

Comprehensive Annual Financial Report

YEAR ENDED SEPTEMBER 30, 2012

CITY OF EL SEGUNDO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2012



Prepared by the Finance Department
Deborah Cullen, Director of Finance/Human Resources

(This page intentionally left blank)

CITY OF EL SEGUNDO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Organization Chart	v
Directory of Officials	vi
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet - Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Net Assets - Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30
Statement of Fiduciary Net Assets - Agency Funds	32
Notes to Basic Financial Statements	33

CITY OF EL SEGUNDO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

(Continued)

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION, (CONTINUED)	
Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	69
Residential Sound Insulation Fund	70
LAWA Fund	71
 Note to Required Supplementary Information	 72
Additional Financial Information	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - General Fund	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	76
 Combining Balance Sheet - Nonmajor Governmental Funds	 78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	82
 Budgetary Comparison Schedules	
State Gas Tax Fund	86
Community Development Block Grant Fund	87
Asset Forfeiture Fund	88
Prop "A" Fund	89
Prop "C" Fund	90
Traffic Safety Fund	91
Air Pollution Reduction Fund	92
SB 821 Bikeway Fund	93
C.O.P.S. Fund	94
Special Revenues/Donations Fund	95
Measure R Fund	96
Federal Grants Fund	97
State Grants Fund	98
Capital Improvements Fund	99
 Combining Statement of Net Assets - Internal Service Funds	 100
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	101

CITY OF EL SEGUNDO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

(Continued)

TABLE OF CONTENTS

	<u>Page</u>
Combining Statement of Cash Flows - Internal Service Funds	102
Statement of Changes in Assets and Liabilities - Agency Fund	103
 STATISTICAL SECTION	
Summary of Statistical Section	105
Net Assets by Component - Last Nine Fiscal Years	106
Changes in Net Assets - Last Nine Fiscal Years	107
Fund Balances, Governmental Funds – Last Nine Fiscal Years	109
Changes in Fund Balances, Governmental Funds – Last Nine Fiscal Years	110
Top Sales Tax Producers	111
Principal Property Tax Payers - Current Year and Eight Years Ago	112
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	113
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	114
Property Tax Levies and Collections - Last Ten Fiscal Years	115
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	116
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	117
Direct and Over Lapping Debt	119
Legal Debt Margin Information — Last Ten Fiscal Years	120
Demographic and Economic Statistics, Last Ten Calendar Years	122
Principal Employers — Current Year and Five Years Ago	123
Full-time-and Part Time City Employees by Function — Last Nine Fiscal years	124
Operating Indicators by Function — Last Nine Fiscal Years	125
Capital Asset Statistics by Function — Last Nine Fiscal Years	126

(This page intentionally left blank)

INTRODUCTORY SECTION



City of El Segundo

April 11, 2013

To the Honorable Mayor, Members of the Governing Council, and Citizens of El Segundo:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Mayer Hoffman McCann P.C., An Independent CPA Firm, have issued an unqualified (“clean”) opinion on the City of El Segundo’s financial statements for the year ending September 30, 2012. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follow the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the government

The City of El Segundo is located 14 miles southwest of downtown Los Angeles, adjacent to the City of Los Angeles International Airport. The City was incorporated January 18, 1917, as a general law city, with the Standard Oil Company of California refinery as the major industrial taxpayer and employer. The substantial petroleum base of the local economy remains evident, although the defense industry emerged as a major segment during World War II. Aerospace experienced rapid growth during the early 1980’s and accounted for a significant share of El Segundo’s industrial growth during those years. A downturn in the aerospace/defense industry began in the late 1980’s, and the industry’s recovery took place through consolidation and diversification into commercial endeavors. The available commercial/industrial space has been attracting new business-to-business retail services segments, and providing opportunities to diversify and enhance the revenue source of the City.

The City of El Segundo has operated under the council-manager form of government since 1917. Policy-making and legislative authority are vested in the governing council (Council) consisting of the mayor and four other members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve four-year terms and are elected at large. Alternating election schedule with two seats open during one election cycle and three seats open the next election cycle. The mayor is selected by the seated council every two years.

The City of El Segundo provides a full range of municipal services, including police and fire protection; highway, street and infrastructure maintenance and construction; water and sewer operations; library services; planning, zoning and code enforcement; recreational and cultural activities; and general administration. This report includes all funds of the City of El Segundo and those component units controlled by and dependent on the City. Accordingly, this report incorporates financial data for the Park Vista Senior Housing Corporation.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of El Segundo's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, must be approved by the City Manager.

Local economy

The local economy is comprised of many diverse business and industry sectors. The majority of the City's workforce is related to the aerospace and petroleum industries and operations.

However, El Segundo has recently experienced several relocations and expansions to the City in the creative media, information technology, health, manufacturing, retail and hospitality industries. In addition, the local power plant is undergoing major plant redevelopment that will improve the availability, supply and reliability of electric power available for the Los Angeles area.

Long-term financial planning

The City's financial security is fundamental to the administration of the City's policies and practices. The City Council has always been and continues to take a conservative approach in maintaining a strong financial position by limiting the growth of spending and acquiring additional debt. It has established an Economic Uncertainty Reserve Fund and Capital Improvement Fund to meet the needs of unforeseen circumstances that may occur in the future.

In November 2004 California voters approved Proposition 1A, which will help stabilize the flow of revenues to municipalities and end future State raids on City finances. This allows for better forecasting of City revenues and, along with modest economic growth, should allow for future sustainable revenue growth. The City has maintained a strategy of adopting a strategic plan that is reviewed and updated each year by the City's management and the City Council.

Relevant financial policies

The City's current general fund balance policy is to maintain 17% of its current general fund expenditures for its reserves. The City's unreserved fund balance is below 17% due to the decreased in sales tax revenue and increased in benefits and public safety overtime, but the focus always remains to meet the 17% reserve.

The City takes a conservative approach in relation to incurring debt with a "pay-as-you-go" approach. It is currently funding 100% of the actuarial required contribution (ARC) for its other (than pension) post-employment benefits (OPEB).

The City implemented Government Accounting Standard Board (GASB) statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. This new reporting standard does not change the current process in which the City maintains and reports balances. Rather, it creates new categories for reporting balances and requires the City to combine funds that were created by the City for special purposes. Therefore, in fiscal year 2011 the following funds have been combined with General Fund for **financial reporting purposes only**: Economic Uncertainty Fund, Hyperion Mitigation Fund, Facility Maintenance Fund and Project Deposits (Non-Refundable) Fund. A separate schedule is available in the footnote section of the financial report for the balances of the individual fund.

The City Treasurer is charged with managing and investing cash for the City along with support from the Investment Advisory Committee, which meets quarterly.

Major initiatives

The City currently does not have any major initiatives. However, it is looking in the near future to introduce a Capital Infrastructure Plan which would include the following projects:

- A new competition size swimming pool
- Renovation of the existing community swimming pool
- Maintenance and upgrades of El Segundo Blvd, Richmond Street and Fire Station 1
- Library expansion for Children's Programs
- Various smaller projects that would provide enhanced safety benefits to the community

Awards and Acknowledgements

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 El Segundo for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. 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 CAFR 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 that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and accounting department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of El Segundo's finances.

Respectfully submitted,

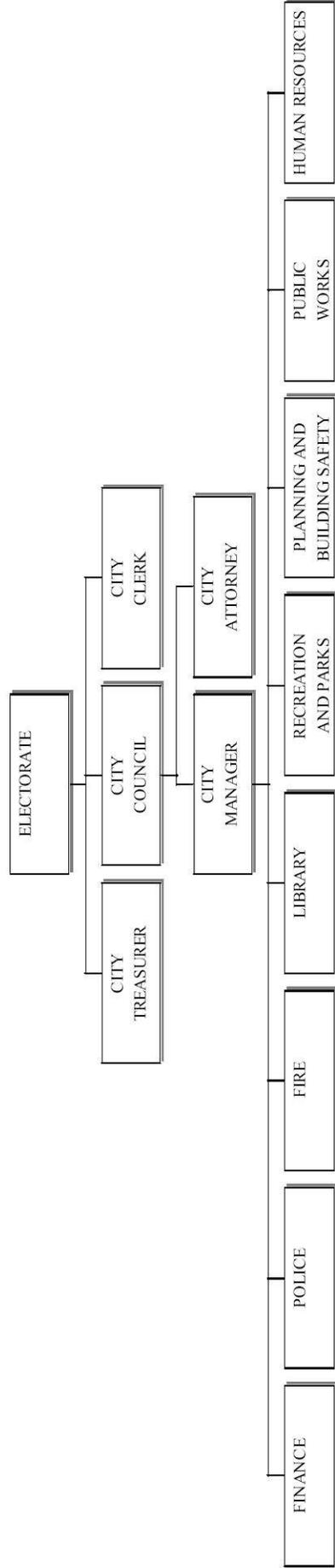


Deborah Cullen:
Director of Finance/Human Resources



Greg Carpenter:
City Manager

City Of El Segundo



CITY OF EL SEGUNDO

September 30, 2012

CITY COUNCIL MEMBERS

<u>Name</u>		<u>Term Expires</u>
Carl Jacobson	Mayor	April 2016
Suzanne Fuentes	Mayor Pro Tem	April 2014
Bill Fisher	Council Member	April 2014
Dave Atkinson	Council Member	April 2016
Marie Fellhauer	Council Member	April 2016

CITY OFFICIALS

Tracy Weaver	City Clerk
Crista Binder	City Treasurer
Mark Hensley	City Attorney
Greg Carpenter	City Manager

CITY ADMINISTRATION

Deborah Cullen	Director of Finance/Human Resources
Mitch Tavera	Chief of Police
Kevin Smith	Fire Chief
Debra Brighton	Library Director
Sam Lee	Director of Planning & Building Safety/Economic Development
Bob Cummings	Director of Recreation and Parks
Stephanie Katsouleas	Director of Public Works

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of El Segundo
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

(This page intentionally left blank)

FINANCIAL SECTION



Mayer Hoffman McCann P.C.

An Independent CPA Firm

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

Honorable Mayor and City Council
City of El Segundo, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Segundo, California, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of El Segundo. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the El Segundo Senior Citizen Housing Corporation, a discretely presented component unit. Those statements for the year ended December 31, 2011 were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Segundo, California, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, of the City of El Segundo for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* and budgetary comparison information on pages 3-14, 69-71 and 86-99 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated April 10, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



Irvine, California
April 10, 2013

Management's Discussion and Analysis

As management of the City of El Segundo, California (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of El Segundo for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$142,864,903 (*net assets*). Of this amount, \$18,091,199 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets decreased of \$4,971,401. This decrease is mostly attributable to the depreciation in the City's infrastructure assets and overtime in Public Safety.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,905,156. Of this amount, \$9,222,486 (*unrestricted fund balance per GASB 54*) is available for spending at the City's discretion.

At the end of the current year, unrestricted fund balance per GASB 54 for the general fund was \$8,284,238 which represents 15.7% of total general fund expenditures for 2013.

The City's unrestricted general fund balance is below the 17% threshold is attributable to increasing costs in group insurance, accrued vacation/sick leaves, public safety salaries and benefits and other governmental activities but through the current budget the City plans to increase fund balance back to 17% level.

