 5,600                                | -                                  | 8,970                            | 205,798  |
|    | <u>5,420</u>                                  | <u>3,610,563</u>                         | <u>674,699</u>  | <u>-</u>   | <u>436,974</u>                       | <u>-</u>                           | <u>8,970</u>                     | <u>26,161,074</u>                                      |
|    | -   | -  | -   | -  | 681,437                              | -                                  | -                                | 1,126,954  |
|    | -   | 5,081,427                                | 674,699   | -  | -                                    | 1,252                              | -                                | 17,481,892   |
|    | -   | -  | -   | -  | -                                    | -                                  | -                                | 595,845  |
|    | -   | -  | -   | -  | -                                    | -                                  | -                                | 6,686,455  |
|    | <u>-</u>                                      | <u>5,081,427</u>                         | <u>674,699</u>  | <u>-</u>   | <u>681,437</u>                       | <u>1,252</u>                       | <u>-</u>                         | <u>25,891,146</u>                                      |
|    | 5,420   | (1,470,864)                              | -   | -  | (244,463)                            | (1,252)                            | 8,970                            | 269,928  |
|    | -   | -  | -   | -  | -                                    | -                                  | -                                | 1,831,386  |
|    | <u>-</u>                                      | <u>-</u>                                 | <u>-</u>  | <u>-</u>   | <u>-</u>                             | <u>-</u>                           | <u>-</u>                         | <u>(4,001,919)</u>                                     |
|    | 5,420   | (1,470,864)                              | -   | -  | (244,463)                            | (1,252)                            | 8,970                            | (1,900,605)  |
| \$ | <u>61,555</u>                                 | <u>3,247,314</u>                         | <u>-</u>  | <u>777,556</u>   | <u>3,699,691</u>                     | <u>39,395</u>                      | <u>28,058</u>                    | <u>40,179,571</u>                                      |
| \$ | <u>66,975</u>                                 | <u>1,776,450</u>                         | <u>-</u>  | <u>777,556</u>   | <u>3,455,228</u>                     | <u>38,143</u>                      | <u>37,028</u>                    | <u>38,278,966</u>                                      |

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# City OF Torrance



Torrance Beach

## *Non-Major Capital Project Funds*

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

The CAPITAL IMPROVEMENT FUND is used to account for construction of street improvements, storm drain and building improvements and other capital projects within the City.

The TORRANCE PUBLIC PROPERTY FINANCING CAPITAL PROJECT FUND is used to account for construction of capital improvements related to an emergency operation center and any other public capital improvements selected by the city.

Non-Major  
Capital Project Funds



**CITY OF TORRANCE, CALIFORNIA**

Combining Balance Sheet

Nonmajor Capital Project Funds

June 30, 2017

| <b>Assets</b>                                | <b>Capital<br/>Improvement<br/>Fund</b> | <b>Torrance<br/>Public Property<br/>Financing<br/>Capital Project<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Capital Project<br/>Funds</b> |
|--|---|--|---|
| Pooled cash and investments                  | \$ 18,720,817                           | \$ -   | \$ 18,720,817   |
| Cash and cash equivalents with fiscal agents | <u>-</u>                                | <u>5,476,819</u>   | <u>5,476,819</u>  |
| <b>Total assets</b>                          | <b><u>\$ 18,720,817</u></b>             | <b><u>\$ 5,476,819</u></b>   | <b><u>\$ 24,197,636</u></b>                             |
| <b>Liabilities and Fund Balances</b>         |   |  |   |
| Liabilities:                                 |   |  |   |
| Accounts payable                             | \$ 800,256                              | \$ -   | \$ 800,256  |
| Accounts payable - contract retention        | 49,683                                  | -  | 49,683  |
| Accrued liabilities                          | 302,493                                 | -  | 302,493   |
| Deposits and guarantees                      | <u>158,056</u>                          | <u>-</u>   | <u>158,056</u>  |
| <b>Total liabilities</b>                     | <b><u>\$ 1,310,488</u></b>              | <b><u>\$ -</u></b>   | <b><u>\$ 1,310,488</u></b>                              |
| Fund balances:                               |   |  |   |
| Assigned to capital projects                 | <u>17,410,329</u>                       | <u>5,476,819</u>   | <u>22,887,148</u>                                       |
| <b>Total fund balances</b>                   | <b><u>17,410,329</u></b>                | <b><u>5,476,819</u></b>  | <b><u>22,887,148</u></b>                                |
| <b>Total liabilities and fund balances</b>   | <b><u>\$ 18,720,817</u></b>             | <b><u>\$ 5,476,819</u></b>   | <b><u>\$ 24,197,636</u></b>                             |

**CITY OF TORRANCE, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Capital Project Funds  
 Year ended June 30, 2017

|  | <u>Capital<br/>Improvement<br/>Fund</u> | <u>Torrance<br/>Public Property<br/>Financing<br/>Capital Project<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Capital Project<br/>Funds</u> |
|--|---|--|---|
| Revenues:  |   |  |   |
| Use of money and property                                    | \$ -                                    | \$ 14,535  | \$ 14,535   |
| Other  | 9,800                                   | -  | 9,800   |
| Total revenues   | <u>9,800</u>                            | <u>14,535</u>  | <u>24,335</u>   |
| Expenditures   |   |  |   |
| General government   | 1,223,837                               | -  | 1,223,837   |
| Public safety  | 2,034,735                               | -  | 2,034,735   |
| Public works   | 1,640,814                               | -  | 1,640,814   |
| Culture and recreation                                       | 232,698                                 | -  | 232,698   |
| Community development  | 63,540                                  | -  | 63,540  |
| Total expenditures   | <u>5,195,624</u>                        | <u>-</u>   | <u>5,195,624</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(5,185,824)</u>                      | <u>14,535</u>  | <u>(5,171,289)</u>                                      |
| Other financing sources:                                     |   |  |   |
| Transfers in   | 3,523,137                               | 6,115,006  | 9,638,143   |
| Transfers out  | -                                       | (652,722)  | (652,722)   |
| Total other financing sources                                | <u>3,523,137</u>                        | <u>5,462,284</u>   | <u>8,985,421</u>  |
| Net change in fund balances                                  | (1,662,687)                             | 5,476,819  | 3,814,132   |
| Fund balances, July 1, 2016                                  | <u>19,073,016</u>                       | <u>-</u>   | <u>19,073,016</u>                                       |
| Fund balances, June 30, 2017                                 | <u>\$ 17,410,329</u>                    | <u>\$ 5,476,819</u>  | <u>\$ 22,887,148</u>                                    |

# City OF Torrance



Wilson Park

## *Non-Major Debt Service Funds*

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

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





**CITY OF TORRANCE, CALIFORNIA**

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2017

| <b>Assets</b>                                   | <b>Torrance<br/>Public Property<br/>Financing<br/>Debt Service<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Debt Service<br/>Funds</b> |
|---|---|--|
|   | <u>                    </u>   | <u>                    </u>                          |
| Cash and cash equivalents<br>with fiscal agents | \$ 2,449,604  | \$ 2,449,604   |
| Total assets                                    | \$ <u>2,449,604</u>   | \$ <u>2,449,604</u>                                  |
| <b>Liabilities and Fund Balances</b>            |   |  |
| Liabilities:                                    |   |  |
| Total liabilities                               | \$ -  | \$ -   |
| Fund balances:                                  |   |  |
| Restricted – debt service                       | <u>2,449,604</u>  | <u>2,449,604</u>                                     |
| Total fund balances                             | <u>2,449,604</u>  | <u>2,449,604</u>                                     |
| Total liabilities<br>and fund balances          | \$ <u>2,449,604</u>   | \$ <u>2,449,604</u>                                  |

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
Year ended June 30, 2017

|  | <b>Torrance<br/>Public Property<br/>Financing<br/>Debt Service<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Debt Service<br/>Funds</b> |
|--|---|--|
|  | <u>                    </u>   | <u>                    </u>                          |
| Revenues:  |   |  |
| Use of money and property                                    | \$ 3,646,947  | \$ 3,646,947   |
| Total revenues   | <u>3,646,947</u>  | <u>3,646,947</u>                                     |
| Expenditures:  |   |  |
| Debt Service:  |   |  |
| Principal retirement   | 1,165,000   | 1,165,000  |
| Interest and fiscal charges                                  | 2,522,276   | 2,522,276  |
| Bond issuance costs  | 369,057   | 369,057  |
| Payment to refunded bond escrow agent                        | 1,251,320   | 1,251,320  |
| Total expenditures   | <u>5,307,653</u>  | <u>5,307,653</u>                                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(1,660,706)</u>  | <u>(1,660,706)</u>                                   |
| Other financing sources (uses):                              |   |  |
| Transfers out  | (6,115,006)   | (6,115,006)  |
| Payment to refunded bond escrow agent                        | (17,378,041)  | (17,378,041)   |
| Refunding bond proceeds                                      | 22,135,000  | 22,135,000   |
| Premium on refunding bonds                                   | 1,727,100   | 1,727,100  |
| Total other financing sources (uses)                         | <u>369,053</u>  | <u>369,053</u>                                       |
| Net change in fund balances                                  | (1,291,653)   | (1,291,653)  |
| Fund balances, July 1, 2016                                  | <u>3,741,257</u>  | <u>3,741,257</u>                                     |
| Fund balances, June 30, 2017                                 | <u>\$ 2,449,604</u>   | <u>\$ 2,449,604</u>                                  |

# City OF Torrance



James Armstrong Theatre

## Non-Major Enterprise Funds



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**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2017

| <b>Assets and Deferred Outflows of Resources</b>       | <b>Sanitation<br/>Fund</b> | <b>Municipal<br/>Airport<br/>Fund</b> | <b>Parks and<br/>Recreation<br/>Fund</b> | <b>Cultural<br/>Arts Center<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</b> |
|--|----------------------------|---------------------------------------|--|--|--|
| <b>Current assets:</b>                                 |                            |                                       |  |  |  |
| Pooled cash and investments                            | \$ 5,795,941               | \$ 4,167,900                          | \$ 475,522                               | \$ -                                     | \$ 10,439,363                                      |
| Accounts receivable                                    | 2,458,187                  | 346,533                               | 11,197                                   | 15,250                                   | 2,831,167  |
| Accrued interest receivable                            | 16,594                     | 6,526                                 | 1,171                                    | 52                                       | 24,343   |
| Prepays  | -                          | -                                     | 1,855                                    | -  | 1,855  |
| Total current assets                                   | <u>8,270,722</u>           | <u>4,520,959</u>                      | <u>489,745</u>                           | <u>15,302</u>                            | <u>13,296,728</u>                                  |
| <b>Noncurrent assets:</b>                              |                            |                                       |  |  |  |
| Capital assets, net                                    | 5,149,102                  | 6,559,823                             | 27,064                                   | 373,692                                  | 12,109,681   |
| Total noncurrent assets                                | <u>5,149,102</u>           | <u>6,559,823</u>                      | <u>27,064</u>                            | <u>373,692</u>                           | <u>12,109,681</u>                                  |
| <b>Deferred outflows of resources:</b>                 |                            |                                       |  |  |  |
| Pension contributions                                  | 1,392,671                  | 314,588                               | 936,185                                  | 589,449                                  | 3,232,893  |
| Total Assets and Deferred Outflows<br>of Resources     | <u>14,812,495</u>          | <u>11,395,370</u>                     | <u>1,452,994</u>                         | <u>978,443</u>                           | <u>28,639,302</u>                                  |
| <b>Liabilities and Deferred Inflows of Resources</b>   |                            |                                       |  |  |  |
| <b>Current liabilities:</b>                            |                            |                                       |  |  |  |
| Accounts payable                                       | 643,722                    | 34,966                                | 101,875                                  | 69,562                                   | 850,125  |
| Due to other funds                                     | -                          | -                                     | -  | -  | -  |
| Deposits payable                                       | -                          | 47,126                                | -  | 299,885                                  | 347,011  |
| Contract retainage payable                             | 1,210                      | 23,271                                | -  | -  | 24,481   |
| Accrued interest payable                               | -                          | -                                     | -  | 119                                      | 119  |
| Accrued liabilities                                    | 46,065                     | 22,971                                | 53,088                                   | 14,010                                   | 136,134  |
| Compensated absences payable-current                   | 279,063                    | 94,243                                | -  | 52,140                                   | 425,446  |
| Due to other funds                                     | -                          | -                                     | -  | 325                                      | 325  |
| Unearned revenues                                      | -                          | 164,843                               | 777,114                                  | -  | 941,957  |
| Total current liabilities                              | <u>970,060</u>             | <u>387,420</u>                        | <u>932,077</u>                           | <u>436,041</u>                           | <u>2,725,598</u>                                   |
| <b>Noncurrent liabilities:</b>                         |                            |                                       |  |  |  |
| Compensated absences payable-long term                 | -                          | 37,195                                | -  | -  | 37,195   |
| Net pension liability                                  | 4,938,432                  | 1,095,455                             | 3,237,131                                | 2,038,193                                | 11,309,211   |
| Total non-current liabilities                          | <u>4,938,432</u>           | <u>1,132,650</u>                      | <u>3,237,131</u>                         | <u>2,038,193</u>                         | <u>11,346,406</u>                                  |
| <b>Deferred inflows of resources:</b>                  |                            |                                       |  |  |  |
| Pension actuarial                                      | 321,079                    | 72,829                                | 217,079                                  | 136,680                                  | 747,667  |
| Total Liabilities and Deferred Inflows<br>of Resources | <u>6,229,571</u>           | <u>1,592,899</u>                      | <u>4,386,287</u>                         | <u>2,610,914</u>                         | <u>14,819,671</u>                                  |
| <b>Net Position</b>                                    |                            |                                       |  |  |  |
| Investment in capital assets                           | 5,149,102                  | 6,559,823                             | 27,064                                   | 373,692                                  | 12,109,681   |
| Unrestricted   | 3,433,822                  | 3,242,648                             | (2,960,357)                              | (2,006,163)                              | 1,709,950  |
| Total Net Position                                     | <u>\$ 8,582,924</u>        | <u>\$ 9,802,471</u>                   | <u>\$ (2,933,293)</u>                    | <u>\$ (1,632,471)</u>                    | <u>\$ 13,819,631</u>                               |

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
Year ended June 30, 2017

|                                    | <u>Sanitation<br/>Fund</u> | <u>Municipal<br/>Airport<br/>Fund</u> | <u>Parks and<br/>Recreation<br/>Fund</u> | <u>Cultural<br/>Arts Center<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</u> |
|------------------------------------|----------------------------|---------------------------------------|--|--|--|
| Operating revenues:                |                            |                                       |  |  |  |
| Charges for services               | \$ 11,363,406              | \$ 12,857,815                         | \$ 4,789,660                             | \$ 1,017,480                             | \$ 30,028,361                                      |
| Other                              | 15,446                     | 1,772                                 | 30,848                                   | -  | 48,066   |
| Total operating revenues           | <u>11,378,852</u>          | <u>12,859,587</u>                     | <u>4,820,508</u>                         | <u>1,017,480</u>                         | <u>30,076,427</u>                                  |
| Operating expenses:                |                            |                                       |  |  |  |
| Salaries and employee benefits     | 4,426,874                  | 1,708,805                             | 4,621,996                                | 1,525,494                                | 12,283,169   |
| Services and supplies              | 3,170,217                  | 312,408                               | 840,571                                  | 80,605                                   | 4,403,801  |
| Other professional services        | 2,306,881                  | 640,333                               | 785,667                                  | 345,075                                  | 4,077,956  |
| Depreciation and amortization      | 788,533                    | 236,859                               | 875                                      | 23,018                                   | 1,049,285  |
| Insurance and claims               | 84,791                     | 17,674                                | -  | -  | 102,465  |
| City charges                       | 830,693                    | 506,389                               | 790,272                                  | 113,467                                  | 2,240,821  |
| Other                              | 12,017                     | 2,579                                 | 37,028                                   | 28,106                                   | 79,730   |
| Total operating expenses           | <u>11,620,006</u>          | <u>3,425,047</u>                      | <u>7,076,409</u>                         | <u>2,115,765</u>                         | <u>24,237,227</u>                                  |
| Operating income (loss)            | <u>(241,154)</u>           | <u>9,434,540</u>                      | <u>(2,255,901)</u>                       | <u>(1,098,285)</u>                       | <u>5,839,200</u>                                   |
| Nonoperating revenues (expenses):  |                            |                                       |  |  |  |
| Investment earnings                | 73,060                     | 34,504                                | -  | -  | 107,564  |
| Grants                             | 78,716                     | -                                     | -  | 109,440                                  | 188,156  |
| Interest expense                   | -                          | -                                     | (3,126)                                  | (3,033)                                  | (6,159)  |
| Total nonoperating revenues, net   | <u>151,776</u>             | <u>34,504</u>                         | <u>(3,126)</u>                           | <u>106,407</u>                           | <u>289,561</u>                                     |
| Income (loss) before transfers     | (89,378)                   | 9,469,044                             | (2,259,027)                              | (991,878)                                | 6,128,761  |
| Transfers in                       | 171,686                    | -                                     | 2,595,140                                | 991,142                                  | 3,757,968  |
| Transfers out                      | (9,465)                    | (9,541,109)                           | (483,173)                                | (12,163)                                 | (10,045,910)                                       |
| Change in net position             | <u>72,843</u>              | <u>(72,065)</u>                       | <u>(147,060)</u>                         | <u>(12,899)</u>                          | <u>(159,181)</u>                                   |
| Total net position - July 1, 2016  | <u>8,510,081</u>           | <u>9,874,536</u>                      | <u>(2,786,233)</u>                       | <u>(1,619,572)</u>                       | <u>13,978,812</u>                                  |
| Total net position - June 30, 2017 | <u>\$ 8,582,924</u>        | <u>\$ 9,802,471</u>                   | <u>\$ (2,933,293)</u>                    | <u>\$ (1,632,471)</u>                    | <u>\$ 13,819,631</u>                               |