The City's total debt increased by \$297,832 an increase of 1.2% of total long term debt in fiscal year 2011-2012. The factors of this increase were primarily due to the increase in claims and judgments during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements contain three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements.

This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. These statements include all assets and liabilities of the City 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 paid.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the *timing* of related cash flows. Thus, some of the revenues and expenses reported in this statement will have no effect on cash until some future fiscal period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover some or all of their costs through user fees and charges (*business-type activities*).

Governmental activities: Most of the City's basic services are reported in this category, including the general administration (city manager, city clerk, administrative services, etc.), police and fire protection, public works and community development. Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues finance these activities.

Business-type activities: The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Water and Sewer utilities and Golf Course operation are reported in this category.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements: The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. Some funds are required by state law and by bond covenants. However, management has established 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 resources. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. The City's governmental funds in fiscal year 2012 are General Fund, Residential Sound Insulation Fund, LAWA Fund, Capital Improvements Fund and Non-major Governmental Funds. 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 governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

In addition to the major funds reported separately on the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, the City also maintains 14 special revenue funds, one capital project fund and one debt service fund. Data from these funds are combined into a single, aggregated presentation referred to as *other governmental funds*.

Individual fund data for each of these non-major governmental funds are provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental and proprietary funds. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget. This comparison can be found on page 67-69 of this report.

The basic governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary funds: When the City charges customers for the services it provides, these services are generally reported in proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer and Golf Course activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment replacement cost and general liability and workers' compensation cost. Because these services predominantly benefit governmental rather than business-type functions, these funds have been included within *governmental activities* in the government-wide financial statement.

Proprietary funds provide the same type of information as the government-wide financial statements except that more detail is presented. The proprietary fund financial statements provide separate information for the Water, Sewer and Golf Course operations, all of which are considered major funds of the City. The City's internal service fund is shown separately under the heading of *governmental activities*.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

The basic fiduciary fund financial statements can be found on page 32 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-68 of this report.

Other information: The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the

financial statement. Combining and individual fund statements and schedules can be found on pages 74-103 of this report.

Government-wide Financial Analysis

As was referenced earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded total liabilities by \$142,864,903 at the close of 2012 fiscal year.

A summary of the government-wide *statement of net assets* follows:

	Governmental Activities		Business Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current and other assets	\$ 51,317,086	\$ 48,064,362	\$ 7,760,108	\$ 5,069,463	\$ 59,077,194	\$ 53,133,825
Capital assets	<u>103,739,119</u>	<u>105,863,817</u>	<u>21,009,889</u>	<u>21,645,647</u>	<u>124,749,008</u>	<u>127,509,464</u>
Total assets	<u>155,056,205</u>	<u>153,928,179</u>	<u>28,769,997</u>	<u>26,715,110</u>	<u>183,826,202</u>	<u>180,643,289</u>
Liabilities:						
Current and other liabilities	11,992,622	4,803,906	4,244,760	3,766,648	16,237,382	8,570,554
Other liabilities	<u>24,570,832</u>	<u>23,950,845</u>	<u>153,085</u>	<u>475,240</u>	<u>24,723,917</u>	<u>24,426,085</u>
Total liabilities	<u>36,563,454</u>	<u>28,754,751</u>	<u>4,397,845</u>	<u>4,241,888</u>	<u>40,961,299</u>	<u>32,996,639</u>
Net assets:						
Invested in capital assets, net of related debt	92,822,442	94,655,626	21,009,889	21,360,061	113,832,331	116,015,687
Restricted	10,941,373	8,055,325	-	-	10,941,373	8,055,325
Unrestricted	<u>14,728,936</u>	<u>22,462,477</u>	<u>3,362,263</u>	<u>1,302,815</u>	<u>18,091,199</u>	<u>23,765,292</u>
Total net assets	<u>\$ 118,492,751</u>	<u>\$ 125,173,428</u>	<u>\$ 24,372,152</u>	<u>\$ 22,662,876</u>	<u>\$ 142,864,903</u>	<u>\$ 147,836,304</u>

It should be kept in mind while reviewing these schedules that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These assets are used to provide services to its citizens and are *not* available for future spending.

A summary of the government-wide *statement of activities* follows:

	Governmental		Business		Total	
	Activities		Activities		Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues:						
Charges for services	\$7,246,900	\$6,175,030	\$28,500,713	\$29,020,594	\$35,747,613	\$35,195,624
Operating grants and contributions	1,508,499	2,101,494	-	-	1,508,499	2,101,494
Capital grants and contributions	7,815,458	595,807	-	-	7,815,458	595,807
General revenues:						
Property taxes	7,365,363	7,549,483	-	-	7,365,363	7,549,483
Transient Occupancy taxes	4,735,585	4,301,696	-	-	4,735,585	4,301,696
Sales taxes	10,623,237	11,383,167	-	-	10,623,237	11,383,167
Utility user taxes	5,167,834	5,278,316	-	-	5,167,834	5,278,316
Franchise taxes	2,455,099	2,498,616	-	-	2,455,099	2,498,616
Business license taxes	10,093,794	9,698,934	-	-	10,093,794	9,698,934
Other taxes	871,155	1,105,390	-	-	871,155	1,105,390
Intergovernmental, unrestricted	-	51,543	-	-	-	51,543
Use of money and property	393,719	925,388	99,690	-	493,409	925,388
Other	<u>1,700,962</u>	<u>2,532,872</u>	<u>63,795</u>	<u>33,136</u>	<u>1,764,757</u>	<u>2,566,008</u>
Total revenues	59,977,605	54,197,736	28,664,198	29,053,730	88,641,803	83,251,466
Expenses						
General government	12,537,230	11,882,856	-	-	12,537,230	11,882,856
Public safety	32,238,620	31,638,027	-	-	32,238,620	31,638,027
Public works	7,988,435	7,903,942	-	-	7,988,435	7,903,942
Community & cultural	13,877,815	9,115,175	-	-	13,877,815	9,115,175
Interest on long-term debt	16,182	258,581	-	-	16,182	258,581
Water	-	-	22,452,371	19,811,233	22,452,371	19,811,233
Sewer	-	-	2,528,839	2,847,527	2,528,839	2,847,527
Golf Course	-	-	<u>1,973,712</u>	<u>2,043,141</u>	<u>1,973,712</u>	<u>2,043,141</u>
Total expenses	66,658,282	60,798,581	26,954,922	24,701,901	93,613,204	85,500,482
Excess (deficiency) before transfers	<u>(6,680,677)</u>	<u>(6,600,845)</u>	<u>1,709,276</u>	<u>4,351,829</u>	<u>(4,971,401)</u>	<u>(2,249,016)</u>
Transfers	-	-			-	-
Increase (decrease) in net assets	(6,680,677)	(6,600,845)	1,709,276	4,351,829	(4,971,401)	(2,249,016)
Beginning net assets (as restated)	<u>125,173,428</u>	<u>131,774,273</u>	<u>22,662,876</u>	<u>18,311,047</u>	<u>147,836,304</u>	<u>150,085,320</u>
Ending net assets	<u>\$118,492,751</u>	<u>\$125,173,428</u>	<u>24,372,152</u>	<u>22,662,876</u>	<u>142,864,903</u>	<u>147,836,304</u>

Governmental Activities

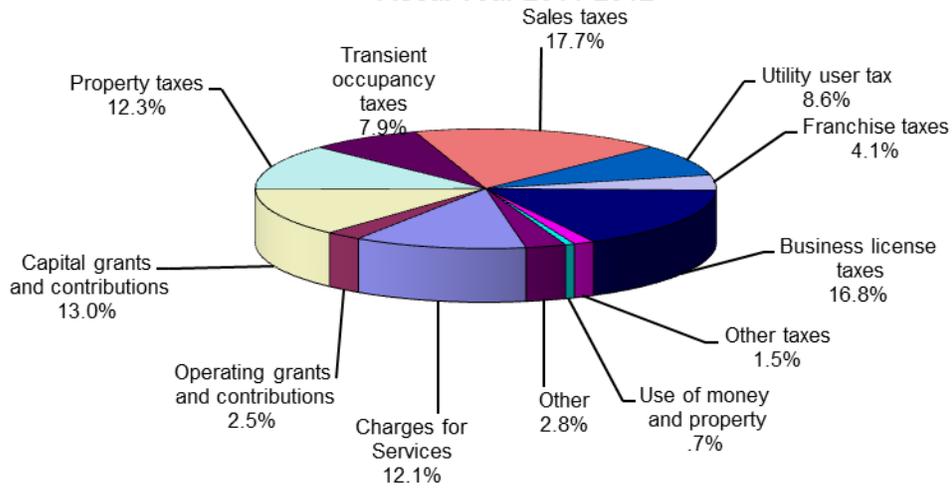
The City's net assets from governmental activities decreased \$6,680,677. The decreases in net assets are attributable to the increase in construction projects in Residential Sound Insulation Fund and rising costs in various areas of General Fund.

- The total expenditures for Residential Sound Insulation Fund were \$6,095,342 for fiscal year 2012. Only \$2,056,175 or 33.7% of expenses were reimbursed by FAA during the year. The remaining balance is expected to be received in fiscal year 2013.
- In General Fund:
 - Total group insurance increased by \$362,325 or 17.3% from prior year.
 - Accrued vacation/sick leave increased by \$170,356 or 17.3% from prior year.
 - Public Safety salaries and benefits increased by \$242,602 or .8% from prior year.
 - General government total expenditures increased by \$383,776 or 2.9% from prior year.
 - Recreation and Parks total expenditures increased by \$259,442 or 6% from prior year.

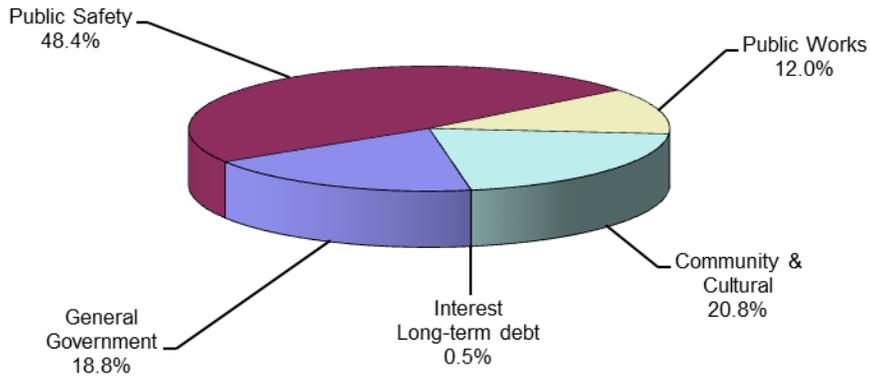
The cost of all governmental activities for the year was \$66.7 million. However, the taxes that ultimately financed these activities were only \$41.3 million because some of the costs were paid by those who directly benefited from the programs (\$7.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.3 million).

Overall, the City's governmental program revenues were \$16.5 million; of the remaining "public benefit" governmental activities, \$10.1 million were paid with business license taxes, utility user taxes of \$5.2 million, sales and use taxes of \$10.6 million, property taxes of \$7.4 million, franchise taxes of \$2.5 million, transient occupancy tax of \$4.7 million and other revenues and taxes of \$3 million.

**Governmental Activities
Sources of Revenue
Fiscal Year 2011-2012**



**Governmental Activities
Expenditures
Fiscal Year 2011-2012**



Business-Type Activities

The programs for the business-type activities include the water, sewer and the golf course operations.

The City's net assets from business-type activities increased by \$1,709,276. The cost of all Proprietary (Business Type) activities this year was \$26,954,922.

Charges for services are the major revenue source for the City's business-type activities, accounting for \$28,664,198 of total business-type activity revenue.

The Water Utility net costs of service of \$892,548 is due to an increase in water rates charged to the City that was not completely passed on to the customers.

The Sewer Utility net cost of service of \$707,520 is attributable to an increase in sewer charges charged to City customers to recover actual costs and prior year losses.

The Golf Course net cost of service of (\$54,277) is attributable to shortfall in revenues.

The City also recorded a long-term loan between the Golf Course and Equipment Replacement Fund for the cash deficit of \$5.9 million. The deficit cash was largely contributed by the two bonds issued in 1993 for \$2.1 million and 2004 for \$3.3 million. The remaining deficit of half a million was from operating loss in prior years.

Financial Analysis of the Government's Funds

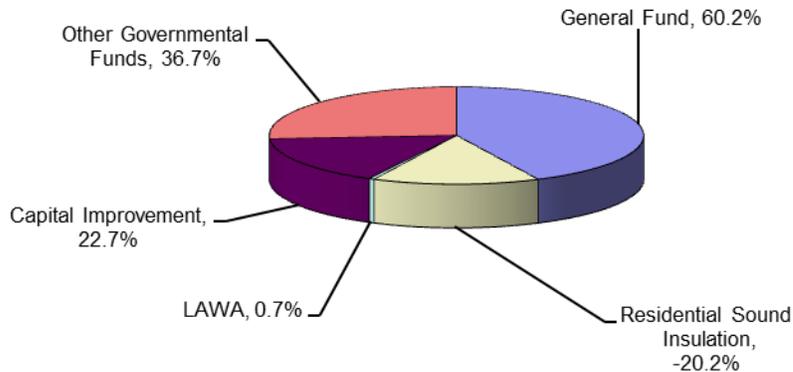
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,905,156, a decrease of 28.3% from the previous year. The decrease is primarily attributed to the increase in expenditures from the prior year. Specifically, general government increased by 1.0% or \$119,649 and community and cultural increased by 70% or \$5,441,451. Approximately 54.6%, or 9,222,486 of total ending fund balance constitute *unrestricted fund balance based on GASB 54*. The unreserved, undesignated fund balance represents amount available for spending at the government's discretion.

The remainder of the fund balance is reserved to indicate that it has already been committed (1) to liquidate contracts and purchase orders of the prior period \$3,818,348 (2) to represent amounts committed for inventory, receivables and prepaid costs \$1,884,602, (3) to represent amount committed for the aquatics facility \$525,747 and (4) for a variety of other restricted purposes \$1,453,973.

Governmental Fund Balance Fiscal Year 2011-2012



Major Funds: There are four major funds on the balance sheet for governmental funds. The first is the general fund, the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance was \$8,248,238 which represents 81% of total fund balance of \$10,168,840. As a measure of the general fund's liquidity, it may be useful to compare restricted and total fund balance to total fund expenditures. Unassigned fund balance represents 15.8% of total general fund expenditures, while total general fund balance represents 19.48% of that same amount.

The fund balance of the City's General Fund has decreased by \$2,460,112 during the current fiscal year. This is mainly attributable to decrease in revenues during fiscal year 2012. Specially, taxes decreased by 2.7% or \$876,202; miscellaneous revenues decreased by 65% or \$2,178,403; and expenditure decreased by 1.5% or \$829,846.

The other major funds on the City's governmental funds balance sheet are the Residential Sound Insulation Fund, LAWA Fund and the Capital Improvement Fund. The Residential Sound Insulation Fund has a total fund balance of (\$3,414,224), which is \$3,617,998 lower than the prior year's balance of \$203,774. The LAWA Fund has a total fund balance of \$112,023, which is \$51,259 lower than the prior year's balance of \$163,282. These funds are reimbursable through Federal Aviation Administration (FAA) Grants and Los Angeles World Airport (LAWA) settlement funds. During this fiscal year LAWA and FAA both changed the reimbursement protocol and due to this change reimbursements to the City were delayed. This is represented by the decrease/deficit in fund balance at year-end.

The Capital Improvement Fund has a fund balance of \$3,839,309, which is \$1,018,925 lower than the prior year's balance of \$4,858,234. This is primarily due to capital expenditures in 2012.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail.

Ending unrestricted net assets for the proprietary funds are \$2,426,485 for the Water Utility Fund, \$7,261,256 for the Sewer Utility Fund and (\$6,077,962) for the Golf Course Fund. The total change in net assets for the City's three proprietary funds is as follows:

- The Water Utility's net asset increase \$931,862 or an increase of 17.2% over net assets of the prior year.
- The Sewer Utility's net assets increased \$751,717 or an increase of 6.3% over net assets of the prior year (as restated).
- The Golf Course net assets decreased \$25,884 or a net decrease of .4% over the prior year.

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, with the recommendation from the City's staff, the City Council revised the City budget several times. Adjustments were made as the City's staff requested additional appropriations to cover the cost of projects that either had change orders for additional work, or the estimated cost at the beginning of the project was underestimated. Adjustments were also made as department heads requested increases to their budgets to maintain their current level of services. All amendments that result in a net increase in appropriations are approved by the City Council.

Differences between the original budget and the final amended budget of the General Fund resulted in a decrease in projected revenues of \$599,500 and an increase in appropriations of \$545,368, or a net decrease in budgetary fund balance of \$1,144,868. The reasons for the most significant changes were as follows:

Revenue

The budget change between the original budget and the final amended budget was primarily attributable to:

- The original budget included a transfer in from a special revenue fund during the year decreased by \$1,034,500.
- The original budget included in miscellaneous revenue increased during the year by \$315,000.
- The original budget included in use of money and property increased during the year by \$120,000.

Some significant variances between the final budget and actual revenues are as follows:

- Taxes – The variance of \$598,527 below the final budget is mainly attributable to the decrease in sales tax.

- Charges for services – The variance of \$1,044,734 above the final budget is mainly attributable to the increase in plan checks, fire prevention and paramedic transport.
- Use of money and property – The variance of \$709,775 below the final budget is mainly attributable to the decrease in investment revenues.

Appropriations

There were no significant variances between the original and final budgeted appropriations for the general government. The increased in budget of \$545,368 were mainly attributable to the following:

- Continuing appropriation of \$572,701 for various departments.
- Purchase Orders carried forward of \$121,449 for various departments.

In general, all the departments of the general government were on budget when comparing budget to actual. This was accomplished through a strong departmental team effort to develop and implement a prioritized expenditure policy. The most significant savings were in the General Government and Library. The reasons for these savings are as follows:

- The General Administration Division saved over \$350,000 from the overall operation.
- The Library Division also saved almost \$300,000 from the overall operation.

For the City's general fund, amounts available for appropriation of \$63,703,352 was \$358,233 lower than actual revenues of \$63,345,119. Actual ending expenditures not including transfers out were \$53,110,853, which was \$1,215,385 more than budget of \$51,895,468. The net effect of these variances between actual and budgeted was a decrease in budgetary fund balance of \$1,576,144. Therefore, there was a need to draw upon existing fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to \$124,749,008 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, park facilities, roads, highways, streets and bridges.

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Capital assets not being depreciated						
Land	\$28,597,387	\$28,597,387	\$5,999,980	\$5,999,980	\$34,597,367	\$34,597,367
Construction in progress	<u>1,828,074</u>	<u>684,029</u>	<u>298,705</u>	<u>251,332</u>	<u>2,126,779</u>	<u>935,361</u>
Total capital assets not being depreciated	<u>30,425,461</u>	<u>29,281,416</u>	<u>6,298,685</u>	<u>6,251,312</u>	<u>36,724,146</u>	<u>35,532,728</u>
Capital assets being depreciated, net						
Buildings and improvements	19,749,442	20,364,949	4,302,843	4,110,957	24,052,285	24,475,906
Vehicles and equipment	3,692,766	3,944,498	238,366	283,860	3,931,132	4,228,358
Infrastructure	<u>49,871,450</u>	<u>52,272,954</u>	<u>10,169,995</u>	<u>10,999,518</u>	<u>60,041,445</u>	<u>63,272,472</u>
Total capital assets being depreciated, net	<u>73,313,658</u>	<u>76,582,401</u>	<u>14,711,204</u>	<u>15,394,335</u>	<u>88,024,862</u>	<u>91,976,736</u>
Total capital assets, net	<u>\$103,739,119</u>	<u>\$105,863,817</u>	<u>\$21,009,889</u>	<u>\$21,645,647</u>	<u>\$124,749,008</u>	<u>\$127,509,464</u>

Additional information on the City's capital assets can be found in Note 6 of the Notes to Financial Statements in this report.

Long-term debt: The City's governmental activities total debt increased by \$619,987. The City's business-type activities total debt decreased by \$322,155. This is mainly attributable to a reduction in the principal balance of the Golf Course Site Lease. City-wide, compensated absences increased by \$168,281 and Claims and Judgments increased by \$706,651 due to increase in number of ongoing litigation. Capital parking structure lease decreased by \$31,557 and facility lease decreased by \$259,957.

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Compensated absences	\$6,491,172	\$6,286,322	\$153,085	\$189,654	\$6,644,257	\$6,475,976
Claims and judgments	7,162,983	6,456,332	-	-	7,162,983	6,456,332
Capital lease parking structure	2,371,591	2,403,148	-	-	2,371,591	2,403,148
Golf course site lease	-	-	-	285,586	-	285,586
Facility lease	<u>8,545,086</u>	<u>8,805,043</u>	<u>-</u>	<u>-</u>	<u>8,545,086</u>	<u>8,805,043</u>
Total long-term debt	<u>\$ 24,570,832</u>	<u>\$ 23,950,845</u>	<u>\$ 153,085</u>	<u>\$ 475,240</u>	<u>\$ 24,723,917</u>	<u>\$ 24,426,085</u>

Additional information on the City's long-term debt can be found in Note 8 of the Notes to Financial Statements in this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for 2012-2013 the following economic factors significantly impacted the budget process:

- The increase cost in CalPERS retirement benefits for employees and funding of GASB 45 liability.
- Ongoing monitoring of gas utility users tax due to the uncertainty of the status of the local power plant expansion and the fluctuation of the price of natural gas.
- Performance of national, state and primarily local economy and its impact on El Segundo's major revenue sources.
- Decrease in revenues due to loss of sales and use tax.
- Reduction in investment incomes.
- Increase in workers' compensation costs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of El Segundo's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the City of El Segundo, 350 Main Street, El Segundo, CA 90245.