**CITY OF TORRANCE, CALIFORNIA**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
Year ended June 30, 2017

|  | <u>Sanitation<br/>Fund</u> | <u>Municipal<br/>Airport<br/>Fund</u> | <u>Parks and<br/>Recreation<br/>Fund</u> | <u>Cultural<br/>Arts Center<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</u> |
|--|----------------------------|---------------------------------------|--|--|--|
| Cash flows from operating activities:  |                            |                                       |  |  |  |
| Receipts from customers  | \$ 11,570,241              | \$ 12,716,576                         | \$ 4,931,326                             | \$ 1,140,440                             | \$ 30,358,583                                      |
| Cash payments to suppliers for goods and services  | (6,044,819)                | (1,461,797)                           | (2,461,973)                              | (551,183)                                | (10,519,772)                                       |
| Cash payments to employees for services  | (4,589,598)                | (1,725,169)                           | (4,743,140)                              | (1,584,549)                              | (12,642,456)                                       |
| Internal activity-payments to other funds  | -                          | -                                     | -  | (136,235)                                | (136,235)  |
| Cash received from donations   | -                          | -                                     | 26,007                                   | -  | 26,007   |
| Other receipts   | -                          | -                                     | 4,841                                    | 9,199                                    | 14,040   |
| Net cash provided by (used in) operating activities  | <u>935,824</u>             | <u>9,529,610</u>                      | <u>(2,242,939)</u>                       | <u>(1,122,328)</u>                       | <u>7,100,167</u>                                   |
| Cash flows from noncapital financing activities:   |                            |                                       |  |  |  |
| Cash received from grants and subsidies  | 78,716                     | -                                     | -  | 109,440                                  | 188,156  |
| Cash received from other funds   | 171,686                    | -                                     | 2,595,140                                | 991,142                                  | 3,757,968  |
| Cash paid to other funds   | <u>(9,465)</u>             | <u>(9,541,109)</u>                    | <u>(483,173)</u>                         | <u>(12,163)</u>                          | <u>(10,045,910)</u>                                |
| Net cash provided by (used in) noncapital financing activities   | <u>240,937</u>             | <u>(9,541,109)</u>                    | <u>2,111,967</u>                         | <u>1,088,419</u>                         | <u>(6,099,786)</u>                                 |
| Cash flows from capital financing activities:  |                            |                                       |  |  |  |
| Payments for long-term obligations - principal & interest  | -                          | -                                     | -  | -  | -  |
| Payments for capital additions   | <u>(2,651,827)</u>         | <u>(6,216)</u>                        | <u>(14,106)</u>                          | <u>-</u>                                 | <u>(2,672,149)</u>                                 |
| Net cash used in capital financing activities  | <u>(2,651,827)</u>         | <u>(6,216)</u>                        | <u>(14,106)</u>                          | <u>-</u>                                 | <u>(2,672,149)</u>                                 |
| Cash flows from investing activities:  |                            |                                       |  |  |  |
| Cash paid for interest on debt   | -                          | -                                     | (1,141)                                  | (2,915)                                  | (4,056)  |
| Cash received from interest on investments   | <u>87,460</u>              | <u>41,845</u>                         | <u>-</u>                                 | <u>-</u>                                 | <u>129,305</u>                                     |
| Net cash provided by investing activities  | <u>87,460</u>              | <u>41,845</u>                         | <u>(1,141)</u>                           | <u>(2,915)</u>                           | <u>125,249</u>                                     |
| Net increase (decrease) in cash, restricted cash and cash equivalents                                    | (1,387,606)                | 24,130                                | (146,219)                                | (36,824)                                 | (1,546,519)  |
| Cash and cash equivalents, July 1, 2016  | <u>7,183,547</u>           | <u>4,143,770</u>                      | <u>621,741</u>                           | <u>36,824</u>                            | <u>11,985,882</u>                                  |
| Cash and cash equivalents, June 30, 2017   | <u>\$ 5,795,941</u>        | <u>\$ 4,167,900</u>                   | <u>\$ 475,522</u>                        | <u>\$ -</u>                              | <u>\$ 10,439,363</u>                               |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:        |                            |                                       |  |  |  |
| Operating income (loss)  | \$ (241,154)               | \$ 9,434,540                          | \$ (2,255,901)                           | \$ (1,098,285)                           | \$ 5,839,200                                       |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                            |                                       |  |  |  |
| Depreciation   | 788,533                    | 236,859                               | 875                                      | 23,018                                   | 1,049,285  |
| Change in assets and liabilities:  |                            |                                       |  |  |  |
| Accounts receivable  | 191,390                    | 12,798                                | 1,457                                    | 35,131                                   | 240,776  |
| Prepays and other assets   | 2,494                      | -                                     | (1,855)                                  | -  | 639  |
| Accounts payable   | 366,463                    | 17,586                                | (6,580)                                  | 33,768                                   | 411,237  |
| Due to other funds   | -                          | -                                     | -  | (136,235)                                | (136,235)  |
| Accrued salaries and benefits  | (75,911)                   | 3,926                                 | (59,987)                                 | (20,549)                                 | (152,521)  |
| Other accrued liabilities  | (9,177)                    | -                                     | -  | (8,499)                                  | (17,676)   |
| Pension contributions  | (982,271)                  | (225,287)                             | (674,310)                                | (424,565)                                | (2,306,433)  |
| Net pension liability  | 1,219,388                  | 279,271                               | 835,442                                  | 526,018                                  | 2,860,119  |
| Pension actuarial  | (323,931)                  | (74,274)                              | (222,289)                                | (139,959)                                | (760,453)  |
| Deposits and guarantees  | -                          | 8,203                                 | -  | 87,829                                   | 96,032   |
| Unearned revenues  | -                          | (164,012)                             | 140,209                                  | -  | (23,803)   |
| Net cash provided by (used in) operating activities  | <u>\$ 935,824</u>          | <u>\$ 9,529,610</u>                   | <u>\$ (2,242,939)</u>                    | <u>\$ (1,122,328)</u>                    | <u>\$ 7,100,167</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/COMP ABSENCES FUND is used to account for interfund charges to the City's departments for postemployment benefits and compensated absences.



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**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Net Position  
Internal Service Funds  
June 30, 2017

| <b>Assets and Deferred Outflows of Resources</b>                 | <b>Self-Insurance<br/>Fund</b> | <b>Fleet Services<br/>Fund</b> | <b>Postemployment/<br/>Comp Absences<br/>Fund</b> | <b>Total</b>           |
|--|--------------------------------|--------------------------------|---|------------------------|
| Current assets:  |                                |                                |   |                        |
| Pooled cash and investments                                      | \$ 5,166,633                   | \$ 11,611,773                  | \$ 6,538,749                                      | \$ 23,317,155          |
| Accrued interest receivable                                      | -                              | 18,196                         | 10,232  | 28,428                 |
| Other prepayments  | -                              | -                              | 739,574   | 739,574                |
| Inventories  | -                              | 936,001                        | -   | 936,001                |
| Total current assets   | <u>5,166,633</u>               | <u>12,565,970</u>              | <u>7,288,555</u>                                  | <u>25,021,158</u>      |
| Capital assets, net  | <u>196</u>                     | <u>4,053,691</u>               | <u>-</u>  | <u>4,053,887</u>       |
| Deferred outflows of resources:                                  |                                |                                |   |                        |
| Pension contributions  | <u>-</u>                       | <u>1,137,327</u>               | <u>-</u>  | <u>1,137,327</u>       |
| Total Assets and Deferred Outflows<br>of Resources               | <u>5,166,829</u>               | <u>17,756,988</u>              | <u>7,288,555</u>                                  | <u>30,212,372</u>      |
| <b>Liabilities and Deferred Inflows of Resources</b>             |                                |                                |   |                        |
| Current liabilities:   |                                |                                |   |                        |
| Accounts payable   | 159,929                        | 293,958                        | -   | 453,887                |
| Accrued salaries and benefits                                    | 4,170                          | 22,644                         | 23,418  | 50,232                 |
| Compensated absences payable                                     | -                              | 294,118                        | 6,810,493   | 7,104,611              |
| Accrued liabilities  | 2,951                          | 63                             | -   | 3,014                  |
| Accrued liability for self-insurance claims –<br>current         | <u>7,068,546</u>               | <u>-</u>                       | <u>-</u>  | <u>7,068,546</u>       |
| Total current liabilities  | <u>7,235,596</u>               | <u>610,783</u>                 | <u>6,833,911</u>                                  | <u>14,680,290</u>      |
| Noncurrent liabilities:  |                                |                                |   |                        |
| Accrued liability for self-insurance claims –<br>long-term       | 34,870,472                     | -                              | -   | 34,870,472             |
| Accrued liability for net postemployment<br>benefits - long-term | -                              | -                              | 10,218,757  | 10,218,757             |
| Net pension liability  | <u>-</u>                       | <u>4,017,121</u>               | <u>-</u>  | <u>4,017,121</u>       |
| Total noncurrent liabilities                                     | <u>34,870,472</u>              | <u>4,017,121</u>               | <u>10,218,757</u>                                 | <u>49,106,350</u>      |
| Deferred inflows of resources:                                   |                                |                                |   |                        |
| Pension actuarial  | <u>-</u>                       | <u>262,450</u>                 | <u>-</u>  | <u>262,450</u>         |
| Total Liabilities and Deferred Inflows<br>of Resources           | <u>42,106,068</u>              | <u>4,890,354</u>               | <u>17,052,668</u>                                 | <u>64,049,090</u>      |
| <b>Net Position</b>  |                                |                                |   |                        |
| Net position:  |                                |                                |   |                        |
| Net investment in capital assets                                 | 196                            | 4,053,691                      | -   | 4,053,887              |
| Unrestricted   | <u>(36,939,435)</u>            | <u>8,812,943</u>               | <u>(9,764,113)</u>                                | <u>(37,890,605)</u>    |
| Total net position   | <u>\$ (36,939,239)</u>         | <u>\$ 12,866,634</u>           | <u>\$ (9,764,113)</u>                             | <u>\$ (33,836,718)</u> |

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Internal Service Funds  
Year ended June 30, 2017

|   | <u>Self-Insurance<br/>Fund</u> | <u>Fleet Services<br/>Fund</u> | <u>Postemployment/<br/>Comp Absences<br/>Fund</u> | <u>Total</u>           |
|---|--------------------------------|--------------------------------|---|------------------------|
| Operating revenues:                       |                                |                                |   |                        |
| Charges for services                      | \$ 2,489,404                   | \$ 5,127,894                   | \$ -  | \$ 7,617,298           |
| Other                                     | -                              | 25,691                         | -   | 25,691                 |
| Total operating revenues                  | <u>2,489,404</u>               | <u>5,153,585</u>               | <u>-</u>  | <u>7,642,989</u>       |
| Operating expenses:                       |                                |                                |   |                        |
| Salaries and benefits                     | 651,216                        | 3,206,135                      | (987,956)   | 2,869,395              |
| Materials and services                    | 17,925                         | 328,208                        | -   | 346,133                |
| Other professional services               | 37,449                         | 41,359                         | -   | 78,808                 |
| Insurance and claims                      | 6,833,542                      | 7,555                          | -   | 6,841,097              |
| Depreciation                              | 2,356                          | 912,603                        | -   | 914,959                |
| City charges                              | 25,126                         | 112,802                        | -   | 137,928                |
| Other                                     | 3,371                          | 18,685                         | -   | 22,056                 |
| Total operating expenses                  | <u>7,570,985</u>               | <u>4,627,347</u>               | <u>(987,956)</u>                                  | <u>11,210,376</u>      |
| Operating income (loss)                   | <u>(5,081,581)</u>             | <u>526,238</u>                 | <u>987,956</u>                                    | <u>(3,567,387)</u>     |
| Nonoperating revenues (expenses):         |                                |                                |   |                        |
| Investment earnings                       | -                              | 43,217                         | 89,513  | 132,730                |
| Gain on sale of capital assets            | -                              | 50,280                         | -   | 50,280                 |
| Interest expense                          | -                              | (35,988)                       | -   | (35,988)               |
| Total nonoperating revenues<br>(expenses) | <u>-</u>                       | <u>57,509</u>                  | <u>89,513</u>                                     | <u>147,022</u>         |
| Net income (loss) before<br>transfers     | <u>(5,081,581)</u>             | <u>583,747</u>                 | <u>1,077,469</u>                                  | <u>(3,420,365)</u>     |
| Transfers in                              | 2,460,000                      | 912,527                        | 2,544,287   | 5,916,814              |
| Transfers out                             | (3,207)                        | (830,668)                      | -   | (833,875)              |
| Change in net position                    | <u>(2,624,788)</u>             | <u>665,606</u>                 | <u>3,621,756</u>                                  | <u>1,662,574</u>       |
| Net position, July 1, 2016                | <u>(34,314,451)</u>            | <u>12,201,028</u>              | <u>(13,385,869)</u>                               | <u>(35,499,292)</u>    |
| Net position, June 30, 2017               | <u>\$ (36,939,239)</u>         | <u>\$ 12,866,634</u>           | <u>\$ (9,764,113)</u>                             | <u>\$ (33,836,718)</u> |

**CITY OF TORRANCE, CALIFORNIA**

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2017

|  | <u>Self-Insurance<br/>Fund</u> | <u>Fleet Services<br/>Fund</u> | <u>Postemployment/<br/>Comp Absences<br/>Fund</u> | <u>Total</u>          |
|--|--------------------------------|--------------------------------|---|-----------------------|
| Cash flows from operating activities:  |                                |                                |   |                       |
| Receipts from Customers  | \$ 2,489,404                   | \$ 5,156,693                   | \$ -  | \$ 7,646,097          |
| Cash payments to suppliers for goods and services  | (5,789,620)                    | (292,976)                      | -   | (6,082,596)           |
| Cash payments to employees for services  | (659,059)                      | (3,334,920)                    | (4,705,364)                                       | (8,699,343)           |
| Net Cash provided by (used in) operating activities  | <u>(3,959,275)</u>             | <u>1,528,797</u>               | <u>(4,705,364)</u>                                | <u>(7,135,842)</u>    |
| Cash flows from noncapital financing activities  |                                |                                |   |                       |
| Cash received from other funds   | 2,460,000                      | 912,527                        | 2,544,287   | 5,916,814             |
| Cash transfers paid to other funds   | (3,207)                        | (830,668)                      | -   | (833,875)             |
| Net Cash provided by (used in) noncapital financing  | <u>2,456,793</u>               | <u>81,859</u>                  | <u>2,544,287</u>                                  | <u>5,082,939</u>      |
| Cash flows from capital financing activities   |                                |                                |   |                       |
| Cash payments for interest on capital debt   | -                              | (35,988)                       | -   | (35,988)              |
| Cash payments for capital additions  | -                              | (2,072,371)                    | -   | (2,072,371)           |
| Proceeds from sale of capital assets   | -                              | 50,280                         | -   | 50,280                |
| Net cash provided by (used in) capital financing activities  | <u>-</u>                       | <u>(2,058,079)</u>             | <u>-</u>  | <u>(2,058,079)</u>    |
| Cash flows from investing activities:  |                                |                                |   |                       |
| Cash received from interest on investments   | -                              | 65,016                         | 85,128  | 150,144               |
| Net increase (decrease) in cash, restricted cash and cash equivalents                                    | (1,502,482)                    | (382,407)                      | (2,075,949)                                       | (3,960,838)           |
| Cash and cash equivalents, July 1, 2016  | 6,669,115                      | 11,994,180                     | 8,614,698   | 27,277,993            |
| Cash and cash equivalents, June 30, 2017   | <u>\$ 5,166,633</u>            | <u>\$ 11,611,773</u>           | <u>\$ 6,538,749</u>                               | <u>\$ 23,317,155</u>  |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:        |                                |                                |   |                       |
| Operating income (loss)  | \$ (5,081,581)                 | \$ 526,238                     | \$ 987,956  | \$ (3,567,387)        |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                                |                                |   |                       |
| Depreciation   | 2,356                          | 912,603                        | -   | 914,959               |
| Change in assets and liabilities:  |                                |                                |   |                       |
| Accounts receivable  | -                              | 3,108                          | -   | 3,108                 |
| Inventories  | -                              | 145,790                        | -   | 145,790               |
| Accounts payable   | 32,061                         | 70,728                         | -   | 102,789               |
| Accrued salaries and benefits  | (7,843)                        | (57,355)                       | (5,693,320)                                       | (5,758,518)           |
| Other accrued liabilities  | 1,095,732                      | (885)                          | -   | 1,094,847             |
| Pension contributions  | -                              | (804,863)                      | -   | (804,863)             |
| Net pension liability  | -                              | 998,843                        | -   | 998,843               |
| Pension actuarial  | -                              | (265,410)                      | -   | (265,410)             |
| Net cash provided by (used in) operating activities  | <u>\$ (3,959,275)</u>          | <u>\$ 1,528,797</u>            | <u>\$ (4,705,364)</u>                             | <u>\$ (7,135,842)</u> |

# City OF Torrance



City's Sports Complex

## Agency Funds

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

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

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

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

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

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





**CITY OF TORRANCE, CALIFORNIA**  
 Combining Statement of Fiduciary Fund Assets and Liabilities - Agency Funds  
 June 30, 2017

| <b>Assets</b>               | <b>Special<br/>Deposits<br/>Fund</b> | <b>Flexible<br/>Benefits<br/>Fund</b> | <b>Environmental<br/>Trust<br/>Fund</b> | <b>Property<br/>Room<br/>Evidence Fund</b> | <b>Torrance<br/>Tourism Business<br/>Improvement<br/>District Fund</b> | <b>Total<br/>Agency<br/>Funds</b> |
|-----------------------------|--------------------------------------|---------------------------------------|---|--|--|-----------------------------------|
| Pooled cash and investments | \$ 1,699,640                         | \$ 322,834                            | \$ 140,190                              | \$ 586,451                                 | \$ 53,104  | \$ 2,802,219                      |
| Accrued interest receivable | -                                    | -                                     | 219                                     | -  | -  | 219                               |
| Total assets                | <u>\$ 1,699,640</u>                  | <u>\$ 322,834</u>                     | <u>\$ 140,409</u>                       | <u>\$ 586,451</u>                          | <u>\$ 53,104</u>   | <u>\$ 2,802,438</u>               |
| <b>Liabilities</b>          |                                      |                                       |   |  |  |                                   |
| Deposits payable            | \$ 1,699,640                         | \$ 322,834                            | \$ 140,409                              | \$ 586,451                                 | \$ 53,104  | \$ 2,802,438                      |
| Total liabilities           | <u>\$ 1,699,640</u>                  | <u>\$ 322,834</u>                     | <u>\$ 140,409</u>                       | <u>\$ 586,451</u>                          | <u>\$ 53,104</u>   | <u>\$ 2,802,438</u>               |