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

CITY OF EL SEGUNDO

Statement of Net Assets

September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Park Vista Senior Housing December 31, 2011
<u>Assets</u>				
Cash and investments (note 3)	\$ 29,974,892	11,121,476	41,096,368	658,456
Receivables:				
Taxes	2,957,116	-	2,957,116	-
Accounts	2,476,653	2,744,200	5,220,853	33
Interest	31,491	-	31,491	-
Notes and loans (note 4)	140,799	-	140,799	-
Internal balances	6,324,770	(6,324,770)	-	-
Due from other governments	4,259,315	16,000	4,275,315	-
Inventories	149,020	124,843	273,863	-
Prepays	2,271,370	78,359	2,349,729	3,860
Advances to component unit (note 5)	2,731,660	-	2,731,660	-
Deposits	-	-	-	24,488
Capital assets, not being depreciated (note 6)	30,425,461	6,298,685	36,724,146	924,653
Capital assets, net of depreciation (note 6)	<u>73,313,658</u>	<u>14,711,204</u>	<u>88,024,862</u>	<u>2,239,627</u>
Total assets	<u>155,056,205</u>	<u>28,769,997</u>	<u>183,826,202</u>	<u>3,851,117</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	4,310,742	3,887,517	8,198,259	4,849
Accrued liabilities	1,833,108	71,264	1,904,372	-
Interest payable	71,708	-	71,708	-
Retention payable	634,971	-	634,971	-
Unearned revenue	4,714,001	189,991	4,903,992	1,123
Deposits payable	428,092	95,988	524,080	48,215
Advances from primary government (note 5)	-	-	-	2,825,083
Noncurrent liabilities (note 8):				
Due within one year	3,982,072	87,905	4,069,977	-
Due in more than one year	<u>20,588,760</u>	<u>65,180</u>	<u>20,653,940</u>	<u>-</u>
Total liabilities	<u>36,563,454</u>	<u>4,397,845</u>	<u>40,961,299</u>	<u>2,879,270</u>
<u>Net assets</u>				
Invested in capital assets, net of related debt	92,822,442	21,009,889	113,832,331	339,197
Restricted for:				
Public safety	1,451,893	-	1,451,893	-
Public works	1,327,180	-	1,327,180	-
Capital projects	3,954,910	-	3,954,910	-
Community and cultural	4,207,390	-	4,207,390	-
Unrestricted	<u>14,728,936</u>	<u>3,362,263</u>	<u>18,091,199</u>	<u>632,650</u>
Total net assets	<u>\$ 118,492,751</u>	<u>24,372,152</u>	<u>142,864,903</u>	<u>971,847</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Statement of Activities

Year Ended September 30, 2012

	Program Revenues			
Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental activities:				
General government	\$ 12,537,230	581,718	-	-
Public safety	32,238,620	1,568,107	742,049	195,464
Public works	7,988,435	15,190	255,269	775,906
Community and cultural	13,877,815	5,081,885	511,181	6,844,088
Interest on long-term debt	<u>16,182</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>66,658,282</u>	<u>7,246,900</u>	<u>1,508,499</u>	<u>7,815,458</u>
Business-type activities:				
Water	22,452,371	23,344,919	-	-
Sewer	2,528,839	3,236,359	-	-
Golf course	<u>1,973,712</u>	<u>1,919,435</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>26,954,922</u>	<u>28,500,713</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 93,613,204</u>	<u>35,747,613</u>	<u>1,508,499</u>	<u>7,815,458</u>
Component unit:				
Park Vista Senior Housing	<u>\$ 513,642</u>	<u>597,737</u>	<u>-</u>	<u>-</u>

General revenues and transfers:

Taxes:

 Property taxes, levied for general purpose

 Transient occupancy taxes

 Sales taxes

 Utility user taxes

 Franchise taxes

 Business licenses taxes

 Other taxes

 Motor vehicles in lieu

Use of money and property, unrestricted

Other

Total general revenues and transfers

 Change in net assets

Net assets at beginning of year, as restated (note 17)

Net assets at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Park Vista Senior Housing, Year Ended December 31, 2011
(11,955,512)	-	(11,955,512)	-
(29,733,000)	-	(29,733,000)	-
(6,942,070)	-	(6,942,070)	-
(1,440,661)	-	(1,440,661)	-
(16,182)	-	(16,182)	-
<u>(50,087,425)</u>	<u>-</u>	<u>(50,087,425)</u>	<u>-</u>
-	892,548	892,548	-
-	707,520	707,520	-
-	(54,277)	(54,277)	-
<u>-</u>	<u>1,545,791</u>	<u>1,545,791</u>	<u>-</u>
<u>(50,087,425)</u>	<u>1,545,791</u>	<u>(48,541,634)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>84,095</u>
7,365,363	-	7,365,363	-
4,735,585	-	4,735,585	-
10,623,237	-	10,623,237	-
5,167,834	-	5,167,834	-
2,455,099	-	2,455,099	-
10,093,794	-	10,093,794	-
871,155	-	871,155	-
8,754	-	8,754	-
393,719	99,690	493,409	1,671
<u>1,692,208</u>	<u>63,795</u>	<u>1,756,003</u>	<u>-</u>
<u>43,406,748</u>	<u>163,485</u>	<u>43,570,233</u>	<u>1,671</u>
(6,680,677)	1,709,276	(4,971,401)	85,766
<u>125,173,428</u>	<u>22,662,876</u>	<u>147,836,304</u>	<u>886,081</u>
<u>\$ 118,492,751</u>	<u>24,372,152</u>	<u>142,864,903</u>	<u>971,847</u>

CITY OF EL SEGUNDO

Governmental Funds

Balance Sheet

September 30, 2012

		Special Revenue	
	General	Residential Sound Insulation Fund	LAWA
<u>Assets</u>			
Cash and investments	\$ 5,247,193	-	5,338,668
Receivables:			
Taxes	2,957,116	-	-
Accounts	2,202,453	-	-
Interest	29,401	-	2,090
Notes and loans (note 4)	86,394	-	-
Due from other funds (note 7)	2,216,155	1,100,918	-
Due from other governments	49,710	3,918,639	-
Advances to other agencies	2,731,660	-	-
Inventories	149,020	-	-
Prepays	1,649,188	-	-
	<u>\$ 17,318,290</u>	<u>5,019,557</u>	<u>5,340,758</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,496,789	2,367,564	-
Accrued liabilities	1,674,263	19,373	-
Retentions payable	-	135,086	-
Due to other funds (note 7)	-	1,872,591	1,100,918
Deferred revenue	3,643,117	4,039,167	4,127,817
Deposits payable	335,281	-	-
	<u>7,149,450</u>	<u>8,433,781</u>	<u>5,228,735</u>
Fund balances (deficit):			
Nonspendable	1,884,602	-	-
Restricted	-	-	112,023
Assigned	445,114	-	-
Unassigned	7,839,124	(3,414,224)	-
	<u>10,168,840</u>	<u>(3,414,224)</u>	<u>112,023</u>
Total liabilities and fund balances	<u>\$ 17,318,290</u>	<u>5,019,557</u>	<u>5,340,758</u>

See accompanying notes to basic financial statements.

<u>Capital Projects</u>		
<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
4,730,420	6,511,040	21,827,321
-	-	2,957,116
-	215,705	2,418,158
-	-	31,491
-	54,405	140,799
-	-	3,317,073
67,791	223,175	4,259,315
-	-	2,731,660
-	-	149,020
-	-	1,649,188
<u>4,798,211</u>	<u>7,004,325</u>	<u>39,481,141</u>
217,359	91,455	4,173,167
-	15,130	1,708,766
485,951	13,934	634,971
-	196,589	3,170,098
255,592	395,198	12,460,891
-	92,811	428,092
<u>958,902</u>	<u>805,117</u>	<u>22,575,985</u>
-	-	1,884,602
-	5,686,045	5,798,068
3,690,657	-	4,135,771
148,652	513,163	5,086,715
<u>3,839,309</u>	<u>6,199,208</u>	<u>16,905,156</u>
<u>4,798,211</u>	<u>7,004,325</u>	<u>39,481,141</u>

CITY OF EL SEGUNDO

Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

September 30, 2012

Fund balances of governmental funds	\$	16,905,156
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		
Capital assets		146,879,022
Accumulated depreciation		(45,348,389)
Long term debt and compensated absences have not been included in the governmental fund activity.		
Capital leases payable		(10,916,677)
Compensated absences		(6,491,172)
Accrued interest payable for the current portion of interest due on debt service has not been reported in the governmental funds.		
		(71,708)
Some of the City's revenue will be collected after year-end, but are not available soon enough to pay for the current period's expenditure and, therefore, are reported as deferred revenue in the governmental funds.		
		7,746,890
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Assets.		
		<u>9,789,629</u>
Net assets of governmental activities	\$	<u>118,492,751</u>

See accompanying notes to basic financial statements.

(This page intentionally left blank)

CITY OF EL SEGUNDO

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2012

		Special Revenue	
	General	Residential Sound Insulation Fund	LAWA Fund
Revenues:			
Taxes	\$ 31,218,273	-	-
Licenses and permits	11,855,052	-	-
Intergovernmental	69,192	1,016,487	1,392,613
Charges for services	5,220,234	-	-
Use of money and property	395,225	2,668	14,117
Fines and forfeitures	348,290	-	-
Miscellaneous	1,170,693	221	-
Total revenues	50,276,959	1,019,376	1,406,730
Expenditures:			
Current:			
General government	12,036,855	-	21
Public safety	30,356,211	-	-
Public works	4,780,555	-	-
Community and cultural	6,586,106	6,095,342	-
Capital outlay	11,918	-	-
Total expenditures	53,771,645	6,095,342	21
Excess (deficiency) of revenues over (under) expenditures	(3,494,686)	(5,075,966)	1,406,709
Other financing sources (uses):			
Transfers in (note 7)	1,100,000	1,457,968	-
Transfers out (note 7)	(65,426)	-	(1,457,968)
Total other financing sources (uses)	1,034,574	1,457,968	(1,457,968)
Net change in fund balances	(2,460,112)	(3,617,998)	(51,259)
Fund balances at beginning of year	12,628,952	203,774	163,282
Fund balances at end of year	\$ 10,168,840	(3,414,224)	112,023

See accompanying notes to basic financial statements.

<u>Capital Projects</u>		
<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	31,218,273
-	-	11,855,052
798,461	1,319,971	4,596,724
-	-	5,220,234
-	40,012	452,022
-	702,542	1,050,832
-	656,059	1,826,973
<u>798,461</u>	<u>2,718,584</u>	<u>56,220,110</u>
-	539,077	12,575,953
-	935,025	31,291,236
718	345,361	5,126,634
-	508,807	13,190,255
<u>1,276,668</u>	<u>319,116</u>	<u>1,607,702</u>
<u>1,277,386</u>	<u>2,647,386</u>	<u>63,791,780</u>
<u>(478,925)</u>	<u>71,198</u>	<u>(7,571,670)</u>
-	605,426	3,163,394
<u>(540,000)</u>	<u>(200,000)</u>	<u>(2,263,394)</u>
<u>(540,000)</u>	<u>405,426</u>	<u>900,000</u>
(1,018,925)	476,624	(6,671,670)
<u>4,858,234</u>	<u>5,722,584</u>	<u>23,576,826</u>
<u>3,839,309</u>	<u>6,199,208</u>	<u>16,905,156</u>

CITY OF EL SEGUNDO

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2012

Net change in fund balances - total governmental funds \$ (6,671,670)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital additions	1,379,722
Depreciation expense	(3,407,672)

Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	291,514
--	---------

Accrued interest for debt service. This is the net change in accrued interest for the current period.	(15,973)
---	----------

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(204,850)
---	-----------

Receivable amounts that were earned in the audit period but not collected within the availability period have not been reported in the governmental funds.	3,809,076
--	-----------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds must be added to the Statement of Net Assets.	<u>(1,860,824)</u>
--	--------------------

Change in net assets of governmental activities	<u>\$ (6,680,677)</u>
---	-----------------------

See accompanying notes to basic financial statements.

(This page intentionally left blank)

CITY OF EL SEGUNDO

Proprietary Funds

Statement of Net Assets

September 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Total</u>	<u>Activities- Internal Service Funds</u>
<u>Assets</u>					
Current assets:					
Cash and investments	\$ 4,084,469	6,932,037	104,970	11,121,476	8,147,571
Receivables:					
Accounts	2,286,898	417,666	683	2,705,247	50,520
Due from other funds (note 7)	-	-	-	-	45,000
Due from other governments	-	-	16,000	16,000	-
Advances to other funds (note 7)	-	-	-	-	5,893,254
Inventories	281	-	124,562	124,843	-
Prepays	8,009	70,350	-	78,359	622,182
Total current assets	<u>6,379,657</u>	<u>7,420,053</u>	<u>246,215</u>	<u>14,045,925</u>	<u>14,758,527</u>
Noncurrent assets:					
Accounts Receivable	38,953	-	-	38,953	-
Capital assets, net	3,892,995	5,346,029	11,770,865	21,009,889	2,208,486
Total noncurrent assets	<u>3,931,948</u>	<u>5,346,029</u>	<u>11,770,865</u>	<u>21,048,842</u>	<u>2,208,486</u>
Total assets	<u>10,311,605</u>	<u>12,766,082</u>	<u>12,017,080</u>	<u>35,094,767</u>	<u>16,967,013</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	3,718,347	142,448	26,722	3,887,517	137,575
Accrued liabilities	25,105	16,349	29,810	71,264	124,342
Unearned revenue	-	-	189,991	189,991	-
Deposits payable	95,588	-	400	95,988	-
Due to other funds (note 7)	-	-	184,000	184,000	-
Advances from other funds (note 7)	-	-	5,893,254	5,893,254	-
Claims and judgments, current portion	-	-	-	-	1,248,000
Compensated absences, current portion	87,905	-	-	87,905	-
Total current liabilities	<u>3,926,945</u>	<u>158,797</u>	<u>6,324,177</u>	<u>10,409,919</u>	<u>1,509,917</u>
Noncurrent liabilities:					
Claims and judgments, net of current	-	-	-	-	5,914,983
Compensated absences, net of current	65,180	-	-	65,180	-
Total noncurrent liabilities	<u>65,180</u>	<u>-</u>	<u>-</u>	<u>65,180</u>	<u>5,914,983</u>
Total liabilities	<u>3,992,125</u>	<u>158,797</u>	<u>6,324,177</u>	<u>10,475,099</u>	<u>7,424,900</u>
<u>Net assets</u>					
Net assets:					
Invested in capital assets, net of related debt	3,892,995	5,346,029	11,770,865	21,009,889	2,208,486
Unrestricted	2,426,485	7,261,256	(6,077,962)	3,609,779	7,333,627
Total net assets	<u>\$ 6,319,480</u>	<u>12,607,285</u>	<u>5,692,903</u>	<u>24,619,668</u>	<u>9,542,113</u>

Reconciliation of Net Assets to the Statements of Net Assets:

Net assets per statements of net assets- proprietary funds	\$ 24,619,668
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(299,097)
Adjustments to reflect the consolidation of internal service activities related to enterprise funds	51,581
Net Assets per Statement of Net Assets	<u>\$ 24,372,152</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Operating revenues:					
Sales and service charges	\$ 23,316,844	3,213,729	1,918,559	28,449,132	-
Interdepartmental charges	-	-	-	-	3,381,821
Miscellaneous	30,836	-	1,184	32,020	144,192
Total operating revenues	<u>23,347,680</u>	<u>3,213,729</u>	<u>1,919,743</u>	<u>28,481,152</u>	<u>3,526,013</u>
Operating expenses:					
Personnel services	1,215,831	653,574	653,807	2,523,212	163,554
Materials and supplies	113,222	94,698	356,816	564,736	528,102
Purchased water/utilities	19,849,384	-	145,875	19,995,259	-
Insurance and claims	480,000	129,000	53,998	662,998	3,420,094
Contractual services	73,189	986,175	-	1,059,364	-
Repairs and maintenance	46,803	6,978	202,099	255,880	-
Administrative cost	376,418	154,596	351,621	882,635	-
Depreciation	297,524	503,818	206,075	1,007,417	318,912
Total operating expenses	<u>22,452,371</u>	<u>2,528,839</u>	<u>1,970,291</u>	<u>26,951,501</u>	<u>4,430,662</u>
Operating income (loss)	<u>895,309</u>	<u>684,890</u>	<u>(50,548)</u>	<u>1,529,651</u>	<u>(904,649)</u>
Nonoperating revenues (expenses):					
Interest revenue	32,863	66,827	-	99,690	-
Miscellaneous Income	3,690	-	-	3,690	-
Insurance proceeds	-	-	28,085	28,085	-
Interest expense	-	-	(3,421)	(3,421)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(4,594)
Total nonoperating revenues (expenses)	<u>36,553</u>	<u>66,827</u>	<u>24,664</u>	<u>128,044</u>	<u>(4,594)</u>
Income (loss) before transfers	<u>931,862</u>	<u>751,717</u>	<u>(25,884)</u>	<u>1,657,695</u>	<u>(909,243)</u>
Interfund transfers:					
Transfers out (note 7)	-	-	-	-	(900,000)
Total interfund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900,000)</u>
Change in net assets	931,862	751,717	(25,884)	1,657,695	(1,809,243)
Net assets at beginning of year, as restated (note 17)	<u>5,387,618</u>	<u>11,855,568</u>	<u>5,718,787</u>	<u>22,961,973</u>	<u>11,351,356</u>
Net assets at end of year	<u>\$ 6,319,480</u>	<u>12,607,285</u>	<u>5,692,903</u>	<u>24,619,668</u>	<u>9,542,113</u>
Reconciliation of Changes in Net Assets to the Statement of Activities:					
Changes in Net Assets per Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Funds				\$ 1,657,695	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds				51,581	
Changes in Net Assets of Business-Type Activities per Statement of Activities				<u>\$ 1,709,276</u>	

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Proprietary Funds

Statement of Cash Flows

Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Cash flows from operating activities:					
Cash received from customers	\$ 23,829,016	3,408,866	1,924,938	29,162,820	-
Cash received from user departments	-	-	-	-	3,493,125
Cash payments to suppliers for goods and services	(20,379,548)	(1,235,310)	(1,025,760)	(22,640,618)	(3,117,872)
Cash payments to employees for services	(1,247,550)	(651,095)	(651,758)	(2,550,403)	(174,468)
Net cash provided by operating activities	<u>2,201,918</u>	<u>1,522,461</u>	<u>247,420</u>	<u>3,971,799</u>	<u>200,785</u>
Cash flows from noncapital financing activities:					
Cash received from other funds	-	-	541,399	541,399	-
Cash paid to other funds	-	-	-	-	(1,239,594)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>541,399</u>	<u>541,399</u>	<u>(1,239,594)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	(47,373)	(422,927)	(470,300)	(388,977)
Proceeds from sale of capital assets	-	-	-	-	166,813
Insurance proceeds	-	-	28,085	28,085	-
Interest paid on capital lease obligations	-	-	(3,421)	(3,421)	-
Principal paid on capital lease obligations	-	-	(285,586)	(285,586)	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(47,373)</u>	<u>(683,849)</u>	<u>(731,222)</u>	<u>(222,164)</u>
Cash flows from investing activities:					
Interest on investments	<u>32,863</u>	<u>66,827</u>	<u>-</u>	<u>99,690</u>	<u>-</u>
Net cash provided by investing financing activities	<u>32,863</u>	<u>66,827</u>	<u>-</u>	<u>99,690</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,234,781	1,541,915	104,970	3,881,666	(1,260,973)
Cash and cash equivalents at beginning of year	<u>1,849,688</u>	<u>5,390,122</u>	<u>-</u>	<u>7,239,810</u>	<u>9,408,544</u>
Cash and cash equivalents at end of year	<u>\$ 4,084,469</u>	<u>6,932,037</u>	<u>104,970</u>	<u>11,121,476</u>	<u>8,147,571</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Proprietary Funds

Statement of Cash Flows

(Continued)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 895,309	684,890	(50,548)	1,529,651	(904,649)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	297,524	503,818	206,075	1,007,417	318,912
Other items	3,690	-	98,642	102,332	(4,594)
(Increase) decrease in accounts receivable	481,336	195,137	125	676,598	(32,888)
(Increase) decrease in due from other governments	-	-	12,000	12,000	-
(Increase) decrease in inventories	-	-	(28,132)	(28,132)	-
(Increase) decrease in deferred charges	-	-	36,016	36,016	-
(Increase) decrease in prepaids	409	4,312	-	4,721	34,036
Increase (decrease) in accounts payable	589,162	131,825	(14,361)	706,626	94,231
Increase (decrease) in accrued liabilities	1,160	2,479	2,049	5,688	(10,914)
Increase (decrease) in retentions payable	-	-	-	-	-
Increase (decrease) in unearned revenue	-	-	(5,746)	(5,746)	-
Increase (decrease) in deposits payable	(30,103)	-	(8,700)	(38,803)	-
Increase (decrease) in compensated absences payable	(36,569)	-	-	(36,569)	-
Increase (decrease) in claims and judgments	-	-	-	-	706,651
Net cash provided by (used for) operating activities	<u>\$ 2,201,918</u>	<u>1,522,461</u>	<u>247,420</u>	<u>3,971,799</u>	<u>200,785</u>

Noncash capital, financing, investing activities

There were no significant noncash capital, financing, or investing activities during the fiscal year ended September 30, 2012.

CITY OF EL SEGUNDO

Agency Funds

Statement of Fiduciary Assets and Liabilities

September 30, 2012

Assets

Receivables:

Accounts

\$ 114,763

Total assets

\$ 114,763

Liabilities

Accounts payable

\$ 53,600

Due to other funds (note 7)

7,975

Deposits

53,188

Total liabilities

\$ 114,763

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

Year Ended September 30, 2012

(1) **Organization and Summary of Significant Accounting Policies**

(a) Description of the Reporting Entity

The City of El Segundo was incorporated on January 18, 1917, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of El Segundo (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and therefore data from these units are combined with data of the primary government. The component units discussed below are included in the reporting entity because of their operational or financial relationships with the City of El Segundo.