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds  
Year ended June 30, 2017

|                                 | <u>Balance<br/>for fiscal<br/>year ended<br/>June 30, 2016</u> | <u>Additions</u>    | <u>Deductions</u>     | <u>Balance<br/>for fiscal<br/>year ended<br/>June 30, 2017</u> |
|---------------------------------|--|---------------------|-----------------------|--|
| <b>Special Deposits Fund</b>    |  |                     |                       |  |
| <b>ASSETS</b>                   |  |                     |                       |  |
| Pooled cash and investments     | \$ 1,469,959   | \$ 1,272,060        | \$ (1,042,379)        | \$ 1,699,640   |
| Total assets                    | <u>\$ 1,469,959</u>  | <u>\$ 1,272,060</u> | <u>\$ (1,042,379)</u> | <u>\$ 1,699,640</u>  |
| <b>LIABILITIES</b>              |  |                     |                       |  |
| Deposits payable                | \$ 1,469,959   | \$ 1,272,060        | \$ (1,042,379)        | \$ 1,699,640   |
| Total liabilities               | <u>\$ 1,469,959</u>  | <u>\$ 1,272,060</u> | <u>\$ (1,042,379)</u> | <u>\$ 1,699,640</u>  |
| <b>Flexible Benefits Fund</b>   |  |                     |                       |  |
| <b>ASSETS</b>                   |  |                     |                       |  |
| Pooled cash and investments     | \$ 365,764   | \$ 435,936          | \$ (478,866)          | \$ 322,834   |
| Total assets                    | <u>\$ 365,764</u>  | <u>\$ 435,936</u>   | <u>\$ (478,866)</u>   | <u>\$ 322,834</u>  |
| <b>LIABILITIES</b>              |  |                     |                       |  |
| Deposits payable                | \$ 365,764   | \$ 435,936          | \$ (478,866)          | \$ 322,834   |
| Total liabilities               | <u>\$ 365,764</u>  | <u>\$ 435,936</u>   | <u>\$ (478,866)</u>   | <u>\$ 322,834</u>  |
| <b>Environmental Trust Fund</b> |  |                     |                       |  |
| <b>ASSETS</b>                   |  |                     |                       |  |
| Pooled cash and investments     | \$ 138,251   | \$ 1,939            | \$ -                  | \$ 140,190   |
| Accrued interest receivable     | 466  | 219                 | (466)                 | 219  |
| Total assets                    | <u>\$ 138,717</u>  | <u>\$ 2,158</u>     | <u>\$ (466)</u>       | <u>\$ 140,409</u>  |
| <b>LIABILITIES</b>              |  |                     |                       |  |
| Deposits payable                | \$ 138,717   | \$ 2,158            | \$ (466)              | \$ 140,409   |
| Total liabilities               | <u>\$ 138,717</u>  | <u>\$ 2,158</u>     | <u>\$ (466)</u>       | <u>\$ 140,409</u>  |

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds  
Year ended June 30, 2017  
(continued)

|  | <u>Balance<br/>for fiscal<br/>year ended<br/>June 30, 2016</u> | <u>Additions</u>  | <u>Deductions</u>   | <u>Balance<br/>for fiscal<br/>year ended<br/>June 30, 2017</u> |
|--|--|-------------------|---------------------|--|
| <b>Property Room Evidence Fund</b>                             |  |                   |                     |  |
| <b>ASSETS</b>  |  |                   |                     |  |
| Pooled cash and investments                                    | \$ 412,463   | \$ 187,908        | \$ (13,920)         | \$ 586,451   |
| Total assets   | <u>\$ 412,463</u>  | <u>\$ 187,908</u> | <u>\$ (13,920)</u>  | <u>\$ 586,451</u>  |
| <b>LIABILITIES</b>   |  |                   |                     |  |
| Deposits payable   | \$ 412,463   | \$ 187,908        | \$ (13,920)         | \$ 586,451   |
| Total liabilities  | <u>\$ 412,463</u>  | <u>\$ 187,908</u> | <u>\$ (13,920)</u>  | <u>\$ 586,451</u>  |
| <b>Torrance Tourism Business<br/>Improvement District Fund</b> |  |                   |                     |  |
| <b>ASSETS</b>  |  |                   |                     |  |
| Pooled cash and investments                                    | \$ 52,649  | \$ 838,742        | \$ (838,287)        | \$ 53,104  |
| Total assets   | <u>\$ 52,649</u>   | <u>\$ 838,742</u> | <u>\$ (838,287)</u> | <u>\$ 53,104</u>   |
| <b>LIABILITIES</b>   |  |                   |                     |  |
| Deposits payable   | \$ 52,649  | \$ 838,742        | \$ (838,287)        | \$ 53,104  |
| Total liabilities  | <u>\$ 52,649</u>   | <u>\$ 838,742</u> | <u>\$ (838,287)</u> | <u>\$ 53,104</u>   |

**CITY OF TORRANCE, CALIFORNIA**

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

Year ended June 30, 2017

|                             | <b>Balance<br/>for fiscal<br/>year ended<br/>June 30, 2016</b> | <b>Additions</b>    | <b>Deductions</b>     | <b>Balance<br/>for fiscal<br/>year ended<br/>June 30, 2017</b> |
|-----------------------------|--|---------------------|-----------------------|--|
| <b>Assets</b>               |  |                     |                       |  |
| Pooled cash and investments | \$ 2,439,086   | \$ 2,736,585        | \$ (2,373,452)        | \$ 2,802,219   |
| Accrued interest receivable | 466  | 219                 | (466)                 | 219  |
| Total assets                | <u>\$ 2,439,552</u>  | <u>\$ 2,736,804</u> | <u>\$ (2,373,918)</u> | <u>\$ 2,802,438</u>  |
| <b>Liabilities</b>          |  |                     |                       |  |
| Deposits payable            | \$ 2,439,552   | \$ 2,736,804        | \$ (2,373,918)        | \$ 2,802,438   |
| Total liabilities           | <u>\$ 2,439,552</u>  | <u>\$ 2,736,804</u> | <u>\$ (2,373,918)</u> | <u>\$ 2,802,438</u>  |

*City*  
OF  
*Torrance*



**COMPREHENSIVE ANNUAL**

*Financial*

**R E P O R T**

Fiscal Year Ended June 30, 2017

(Not covered by Independent Auditors' 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.

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

Financial Trends  
Exhibit 1

|  | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              |
| <b>Governmental activities</b>                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Net investment in capital assets                   | \$ 269,819        | \$ 272,391        | \$ 275,454        | \$ 262,639        | \$ 254,085        | \$ 252,519        | \$ 239,087        | \$ 227,870        | \$ 216,501        | \$ 210,615        |
| Restricted   | 45,987            | 49,306            | 41,882            | 43,310            | 41,153            | 40,321            | 46,817            | 68,033            | 70,578            | 70,770            |
| Unrestricted                                       | (280,023)         | (295,513)         | (299,768)         | 23,786            | 75,519            | 42,384            | (18,920)          | (35,557)          | (18,834)          | (12,952)          |
| <b>Total governmental activities net position</b>  | <b>\$ 35,783</b>  | <b>\$ 26,184</b>  | <b>\$ 17,568</b>  | <b>\$ 329,735</b> | <b>\$ 370,757</b> | <b>\$ 335,224</b> | <b>\$ 266,984</b> | <b>\$ 260,346</b> | <b>\$ 268,245</b> | <b>\$ 268,433</b> |
| <b>Business-type activities</b>                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Net investment in capital assets                   | \$ 156,096        | \$ 157,593        | \$ 142,408        | \$ 142,562        | \$ 141,472        | \$ 137,492        | \$ 128,307        | \$ 127,617        | \$ 122,331        | \$ 122,144        |
| Restricted   | -                 | -                 | -                 | -                 | -                 | -                 | 555               | 536               | 592               | 566               |
| Unrestricted                                       | (7,868)           | (8,181)           | (19,433)          | 38,997            | 33,848            | 30,500            | 28,492            | 27,299            | 32,936            | 35,993            |
| <b>Total business-type activities net position</b> | <b>\$ 148,228</b> | <b>\$ 149,412</b> | <b>\$ 122,975</b> | <b>\$ 181,559</b> | <b>\$ 175,320</b> | <b>\$ 167,992</b> | <b>\$ 157,354</b> | <b>\$ 155,452</b> | <b>\$ 155,859</b> | <b>\$ 158,703</b> |
| <b>Primary government</b>                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Net investment in capital assets                   | \$ 425,915        | \$ 429,984        | \$ 417,862        | \$ 405,201        | \$ 395,557        | \$ 390,011        | \$ 367,394        | \$ 355,487        | \$ 338,832        | \$ 332,759        |
| Restricted   | 45,987            | 49,306            | 41,882            | 43,310            | 41,153            | 40,321            | 47,372            | 68,569            | 71,170            | 71,336            |
| Unrestricted                                       | (287,891)         | (303,694)         | (319,201)         | 62,783            | 109,367           | 72,884            | 9,572             | (8,258)           | 14,102            | 23,041            |
| <b>Total primary government net position</b>       | <b>\$ 184,011</b> | <b>\$ 175,596</b> | <b>\$ 140,543</b> | <b>\$ 511,294</b> | <b>\$ 546,077</b> | <b>\$ 503,216</b> | <b>\$ 424,338</b> | <b>\$ 415,798</b> | <b>\$ 424,104</b> | <b>\$ 427,136</b> |

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

Financial Trends  
Exhibit 2

|  | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              |
| <b>Expenses</b>  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Governmental activities:</b>                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General government                                     | \$ 27,838         | \$ 31,259         | \$ 28,474         | \$ 25,545         | \$ 25,608         | \$ 24,064         | \$ 23,358         | \$ 36,479         | \$ 39,594         | \$ 41,464         |
| Public safety  | 114,081           | 99,020            | 102,909           | 109,959           | 94,153            | 94,889            | 93,170            | 93,924            | 89,966            | 88,256            |
| Public works   | 26,807            | 28,259            | 23,908            | 29,676            | 33,598            | 33,837            | 29,070            | 25,401            | 23,617            | 20,166            |
| Culture and recreation                                 | 17,388            | 15,373            | 17,212            | 18,139            | 14,568            | 12,423            | 13,936            | 15,220            | 12,115            | 14,615            |
| Community development                                  | 10,621            | 10,433            | 10,172            | 10,368            | 10,723            | 8,221             | 10,610            | 12,580            | 10,086            | 8,600             |
| Interest on long term debt                             | 2,826             | 2,664             | 2,867             | 1,499             | 3,035             | 4,596             | 6,460             | 5,474             | 5,708             | 5,045             |
| <b>Total governmental activities expenses</b>          | <b>199,561</b>    | <b>187,008</b>    | <b>185,542</b>    | <b>195,186</b>    | <b>181,685</b>    | <b>178,030</b>    | <b>176,604</b>    | <b>189,078</b>    | <b>181,086</b>    | <b>178,146</b>    |
| <b>Business-type activities:</b>                       |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Municipal Airport                                      | 3,425             | 3,433             | 3,301             | 5,530             | 5,331             | 5,405             | 5,334             | 5,535             | 5,630             | 5,241             |
| Transit System   | 27,702            | 24,156            | 24,932            | 26,164            | 24,667            | 23,643            | 21,899            | 21,802            | 21,265            | 21,005            |
| Water  | 35,447            | 31,843            | 34,414            | 35,416            | 32,915            | 31,355            | 29,334            | 26,772            | 25,662            | 23,283            |
| Sewer  | 5,086             | 5,509             | 5,397             | 4,418             | 4,682             | 4,781             | 2,365             | 2,263             | 2,439             | 1,952             |
| Sanitation   | 11,620            | 10,856            | 10,981            | 10,985            | 11,396            | 11,326            | 11,830            | 11,430            | 10,988            | 10,961            |
| Cultural Arts Center                                   | 2,119             | 1,971             | 2,087             | 1,929             | 1,983             | 1,981             | 1,977             | 2,098             | 2,110             | 2,044             |
| Parks and Recreation                                   | 7,080             | 6,864             | 6,638             | 6,464             | 7,309             | 7,697             | 7,925             | 8,084             | 7,529             | 7,414             |
| Emergency Medical Services                             | 12,422            | 11,141            | 11,060            | 10,698            | 10,318            | 10,140            | 9,683             | 9,514             | 9,528             | 8,031             |
| <b>Total business-type activities expenses</b>         | <b>104,901</b>    | <b>95,773</b>     | <b>98,810</b>     | <b>101,604</b>    | <b>98,601</b>     | <b>96,328</b>     | <b>90,347</b>     | <b>87,498</b>     | <b>85,151</b>     | <b>79,931</b>     |
| <b>Total primary government expenses</b>               | <b>\$ 304,462</b> | <b>\$ 282,781</b> | <b>\$ 284,352</b> | <b>\$ 296,790</b> | <b>\$ 280,286</b> | <b>\$ 274,358</b> | <b>\$ 266,951</b> | <b>\$ 276,576</b> | <b>\$ 266,237</b> | <b>\$ 258,077</b> |
| <b>Program Revenues</b>                                |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Governmental activities:</b>                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Charges for services:</b>                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General government                                     | \$ 414            | \$ 464            | \$ 450            | \$ 2,978          | \$ 2,890          | \$ 2,880          | \$ 2,941          | \$ 3,129          | \$ 4,707          | \$ 4,547          |
| Public safety  | 8,475             | 8,192             | 7,433             | 7,508             | 6,132             | 6,167             | 6,688             | 5,933             | 5,129             | 6,269             |
| Public works   | 1,164             | 926               | 867               | 1,085             | 651               | 727               | 535               | 621               | 561               | 503               |
| Culture and recreation                                 | 641               | 628               | 667               | 612               | 647               | 651               | 681               | 594               | 746               | 973               |
| Community development                                  | -                 | -                 | -                 | -                 | 372               | -                 | -                 | -                 | -                 | -                 |
| Operating grants and contributions                     | 17,279            | 22,097            | 22,641            | 14,646            | 13,542            | 14,585            | 12,701            | 12,936            | 10,709            | 12,151            |
| Capital grants and contributions                       | 6,178             | 7,787             | 8,927             | 10,677            | 5,391             | 16,235            | 9,656             | 10,952            | 9,613             | 7,510             |
| <b>Total governmental activities program revenues</b>  | <b>34,151</b>     | <b>40,094</b>     | <b>40,985</b>     | <b>37,506</b>     | <b>29,625</b>     | <b>41,245</b>     | <b>33,202</b>     | <b>34,165</b>     | <b>31,465</b>     | <b>31,953</b>     |
| <b>Business-type activities:</b>                       |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Charges for services:</b>                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Municipal Airport                                      | 12,836            | 12,754            | 12,407            | 12,139            | 11,726            | 11,895            | 10,896            | 10,428            | 10,896            | 10,481            |
| Transit System   | 2,861             | 3,165             | 3,351             | 3,387             | 3,341             | 3,482             | 3,395             | 3,273             | 3,157             | 2,719             |
| Water  | 36,848            | 33,447            | 35,983            | 40,670            | 36,156            | 34,011            | 30,159            | 27,225            | 23,562            | 23,843            |
| Sewer  | 3,783             | 2,417             | 2,731             | 3,221             | 3,137             | 2,882             | 1,579             | 1,718             | 1,843             | 2,357             |
| Sanitation   | 11,363            | 11,475            | 11,360            | 11,396            | 10,972            | 10,634            | 10,865            | 10,860            | 11,178            | 10,980            |
| Cultural Arts Center                                   | 1,018             | 934               | 942               | 912               | 1,043             | 1,038             | 995               | 1,088             | 898               | 1,006             |
| Parks and Recreation                                   | 4,635             | 4,586             | 4,521             | 3,950             | 3,994             | 4,279             | 4,157             | 4,058             | 4,154             | 4,201             |
| Emergency Medical Services                             | 1,093             | 1,244             | 901               | 2,230             | 2,186             | 2,022             | 1,896             | 1,784             | 1,120             | 1,225             |
| Operating grants and contributions                     | 18,809            | 18,462            | 19,091            | 21,061            | 19,952            | 19,339            | 18,208            | 16,738            | 15,812            | 15,964            |
| Capital grants and contributions                       | 1,081             | 14,708            | 2,703             | 1,104             | 5,689             | 10,298            | 312               | 7,082             | 603               | 976               |
| <b>Total business-type activities program revenues</b> | <b>94,327</b>     | <b>103,192</b>    | <b>93,990</b>     | <b>100,070</b>    | <b>98,196</b>     | <b>99,880</b>     | <b>82,462</b>     | <b>84,254</b>     | <b>73,223</b>     | <b>73,752</b>     |
| <b>Total primary government program revenues</b>       | <b>\$ 128,478</b> | <b>\$ 143,286</b> | <b>\$ 134,975</b> | <b>\$ 137,576</b> | <b>\$ 127,821</b> | <b>\$ 141,125</b> | <b>\$ 115,664</b> | <b>\$ 118,419</b> | <b>\$ 104,688</b> | <b>\$ 105,705</b> |

(continued)

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

Financial Trends  
Exhibit 2

|  | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         |
| Net (expense)/revenue                              |              |              |              |              |              |              |              |              |              |              |
| Governmental activities                            | \$ (165,410) | \$ (146,914) | \$ (144,557) | \$ (157,680) | \$ (152,060) | \$ (136,785) | \$ (143,402) | \$ (154,913) | \$ (149,621) | \$ (146,193) |
| Business-type activities                           | (10,574)     | 7,419        | (4,820)      | (1,534)      | (405)        | 3,552        | (7,885)      | (3,244)      | (11,928)     | (6,179)      |
| Total primary government net expense               | \$ (175,984) | \$ (139,495) | \$ (149,377) | \$ (159,214) | \$ (152,465) | \$ (133,233) | \$ (151,287) | \$ (158,157) | \$ (161,549) | \$ (152,372) |
| General Revenues and Other Changes in Net Position |              |              |              |              |              |              |              |              |              |              |
| Governmental activities:                           |              |              |              |              |              |              |              |              |              |              |
| Taxes  |              |              |              |              |              |              |              |              |              |              |
| Property taxes                                     | \$ 46,967    | \$ 54,348    | \$ 54,609    | \$ 53,576    | \$ 51,534    | \$ 52,643    | \$ 56,978    | \$ 56,078    | \$ 57,815    | \$ 55,596    |
| Sales taxes  | 50,133       | 39,378       | 33,185       | 31,963       | 31,805       | 30,163       | 30,627       | 26,666       | 31,057       | 31,545       |
| Other taxes  | 63,485       | 60,932       | 62,481       | 61,442       | 56,261       | 56,815       | 54,915       | 53,153       | 56,665       | 62,933       |
| Investment earnings                                | 5,001        | 6,554        | 6,043        | 6,509        | 5,073        | 8,800        | 8,149        | 7,310        | 6,447        | 6,271        |
| Gain on sale of property                           | 1,552        | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Motor vehicle tax (unrestricted)                   | 66           | 60           | 62           | 64           | 77           | 74           | 685          | 438          | 506          | 658          |
| Other general revenues                             | 4,560        | 4,898        | 15,617       | 4,849        | 5,623        | 4,621        | 4,490        | 6,272        | 4,023        | 3,679        |
| Transfers  | (7,848)      | (17,996)     | (6,855)      | (5,961)      | (7,169)      | (6,493)      | (5,801)      | (2,902)      | (7,734)      | (5,458)      |
| Total governmental activities                      | 163,916      | 148,174      | 165,142      | 152,442      | 143,204      | 146,623      | 150,043      | 147,015      | 148,779      | 155,224      |
| Business-type activities:                          |              |              |              |              |              |              |              |              |              |              |
| Investment earnings                                | 613          | 811          | 521          | 677          | 348          | 593          | 487          | 880          | 1,351        | 594          |
| Other general revenues                             | 247          | 212          | 83           | 546          | 216          | -            | -            | -            | -            | -            |
| Transfers  | 7,848        | 17,996       | 6,855        | 5,961        | 7,169        | 6,493        | 5,801        | 2,902        | 7,734        | 5,458        |
| Total business-type activities                     | 8,708        | 19,019       | 7,459        | 7,184        | 7,733        | 7,086        | 6,288        | 3,782        | 9,085        | 6,052        |
| Total primary government general revenues          | \$ 172,624   | \$ 167,193   | \$ 172,601   | \$ 159,626   | \$ 150,937   | \$ 153,709   | \$ 156,331   | \$ 150,797   | \$ 157,864   | \$ 161,276   |
| Extraordinary Gain (Loss) <sup>1</sup>             |              |              |              |              |              |              |              |              |              |              |
| Governmental activities                            | -            | -            | -            | (35,439)     | -            | 58,403       | -            | -            | -            | -            |
| Business-type activities                           | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Total primary government extraordinary gain (loss) | -            | -            | -            | (35,439)     | -            | 58,403       | -            | -            | -            | -            |
| Change in Net Position                             |              |              |              |              |              |              |              |              |              |              |
| Governmental activities                            | (1,494)      | 1,260        | 20,585       | (40,677)     | (8,856)      | 68,241       | 6,641        | (7,898)      | (842)        | 9,031        |
| Business-type activities                           | (1,866)      | 26,438       | 2,639        | 5,650        | 7,328        | 10,638       | (1,597)      | 538          | (2,843)      | (127)        |
| Total primary government                           | \$ (3,360)   | \$ 27,698    | \$ 23,224    | \$ (35,027)  | \$ (1,528)   | \$ 78,879    | \$ 5,044     | \$ (7,360)   | \$ (3,685)   | \$ 8,904     |

Notes:

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

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

Financial Trends  
Exhibit 3

|   | Fiscal Year      |                  |                  |                  |                  |                  |                   |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
|   | 2017             | 2016             | 2015             | 2014             | 2013             | 2012             | 2011 <sup>1</sup> | 2010             | 2009             | 2008             |
| <b>General fund</b>                       |                  |                  |                  |                  |                  |                  |                   |                  |                  |                  |
| Reserved                                  | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -              | \$ 17,789        | \$ 17,731        | \$ 16,064        |
| Unreserved                                | -                | -                | -                | -                | -                | -                | -                 | 33,423           | 41,017           | 45,803           |
| Nonspendable <sup>2</sup>                 | 15,485           | 21,607           | 21,245           | 22,471           | 53,959           | 16,273           | 15,854            | -                | -                | -                |
| Restricted                                | 465              | 688              | 580              | 479              | 1,253            | 1,128            | 773               | -                | -                | -                |
| Assigned to:                              |                  |                  |                  |                  |                  |                  |                   |                  |                  |                  |
| Culture and recreation                    | 4,763            | 4,688            | 4,484            | 4,897            | 3,706            | 3,183            | 2,852             | -                | -                | -                |
| Public safety                             | 31               | 10               | 63               | 70               | 146              | 170              | 691               | -                | -                | -                |
| Special project reserves                  | 3,542            | 4,094            | 4,204            | 4,353            | 9,389            | 9,943            | 9,602             | -                | -                | -                |
| Capital projects                          | 6,495            | 7,103            | 6,719            | 7,655            | 6,956            | 6,500            | 7,809             | -                | -                | -                |
| Unassigned                                | 24,079           | 21,101           | 29,439           | 21,200           | 15,466           | 15,500           | 14,156            | -                | -                | -                |
| <b>Total general fund</b>                 | <b>\$ 54,860</b> | <b>\$ 59,291</b> | <b>\$ 66,734</b> | <b>\$ 61,125</b> | <b>\$ 90,875</b> | <b>\$ 52,697</b> | <b>\$ 51,737</b>  | <b>\$ 51,212</b> | <b>\$ 58,748</b> | <b>\$ 61,867</b> |
| <b>All other governmental funds</b>       |                  |                  |                  |                  |                  |                  |                   |                  |                  |                  |
| Reserved                                  | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -              | \$ 7,830         | \$ 8,396         | \$ 8,567         |
| Unreserved, reported in:                  |                  |                  |                  |                  |                  |                  |                   |                  |                  |                  |
| Special revenue funds                     | -                | -                | -                | -                | -                | -                | -                 | 33,173           | 28,801           | 29,337           |
| Capital project funds                     | -                | -                | -                | -                | -                | -                | -                 | 29,877           | 36,699           | 36,950           |
| Debt service fund                         | -                | -                | -                | -                | -                | -                | -                 | (14,729)         | (13,946)         | (13,740)         |
| Nonspendable                              | -                | -                | -                | -                | 682              | 634              | -                 | -                | -                | -                |
| Restricted <sup>3</sup>                   | 40,729           | 43,921           | 40,493           | 41,600           | 41,240           | 41,375           | 49,131            | -                | -                | -                |
| Assigned to:                              |                  |                  |                  |                  |                  |                  |                   |                  |                  |                  |
| Capital projects                          | 22,887           | 19,073           | 14,648           | 14,851           | 18,014           | 19,869           | 21,430            | -                | -                | -                |
| Unassigned <sup>3</sup>                   | -                | -                | -                | -                | -                | -                | (17,165)          | -                | -                | -                |
| <b>Total all other governmental funds</b> | <b>\$ 63,616</b> | <b>\$ 62,994</b> | <b>\$ 55,141</b> | <b>\$ 56,451</b> | <b>\$ 59,936</b> | <b>\$ 61,878</b> | <b>\$ 53,396</b>  | <b>\$ 56,151</b> | <b>\$ 59,950</b> | <b>\$ 61,114</b> |

Notes

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

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

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

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

Financial Trends  
 Exhibit 4

|  | Fiscal Year       |                   |                 |                 |                   |                 |                   |                    |                   |                  |
|--|-------------------|-------------------|-----------------|-----------------|-------------------|-----------------|-------------------|--------------------|-------------------|------------------|
|  | 2017              | 2016              | 2015            | 2014            | 2013              | 2012            | 2011              | 2010               | 2009              | 2008             |
| <b>Revenues</b>  |                   |                   |                 |                 |                   |                 |                   |                    |                   |                  |
| Taxes  | \$ 161,817        | \$ 156,103        | \$ 152,045      | \$ 148,165      | \$ 143,352        | \$ 140,034      | \$ 143,330        | \$ 136,148         | \$ 145,714        | \$ 150,260       |
| Licenses, fees and permits                                 | 4,544             | 3,814             | 3,140           | 3,797           | 2,767             | 1,919           | 1,639             | 1,618              | 1,426             | 1,962            |
| Fine, forfeitures and penalties                            | 1,534             | 1,906             | 1,608           | 1,804           | 1,665             | 1,464           | 1,840             | 2,004              | 1,779             | 2,201            |
| Investment earnings  | 6,082             | 7,893             | 7,433           | 7,329           | 6,454             | 11,363          | 10,869            | 11,578             | 15,009            | 14,697           |
| Intergovernmental  | 22,897            | 28,743            | 32,386          | 23,862          | 18,193            | 30,228          | 21,926            | 23,138             | 15,447            | 14,838           |
| Charges for current services                               | 5,750             | 5,392             | 5,095           | 7,904           | 6,907             | 6,728           | 7,174             | 6,921              | 6,090             | 6,443            |
| Other  | 1,282             | 2,280             | 11,141          | 3,047           | 660               | 3,317           | 2,630             | 2,845              | 2,449             | 2,279            |
| <b>Total revenues</b>                                      | <b>203,906</b>    | <b>206,131</b>    | <b>212,848</b>  | <b>195,908</b>  | <b>179,998</b>    | <b>195,053</b>  | <b>189,408</b>    | <b>184,252</b>     | <b>187,914</b>    | <b>192,680</b>   |
| <b>Expenditures</b>  |                   |                   |                 |                 |                   |                 |                   |                    |                   |                  |
| General government   | 20,387            | 19,487            | 20,213          | 22,355          | 19,464            | 22,416          | 23,358            | 25,521             | 25,237            | 25,129           |
| Public safety  | 112,160           | 105,319           | 103,043         | 99,376          | 97,331            | 92,934          | 90,971            | 90,402             | 89,435            | 86,869           |
| Public works   | 30,859            | 31,958            | 36,532          | 23,134          | 22,062            | 27,726          | 22,469            | 18,183             | 17,685            | 14,697           |
| Culture and recreation                                     | 17,066            | 17,115            | 17,131          | 15,523          | 14,033            | 13,565          | 13,997            | 13,796             | 14,013            | 13,747           |
| Nondepartmental  | 6,423             | 8,656             | 5,445           | 5,478           | 5,598             | 6,428           | 8,121             | 5,440              | 5,258             | 5,695            |
| Community development                                      | 10,619            | 10,501            | 10,459          | 10,312          | 10,723            | 6,908           | 7,285             | 7,267              | 6,574             | 6,115            |
| Capital outlay <sup>1</sup>                                | -                 | -                 | -               | -               | -                 | 4,428           | 6,203             | 35,542             | 12,344            | 5,016            |
| Debt service   |                   |                   |                 |                 |                   |                 |                   |                    |                   |                  |
| Principal retirement <sup>2</sup>                          | 1,165             | 1,125             | 895             | 7,370           | 1,535             | 3,352           | 3,020             | 2,553              | 2,417             | 2,524            |
| Interest and fiscal charges                                | 2,522             | 2,599             | 2,835           | 959             | 3,042             | 4,603           | 6,812             | 5,312              | 5,887             | 5,083            |
| Other  | 1,620             | -                 | -               | 5,076           | -                 | 1,356           | 3,362             | 5,280              | 3,459             | 2,403            |
| <b>Total expenditures</b>                                  | <b>202,821</b>    | <b>196,760</b>    | <b>196,553</b>  | <b>189,583</b>  | <b>173,788</b>    | <b>183,716</b>  | <b>185,598</b>    | <b>209,296</b>     | <b>182,309</b>    | <b>167,278</b>   |
| Excess of revenues<br>over (under) expenditures            | 1,085             | 9,371             | 16,295          | 6,325           | 6,210             | 11,337          | 3,810             | (25,044)           | 5,605             | 25,402           |
| <b>Other financing sources (uses)</b>                      |                   |                   |                 |                 |                   |                 |                   |                    |                   |                  |
| Transfers in   | 22,980            | 22,017            | 16,033          | 30,007          | 12,535            | 14,686          | 16,802            | 17,153             | 18,463            | 20,474           |
| Transfers out  | (35,910)          | (32,889)          | (28,029)        | (40,065)        | (21,539)          | (23,245)        | (24,418)          | (23,900)           | (30,087)          | (30,615)         |
| Proceeds from sale of property                             | 1,552             | -                 | -               | -               | -                 | -               | -                 | -                  | -                 | -                |
| Proceeds from refunding bonds <sup>3</sup>                 | 22,135            | -                 | -               | 40,445          | -                 | -               | -                 | -                  | -                 | -                |
| Premium on refunding bonds <sup>3</sup>                    | 1,727             | -                 | -               | 661             | -                 | -               | -                 | -                  | -                 | -                |
| Bond escrow refunding <sup>3</sup>                         | (17,378)          | -                 | -               | (31,540)        | -                 | -               | -                 | -                  | -                 | -                |
| Premium Tax Revenue Anticipation Notes                     | -                 | -                 | -               | -               | -                 | -               | -                 | -                  | 312               | -                |
| Proceeds from bonds <sup>4</sup>                           | -                 | -                 | -               | -               | -                 | -               | -                 | 18,880             | -                 | -                |
| Advances from developers/County                            | -                 | -                 | -               | -               | -                 | -               | 1,575             | 1,577              | 1,424             | 1,436            |
| <b>Total other financing<br/>sources (uses)</b>            | <b>(4,894)</b>    | <b>(10,872)</b>   | <b>(11,996)</b> | <b>(492)</b>    | <b>(9,004)</b>    | <b>(8,559)</b>  | <b>(6,041)</b>    | <b>13,710</b>      | <b>(9,888)</b>    | <b>(8,705)</b>   |
| Extraordinary gain <sup>5</sup>                            | -                 | -                 | -               | -               | -                 | 6,664           | -                 | -                  | -                 | -                |
| <b>Net change in fund balances</b>                         | <b>\$ (3,809)</b> | <b>\$ (1,501)</b> | <b>\$ 4,299</b> | <b>\$ 5,833</b> | <b>\$ (2,794)</b> | <b>\$ 9,442</b> | <b>\$ (2,231)</b> | <b>\$ (11,334)</b> | <b>\$ (4,283)</b> | <b>\$ 16,697</b> |
| Debt service as a percentage of<br>noncapital expenditures | 2.0%              | 2.1%              | 2.2%            | 4.7%            | 2.7%              | 4.7%            | 5.9%              | 4.6%               | 4.9%              | 4.8%             |

Notes:

<sup>1</sup> Starting in 2013, capital outlay expenditures are reported in the relevant departmental category.

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

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

In 2017, the City issued refunding Certificates of Participation to refinance their 2009 Certificates of Participation and generate additional monies for future capital projects.

<sup>4</sup> In 2010, the City issued Certificates of Participation for land acquisition.

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

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

Revenue Capacity  
Exhibit 1

| Fiscal Year Ended June 30 | City          |            |                        | Redevelopment Agency |           |                        | Total Direct Tax Rate |
|---------------------------|---------------|------------|------------------------|----------------------|-----------|------------------------|-----------------------|
|                           | Secured       | Unsecured  | Taxable Assessed Value | Secured              | Unsecured | Taxable Assessed Value |                       |
| <b>Real Property:</b>     |               |            |                        |                      |           |                        |                       |
| 2017                      | \$ 24,972,616 | \$ 355,712 | \$ 25,328,328          | \$ -                 | \$ -      | \$ -                   |                       |
| 2016                      | 24,432,661    | 358,694    | 24,791,355             | -                    | -         | -                      |                       |
| 2015                      | 23,512,947    | 366,569    | 23,879,516             | -                    | -         | -                      |                       |
| 2014                      | 22,611,717    | 347,846    | 22,959,563             | -                    | -         | -                      |                       |
| 2013                      | 21,608,163    | 332,873    | 21,941,036             | -                    | -         | -                      |                       |
| 2012 <sup>1</sup>         | 21,447,810    | 323,995    | 21,771,805             | -                    | -         | -                      |                       |
| 2011                      | 21,143,423    | 346,420    | 21,489,843             | 882,547              | 2,232     | 884,779                |                       |
| 2010 <sup>2</sup>         | 21,405,712    | 328,573    | 21,734,284             | 942,236              | 20,186    | 962,422                |                       |
| 2009 <sup>2</sup>         | 20,936,580    | 306,876    | 21,243,457             | 907,262              | 23,520    | 930,783                |                       |
| 2008                      | 19,809,734    | 286,572    | 20,096,306             | 712,884              | 1,789     | 714,673                |                       |
| <b>Personal Property:</b> |               |            |                        |                      |           |                        |                       |
| 2017                      | \$ 381,327    | \$ 613,322 | \$ 994,649             | \$ -                 | \$ -      | \$ -                   |                       |
| 2016                      | 386,952       | 614,496    | 1,001,448              | -                    | -         | -                      |                       |
| 2015                      | 365,633       | 648,079    | 1,013,712              | -                    | -         | -                      |                       |
| 2014                      | 354,500       | 621,541    | 976,041                | -                    | -         | -                      |                       |
| 2013                      | 336,392       | 623,470    | 959,862                | -                    | -         | -                      |                       |
| 2012 <sup>1</sup>         | 261,619       | 670,048    | 931,667                | -                    | -         | -                      |                       |
| 2011                      | 285,062       | 624,738    | 909,800                | 80,180               | 86,187    | 166,367                |                       |
| 2010 <sup>2</sup>         | 216,219       | 698,217    | 914,437                | 70,921               | 80,746    | 151,667                |                       |
| 2009 <sup>2</sup>         | 211,481       | 652,112    | 863,592                | 68,289               | 94,081    | 162,369                |                       |
| 2008                      | 377,303       | 645,077    | 1,022,380              | 66,090               | 103,961   | 170,051                |                       |
| <b>Total:</b>             |               |            |                        |                      |           |                        |                       |
| 2017                      | \$ 25,353,943 | \$ 969,034 | \$ 26,322,977          | \$ -                 | \$ -      | \$ -                   | 0.1507%               |
| 2016                      | 24,819,613    | 973,190    | 25,792,803             | -                    | -         | -                      | 0.1508%               |
| 2015                      | 23,878,580    | 1,014,648  | 24,893,228             | -                    | -         | -                      | 0.1507%               |
| 2014                      | 22,966,217    | 969,387    | 23,935,604             | -                    | -         | -                      | 0.1507%               |
| 2013                      | 21,944,555    | 956,343    | 22,900,898             | -                    | -         | -                      | 0.1504%               |
| 2012 <sup>1</sup>         | 21,709,429    | 994,043    | 22,703,472             | -                    | -         | -                      | 0.1498%               |
| 2011                      | 21,428,485    | 971,158    | 22,399,643             | 962,727              | 88,419    | 1,051,146              | 0.2777%               |
| 2010                      | 21,621,931    | 1,026,790  | 22,648,721             | 1,013,157            | 100,932   | 1,114,089              | 0.2797%               |
| 2009                      | 21,148,061    | 958,988    | 22,107,049             | 975,551              | 117,601   | 1,093,152              | 0.2798%               |
| 2008                      | 20,187,037    | 931,649    | 21,118,686             | 778,974              | 105,750   | 884,724                | 0.2754%               |

Notes:

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

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity  
Exhibit 2

|                                   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   | <u>2012</u>   | <u>2011</u>   | <u>2010</u>   | <u>2009</u>   | <u>2008</u>   |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| City Direct Rates:                |               |               |               |               |               |               |               |               |               |               |
| City basic rate                   | 0.1507        | 0.1508        | 0.1507        | 0.1507        | 0.1504        | 0.1498        | 0.1495        | 0.1493        | 0.1480        | 0.1484        |
| Redevelopment Agency <sup>1</sup> | -             | -             | -             | -             | -             | -             | <u>0.1282</u> | <u>0.1304</u> | <u>0.1318</u> | <u>0.1270</u> |
| Total City Direct Rate            | <u>0.1507</u> | <u>0.1508</u> | <u>0.1507</u> | <u>0.1507</u> | <u>0.1504</u> | <u>0.1498</u> | <u>0.2777</u> | <u>0.2797</u> | <u>0.2798</u> | <u>0.2754</u> |
| Overlapping Rates:                |               |               |               |               |               |               |               |               |               |               |
| Metropolitan Water District       | 0.0035        | 0.0035        | 0.0035        | 0.0035        | 0.0035        | 0.0037        | 0.0037        | 0.0043        | 0.0043        | 0.0045        |
| Torrance Unified School District  | 0.4913        | 0.4903        | 0.4818        | 0.4754        | 0.4843        | 0.4925        | 0.4780        | 0.4653        | 0.4259        | 0.4279        |
| Community College                 | 0.0229        | 0.0174        | 0.0174        | 0.0175        | 0.0185        | 0.0169        | 0.0161        | 0.0148        | 0.0170        | 0.0165        |
| County of Los Angeles             | 0.2394        | 0.2402        | 0.2407        | 0.2411        | 0.2415        | 0.2421        | 0.2416        | 0.2408        | 0.2397        | 0.2406        |
| Successor Agency <sup>1</sup>     | 0.1356        | 0.1331        | 0.1306        | 0.1297        | 0.1279        | 0.1267        | -             | -             | -             | -             |
| Special Districts                 | <u>0.0686</u> | <u>0.0691</u> | <u>0.0697</u> | <u>0.0698</u> | <u>0.0705</u> | <u>0.0711</u> | <u>0.0711</u> | <u>0.0708</u> | <u>0.0719</u> | <u>0.0730</u> |
| Total Direct Rate                 | <u>1.1120</u> | <u>1.1044</u> | <u>1.0944</u> | <u>1.0877</u> | <u>1.0966</u> | <u>1.1028</u> | <u>1.0882</u> | <u>1.0757</u> | <u>1.0386</u> | <u>1.0379</u> |