The inclusion of an organization within the scope of the reporting entity of the City of El Segundo is based on the provision of Government Accounting Standards Board (GASB) Statement No. 14. A component unit is included in the primary government's financial statements if one of the following criteria is met: (1) the primary government appoints a voting majority of the organization's governing body and is either able to impose its will on the organization or there is a potential financial benefit/burden to the primary government; (2) the organization is fiscally dependent on the primary government; or (3) the nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

The El Segundo Capital Improvement Corporation ("the Corporation") was established July 1, 1988, pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code) solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving and developing certain real and personal property. Activities of the Corporation are recorded in the Capital Projects and Debt Service Funds. The City Council of the City of El Segundo is the governing board for the Corporation. During fiscal year, 2011-2012, the Corporation had no financial activities and separate financial statements have not been issued.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(a) Description of the Reporting Entity (Continued)

Discretely Presented Component Unit

The El Segundo Senior Citizen Housing Corporation, dba Park Vista (“the Corporation”), is a California nonprofit public benefit corporation created by the City of El Segundo in 1984 to operate a low income senior apartment complex. The apartment complex was built and funded by the City. In 1987, the complex was ready for occupancy. Rather than operate the complex as a fund of the City, the City elected to form the Corporation to facilitate better communication with the residents who live there. The Corporation is managed by a seven-member Board of Directors, which is appointed by the City Council. The City is financially accountable and has the ability to impose its will on the Corporation which has the potential to provide specific financial benefits to, or impose specific financial burdens on, the City. All members of the Board of Directors are unpaid volunteers.

Activities of the Corporation have been discretely presented because the Corporation has a different fiscal year end as the City’s. Additionally, the financial statements are audited by other auditors. Separate financial statements may be obtained at City Hall, City of El Segundo, 350 Main Street, El Segundo, CA 90245.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 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 revenues are reported instead as general revenues.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(b) Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary 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.

(c) Fund Classifications

The City reports the following major governmental funds:

General Fund

This fund is used to account for all financial resources that are not restricted as to their use. These include sales and use taxes, business license fees, property taxes, utility user's tax, franchise taxes, interest earnings, various permit fees, charges for services, and other miscellaneous revenues.

Residential Sound Insulation Fund

This fund accounts for the Federal Aviation Administration grant funds used for residential sound insulation of dwellings located in the airport noise impact area.

LAWA Fund

This fund accounts for additional funding for the City's Residential Sound Insulation Program.

Capital Improvement Fund

This fund accounts for financial resources to be used for the acquisition, improvement or construction of major capital facilities.

The City reports the following major enterprise funds:

Water Fund

This fund accounts for water utility revenues, including service fees and installation charges, and all expenses related to the construction and maintenance of City's water distribution system.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(c) Fund Classifications (Continued)

Sewer Fund

This fund accounts for the financial transactions of the City's wastewater collection system.

Golf Course Fund

This fund accounts for revenues from user fees and expenses incurred for the operation and maintenance of "The Lakes at El Segundo" golf facility.

Additionally, the City reports the following fund types:

Internal Service Funds

These funds account for financial transactions related to repair, replacement and maintenance of City-owned equipment, and the City's self-insurance programs. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

Agency Funds

These funds are used to account for deposits held by the City Treasurer as a guarantee of specific performance by outside organizations. These deposits are refundable upon completion of the specified performance.

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(d) **Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprises Funds and Internal Service Funds include the cost of sales and services, administrative 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, and then unrestricted resources as they are needed.

The City reports one agency fund. 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.

(e) **Cash and Investments**

For purpose of the statement of cash flows, the City considers cash and cash equivalents as short-term, highly liquid investments with maturities of three months or less at the time of purchase. The City follows the practice of pooling cash and investments of all funds. Since cash and investments are pooled, the City utilizes the assumption that the cash and investments in the Enterprise and Internal Service Funds are cash and cash equivalents.

Investments for the City, as well as for its component unit, are reported at fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In applying GASB 31, the City utilized the following methods and assumptions:

1. Fair value is based on quoted market prices as of the valuation date;
2. The portfolio did not hold investments in any of the following:
 - a. Items required to be reported at amortized cost;
 - b. Items in external pools that are not SEC-registered;

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(e) Cash and Investments (Continued)

- c. Items subject to involuntary participation in an external pool; and
 - d. Items associated with a fund other than the fund to which the income is assigned.
3. Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balances exceed the cumulative value of those investments subject to GASB 31;
 4. The unrealized gain/loss resulting from valuation will be reported within the revenue account "use of money and property" on the Statement of Revenues, Expenditures and Changes in Fund Balance.

The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is equal to the fair value of the pool shares.

(f) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The portion of fund balance associated with amounts that have been disbursed to other funds in the form of long-term interfund advances have been classified as nonspendable unless the funds associated with repayment of the advances are otherwise restricted for specific purposes.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(f) Receivables and Payables (Continued)

Property tax revenue is recognized on the basis of National Council on Governmental Accounting (NCGA) Interpretation No. 3 (adopted by GASB); that is, in the fiscal year for which the taxes have been levied providing they become available. Available means collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

(g) Inventories

Inventories of materials and supplies are carried at cost on a first-in, first-out basis. The City uses the consumption method for accounting for inventories. The fund balances have been classified as nonspendable for amounts equal to the inventories in the fund-level statements, since these amounts are not available for appropriation.

(h) Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been reserved for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

(i) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(i) Capital Assets (Continued)

In accordance with GASB Statement No. 34, the City has reported its general infrastructure assets. The City defined infrastructure assets as roadway, storm drain, parks, water system, sewer system and similar items with an initial individual cost of more than \$100,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Infrastructure, property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Vehicles and equipment	5-50
Infrastructure	25-100

(j) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Upon termination an employee will be paid for any unused vacation pay up to 576 hours. Sick leave is payable when an employee is unable to work because of illness. Upon retirement (minimum five years of service) an employee will be paid at a rate of 50% to 100% depending on the type of retirement. All vacation pay and sick leave are accrued when incurred in the government-wide financial statements and proprietary fund financial statements.

(k) Claims and Judgments

The City is partially self-insured for general liability and workers' compensation claims. The City records estimated liabilities for such claims filed or estimated to be filed for incidents, which have occurred. The City's claims and judgments payable are recorded in the City's Liability Insurance and Workers' Compensation Internal Service Funds. See Note 11 for details on possible future claims.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(I) Fund Balances

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

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

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

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enabled) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action.

Therefore, if the Council action limiting the use of the funds is separate from the action (legislation) that created (enabled) the funding source, then it is committed, not restricted. The City considers a resolution to constitute a formal action of City Council for the purposes of establishing committed fund balances.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted to persons or bodies other than City Council.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(l) Fund Balances (Continued)

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

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.

(m) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the related debt, in the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond Issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(n) Functional Classifications

Expenditures of the governmental funds are classified by function. Functional classifications are defined as follows:

General government – includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also, included in this classification are those activities that provide management or support services across more than one functional area.

Public safety – includes those activities that involve the protection of people and property.

Public works – includes those activities that involve the maintenance and improvement of City streets, roads and park department development and maintenance.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(n) Functional Classifications (Continued)

Community and cultural – includes those activities that involve the enhancing of the general quality of life.

Debt service – includes those activities that account for the payment of long- term debt principal, interest and fiscal charges.

(o) Use of Estimates

The preparation of basic financial statements in conformity 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(p) Reclassifications

Certain minor reclassifications of prior year data have been made in order to enhance its comparability with current year figures.

(2) Budgetary Compliance and Deficit Fund Balances

(a) Excess of Expenditures Over Appropriations

It is the City's intention to seek authority from the City Council to realign the current year's budget to reflect priority changes in the goals and objectives of the City. This realignment did not take place in the current year budget; therefore, expenditures exceeded appropriations in the following funds:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$54,207,370	51,958,368	(2,249,002)
Major Special Revenue Fund: LAWA Fund	1,457,989	-	(1,457,989)

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(2) **Budgetary Compliance and Deficit Fund Balances (Continued)**

(b) Fund Balance Deficits

The following funds contained deficit fund balances at September 30, 2012:

Major Special Revenue Fund:	
Residential Sound Insulation Fund	\$3,414,224
Nonmajor Special Revenue Fund:	
Community Development Block Grant Fund	2,091
Federal Grant Fund	207,205

The City expects to eliminate this deficit when future reimbursements are received from granting agencies.

(3) **Cash and Investments**

Cash and investments as of September 30, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	<u>\$41,096,368</u>
Total cash and investments	<u>\$41,096,368</u>

Cash and investments as of September 30, 2012 consist of the following:

Cash on hand	\$ 22,676
Deposits with financial institutions	10,847,335
Investments	<u>30,226,357</u>
Total cash and investments	<u>\$41,096,368</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(3) Cash and Investments (Continued)

Investments Authorized by California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code Section 53601 or the City's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (or the City's 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 trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum* Maturity</u>	<u>Maximum* Percentage of Portfolio</u>	<u>Maximum* Investment in One Issuer</u>
U S Treasury securities	5 years	100%	none
U S Agency securities	5 years	100%	none
Bankers' acceptances	180 days	40%	30%
Commercial Paper	180 days	25%	10%
Negotiable CDs	5 years	30%	none
Repurchase agreements	90 days	50%	none
Medium term notes	5 years	30%	none
Mutual funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	100%

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

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 is to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments, including investments held by bond trustees, to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(3) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Federal agency securities	\$ 4,013,610	-	1,000,850	3,012,760
Negotiable Certificates of Deposit	4,072,575	-	743,348	3,329,227
State investment pool	<u>22,140,172</u>	<u>22,140,172</u>	<u>-</u>	<u>-</u>
Total	<u>\$30,226,357</u>	<u>22,140,172</u>	<u>1,744,198</u>	<u>6,341,987</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. Presented below is the minimum rating required by, where applicable, the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type:

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Total</u>	<u>Remaining as of Year End</u>	
			<u>AAA</u>	<u>Not rated</u>
Federal agency securities	N/A	\$ 4,013,610	4,013,610	-
Negotiable Certificate of Deposit	N/A	4,072,575	-	4,072,575
State investment pool	N/A	<u>22,140,172</u>	<u>-</u>	<u>22,140,172</u>
Total		<u>\$30,226,357</u>	<u>4,013,610</u>	<u>26,212,747</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. 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 investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage Association	Federal agency securities	\$3,012,760

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(3) **Cash and Investments (Continued)**

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's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law, unless so waived by the governmental unit. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the City. 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 City deposits.

Investments held by a bond trustee are selected under the terms of the applicable trust agreement. The trustee acquires the investment and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's 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. Currently, LAIF does not have an investment rating.

(4) **Notes and Loans Receivables**

The balance of notes receivable in the General Fund consists of loans made to employees for computer purchases. The balance at September 30, 2012 was \$86,394.

The balance of notes receivable in the other governmental funds consists of minor home repair loans made to qualifying homeowners residing within the City. The balance at September 30, 2012 was \$54,405.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(5) Advances to Component Unit

In May 1986, the City entered into an agreement with the Senior Housing Board. The City built the Senior Housing Center, and the Senior Housing Board issued a promissory note for \$1,780,000, payable over 20 years at 8% interest to repay the City for its construction costs. Furthermore, the City and Board issued an additional amount of \$2,345,538 and \$882,545, principal and interest, respectively. The City will still own the property at the end of 20 years. Therefore, the note payments are treated as rent income and the note balance is offset by deferred revenue in the governmental funds. The note balance at September 30, 2012 was \$2,731,660. The corresponding liability to the Senior Housing Board as of their December 31, 2011 fiscal year end was \$2,825,083.