Notes:

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity  
Exhibit 3

| Taxpayer                                     | 2017                    |      |  | 2008                    |      |  |
|--|-------------------------|------|--|-------------------------|------|--|
|  | Taxable Assessed Value  | Rank | Percent of Total City Taxable Assessed Value | Taxable Assessed Value  | Rank | Percent of Total City Taxable Assessed Value |
| Del Amo Fashion Center Operating Company     | \$ 821,327,300          | 1    | 3.12%  | \$ 519,947,443          | 3    | 2.36%  |
| Torrance Refining Company                    | 705,022,071             | 2    | 2.68%  | -                       | -    | -  |
| Toyota Motor Sales USA Inc.                  | 562,335,195             | 3    | 2.14%  | 521,573,660             | 2    | 2.37%  |
| American Honda Motor Company Inc.            | 310,944,038             | 4    | 1.18%  | 258,326,252             | 4    | 1.17%  |
| Allied Signal Inc.                           | 111,131,416             | 5    | 0.42%  | 82,445,996              | 6    | 0.37%  |
| Continental Skypark LLC                      | 110,185,863             | 6    | 0.42%  | -                       | -    | -  |
| XLD GROUP LLC / Marriott                     | 81,989,350              | 7    | 0.31%  | -                       | -    | -  |
| CTC Group Inc.                               | 73,653,152              | 8    | 0.28%  | -                       | -    | -  |
| SRPF A 21250 Hawthorne LLC                   | 69,544,625              | 9    | 0.26%  | -                       | -    | -  |
| Robinson Helicopter Company                  | 66,729,556              | 10   | 0.25%  | -                       | -    | -  |
| Exxon Mobil Oil Corporation                  | -                       | -    | -  | 1,417,099,130           | 1    | 6.44%  |
| Providence Health System Southern California | -                       | -    | -  | 236,555,012             | 5    | 1.08%  |
| Ball Metal Beverage Container Company        | -                       | -    | -  | 64,676,279              | 7    | 0.29%  |
| Diamondrock Torrance Owner LLC               | -                       | -    | -  | 60,476,371              | 8    | 0.27%  |
| Rreef America Reit III Corporation GG2       | -                       | -    | -  | 58,000,000              | 9    | 0.26%  |
| TA Western LLC                               | -                       | -    | -  | 55,692,000              | 10   | 0.25%  |
|  | <u>\$ 2,912,862,566</u> |      | <u>11.06%</u>                                | <u>\$ 3,274,792,143</u> |      | <u>14.86%</u>                                |

Notes:

The amounts shown above for 2008 include assessed value data for both the City and the Redevelopment Agency.

The amounts shown above for 2017 include assessed value data for both the City and the Successor Agency Trust. Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Remaining assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Agency Trust.

Source: Los Angeles County Assessor 2016/17 & 2007/08 Secured & Unsecured Tax Rolls,  
HdL Coren & Cone



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

Revenue Capacity  
Exhibit 4

| Fiscal Year<br>Ended<br>June 30 | Total Tax<br>Levy for<br>Fiscal Year | Collected within<br>Fiscal Year |                    | Collections in<br>Subsequent<br>Years | Total Collections to Date |                    |
|---------------------------------|--------------------------------------|---------------------------------|--------------------|---------------------------------------|---------------------------|--------------------|
|                                 |                                      | Amount                          | Percentage of Levy |                                       | Amount                    | Percentage of Levy |
| 2017                            | \$ 32,460                            | \$ 31,993                       | 98.56%             | \$ -                                  | 31,993                    | 98.56%             |
| 2016                            | 31,843                               | 31,296                          | 98.28%             | 32                                    | 31,328                    | 98.38%             |
| 2015                            | 30,778                               | 30,243                          | 98.26%             | 23                                    | 30,266                    | 98.34%             |
| 2014                            | 29,533                               | 28,995                          | 98.18%             | 35                                    | 29,030                    | 98.30%             |
| 2013                            | 28,101                               | 27,508                          | 97.89%             | 25                                    | 27,533                    | 97.98%             |
| 2012                            | 27,920                               | 27,283                          | 97.72%             | 74                                    | 27,357                    | 97.98%             |
| 2011                            | 27,264                               | 26,487                          | 97.15%             | -                                     | 26,487                    | 97.15%             |
| 2010                            | 27,657                               | 26,601                          | 96.18%             | 237                                   | 26,838                    | 97.04%             |
| 2009                            | 26,937                               | 25,552                          | 94.86%             | 231                                   | 25,783                    | 95.72%             |
| 2008                            | 25,765                               | 24,374                          | 94.60%             | 268                                   | 24,642                    | 95.64%             |

Notes:

The amounts presented are for City property taxes only.

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

Source: Los Angeles County Auditor Controller's Office

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

Revenue Capacity  
 Exhibit 5

|                                  | Fiscal Year |         |           |           |           |           |           |           |           |           |
|----------------------------------|-------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                  | 2017        | 2016    | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      | 2008      |
| <b>Potable</b>                   |             |         |           |           |           |           |           |           |           |           |
| Type of Customer:                |             |         |           |           |           |           |           |           |           |           |
| Residential                      | 381,521     | 371,531 | 431,201   | 467,408   | 457,444   | 456,784   | 447,819   | 459,863   | 507,328   | 524,985   |
| Industrial                       | 135,584     | 100,085 | 136,159   | 170,468   | 117,538   | 147,348   | 172,197   | 124,538   | 149,595   | 162,174   |
| Commercial                       | 164,215     | 158,623 | 193,565   | 197,237   | 198,152   | 179,642   | 178,176   | 196,891   | 191,098   | 196,752   |
| Other                            | 27,246      | 36,561  | 37,059    | 65,832    | 67,190    | 68,903    | 42,503    | 43,996    | 40,350    | 76,500    |
| Total - Potable Water            | 708,566     | 666,800 | 797,984   | 900,945   | 840,324   | 852,677   | 840,695   | 825,288   | 888,371   | 960,411   |
| <b>Recycled/Reclaimed</b>        |             |         |           |           |           |           |           |           |           |           |
| Type of Customer:                |             |         |           |           |           |           |           |           |           |           |
| Industrial                       | 207,389     | 145,358 | 232,056   | 269,317   | 275,530   | 285,103   | 250,052   | 267,633   | 241,394   | 269,201   |
| Other                            | 13,553      | 15,905  | 15,154    | 15,072    | 11,755    | 13,598    | 9,981     | 18,731    | 12,362    | 13,591    |
| Total - Recycled/Reclaimed Water | 220,942     | 161,263 | 247,210   | 284,389   | 287,285   | 298,701   | 260,033   | 286,364   | 253,756   | 282,792   |
| <b>Total</b>                     |             |         |           |           |           |           |           |           |           |           |
| Type of Customer:                |             |         |           |           |           |           |           |           |           |           |
| Residential                      | 381,521     | 371,531 | 431,201   | 467,408   | 457,444   | 456,784   | 447,819   | 459,863   | 507,328   | 524,985   |
| Industrial                       | 342,973     | 245,443 | 368,215   | 439,785   | 393,068   | 432,451   | 422,249   | 392,171   | 390,989   | 431,375   |
| Commercial                       | 164,215     | 158,623 | 193,565   | 197,237   | 198,152   | 179,642   | 178,176   | 196,891   | 191,098   | 196,752   |
| Other                            | 40,799      | 52,466  | 52,213    | 80,904    | 78,945    | 82,501    | 52,484    | 62,727    | 52,712    | 90,091    |
| Total Water                      | 929,508     | 828,063 | 1,045,194 | 1,185,334 | 1,127,609 | 1,151,378 | 1,100,728 | 1,111,652 | 1,142,127 | 1,243,203 |

Source: Minol USA Usage Report for June 2016 through June 2017, Global Water Usage Report for 2011 through May 2016 and Golden State Usage Report for 2008 through 2010 data.

City of Torrance Water Fund  
Water Rates  
Last Ten Fiscal Years

Revenue Capacity  
Exhibit 6

| Monthly Base Rate               |                      |                            |   |                                    |   |
|---------------------------------|----------------------|----------------------------|---|------------------------------------|---|
| Fiscal<br>Year Ended<br>June 30 | Regular <sup>1</sup> | Low<br>Income <sup>1</sup> | Torrance<br>Refining/<br>Exxon<br>Contract <sup>2</sup> | Wholesale<br>Contract <sup>2</sup> | Other -<br>Recycled<br>Regular <sup>3</sup> |
| 2017                            | \$ 5.84              | \$ 5.84                    | \$ 89,657.00  | \$ 398.31                          | \$ 19.24                                    |
| 2016                            | 5.84                 | 5.84                       | 94,611.00   | 398.31                             | 19.24                                       |
| 2015                            | 5.84                 | 5.84                       | 92,960.00   | 394.37                             | 19.24                                       |
| 2014                            | 5.76                 | 5.76                       | 89,692.00   | 388.85                             | 18.97                                       |
| 2013                            | 5.76                 | 5.76                       | 81,167.00   | 388.73                             | 18.97                                       |
| 2012                            | 5.59                 | 5.59                       | 79,128.00   | 377.00                             | 18.41                                       |
| 2011                            | 5.25                 | 5.25                       | 65,966.00   | 360.00                             | 17.29                                       |
| 2010                            | 4.44                 | 3.40                       | 52,992.00   | 360.00                             | 35.65                                       |
| 2009                            | 4.44                 | 3.40                       | 40,495.00   | 360.00                             | 35.65                                       |
| 2008                            | 4.44                 | 3.40                       | 40,495.00   | 360.00                             | 35.25                                       |

| Rate Per 100 Cubic Feet         |                      |                            |  |                       |                                |
|---------------------------------|----------------------|----------------------------|--|-----------------------|--------------------------------|
| Fiscal<br>Year Ended<br>June 30 | Regular <sup>4</sup> | Low<br>Income <sup>4</sup> | Torrance<br>Refining/<br>Exxon<br>Contract | Wholesale<br>Contract | Other -<br>Recycled<br>Regular |
| 2017                            | \$ 3.93              | \$ 3.93                    | \$ 2.48                                    | \$ 2.52               | \$ 2.79                        |
| 2016                            | 3.93                 | 3.53                       | 2.50                                       | 2.52                  | 2.79                           |
| 2015                            | 3.93                 | 3.53                       | 2.40                                       | 2.42                  | 2.79                           |
| 2014                            | 3.79                 | 3.40                       | 2.29                                       | 2.37                  | 2.65                           |
| 2013                            | 3.56                 | 3.16                       | 2.20                                       | 2.22                  | 2.49                           |
| 2012                            | 3.41                 | 3.02                       | 2.08                                       | 2.10                  | 2.39                           |
| 2011                            | 3.04                 | 2.68                       | 1.94                                       | 1.96                  | 2.13                           |
| 2010                            | 2.66                 | 2.30                       | 1.79                                       | 1.81                  | 1.86                           |
| 2009                            | 2.21                 | 1.85                       | 1.28                                       | 1.14                  | 1.55                           |
| 2008                            | 1.99                 | 1.63                       | 1.28                                       | 1.14                  | 1.39                           |

Notes:

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

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

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

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

Source: City of Torrance Public Works Department - Water Division

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

Revenue Capacity  
Exhibit 7

| Water Customer                        | 2017              |      |                                 | 2008                |      |                                 |
|---------------------------------------|-------------------|------|---------------------------------|---------------------|------|---------------------------------|
|                                       | Water Charges     | Rank | Percent of Total Water Revenues | Water Charges       | Rank | Percent of Total Water Revenues |
| Torrance Refining Company             | \$ 9,162,031      | 1    | 24.78%                          | \$ -                | -    | -                               |
| City of Torrance                      | 815,401           | 2    | 2.21%                           | 459,103             | 2    | 1.97%                           |
| California Water Service - Wholesale  | 587,431           | 3    | 1.59%                           | 325,266             | 4    | 1.40%                           |
| Torrance Unified School District      | 509,413           | 4    | 1.38%                           | 437,822             | 3    | 1.88%                           |
| Torrance Memorial Health System       | 343,233           | 5    | 0.93%                           | -                   | -    | -                               |
| Toyota Motor Sales USA Inc.           | 242,809           | 6    | 0.66%                           | 228,722             | 5    | 0.98%                           |
| Don Wilson Builders                   | 223,596           | 7    | 0.60%                           | 145,264             | 10   | 0.62%                           |
| American Honda Motor Company Inc.     | 218,837           | 8    | 0.59%                           | 226,563             | 6    | 0.97%                           |
| Summerwind HOA                        | 191,028           | 9    | 0.52%                           | -                   | -    | -                               |
| New Horizons HOA                      | 190,938           | 10   | 0.52%                           | 155,169             | 8    | 0.67%                           |
| Exxon Mobil Oil Corporation           | -                 | -    | -                               | 4,016,108           | 1    | 17.23%                          |
| Honeywell Aerospace/Equipment System  | -                 | -    | -                               | 145,975             | 9    | 0.63%                           |
| Ball Metal Beverage Container Company | -                 | -    | -                               | 156,819             | 7    | 0.67%                           |
| <b>Total</b>                          | <b>12,484,717</b> |      | <b>33.78%</b>                   | <b>\$ 6,296,811</b> |      | <b>27.02%</b>                   |

Source: Minol USA and Golden State Top Customer reports

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

Debt Capacity  
Exhibit 1

| Fiscal Year<br>Ended<br>June 30 | Governmental Activities  |   |                               |                                       | Business-type Activities          |  |                                  |                                      | Total<br>Primary<br>Government | Percent of<br>Assessed<br>Value <sup>5</sup> | Debt<br>Per<br>Capita |
|---------------------------------|--|---|-------------------------------|---------------------------------------|-----------------------------------|--|----------------------------------|--------------------------------------|--------------------------------|--|-----------------------|
|                                 | General<br>Government<br>Certificates of<br>Participation <sup>1</sup> | Tax<br>Allocation<br>Bonds <sup>2</sup> | Notes<br>Payable <sup>2</sup> | Capital Lease<br>Payable <sup>3</sup> | Total<br>Government<br>Activities | Water<br>Revenue<br>Bonds <sup>4</sup> | Easement<br>Payable <sup>3</sup> | Total<br>Business-type<br>Activities |                                |  |                       |
| 2017                            | \$ 62,740  | \$ -                                    | \$ -                          | \$ -                                  | \$ 62,740                         | \$ -                                   | \$ 1,453                         | \$ 1,453                             | \$ 64,193                      | 0.24%  | \$437                 |
| 2016                            | 56,637   | -                                       | -                             | 65                                    | 56,702                            | -                                      | 1,453                            | 1,453                                | 58,155                         | 0.23%  | 396                   |
| 2015                            | 57,784   | -                                       | -                             | 155                                   | 57,939                            | -                                      | 1,453                            | 1,453                                | 59,392                         | 0.24%  | 401                   |
| 2014                            | 58,701   | -                                       | -                             | 239                                   | 58,940                            | -                                      | 1,453                            | 1,453                                | 60,393                         | 0.25%  | 409                   |
| 2013                            | 59,160   | -                                       | -                             | 310                                   | 59,470                            | 620                                    | 1,453                            | 2,073                                | 61,543                         | 0.27%  | 419                   |
| 2012                            | 60,695   | -                                       | -                             | -                                     | 60,695                            | 1,190                                  | -                                | 1,190                                | 61,885                         | 0.27%  | 424                   |
| 2011                            | 62,175   | 30,324                                  | 13,635                        | -                                     | 106,134                           | 1,730                                  | -                                | 1,730                                | 107,864                        | 0.46%  | 739                   |
| 2010                            | 63,615   | 31,904                                  | 12,910                        | -                                     | 108,429                           | 2,245                                  | -                                | 2,245                                | 110,674                        | 0.47%  | 743                   |
| 2009                            | 45,825   | 33,367                                  | 12,117                        | -                                     | 91,309                            | 2,745                                  | -                                | 2,745                                | 94,054                         | 0.41%  | 631                   |
| 2008                            | 46,880   | 34,729                                  | 11,429                        | -                                     | 93,038                            | 3,245                                  | -                                | 3,245                                | 96,283                         | 0.44%  | 646                   |

Notes:

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

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

In 2017 the City issued \$22 million of new Certificates of Participation and retired \$17 million of older Certificates of Participation generating \$5 million for capital projects.