(6) Capital Assets

Primary Government:

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2012</u>
Government activities:				
Capital assets, not being depreciated:				
Land and rights of way	\$ 28,597,387	-	-	28,597,387
Construction-in-progress	<u>684,029</u>	<u>1,144,045</u>	<u>-</u>	<u>1,828,074</u>
Total capital assets, not being depreciated	<u>29,281,416</u>	<u>1,144,045</u>	<u>-</u>	<u>30,425,461</u>
Capital assets being depreciated:				
Buildings and improvements	30,775,427	-	-	30,775,427
Vehicles and equipment	14,173,129	624,651	(166,813)	14,630,967
Infrastructure:				
Pavement	58,693,195	-	-	58,693,195
Sidewalks	2,454,970	-	-	2,454,970
Curb and gutter	1,773,741	-	-	1,773,741
Traffic signal	4,848,792	-	-	4,848,792
Medians	546,730	-	-	546,730
Street trees	302,692	-	-	302,692
Storm drain	3,489,578	-	-	3,489,578
Parks and recreation	<u>7,507,699</u>	<u>-</u>	<u>-</u>	<u>7,507,699</u>
Total capital assets being depreciated	<u>124,565,953</u>	<u>624,651</u>	<u>(166,813)</u>	<u>125,023,791</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(6) Capital Assets (Continued)

Primary Government (Continued)

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2012</u>
Less accumulated depreciation:				
Buildings and improvements	10,410,479	615,506	-	11,025,985
Vehicles and equipment	10,228,631	866,388	(156,818)	10,938,201
Infrastructure:				
Pavement	20,112,791	1,832,007	-	21,944,798
Sidewalks	677,466	49,099	-	726,565
Curb and gutter	630,192	35,475	-	665,667
Traffic signal	3,443,847	146,444	-	3,590,291
Medians	167,197	10,935	-	178,132
Storm drain	818,707	34,896	-	853,603
Parks and recreation	<u>1,494,242</u>	<u>292,649</u>	<u>-</u>	<u>1,786,891</u>
Total accumulated depreciation	<u>47,983,552</u>	<u>3,883,399</u>	<u>(156,818)</u>	<u>51,710,133</u>
Total capital assets being depreciated, net	<u>76,582,401</u>	<u>(3,258,748)</u>	<u>(9,995)</u>	<u>73,313,658</u>
Governmental activities capital assets	<u>\$ 105,863,817</u>	<u>(2,114,703)</u>	<u>(9,995)</u>	<u>103,739,119</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,999,980	-	-	5,999,980
Construction-in-progress	<u>251,332</u>	<u>47,373</u>	<u>-</u>	<u>298,705</u>
Total capital assets, not being depreciated	<u>6,251,312</u>	<u>47,373</u>	<u>-</u>	<u>6,298,685</u>
Capital assets being depreciated:				
Building and improvements	8,762,695	4,766	(11,674)	8,755,787
Improvements other than Buildings	-	418,161	-	418,161
Vehicles and equipments	657,996	-	(1,952)	656,044
Infrastructure	<u>31,117,657</u>	<u>-</u>	<u>(191,169)</u>	<u>30,926,488</u>
Total capital assets being depreciated	<u>40,538,348</u>	<u>422,927</u>	<u>(204,795)</u>	<u>40,756,480</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(6) Capital Assets (Continued)

Primary Government (Continued)

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2012</u>
Less accumulated depreciation:				
Building and improvements	4,651,738	206,125	-	4,857,863
Improvements other than buildings	-	13,242	-	13,242
Vehicles and equipment	374,136	43,542	-	417,678
Infrastructure	<u>20,118,139</u>	<u>744,508</u>	<u>(106,154)</u>	<u>20,756,493</u>
 Total accumulated depreciation	 <u>25,144,013</u>	 <u>1,007,417</u>	 <u>(106,154)</u>	 <u>26,045,276</u>
 Total capital assets being depreciated, net	 <u>15,394,335</u>	 <u>(584,490)</u>	 <u>(98,641)</u>	 <u>14,711,204</u>
 Business-type activities capital assets	 <u>\$21,645,647</u>	 <u>(537,117)</u>	 <u>(98,641)</u>	 <u>21,009,889</u>

Discretely Presented Component Unit

The following is a summary of discretely presented capital assets for the year ended December 31, 2011:

	Balance at January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2011</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ <u>924,653</u>	<u>-</u>	<u>-</u>	<u>924,653</u>
 Total capital assets, not depreciable assets	 <u>924,653</u>	 <u>-</u>	 <u>-</u>	 <u>924,653</u>
 Capital assets being depreciated:				
Building and improvements	5,810,872	8,575	-	5,819,447
Furniture and equipments	<u>233,385</u>	<u>22,822</u>	<u>-</u>	<u>256,207</u>
 Total capital assets being depreciated	 <u>6,044,257</u>	 <u>31,397</u>	 <u>-</u>	 <u>6,075,654</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(6) Capital Assets (Continued)

Discretely Presented Component Unit

	Balance at January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2011</u>
Less accumulated depreciation:				
Building and improvements	3,499,054	166,525	-	3,665,579
Furniture and equipment	<u>139,374</u>	<u>31,074</u>	<u>-</u>	<u>170,448</u>
Total accumulated depreciation	<u>3,638,428</u>	<u>197,599</u>	<u>-</u>	<u>3,836,027</u>
Total capital assets being depreciated, net	<u>2,405,829</u>	<u>(166,202)</u>	<u>-</u>	<u>2,239,627</u>
Business-type activities capital assets	<u>\$3,330,482</u>	<u>(166,202)</u>	<u>-</u>	<u>3,164,280</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 14,449
Public safety	224,765
Public works	2,721,819
Community and cultural	446,639
Capital assets held by the City's internal service funds are charges to the various function based on their usage of assets	<u>475,727</u>
Total governmental activities	<u>\$3,883,399</u>
Business-type activities:	
Water	\$ 297,524
Sewer	503,818
Golf course	<u>206,075</u>
Total business activities	<u>\$1,007,417</u>
Component unit:	
Park Vista	<u>\$ 197,599</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(7) Interfund Activities

The composition of interfund balances as of September 30, 2012 is as follows:

Due From/To Other Funds

	Due to Other Funds					<u>Total</u>
	<u>RSI Fund</u>	<u>RSI Fund</u>	<u>Golf Course Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Agency Fund</u>	
<u>Due From Other Funds</u>						
General Fund (1)	\$1,872,591	-	139,000	196,589	7,975	2,216,155
Residential Sound Insulation Fund (2)	-	1,100,918	-	-	-	1,100,918
Internal Service Funds	-	-	<u>45,000</u>	-	-	<u>45,000</u>
Totals	<u>\$1,872,591</u>	<u>1,100,918</u>	<u>184,000</u>	<u>196,589</u>	<u>7,975</u>	<u>3,362,073</u>

(1) The \$2,216,155 represents short term borrowings of cash pending receipt of reimbursement from granting agencies and others.

(2) The \$1,100,918 represents amount owed to the Residential Sound Insulation Program the LAWA Fund for draw downs that occurred during the fiscal year ended September 30, 2012.

Advances To/From Other Funds

	Advances to Other Funds	
	<u>Golf Course Fund</u>	<u>Total</u>
<u>Advances From Other Funds</u>		
Internal Service Funds	<u>\$5,893,254</u>	<u>5,893,254</u>

During fiscal year ended September 30, 2011, an advance was entered into between the Golf Course Fund and the Equipment Replacement Fund in the amount of \$5,143,779. This amount was increased to \$5,893,254 at fiscal year ended September 30, 2012.

Interfund Transfers

	Transfers In			
	<u>General Fund</u>	<u>Residential Sound Insulation Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
<u>Transfers Out</u>				
General Fund	\$ -	-	65,426	65,426
LAWA Fund	-	1,457,968	-	1,457,968 (1)
Capital Improvements Fund	-	-	540,000	540,000 (2)
Nonmajor Governmental Funds	200,000	-	-	200,000 (3)
Internal Service Funds	<u>900,000</u>	-	-	<u>900,000 (4)</u>
Totals	<u>\$1,100,000</u>	<u>1,457,968</u>	<u>605,426</u>	<u>3,163,394</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(7) Interfund Activities (Continued)

Interfund Transfers (Continued)

Interfund transfers during the current fiscal year were made for the following purposes:

- (1) The LAWA Special Revenue Fund transferred \$1,457,968 to the Residential Sound Insulation Special Revenue Fund to reimburse the Residential Sound Insulation program for 20% of allowable program expenditures that are funded with LAWA monies.
- (2) The Capital Improvement Fund transferred \$540,000 to the Nonmajor Governmental Funds for the Douglas Street loan payment.
- (3) The Nonmajor Governmental Funds transferred \$200,000 to the General Fund to support expenditures in the Police Department Traffic Safety Division.
- (4) The Internal Service Funds transferred \$900,000 to the General Fund to pay for employee benefits that were charged to the General Fund.

(8) Noncurrent Liabilities

Governmental Activities

The following is a summary of changes in governmental activities long-term debt of the City for the year ended September 30, 2012:

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2012</u>	Due within <u>one year</u>
Compensated absences	\$ 6,286,322	3,033,514	(2,828,664)	6,491,172	2,432,883
Claims and judgments	6,456,332	2,448,935	(1,742,284)	7,162,983	1,248,000
Capital lease – parking structure	2,403,148	-	(31,557)	2,371,591	33,772
Facility lease	<u>8,805,043</u>	<u>-</u>	<u>(259,957)</u>	<u>8,545,086</u>	<u>267,417</u>
Totals	<u>\$23,950,845</u>	<u>5,482,449</u>	<u>(4,862,462)</u>	<u>24,570,832</u>	<u>3,982,072</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(8) Noncurrent Liabilities (Continued)

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$6,491,172 at September 30, 2012 will be paid in future years from the General Fund.

Claims and Judgments

The City's self-insurance contingencies are described in Note 12. This liability, amounting to \$7,162,983 at September 30, 2012, will be paid in future years from the internal service funds.