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

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

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

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

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

Debt Capacity  
Exhibit 2

| Fiscal Year<br>Ended<br>June 30 | Outstanding Net General Bonded Debt                       |  |                            | Percent of<br>Assessed<br>Value <sup>2</sup> | Per<br>Capita |
|---------------------------------|---|--|----------------------------|--|---------------|
|                                 | General<br>Government<br>Certificates of<br>Participation | Less Amounts<br>Available in<br>Debt Service<br>Funds <sup>1</sup> | Net General<br>Bonded Debt |  |               |
| 2017                            | \$ 62,740   | \$ 2,450   | \$ 60,290                  | 0.23%  | \$ 410        |
| 2016                            | 56,637  | 3,741  | 52,896                     | 0.21%  | 360           |
| 2015                            | 57,784  | 3,737  | 54,047                     | 0.22%  | 365           |
| 2014                            | 58,701  | 3,746  | 54,955                     | 0.23%  | 372           |
| 2013                            | 59,160  | 4,581  | 54,579                     | 0.24%  | 371           |
| 2012                            | 60,695  | 4,583  | 56,112                     | 0.25%  | 384           |
| 2011                            | 62,175  | 4,651  | 57,524                     | 0.26%  | 394           |
| 2010                            | 63,615  | 4,650  | 58,965                     | 0.26%  | 393           |
| 2009                            | 45,825  | 3,330  | 42,495                     | 0.19%  | 285           |
| 2008                            | 46,880  | 3,332  | 43,548                     | 0.21%  | 292           |

Notes:

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

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

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

City of Torrance  
Direct and Overlapping Debt  
June 30, 2017  
(in thousands of dollars)

Debt Capacity  
Exhibit 3

|   |                                       |                             |  |
|---|---------------------------------------|-----------------------------|--|
| City Assessed Valuation   |                                       | <u>\$ 26,322,977</u>        |  |
|   | Percentage<br>Applicable <sup>1</sup> | Outstanding<br>Debt 6/30/17 | Estimated<br>Share of<br>Overlapping<br>Debt |
| Overlapping Debt Repaid with Property Taxes:                                  |                                       |                             |  |
| Los Angeles County Flood Control District                                     | 2.093%                                | \$ 10,081                   | \$ 211                                       |
| Metropolitan Water District   | 1.068%                                | 74,906                      | 800  |
| El Camino Community College District  | 28.154%                               | 401,559                     | 113,055                                      |
| Los Angeles Community College District  | 0.003%                                | 3,833,333                   | 115  |
| Los Angeles Unified School District   | 0.004%                                | 10,000,000                  | 400  |
| Torrance Unified School District  | 99.998%                               | 474,354                     | 474,345                                      |
| Los Angeles County Regional Park and<br>Open Space Assessment District        | 2.052%                                | <u>38,889</u>               | <u>798</u>                                   |
| Total overlapping debt to be repaid with property taxes                       |                                       | <u>14,833,122</u>           | <u>589,724</u>                               |
| Overlapping Other Debt:   |                                       |                             |  |
| Los Angeles County General Fund Obligations                                   | 2.052%                                | \$ 1,963,499                | \$ 40,291                                    |
| Los Angeles County Superintendent of Schools<br>Certificates of Participation | 2.052%                                | 7,212                       | 148  |
| Los Angeles County Sanitation District No.5<br>Authority                      | 27.008%                               | 23,289                      | 6,290  |
| Los Angeles County Sanitation South Bay Cities<br>Authority                   | 4.641%                                | 3,965                       | 184  |
| Los Angeles Unified School District Certificates<br>of Participation          | 0.004%                                | 250,000                     | 10   |
| Torrance Unified School District General Fund Obligations                     | 99.998%                               | <u>2,320</u>                | <u>2,320</u>                                 |
| Total overlapping other debt  |                                       | <u>2,250,285</u>            | <u>49,243</u>                                |
| Total overlapping debt  |                                       | <u>\$ 17,083,407</u>        | 638,967                                      |
| City direct debt:   |                                       |                             |  |
| Certificates of Participation (including premium)                             |                                       |                             | <u>62,740</u>                                |
| Total City direct debt  |                                       |                             | 62,740                                       |
| Total direct and overlapping debt   |                                       |                             | <u>\$ 701,707</u>                            |

Notes:

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

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

Source: California Municipal Statistics, Inc

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

Debt Capacity  
 Exhibit 4

|  | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              |
| Debt limit   | \$ 987,112        | \$ 967,230        | \$ 933,496        | \$ 897,585        | \$ 858,784        | \$ 851,380        | \$ 839,987        | \$ 849,327        | \$ 829,014        | \$ 791,951        |
| Total net debt applicable to limit                                   | 62,740            | 56,637            | 57,784            | 58,701            | 59,160            | 60,695            | 62,175            | 63,615            | 45,825            | 46,880            |
| Legal debt margin  | <u>\$ 924,372</u> | <u>\$ 910,593</u> | <u>\$ 875,712</u> | <u>\$ 838,884</u> | <u>\$ 799,624</u> | <u>\$ 790,685</u> | <u>\$ 777,812</u> | <u>\$ 785,712</u> | <u>\$ 783,189</u> | <u>\$ 745,071</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 6.4%              | 5.9%              | 6.2%              | 6.5%              | 6.9%              | 7.1%              | 7.4%              | 7.5%              | 5.5%              | 5.9%              |

Legal Debt Margin Calculation for Fiscal Year 2017:

|  |                   |
|--|-------------------|
| Assessed value                                   | \$ 26,322,977     |
| Debt limit (3.75% of assessed value)             | \$ 987,112        |
| Debt applicable to limit:                        |                   |
| General government Certificates of Participation | 62,740            |
| Legal debt margin                                | <u>\$ 924,372</u> |

Notes:

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

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



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

Debt Capacity  
Exhibit 5

| Fiscal Year<br>Ended<br>June 30 | Water Revenue Bonds |                               |                             |              |          |          | Tax Allocation Bonds |              |          |          |  |
|---------------------------------|---------------------|-------------------------------|-----------------------------|--------------|----------|----------|----------------------|--------------|----------|----------|--|
|                                 | Water<br>Revenue    | Less<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Debt Service |          | Coverage | Tax<br>Increment     | Debt Service |          | Coverage |  |
|                                 |                     |                               |                             | Principal    | Interest |          |                      | Principal    | Interest |          |  |
| 2017                            | \$ 36,974           | \$ 33,048                     | \$ 3,926                    | \$ -         | \$ -     | -        | \$ -                 | \$ -         | \$ -     | -        |  |
| 2016                            | 33,473              | 29,641                        | 3,832                       | -            | -        | -        | -                    | -            | -        | -        |  |
| 2015                            | 36,001              | 31,967                        | 4,034                       | -            | -        | -        | -                    | -            | -        | -        |  |
| 2014 <sup>1</sup>               | 40,726              | 33,628                        | 7,098                       | 620          | 17       | 11.14    | -                    | -            | -        | -        |  |
| 2013                            | 36,156              | 31,375                        | 4,781                       | 570          | 44       | 7.79     | -                    | -            | -        | -        |  |
| 2012 <sup>2</sup>               | 34,011              | 29,558                        | 4,453                       | 540          | 71       | 7.29     | -                    | -            | -        | -        |  |
| 2011                            | 30,159              | 27,501                        | 2,658                       | 515          | 97       | 4.34     | 8,505                | 1,580        | 1,743    | 2.56     |  |
| 2010                            | 27,225              | 25,489                        | 1,736                       | 500          | 126      | 2.77     | 8,366                | 1,463        | 1,830    | 2.54     |  |
| 2009                            | 23,562              | 22,023                        | 1,539                       | 500          | 133      | 2.43     | 9,122                | 1,362        | 1,911    | 2.79     |  |
| 2008                            | 23,309              | 21,955                        | 1,354                       | 465          | 148      | 2.21     | 8,028                | 1,500        | 1,993    | 2.30     |  |

Notes:

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

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

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

City of Torrance  
Demographic and Economic Indicators  
Last Ten Calendar Years

Demographic and Economic  
Exhibit 1

| Calendar<br>Year | Torrance<br>Population <sup>1</sup> | Los Angeles<br>County<br>Population <sup>1</sup> | Personal<br>Income<br>(in thousands) <sup>2</sup> | Per Capita<br>Personal<br>Income <sup>2</sup> | Unemployment<br>Rate <sup>3</sup> |
|------------------|-------------------------------------|--|---|---|-----------------------------------|
| 2016             | 147,101                             | 10,241,278                                       | \$ 544,324,900                                    | 53,150  | 3.6%                              |
| 2015             | 147,175                             | 10,241,335                                       | 499,767,889                                       | 48,799  | 4.7%                              |
| 2014             | 148,427                             | 10,136,559                                       | 466,098,988                                       | 45,982  | 5.8%                              |
| 2013             | 147,706                             | 10,041,797                                       | 443,088,010                                       | 44,124  | 4.9%                              |
| 2012             | 146,860                             | 9,958,091  | 420,913,463                                       | 42,268  | 5.4%                              |
| 2011             | 146,115                             | 9,884,632  | 410,674,615                                       | 41,547  | 6.2%                              |
| 2010             | 145,927                             | 9,858,989  | 402,459,119                                       | 40,822  | 6.4%                              |
| 2009             | 149,717                             | 10,441,080                                       | 413,316,582                                       | 39,586  | 5.8%                              |
| 2008             | 149,111                             | 10,393,185                                       | 390,295,865                                       | 37,553  | 3.7%                              |
| 2007             | 148,965                             | 10,363,850                                       | 369,174,348                                       | 35,621  | 2.4%                              |

Sources: <sup>1</sup> State Department of Finance. Population for 2010 was adjusted based on the 2010 Federal Census.

<sup>2</sup> U.S. Department of Commerce - Bureau of Economic Analysis  
The Personal Income data shown is for the previous calendar year. The calendar year 2016 data will be available in the spring of 2018.  
The Personal Income for the City of Torrance is unavailable, the data shown is for Los Angeles County.

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

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

Demographic and Economic  
Exhibit 2

| Employer                                    | 2017                |      |                             | 2008                |      |                             |
|---|---------------------|------|-----------------------------|---------------------|------|-----------------------------|
|   | Number of Employees | Rank | Percent of Total Employment | Number of Employees | Rank | Percent of Total Employment |
| Torrance Memorial Health System             | 3,663               | 1    | 4.8%                        | -                   |      | -                           |
| Toyota Motor Sales USA Inc.                 | 2,924               | 2    | 3.9%                        | 3,320               | 1    | 4.1%                        |
| Torrance Unified School District            | 2,523               | 3    | 3.3%                        | -                   |      | -                           |
| American Honda Motor Company                | 1,819               | 4    | 2.4%                        | 1,657               | 2    | 2.1%                        |
| City of Torrance                            | 1,685               | 5    | 2.2%                        | -                   |      | -                           |
| Providence Little Co of Mary Medical Center | 1,585               | 6    | 2.1%                        | -                   |      | -                           |
| Robinson Helicopter Company                 | 1,132               | 7    | 1.5%                        | 1,210               | 3    | 1.5%                        |
| Honeywell Aerospace/Equipment System        | 1,072               | 8    | 1.4%                        | 1,123               | 5    | 1.4%                        |
| Hi Shear Corporation                        | 1,002               | 9    | 1.3%                        | 813                 | 6    | 1.0%                        |
| Alcoa Fastening Systems                     | 745                 | 10   | 1.0%                        | 1,205               | 4    | 1.5%                        |
| L-3 Communications Electron Tech, Inc.      | -                   |      | -                           | 687                 | 7    | 0.9%                        |
| Exxon Mobil Oil Corporation                 | -                   |      | -                           | 674                 | 8    | 0.8%                        |
| Pelican Products, Inc.                      | -                   |      | -                           | 556                 | 9    | 0.7%                        |
| Toro Nursery                                | -                   |      | -                           | 500                 | 10   | 0.6%                        |

Notes:

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

Data for 2008 does not include government and non-profit employers.

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

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

Operating  
 Exhibit 1

| Function               | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                        | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         |
| General government     | 275          | 275          | 277          | 272          | 269          | 274          | 274          | 295          | 293          | 290          |
| Public safety          | 501          | 504          | 520          | 522          | 507          | 504          | 513          | 515          | 531          | 526          |
| Public works           | 143          | 146          | 141          | 148          | 148          | 145          | 141          | 145          | 154          | 145          |
| Culture and recreation | 451          | 454          | 441          | 445          | 454          | 444          | 465          | 500          | 476          | 489          |
| Community development  | 63           | 62           | 63           | 62           | 61           | 59           | 65           | 71           | 69           | 72           |
| Municipal airport      | 10           | 10           | 10           | 9            | 10           | 10           | 10           | 9            | 5            | 4            |
| Transit System         | 143          | 131          | 130          | 128          | 139          | 123          | 125          | 124          | 128          | 133          |
| Water                  | 30           | 30           | 29           | 31           | 28           | 33           | 29           | 29           | 26           | 26           |
| Sewer                  | 22           | 17           | 19           | 20           | 20           | 16           | 16           | 15           | 15           | 17           |
| Cultural Arts Center   | 47           | 50           | 52           | 47           | 44           | 45           | 48           | 46           | 52           | 54           |
| <b>Total</b>           | <u>1,685</u> | <u>1,679</u> | <u>1,682</u> | <u>1,684</u> | <u>1,680</u> | <u>1,653</u> | <u>1,686</u> | <u>1,749</u> | <u>1,749</u> | <u>1,756</u> |

Source: City of Torrance Finance Department - Payroll Section

City of Torrance  
Operating Indicators by Function  
Last Ten Fiscal Years

Operating  
Exhibit 2

| Function  | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         |
| <b>Police</b>                                       |              |              |              |              |              |              |              |              |              |              |
| Arrests   | 3,265        | 3,739        | 4,217        | 4,546        | 4,480        | 5,424        | 5,538        | 6,294        | 6,772        | 6,097        |
| Bookings  | 2,477        | 2,623        | 2,840        | 3,644        | 3,070        | 3,359        | 3,562        | 4,053        | 4,007        | 3,868        |
| Parking violations                                  | 20,945       | 25,192       | 20,900       | 16,089       | 12,853       | 16,267       | 15,211       | 16,412       | 20,269       | 27,475       |
| Traffic violations                                  | 26,988       | 16,987       | 19,776       | 12,831       | 16,837       | 16,913       | 14,820       | 18,157       | 15,695       | 15,743       |
| <b>Fire</b>   |              |              |              |              |              |              |              |              |              |              |
| Number of calls answered                            | 15,183       | 14,863       | 13,669       | 12,803       | 12,968       | 12,456       | 12,338       | 12,179       | 12,707       | 12,847       |
| Inspections   | 8,047        | 9,229        | 9,424        | 7,264        | 9,493        | 8,977        | 8,862        | 8,322        | 9,137        | 8,028        |
| <b>Highways, streets and other transportation</b>   |              |              |              |              |              |              |              |              |              |              |
| Potholes repaired                                   | 8,000        | 5,045        | 5,080        | 5,100        | 4,921        | 5,400        | 5,600        | 5,200        | 4,700        | 5,800        |
| Number of tenant aircraft                           | 500          | 500          | 500          | 500          | 500          | 500          | 500          | 500          | 500          | 500          |
| Number of fixed bus routes                          | 11           | 11           | 11           | 11           | 10           | 8            | 8            | 8            | 8            | 8            |
| <b>Sanitation</b>                                   |              |              |              |              |              |              |              |              |              |              |
| Refuse collected (tons/day)                         | 143          | 144          | 143          | 144          | 148          | 182          | 194          | 213          | 224          | 219          |
| Recyclables collected (tons/day)                    | 48           | 49           | 49           | 48           | 50           | 51           | 53           | 55           | 64           | 64           |
| Green waste collected (tons/day)                    | 64           | 59           | 66           | 63           | 67           | 31           | 22           | 18           | 12           | 8            |
| <b>Culture and recreation</b>                       |              |              |              |              |              |              |              |              |              |              |
| Number of registrants served                        | 33,780       | 31,522       | 26,451       | 27,664       | 29,843       | 32,290       | 41,850       | 43,177       | 45,146       | 46,352       |
| Registrant fees collected                           | \$ 3,282,886 | \$ 2,931,701 | \$ 2,952,473 | \$ 2,919,262 | \$ 3,162,396 | \$ 3,145,548 | \$ 3,401,771 | \$ 3,151,047 | \$ 3,489,623 | \$ 3,345,329 |
| Community center admissions                         | 33,097       | 34,600       | 40,230       | 48,162       | 42,403       | 42,495       | 46,898       | 40,153       | 53,665       | 50,035       |
| <b>Water</b>  |              |              |              |              |              |              |              |              |              |              |
| New connections                                     | 23           | 49           | 26           | 32           | 48           | 46           | 19           | 23           | 63           | 99           |
| Water main emergency repairs (breaks)               | 70           | 53           | 36           | 67           | 46           | 41           | 57           | 55           | 55           | 64           |
| Average daily consumption<br>(thousands of gallons) | 15,454       | 15,137       | 16,400       | 19,000       | 16,900       | 16,270       | 17,621       | 17,574       | 17,484       | 22,300       |

Sources: City of Torrance various departments

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

Operating  
Exhibit 3

| Function   | Fiscal Year |        |        |        |        |        |        |        |        |        |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | 2017        | 2016   | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   | 2008   |
| Public safety                                    |             |        |        |        |        |        |        |        |        |        |
| Police   |             |        |        |        |        |        |        |        |        |        |
| Stations   | 1           | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Patrol units                                     | 56          | 56     | 56     | 56     | 56     | 53     | 47     | 51     | 51     | 47     |
| Motorcycles                                      | 16          | 16     | 16     | 16     | 16     | 16     | 16     | 19     | 19     | 19     |
| Fire   |             |        |        |        |        |        |        |        |        |        |
| Stations   | 6           | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6      |
| In-service fire control vehicles                 | 17          | 17     | 17     | 17     | 17     | 18     | 17     | 17     | 17     | 17     |
| In-service paramedic vehicles                    | 8           | 8      | 8      | 8      | 8      | 8      | 8      | 7      | 8      | 8      |
| Sanitation                                       |             |        |        |        |        |        |        |        |        |        |
| Collection trucks                                | 34          | 34     | 34     | 35     | 34     | 37     | 35     | 36     | 32     | 33     |
| Highways, streets and airport                    |             |        |        |        |        |        |        |        |        |        |
| Streets (centerline miles)-arterial              | 67          | 67     | 67     | 67     | 67     | 67     | 67     | 67     | 67     | 67     |
| Streets (centerline miles)-collector             | 29          | 29     | 29     | 29     | 29     | 29     | 29     | 29     | 29     | 29     |
| Streets (centerline miles)-residential           | 242         | 242    | 242    | 242    | 242    | 242    | 242    | 242    | 242    | 242    |
| Streets (centerline miles)-alleys                | 19          | 19     | 19     | 19     | 19     | 19     | 19     | 19     | 19     | 19     |
| Traffic signals                                  | 130         | 130    | 130    | 130    | 130    | 125    | 120    | 116    | 116    | 116    |
| Street lights                                    | 10,492      | 10,877 | 10,877 | 10,877 | 10,878 | 10,879 | 10,879 | 10,879 | 10,875 | 10,875 |
| Airport hangars                                  | 341         | 341    | 341    | 341    | 341    | 341    | 341    | 341    | 341    | 341    |
| Culture and recreation                           |             |        |        |        |        |        |        |        |        |        |
| Parks acreage                                    | 279         | 279    | 279    | 279    | 279    | 279    | 279    | 279    | 278    | 278    |
| Parks  | 33          | 33     | 33     | 33     | 33     | 33     | 33     | 33     | 32     | 32     |
| Swimming pools                                   | 1           | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Tennis courts                                    | 11          | 11     | 11     | 11     | 11     | 11     | 11     | 11     | 11     | 11     |
| Community centers                                | 3           | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      |
| Public libraries                                 | 6           | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6      |
| Water  |             |        |        |        |        |        |        |        |        |        |
| Water mains (miles)                              | 312         | 312    | 311    | 311    | 311    | 311    | 311    | 310    | 311    | 310    |
| Fire hydrants                                    | 2,675       | 2,675  | 2,670  | 2,670  | 2,670  | 2,662  | 2,660  | 2,606  | 2,650  | 2,631  |
| Maximum daily capacity<br>(thousands of gallons) | 50,000      | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Sewer  |             |        |        |        |        |        |        |        |        |        |
| Sanitary sewers (miles)                          | 287         | 287    | 287    | 287    | 287    | 287    | 287    | 287    | 287    | 287    |
| Storm sewers (miles)                             | 59          | 59     | 59     | 59     | 59     | 59     | 59     | 59     | 59     | 59     |

Sources: City of Torrance various departments

# City OF Torrance



Pacific Electric Railway - El Prado Bridge

## COMPREHENSIVE ANNUAL

# Financial

## REPORT

Fiscal Year Ended June 30, 2017

(Not covered by Independent Auditors' Report)

❖ OTHER SUPPLEMENTARY INFORMATION ❖

Other Supplementary  
Information





**Continuing Disclosure Reporting  
City of Torrance**

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

**\$22,135,000  
CITY OF TORRANCE  
CERTIFICATES OF PARTICIPATION,  
SERIES 2016  
(REFUNDING AND CAPITAL PROJECTS)**

**SECTION 4(b) – Content of Annual Reports**

(i) General fund summary of revenues and expenditures:

| <b>City of Torrance</b>  |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>General Fund - Audited Revenues, Expenditures and Fund Balances</b>               |                       |                       |                       |                       |
| <b>For Fiscal Years 2013-14 through 2016-17</b>                                      |                       |                       |                       |                       |
|  | Audited<br>FY 2013-14 | Audited<br>FY 2014-15 | Audited<br>FY 2015-16 | Audited<br>FY 2016-17 |
| <b>Revenues:</b>   |                       |                       |                       |                       |
| Taxes  | \$ 146,866,492        | \$ 150,734,683        | \$ 154,801,171        | \$ 160,515,933        |
| Licenses, fees and permits   | 2,893,100             | 2,741,239             | 2,953,518             | 3,497,207             |
| Fines, forfeitures and penalties   | 1,075,432             | 1,245,062             | 1,558,573             | 1,151,651             |
| Use of money and property  | 2,386,431             | 3,264,494             | 3,673,699             | 1,816,918             |
| Intergovernmental  | 318,023               | 1,929,517             | 645,909               | 275,581               |
| Charges for current services   | 7,904,101             | 5,094,701             | 5,391,619             | 5,749,468             |
| Other revenues   | 1,897,953             | 10,494,567            | 911,585               | 1,067,013             |
| <b>Total Revenues</b>  | <b>163,341,532</b>    | <b>175,504,263</b>    | <b>169,936,074</b>    | <b>174,073,771</b>    |
| <b>Expenditures:</b>   |                       |                       |                       |                       |
| <b>Current operating:</b>  |                       |                       |                       |                       |
| General government   | 17,119,409            | 18,377,829            | 18,673,556            | 19,163,125            |
| Nondepartmental  | 5,477,858             | 5,445,281             | 8,655,823             | 6,422,693             |
| Public safety  | 97,391,758            | 101,709,051           | 104,459,950           | 108,998,597           |
| Public works   | 11,372,329            | 11,309,683            | 11,267,749            | 11,736,012            |
| Cultural and recreation  | 14,539,491            | 14,853,552            | 15,554,940            | 16,236,926            |
| Community development  | 3,747,524             | 3,622,984             | 3,789,936             | 3,868,792             |
| <b>Total Expenditures</b>  | <b>149,648,369</b>    | <b>155,318,380</b>    | <b>162,401,954</b>    | <b>166,426,145</b>    |
| <b>Excess of revenues over expenditures</b>  | <b>13,693,163</b>     | <b>20,185,883</b>     | <b>7,534,120</b>      | <b>7,647,626</b>      |
| <b>Other financing sources (uses)</b>  |                       |                       |                       |                       |
| Operating transfers in   | 19,676,580            | 9,913,094             | 13,560,742            | 11,510,435            |
| Operating transfers out  | (24,052,142)          | (24,489,489)          | (28,537,705)          | (25,140,691)          |
| Proceeds from sale of property   | -                     | -                     | -                     | 1,551,812             |
| <b>Total other financing sources (uses)</b>  | <b>(4,375,562)</b>    | <b>(14,576,395)</b>   | <b>(14,976,963)</b>   | <b>(12,078,444)</b>   |
| <b>Excess (deficiency) of revenues and other financing sources over expenditures</b> | <b>9,317,601</b>      | <b>5,609,488</b>      | <b>(7,442,843)</b>    | <b>(4,430,818)</b>    |
| <b>Fund balance, July 1</b>  | <b>90,874,722</b>     | <b>61,124,568</b>     | <b>66,734,056</b>     | <b>59,291,213</b>     |
| <b>Prior period adjustment</b>   | <b>(39,067,755)</b>   | <b>-</b>              | <b>-</b>              | <b>-</b>              |
| <b>Fund balance, June 30</b>   | <b>\$ 61,124,568</b>  | <b>\$ 66,734,056</b>  | <b>\$ 59,291,213</b>  | <b>\$ 54,860,395</b>  |

## (ii) General fund balance sheet:

**City of Torrance**  
**General Fund - Audited Balance Sheet**  
**As of June 30 for Fiscal Years 2013-14 through 2016-17**

|  | Audited<br>FY 2013-14 | Audited<br>FY 2014-15 | Audited<br>FY 2015-16 | Audited<br>FY 2016-17 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Assets:</b>   |                       |                       |                       |                       |
| Pooled cash and investments  | \$ 60,562,920         | \$ 61,883,774         | \$ 20,005,826         | \$ 66,617,587         |
| Accounts receivable  | 8,194,733             | 17,963,762            | 8,497,735             | 8,531,920             |
| Accrued interest receivable  | 271,787               | 254,442               | 193,257               | 158,605               |
| Due from other funds   | 965,282               | 3,377,182             | 3,719,100             | 2,246,636             |
| Due from other governments   | 7,405,507             | 9,005,864             | 14,873,359            | 12,808,921            |
| Advances to other funds  | 24,978,265            | 25,015,829            | 25,049,101            | 29,050,350            |
| Prepays and other assets   | 1,376,506             | 246,277               | 108,414               | 250,782               |
| <b>Total Assets</b>  | <b>\$ 103,755,000</b> | <b>\$ 117,747,130</b> | <b>\$ 72,446,792</b>  | <b>\$ 119,664,801</b> |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balance:</b>     |                       |                       |                       |                       |
| <b>Liabilities:</b>  |                       |                       |                       |                       |
| Accounts payable   | \$ 1,906,872          | \$ 2,304,170          | \$ 1,613,800          | \$ 2,038,782          |
| Accrued liabilities  | 6,728,107             | 13,644,915            | 7,351,494             | 6,045,584             |
| Interfund advances payable   | 600,000               | 600,000               | 600,000               | 600,000               |
| Notes payable  | 30,000,000            | 31,000,000            | -                     | 42,100,000            |
| Deposits and guarantees  | 111,328               | 46,914                | 39,305                | 204,243               |
| <b>Total Liabilities</b>   | <b>39,346,307</b>     | <b>47,595,999</b>     | <b>9,604,599</b>      | <b>50,988,609</b>     |
| <b>Deferred Inflows of Resources:</b>  |                       |                       |                       |                       |
| Unavailable revenue  | 3,284,125             | 3,417,075             | 3,550,980             | 13,815,797            |
| <b>Total Deferred Inflows of Resources</b>                                   | <b>3,284,125</b>      | <b>3,417,075</b>      | <b>3,550,980</b>      | <b>13,815,797</b>     |
| <b>Fund Balance:</b>   |                       |                       |                       |                       |
| <b>Nonspendable:</b>   |                       |                       |                       |                       |
| Advances, net  | 21,094,140            | 20,998,754            | 21,498,121            | 15,234,553            |
| Prepays  | 1,376,506             | 246,277               | 108,414               | 250,782               |
| <b>Restricted for:</b>   |                       |                       |                       |                       |
| Culture and recreation   | 478,941               | 579,748               | 688,399               | 464,625               |
| <b>Assigned to:</b>  |                       |                       |                       |                       |
| Culture and recreation   | 4,897,304             | 4,483,706             | 4,687,637             | 4,762,930             |
| Public safety  | 69,947                | 63,075                | 9,575                 | 30,742                |
| Special project reserves   | 4,353,354             | 4,203,835             | 4,094,390             | 3,542,283             |
| Capital projects   | 7,654,677             | 6,719,600             | 7,103,423             | 6,495,092             |
| Unassigned   | 21,199,699            | 29,439,061            | 21,101,254            | 24,079,388            |
| <b>Total Fund Balance</b>  | <b>61,124,568</b>     | <b>66,734,056</b>     | <b>59,291,213</b>     | <b>54,860,395</b>     |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources and Fund Balance</b> | <b>\$ 103,755,000</b> | <b>\$ 117,747,130</b> | <b>\$ 72,446,792</b>  | <b>\$ 119,664,801</b> |

## (iii) General fund budget:

| <b>City of Torrance</b>   |                        |                       |                        |                       |                        |                       |
|---|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| <b>General Fund - Comparison of Budgeted and Actual</b>           |                        |                       |                        |                       |                        |                       |
| <b>Revenues, Expenditures and Fund Balances (Budgetary Basis)</b> |                        |                       |                        |                       |                        |                       |
| <b>For Fiscal Years 2014-15 through 2016-17</b>                   |                        |                       |                        |                       |                        |                       |
|   | Budgeted<br>FY 2014-15 | Audited<br>FY 2014-15 | Budgeted<br>FY 2015-16 | Audited<br>FY 2015-16 | Budgeted<br>FY 2016-17 | Audited<br>FY 2016-17 |
| Fund Balance, July 1  | \$ 61,124,568          | \$ 61,124,568         | \$ 66,734,056          | \$ 66,734,056         | \$ 59,291,213          | \$ 59,291,213         |
| <b>Revenues:</b>  |                        |                       |                        |                       |                        |                       |
| Taxes   | 154,355,220            | 150,734,683           | 160,613,404            | 154,801,171           | 167,060,194            | 160,515,933           |
| Licenses, fees and permits  | 2,330,051              | 2,741,239             | 2,374,367              | 2,953,518             | 2,955,305              | 3,497,207             |
| Fines, forfeitures and penalties                                  | 1,330,000              | 1,245,062             | 1,330,000              | 1,558,573             | 1,330,000              | 1,151,651             |
| Use of money and property   | 3,519,302              | 3,264,494             | 3,584,077              | 3,673,699             | 3,650,795              | 1,816,918             |
| Intergovernmental   | 370,000                | 1,929,517             | 370,000                | 645,909               | 370,000                | 275,581               |
| Charges for current services                                      | 5,655,277              | 5,094,701             | 5,756,198              | 5,391,619             | 5,877,562              | 5,749,468             |
| Other revenues  | 516,590                | 10,494,567            | 669,980                | 911,585               | 1,071,494              | 2,618,825             |
| Transfers in  | 11,213,094             | 9,913,094             | 13,560,742             | 13,560,742            | 11,510,991             | 11,510,435            |
| <b>Total Revenues</b>   | <b>179,289,534</b>     | <b>185,417,357</b>    | <b>188,258,768</b>     | <b>183,496,816</b>    | <b>193,826,341</b>     | <b>187,136,018</b>    |
| <b>Expenditures:</b>  |                        |                       |                        |                       |                        |                       |
| <b>Current operating:</b>   |                        |                       |                        |                       |                        |                       |
| General government  | 19,858,165             | 19,308,809            | 21,476,940             | 19,696,479            | 21,227,017             | 19,654,840            |
| Nondepartmental   | 6,422,423              | 5,449,325             | 6,069,207              | 8,659,849             | 8,261,986              | 6,431,826             |
| Public safety   | 102,810,244            | 101,790,804           | 108,099,688            | 104,626,464           | 111,781,151            | 109,195,374           |
| Public works  | 11,794,512             | 11,480,193            | 12,331,923             | 11,625,328            | 12,471,790             | 12,252,261            |
| Cultural and recreation   | 15,534,437             | 15,034,976            | 16,066,145             | 15,647,393            | 16,652,316             | 16,449,339            |
| Community development   | 3,836,975              | 3,811,572             | 4,071,269              | 3,999,718             | 4,324,325              | 3,881,224             |
| Transfers out   | 25,077,502             | 24,489,489            | 28,432,094             | 28,537,705            | 25,694,491             | 25,140,691            |
| <b>Total Expenditures</b>   | <b>185,334,258</b>     | <b>181,365,168</b>    | <b>196,547,266</b>     | <b>192,792,936</b>    | <b>200,413,076</b>     | <b>193,005,555</b>    |
| Fund balance, June 30   | \$ 55,079,844          | \$ 65,176,757         | \$ 58,445,558          | \$ 57,437,936         | \$ 52,704,478          | \$ 53,421,676         |

## (iv) General fund tax revenues by source:

| <b>City of Torrance</b>                         |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>General Fund Tax Revenues by Source</b>      |                       |                       |                       |                       |                       |                       |
| <b>For Fiscal Years 2011-12 through 2016-17</b> |                       |                       |                       |                       |                       |                       |
| Source  | Audited<br>FY 2011-12 | Audited<br>FY 2012-13 | Audited<br>FY 2013-14 | Audited<br>FY 2014-15 | Audited<br>FY 2015-16 | Audited<br>FY 2016-17 |
| Property taxes                                  | \$ 49,017,500         | \$ 51,533,859         | \$ 53,575,684         | \$ 54,609,105         | \$ 54,348,390         | \$ 46,967,412         |
| Sales and use tax                               | 30,163,249            | 31,804,636            | 31,963,111            | 33,185,057            | 39,378,224            | 50,132,686            |
| Utility users tax                               | 30,348,324            | 30,530,728            | 31,345,769            | 30,709,802            | 28,347,949            | 30,094,669            |
| Other taxes                                     | 25,169,358            | 28,179,175            | 29,981,928            | 32,230,719            | 32,726,608            | 33,321,166            |
| Licenses, fees and permits                      | 1,919,074             | 2,044,556             | 2,893,100             | 2,741,239             | 2,953,518             | 3,497,207             |
| Fines, forfeitures and penalties                | 1,225,781             | 1,009,813             | 1,075,432             | 1,245,062             | 1,558,573             | 1,151,651             |
| Use of money and property                       | 6,345,471             | 1,459,391             | 2,386,431             | 3,264,494             | 3,673,699             | 1,816,918             |
| Intergovernmental                               | 412,071               | 384,721               | 318,023               | 1,929,517             | 645,909               | 275,581               |
| Current service charges & other revenue         | 8,337,571             | 7,273,811             | 9,802,054             | 15,589,268            | 6,303,204             | 8,368,293             |
| <b>Total</b>                                    | <b>\$ 152,938,399</b> | <b>\$ 154,220,690</b> | <b>\$ 163,341,532</b> | <b>\$ 175,504,263</b> | <b>\$ 169,936,074</b> | <b>\$ 175,625,583</b> |

(v) Sales tax rates:

**City of Torrance  
Current Sales Tax Rates**

|  |             |
|--|-------------|
| State General Fund                           | 6.00%       |
| County                                       | 0.25%       |
| City   | 1.00%       |
| Los Angeles County Transportation Commission | 1.50%       |
| <hr/> Total                                  | <hr/> 8.75% |

*Source: California State Board of Equalization*

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

**City of Torrance  
Historical Assessed Valuation  
Fiscal Years 2007-08 through 2016-17  
(Dollars in Thousands)**

| Fiscal Year | Local Secured | Utility | Unsecured | Total      | % Change |
|-------------|---------------|---------|-----------|------------|----------|
| 2007-08     | 20,963,741    | 2,270   | 1,037,399 | 22,003,410 | 7.2%     |
| 2008-09     | 22,121,342    | 2,270   | 1,076,589 | 23,200,201 | 5.4%     |
| 2009-10     | 22,621,364    | 13,724  | 1,127,722 | 23,762,810 | 2.4%     |
| 2010-11     | 22,388,556    | 2,656   | 1,059,577 | 23,450,789 | -1.3%    |
| 2011-12     | 21,709,424    | 5       | 994,043   | 22,703,472 | -3.2%    |
| 2012-13     | 21,944,550    | 5       | 956,343   | 22,900,898 | 0.9%     |
| 2013-14     | 22,966,213    | 5       | 969,386   | 23,935,604 | 4.5%     |
| 2014-15     | 23,878,575    | 5       | 1,014,648 | 24,893,228 | 4.0%     |
| 2015-16     | 24,819,613    | 2,245   | 973,190   | 25,795,048 | 3.6%     |
| 2016-17     | 25,351,698    | 2,245   | 969,034   | 26,322,977 | 2.0%     |

**City of Torrance  
Secured Property Tax Levies and Tax Collections  
Fiscal Years 2012-13 through 2016-17**

| Fiscal Year | Secured<br>Tax Levy<br>(as of June 30) | Amount<br>Delinquent<br>(as of June 30) | % Delinquent<br>(as of June 30) |
|-------------|--|---|---------------------------------|
| 2012-13     | 26,690,685                             | 488,550                                 | 1.8%                            |
| 2013-14     | 28,085,401                             | 423,177                                 | 1.5%                            |
| 2014-15     | 29,302,614                             | 426,872                                 | 1.5%                            |
| 2015-16     | 30,396,264                             | 438,403                                 | 1.4%                            |
| 2016-17     | 31,020,308                             | 364,075                                 | 1.2%                            |

**City of Torrance**  
**Property Tax Levies and Tax Collections**  
**Fiscal Years 2012-13 through 2016-17**  
**(Dollars in Thousands)**

| Fiscal Year | Total Current Tax Levy | Collections of Secured & Unsecured Taxes for Current Fiscal Year | % of Levy Collected During Fiscal Year | Total Tax Collections (Including Delinquencies) | Collections as % of Current Levy | Outstanding Delinquent Taxes | Delinquent Taxes as % of Current Levy |
|-------------|------------------------|--|--|---|----------------------------------|------------------------------|---------------------------------------|
| 2012-13     | 28,101                 | 27,508   | 97.9%                                  | 27,533  | 98.0%                            | 568                          | 2.0%                                  |
| 2013-14     | 29,533                 | 28,995   | 98.2%                                  | 29,030  | 98.3%                            | 503                          | 1.7%                                  |
| 2014-15     | 30,778                 | 30,243   | 98.3%                                  | 30,266  | 98.3%                            | 512                          | 1.7%                                  |
| 2015-16     | 31,843                 | 31,296   | 98.3%                                  | 31,328  | 98.4%                            | 515                          | 1.6%                                  |
| 2016-17     | 32,460                 | 31,993   | 98.6%                                  | 31,993  | 98.6%                            | 467                          | 1.4%                                  |

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

This information can be found beginning on page 60 of this CAFR.

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

| <b>Outstanding Principal Amount<br/>As of January 1, 2018</b> |              |
|---|--------------|
| Certificates of Participation, Series 2014                    | \$38,340,000 |
| Certificates of Participation, Series 2016                    | \$21,740,000 |

| <b>Reserve Fund Balance<br/>Estimated as of January 1, 2018</b> |                |
|---|----------------|
| Certificates of Participation, Series 2014                      | \$2,436,800.86 |

(ix) Table of direct and overlapping debt:

A table showing direct and overlapping debt information can be found on page 151 of this CAFR.

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

**City of Torrance**  
**Investment Portfolio Summary**  
**As of June 30, 2017**

| Type of Investment           | Book Value         | Market Value       | % of Portfolio |
|------------------------------|--------------------|--------------------|----------------|
| LAIF                         | 52,387,721         | 52,387,721         | 27.89%         |
| Federal Agency Issues        | 85,870,166         | 85,612,155         | 45.74%         |
| CD Collateralized-Insured    | 13,596,854         | 13,590,483         | 7.24%          |
| Treasury Securities - Coupon | 8,884,087          | 8,904,160          | 4.73%          |
| Medium Term Notes            | 17,004,498         | 17,027,595         | 9.06%          |
| Money Market Sweep Account   | 10,000,583         | 10,000,583         | 5.33%          |
| <b>Total</b>                 | <b>187,743,909</b> | <b>187,522,697</b> | <b>100.00%</b> |

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

Details for the City's retirement system can be found beginning on page 65 of this CAFR.

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

Details for the City's OPEB system can be found beginning on page 77 of this CAFR.

## **SECTION 5 – Reporting of Significant Events**

(11) Rating Changes:

On October 11, 2016, the Moody's Investors Service underlying credit rating for the Land Acquisition Project Refunding 2009 Series bonds was upgraded from A1 to Aa3.

(9) Defeasances:

The City's 2009 COPs were refunded by the City's 2016 COPs on November 15, 2016. The 2009 COPs are considered fully defeased. The first 2016 COPs principal payment is due on November 1, 2017. The outstanding principal at June 30, 2017 is equal to the issuance amount of \$22,135,000.

There were no additional significant events that occurred during the Fiscal Year ended June 30, 2017. According to the Continuing Disclosure Certificate, significant events include:

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

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

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

|  |   |
|--|---|
| <p><b>\$12,770,000</b><br/><b>TAX ALLOCATION SUBORDINATE LIEN<br/>REFUNDING BONDS<br/>1998 SERIES B (UNINSURED)</b><br/><b>(TORRANCE INDUSTRIAL REDEVELOPMENT<br/>PROJECT)</b></p> | <p><b>\$18,500,000</b><br/><b>TAX ALLOCATION SENIOR LIEN FORWARD<br/>REFUNDING BONDS<br/>1999 SERIES C (INSURED)</b><br/><b>(TORRANCE INDUSTRIAL REDEVELOPMENT<br/>PROJECT)</b></p> |
|--|---|

**SECTION 4 – Content of Annual Reports**

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

- a) Audited Financial Statements of the Agency:

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

Commencing with the audited financial statements of the City of Torrance (“City”) for the fiscal year ended June 30, 2012, the assets and activities of the dissolved redevelopment agency are reported as a fiduciary trust fund as part of the City’s audited financial statements.

- b) Financial information and operating data:

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

A summary of Agency indebtedness can be found beginning on page 94 of this CAFR.

| <b>Outstanding Principal Amount<br/>As of June 30, 2017</b> |              |
|---|--------------|
| 1998 Series A (Downtown)                                    | \$5,015,000  |
| 1998 Series B (Industrial)                                  | \$5,580,000  |
| 1999 Series C (Industrial)                                  | \$11,185,000 |

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

Pending and successful appeals did not exceed 5% of the total assessed value for either Project Area for the fiscal year ending June 30, 2017.

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

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

| Assessed Values                   | 1978-79<br>(Base Year) | 2008-09            | 2009-10             | 2010-11            | 2011-12            | 2012-13            | 2013-14            | 2014-15            | 2015-16            | 2016-17            |
|-----------------------------------|------------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Secured:</b>                   |                        |                    |                     |                    |                    |                    |                    |                    |                    |                    |
| Land                              | \$7,527,039            | \$92,481,845       | \$91,017,597        | \$89,044,391       | \$89,863,069       | \$89,463,399       | \$92,847,560       | \$97,496,844       | \$100,508,490      | \$104,131,854      |
| Improvements                      | 7,392,401              | 80,438,321         | 80,975,943          | 80,229,196         | 84,670,725         | 87,355,983         | 90,863,112         | 96,531,347         | 96,929,476         | 100,655,651        |
| Personal Property                 | 641,133                | 183,730            | 183,730             | 158,477            | 158,477            | 158,477            | 154,777            | 154,777            | 156,572            | 161,279            |
| Public Utility                    | —                      | —                  | —                   | —                  | —                  | —                  | —                  | —                  | —                  | —                  |
| Exemptions                        | (288,120)              | (2,805,823)        | (2,836,163)         | (2,831,815)        | (2,810,581)        | (2,826,427)        | (2,834,612)        | (3,094,226)        | (3,152,103)        | (2,374,259)        |
| <b>Total Secured</b>              | <b>15,272,453</b>      | <b>170,298,073</b> | <b>169,341,107</b>  | <b>166,600,249</b> | <b>171,881,690</b> | <b>174,151,432</b> | <b>181,030,837</b> | <b>191,088,742</b> | <b>194,442,435</b> | <b>202,574,525</b> |
| <b>Unsecured:</b>                 |                        |                    |                     |                    |                    |                    |                    |                    |                    |                    |
| Improvements                      | —                      | 11,826,039         | 9,774,544           | 9,560,067          | 9,068,450          | 10,139,109         | 12,764,339         | 12,893,800         | 10,545,321         | 10,687,852         |
| Personal Property                 | 3,686,640              | 14,931,998         | 12,158,952          | 9,706,822          | 9,190,682          | 10,699,630         | 9,880,815          | 10,444,720         | 11,223,548         | 12,867,047         |
| Exemptions                        | (8,700)                | (11,500)           | (11,500)            | (26,500)           | (27,000)           | (27,000)           | (27,000)           | (27,000)           | (27,000)           | (12,000)           |
| <b>Total Unsecured</b>            | <b>3,677,940</b>       | <b>26,746,537</b>  | <b>21,921,996</b>   | <b>19,240,389</b>  | <b>18,232,132</b>  | <b>20,811,739</b>  | <b>22,618,154</b>  | <b>23,311,520</b>  | <b>21,741,869</b>  | <b>23,542,899</b>  |
| <b>Grand Total</b>                | <b>18,950,393</b>      | <b>197,044,610</b> | <b>191,263,103</b>  | <b>185,840,638</b> | <b>190,113,822</b> | <b>194,963,171</b> | <b>203,648,991</b> | <b>214,400,262</b> | <b>216,184,304</b> | <b>226,117,424</b> |
| Less Base Year                    | (18,950,393)           | (18,950,393)       | (18,950,393)        | (18,950,393)       | (18,950,393)       | (18,950,393)       | (18,950,393)       | (18,950,393)       | (18,950,393)       | (18,950,393)       |
| <b>Incremental Assessed Value</b> | <b>—</b>               | <b>178,094,217</b> | <b>172,312,710</b>  | <b>166,890,245</b> | <b>171,163,429</b> | <b>176,012,778</b> | <b>184,698,598</b> | <b>195,449,869</b> | <b>197,233,911</b> | <b>207,167,031</b> |
| <hr/>                             |                        |                    |                     |                    |                    |                    |                    |                    |                    |                    |
| Gross Tax Increment Revenues      | —                      | 1,780,942          | 1,723,127           | 1,668,902          | 1,711,634          | 1,760,128          | 2,015,284          | 2,118,312          | 1,824,909          | 2,202,971          |
| Less County Pass-Through          | —                      | (458,717)          | (216,300)           | (352,370)          | (1,189,574)        | (1,115,575)        | (1,154,758)        | (1,213,793)        | (1,045,673)        | (1,262,303)        |
| Less SB 2557 Admin. Fee           | —                      | (24,579)           | (26,079)            | (29,286)           | (27,836)           | (30,182)           | (28,715)           | (28,562)           | (38,628)           | (29,260)           |
| Less Housing Set-Aside            | —                      | (356,188)          | (344,625)           | (333,780)          | —                  | —                  | —                  | —                  | —                  | —                  |
| <b>Available for Debt Service</b> | <b>\$ —</b>            | <b>\$ 941,458</b>  | <b>\$ 1,136,123</b> | <b>\$ 953,466</b>  | <b>\$ 494,224</b>  | <b>\$ 614,371</b>  | <b>\$ 831,811</b>  | <b>\$ 875,957</b>  | <b>\$ 740,608</b>  | <b>\$ 911,408</b>  |

Source: MuniServices, LLC and County of Los Angeles



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

| Assessed Values                 | 1982-83<br>(Base Year) | 2011-12        | 2012-13        | 2013-14        | 2014-15        | 2015-16        | 2016-17        |
|---------------------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <u>Secured:</u>                 |                        |                |                |                |                |                |                |
| Land                            | \$ 45,694,325          | \$ 212,621,429 | \$ 191,370,968 | \$ 201,390,708 | \$ 221,311,875 | \$ 231,532,672 | \$ 242,086,541 |
| Improvements                    | 17,326,416             | 378,541,948    | 318,184,293    | 335,468,266    | 354,742,173    | 352,905,029    | 367,714,430    |
| Personal Property               | 27,645,795             | 74,562,405     | 70,024,354     | 53,542,725     | 66,324,309     | 75,871,977     | 74,118,639     |
| Public Utility                  | —                      | 2,566,095      | 6,213,855      | 116,755        | 116,755        | 116,755        | 116,755        |
| Exemptions                      | (185,006)              | (372,850)      | (376,886)      | (381,003)      | (3,295,121)    | (3,343,539)    | (3,474,578)    |
| Total Secured                   | 90,481,530             | 667,919,027    | 585,416,584    | 590,137,451    | 639,199,991    | 657,082,894    | 680,561,787    |
| <u>Unsecured:</u>               |                        |                |                |                |                |                |                |
| Improvements                    | —                      | 8,988,891      | 8,220,797      | 8,516,576      | 8,199,128      | 7,658,211      | 8,099,036      |
| Personal Property               | 22,492,461             | 49,205,553     | 44,908,933     | 48,316,895     | 52,805,731     | 48,695,371     | 48,916,239     |
| Exemptions                      | —                      | (27,505,000)   | (27,505,000)   | (27,505,000)   | (27,505,000)   | (27,505,000)   | (27,500,000)   |
| Total Unsecured                 | 22,492,461             | 30,689,444     | 25,624,730     | 29,328,471     | 33,499,859     | 28,848,582     | 29,515,275     |
| Grand Total                     | 112,973,991            | 698,608,471    | 611,041,314    | 619,465,922    | 672,699,850    | 685,931,476    | 710,077,062    |
| Less Base Year                  | (112,973,991)          | (112,973,991)  | (112,973,991)  | (112,973,991)  | (112,973,991)  | (112,973,991)  | (112,973,991)  |
| Incremental Assessed Value      | —                      | 585,634,480    | 498,067,323    | 506,491,931    | 559,725,859    | 572,957,485    | 597,103,071    |
| <hr/>                           |                        |                |                |                |                |                |                |
| Gross Tax Increment Revenues    | —                      | 5,856,345      | 4,980,673      | 5,007,421      | 5,268,165      | 5,700,840      | 5,903,352      |
| Project Area Sales Tax Revenues | —                      | 1,776,019      | 1,932,400      | 1,644,154      | 2,003,666      | 2,451,305      | 3,174,091      |
| Less County Pass-Through        | —                      | (971,326)      | (1,860,808)    | (1,882,118)    | (1,971,412)    | (1,668,612)    | (2,693,274)    |
| Less SB 2557 Admin. Fee         | —                      | (87,492)       | (73,612)       | (72,684)       | (75,842)       | (76,189)       | (89,051)       |
| Less Housing Set-Aside          | —                      | —              | —              | —              | —              | —              | —              |
| Available for Debt Service      | \$ —                   | \$ 6,573,546   | \$ 4,978,653   | \$ 4,696,773   | \$ 5,224,577   | \$ 6,407,344   | \$ 6,295,118   |

Source: MuniServices, LLC and County of Los Angeles

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

**Successor Agency to the City of Torrance  
Redevelopment Agency  
Industrial Redevelopment Project  
Sales Tax Revenues  
Fiscal Years 2011-12 through 2016-17**

| Fiscal Year | Sales Tax<br>Revenues | Percent<br>Change |
|-------------|-----------------------|-------------------|
| 2011-12     | \$ 1,776,019          | -                 |
| 2012-13     | 1,932,400             | 8.8%              |
| 2013-14     | 1,644,154             | -14.9%            |
| 2014-15     | 2,003,666             | 21.9%             |
| 2015-16     | 2,451,305             | 22.3%             |
| 2016-17     | 3,174,091             | 29.5%             |

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

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

| Year<br>Ending<br>June 30 | Project Area<br>Gross Tax<br>Increment<br>Revenues | Less: County<br>Pass-Throughs | Less: SB 2557<br>Charge | Less: Housing<br>Set-Aside<br>Requirements | Project Area<br>Net Tax<br>Increment<br>Revenues | Series A Bond<br>Debt Service* | Debt Service<br>Coverage |
|---------------------------|--|-------------------------------|-------------------------|--|--|--------------------------------|--------------------------|
| 2017*                     | \$ 2,202,971                                       | \$ (1,262,303)                | \$ (29,260)             | \$ —                                       | \$ 911,408                                       | \$ 578,575                     | 1.58                     |
| 2018                      | 2,247,030  | (1,287,549)                   | (29,845)                | —  | 929,636  | 577,064                        | 1.61                     |
| 2019                      | 2,291,971  | (1,313,300)                   | (30,442)                | —  | 948,229  | 574,720                        | 1.65                     |
| 2020                      | 2,337,810  | (1,339,566)                   | (31,051)                | —  | 967,193  | 576,320                        | 1.68                     |
| 2021                      | 2,384,566  | (1,366,357)                   | (31,672)                | —  | 986,537  | 576,720                        | 1.71                     |
| 2022                      | 2,432,257  | (1,393,684)                   | (32,305)                | —  | 1,006,268  | 576,000                        | 1.75                     |
| 2023                      | 2,480,902  | (1,421,558)                   | (32,951)                | —  | 1,026,393  | 574,160                        | 1.79                     |
| 2024                      | 2,530,520  | (1,449,989)                   | (33,611)                | —  | 1,046,920  | 571,200                        | 1.83                     |
| 2025                      | 2,581,130  | (1,478,989)                   | (34,283)                | —  | 1,067,858  | 571,980                        | 1.87                     |
| 2026                      | 2,632,753  | (1,508,569)                   | (34,968)                | —  | 1,089,216  | 571,360                        | 1.91                     |
| 2027                      | 2,685,408  | (1,538,740)                   | (35,668)                | —  | 1,111,000  | 569,340                        | 1.95                     |
| 2028                      | 2,739,116  | (1,569,515)                   | (36,381)                | —  | 1,133,220  | 570,780                        | 1.99                     |
| 2029                      | 2,793,898  | (1,600,905)                   | (37,109)                | —  | 1,155,884  | 570,540                        | 2.03                     |

Source:  
MuniServices, LLC  
\* Based on actual

Successor Agency to the City of Torrance Redevelopment Agency

Industrial Redevelopment Project

Actual/Estimated Debt Service Coverage

| Year Ending June 30 | Project Area Gross Tax Increment Revenues | Project Area Sales Tax Revenues | Less: County Pass-Throughs | Less: SB 2557 Charge | Less: Housing Set-Aside Requirements | Pledged Tax Revenues | Series A & C (Senior Lien) Bonds Debt Service* | Senior Lien Debt Service Coverage | Pledged Tax Revenues Available After Senior Lien Debt Service | Series B Bond Debt Service* | Subordinate Lien Debt Service Coverage |
|---------------------|---|---------------------------------|----------------------------|----------------------|--------------------------------------|----------------------|--|-----------------------------------|---|-----------------------------|--|
| 2017*               | \$ 5,903,352                              | \$ 3,174,091                    | \$ (2,693,274)             | \$ (89,051)          | \$ —                                 | \$ 6,295,118         | \$ 1,282,185                                   | 4.91                              | \$ 5,012,933  | \$ 642,875                  | 7.80                                   |
| 2018                | 6,021,419                                 | 3,237,573                       | (2,747,139)                | (90,832)             | —                                    | 6,421,021            | 1,280,806                                      | 5.01                              | 5,140,215   | 644,313                     | 7.98                                   |
| 2019                | 6,141,847                                 | 3,302,324                       | (2,802,082)                | (92,649)             | —                                    | 6,549,440            | 1,277,520                                      | 5.13                              | 5,271,920   | 639,766                     | 8.24                                   |
| 2020                | 6,264,684                                 | 3,368,370                       | (2,858,124)                | (94,502)             | —                                    | 6,680,428            | 1,277,000                                      | 5.23                              | 5,403,428   | 639,234                     | 8.45                                   |
| 2021                | 6,389,978                                 | 3,435,737                       | (2,915,286)                | (96,392)             | —                                    | 6,814,037            | 1,274,100                                      | 5.35                              | 5,539,937   | 642,437                     | 8.62                                   |
| 2022                | 6,517,778                                 | 3,504,452                       | (2,973,592)                | (98,320)             | —                                    | 6,950,318            | 1,273,863                                      | 5.46                              | 5,676,455   | 639,375                     | 8.88                                   |
| 2023                | 6,648,134                                 | 3,574,541                       | (3,033,064)                | (100,286)            | —                                    | 7,089,325            | 1,271,150                                      | 5.58                              | 5,818,175   | 640,047                     | 9.09                                   |
| 2024                | 6,781,097                                 | 3,646,032                       | (3,093,725)                | (102,292)            | —                                    | 7,231,112            | 1,270,825                                      | 5.69                              | 5,960,287   | 639,312                     | 9.32                                   |
| 2025                | 6,916,719                                 | 3,718,953                       | (3,155,600)                | (104,337)            | —                                    | 7,375,735            | 1,272,613                                      | 5.80                              | 6,103,122   | 637,172                     | 9.58                                   |
| 2026                | 7,055,053                                 | 3,793,332                       | (3,218,712)                | (106,424)            | —                                    | 7,523,249            | 1,271,375                                      | 5.92                              | 6,251,874   | 638,484                     | 9.79                                   |
| 2027                | 7,196,154                                 | 3,869,199                       | (3,283,086)                | (108,553)            | —                                    | 7,673,714            | 1,267,113                                      | 6.06                              | 6,406,601   | 638,109                     | 10.04                                  |
| 2028                | 7,340,077                                 | 3,946,583                       | (3,348,748)                | (110,724)            | —                                    | 7,827,188            | 1,264,688                                      | 6.19                              | 6,562,500   | 636,047                     | 10.32                                  |
| 2029                | 7,486,879                                 | 4,025,515                       | (3,415,723)                | (112,938)            | —                                    | 7,983,733            | 1,263,825                                      | 6.32                              | 6,719,908   | 632,297                     | 10.63                                  |

Source: MuniServices, LLC and City of Torrance

\* Based on actual

f. Additional material information:

None.

**SECTION 5 – Reporting of Significant Events**

(11) Rating changes:

On May 12, 2017, the S&P Global Ratings underlying credit rating for the Downtown Redevelopment Project-Tax Allocation Refunding 1998 Series A bonds was upgraded from A- to A.

There were no additional significant events that occurred during the Fiscal Year ended June 30, 2017. According to the Continuing Disclosure Certificate, significant events include:

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

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