Capital Lease – Parking Structure

During Fiscal Year 2003-04, the City entered into a capital lease agreement with 612 Twin Holdings, LLC to acquire a two story, three level parking structure and certain retail space. The terms of the lease include an initial payment of \$1,100,000, monthly lease payments of \$16,167 with an imputed interest rate of 6.80% for 408 months, and a purchase option for \$200,000 due on January 1, 2039. The capital asset acquired had a present value of \$3,688,222 (\$1,659,700 and \$2,028,522 for the building structure and the land, respectively) with an annual depreciation of \$33,194. The outstanding balance of the capital lease liability at September 30, 2012, is \$2,371,591 and the debt service to maturity is as follows:

<u>Year Ending September 30</u>	<u>Parking Structure – Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 33,772	160,229
2014	36,141	157,859
2015	38,677	155,323
2016	41,390	152,610
2017	44,294	149,706
2018-2022	272,682	697,319
2023-2027	382,736	587,264
2028-2032	537,208	432,792
2033-2037	754,025	215,975
2038	<u>230,666</u>	<u>3,668</u>
Total	<u>\$2,371,591</u>	<u>2,712,745</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(8) Noncurrent Liabilities (Continued)

Facility Lease – Douglas Street Gap Closure

On September 1, 2005, the City entered into a facility lease agreement with the California Infrastructure and Economic Development Bank (CIEDB) whereby CIEDB issued bonds in the amount of \$10,000,000 to finance the Douglas Street Gap Closure Project. The City will make rental lease payments over a 30-year period starting on February 1, 2006, at an interest rate of 2.87% per annum. Interest payments on the lease obligation are due on February 1 and August 1 of each year. Base rental payments will be mailed to the City reflecting the actual amount owed prior to each base rental payment due date. The outstanding balance of the Facility Lease at September 30, 2012, is \$8,545,086 and the debt service to maturity is as follows:

<u>Year Ending September 30</u>	<u>Facility Lease – Douglas Street Gap Closure</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 267,417	245,244
2014	275,092	237,569
2015	282,987	229,674
2016	291,109	221,552
2017	299,464	213,197
2018-2022	1,631,279	932,027
2023-2027	1,879,196	684,111
2028-2032	2,164,790	398,517
2033-2035	<u>1,453,752</u>	<u>84,232</u>
Total	<u>\$8,545,086</u>	<u>3,246,123</u>

Business-Type Activities

The following is a summary of changes in business-type activities long-term debt of the City for the year ended September 30, 2012:

	Balance at October 1, 2011	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, 2012	Due within <u>one year</u>
Compensated absences	\$ 189,654	70,450	(107,019)	153,085	87,905
Golf course site lease	<u>285,586</u>	<u>-</u>	<u>(285,586)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 475,240</u>	<u>70,450</u>	<u>(392,605)</u>	<u>153,085</u>	<u>87,905</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$153,085 at September 30, 2012, will be paid in future years from the Water Fund.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(9) Retirement Plan

Plan Description

The City of El Segundo contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 "Q" Street, Sacramento, CA 95811.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by State statute and City contract with bargaining groups.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period October 1, 2011 through September 30, 2012 has been determined by an actuarial valuation of the plan as of June 2010. The contribution rate indicated for the period is 33.246% of payroll for the safety plan and 12.361% of payroll for the miscellaneous plan.

A summary of principle assumptions and methods used to determine the annual required contribution is as follows:

Valuation date	June 30, 2010
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Average remaining period	Safety employees: 30 years as of the valuation date. Miscellaneous employees: 24 years as of the valuation date
Asset valuation method	15-year smoothed market
Actuarial assumptions investment rate of return	7.75% (net of administrative expenses)

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(9) Retirement Plan (Continued)

Annual Pension Cost (Continued)

Projected salary increases	Safety employees: 3.55% to 13.45%, Miscellaneous employees: 3.55% to 14.45%. Both depending on age, service and type of employment.
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

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

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

Required Supplementary Information

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/09:						
Miscellaneous Safety	\$ 65,421,250 <u>144,390,551</u>	75,434,352 <u>185,988,416</u>	10,013,102 <u>41,597,865</u>	86.7% 77.6%	15,124,941 <u>15,342,689</u>	66.2% 271.1%
Total	<u>\$209,811,801</u>	<u>261,422,768</u>	<u>51,610,967</u>	80.3%	<u>30,467,630</u>	169.4%

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(9) Retirement Plan (Continued)

Required Supplementary Information

Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/10:						
Miscellaneous	\$ 68,056,462	80,359,250	12,302,788	84.7%	14,639,946	84.0%
Safety	<u>149,402,281</u>	<u>197,847,981</u>	<u>48,445,700</u>	75.5%	<u>15,738,968</u>	307.8%
Total	<u>\$217,458,743</u>	<u>278,207,231</u>	<u>60,748,488</u>	78.2%	<u>30,378,914</u>	199.9%
6/30/11:						
Miscellaneous	\$ 70,595,072	85,636,534	15,041,462	82.4%	12,060,572	124.7%
Safety	<u>155,629,908</u>	<u>210,638,267</u>	<u>55,008,359</u>	73.9%	<u>15,254,530</u>	360.6%
Total	<u>\$226,224,980</u>	<u>296,274,801</u>	<u>70,049,821</u>	76.4%	<u>27,315,102</u>	256.5%

Three-Year Trend Information (Miscellaneous)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/10	\$2,485,655	100%	\$-
9/30/11	2,205,040	100%	-
9/30/12	2,218,832	100%	-

Three-Year Trend Information (Safety)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/10	\$5,285,435	100%	\$-
9/30/11	5,105,630	100%	-
9/30/12	5,371,465	100%	-

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(10) Post-Employment Health Insurance

Plan Description

The City provides postretirement medical benefits to employees under a single-employer plan who retire directly from the City under CalPERS, with age and service requirements that vary by bargaining unit. For eligible retirees, the City contributes a portion of the premium for the medical plan selected by the retiree.

Benefit provisions for CalPERS are established and amended through negotiations between the city and the respective unions. The plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plans at the following address or telephone number:

CalPERS Member Services Division
P.O. Box 942704
Sacramento, CA 94229-2704
1-888-225-7377

Funding Policy and Annual OPEB Cost.

Contribution requirements of the plan members and the City are established and may be amended by the City Council. The City's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information for each plan are as follows:

	<u>Retiree Healthcare Plan</u>
Contribution rates:	
City	Actuarially 12.4%
Plan members	N/A

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(10) Post-Employment Health Insurance (Continued)

	<u>Retiree Healthcare Plan</u>
Annual required contribution	\$3,681,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	3,681,000
Contributions made	<u>(3,681,000)</u>
Increase in net OPEB obligation	-
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u>\$ -</u>

Contributions from the City have been transferred to an irrevocable trust administered by CalPERS on behalf of the City in which the plan assets held by the trust have been dedicated solely to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer or the plan administrator. Accordingly, City contributions to this trust have been accounted for as reductions of the City's liability for its net OPEB obligation.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years for the Municipal Retired Employees Healthcare Plan were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/10	\$3,962,000	100%	\$-
9/30/11	4,090,000	100%	-
9/30/12	3,681,000	100%	-

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(10) Post-Employment Health Insurance (Continued)

Funded Status and Funding Progress

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age*	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/06	\$-	\$47,344,000	\$47,344,000	0%	\$20,720,000	228.5%
6/30/08	-	42,532,000	42,532,000	0%	27,752,000	153.2%
6/30/10	5,212,000	46,310,000	41,098,000	11.2%	29,761,000	138.1%

* The aggregate actuarial cost method is used for funding purposes. However, because this method does not identify or separately amortize unfunded actuarial liabilities, the entry age actuarial cost method has been used to provide required information about funded status and funding progress. The information presented in this schedule is intended to approximate the funding progress of the plan based on the use of the aggregate actuarial cost method.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	6/30/10
Actuarial method	Actuarial cost method
Remaining amortization period (open)	30 years
Asset valuation method	Biennial

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(10) **Post-Employment Health Insurance (Continued)**

Actuarial Methods and Assumptions (Continued)

Actuarial assumptions:

Investment rate of return*	7.75%‡
Projected salary increases*	3.25%
Healthcare inflation rate*	12% initial 5% ultimate

* Includes an inflation assumption of 3.0%.

‡ Determined as a blended rate of the expected long-term investment returns of plan assets based on the funded level of the plan at the valuation date.

(11) **Summary Disclosure of Self-Insurance Contingencies**

The City adopted a self-insured workers' compensation program, which is administered by a service agent. The City is self-insured for the first \$350,000 on each claim. The insurance coverage in excess of the self-insured amount is provided by the Independent Cities Risk Management Authority (ICRMA) up to a limit of \$94,650,000.

Also, the City is self-insured for the first \$400,000 on each general liability claim against the City. The insurance coverage in excess of the self-insured amount is provided by ICRMA up to a limit of \$19,600,000.

Effective July 17, 1990, the City became a member of the ICRMA, a joint powers authority of 24 participating members, for the purpose of pooling the City's risk for general liability and workers' compensation losses with those of other member cities. The Governing Board of ICRMA is comprised of one elected official or alternate from each member city, selected by each member city's City Council. Each governing Board member has one vote regarding all financial and management issues coming before the governing Board.

At September 30, 2012, \$6,422,573 is shown as a liability in the Workers' Compensation Fund for workers' compensation claims, and \$740,410 is shown as a liability in the Liability Insurance Fund for liability claims. While the ultimate amount of loss incurred through September 30, 2012, is dependent on future developments, based upon information from the service agent and others involved with the administration of the programs, management believes that these amounts are adequate to cover such losses. Settlement amounts have not exceeded insurance coverage for each of the past three years.

Changes in liability claims for the years ended September 30, 2011 and September 30, 2012 were as follows:

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(11) Summary Disclosure of Self-Insurance Contingencies (Continued)

	Workers' Compensation <u>Fund</u>	Liability Insurance <u>Fund</u>	<u>Total</u>
Balance – October 1, 2010	\$5,321,252	1,126,981	6,448,233
Claim payments	(1,085,290)	(119,978)	(1,205,268)
Current year claims and changes in estimate	<u>1,521,950</u>	<u>(308,583)</u>	<u>1,213,367</u>
Balance – September 30, 2011	5,757,912	698,420	6,456,332
Claim payments	(1,231,961)	(510,323)	(1,742,284)
Current year claims and changes in estimate	<u>1,896,622</u>	<u>552,313</u>	<u>2,448,935</u>
Balance – September 30, 2012	<u>\$6,422,573</u>	<u>740,410</u>	<u>7,162,983</u>

(12) Risk Management – ICRMA

The City is a member of the ICRMA. ICRMA is comprised of 24 members and organized under a joint powers agreement pursuant to the California Government Code. The purpose of ICRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each member city has a representative on the Board of Directors. Officers of ICRMA are elected annually by the Board members.

The Authority furnishes the City of El Segundo excess liability coverage, providing \$19.6 million and \$94.65 million in limits above the City's \$400,000 and \$350,000 self-insured retention (SIR) for general liability and workers' compensation, respectively.

The City is responsible for the SIR and reports directly for claims occurring in that layer. As of June 30, 2012, ICRMA has claim reserves of \$4,719,225 on claims that may ultimately result in losses. As of this date, the ultimate outcome of these claims has not been determined and it is unlikely that they will be resolved in the next year. The Incurred But Not Reported (IBNR) claims reserve as of June 30, 2012 was \$23,354,674.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(12) **Risk Management – ICRMA (Continued)**

As of June 30, 2012, ICRMA's summary financial information is as follows:

Assets	<u>\$64,085,174</u>
Liabilities	28,787,592
Net assets	<u>35,297,582</u>
Total liabilities and net assets	<u>\$64,085,174</u>
Operating revenues	19,847,624
Operating expenses	<u>(18,569,953)</u>
Operating income	1,277,671
Non-operating revenues	<u>1,229,937</u>
Changes in net assets	<u>\$ 2,507,608</u>

(13) **Joint Venture**

The City of El Segundo is a member of the Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force (L.A. IMPACT), a joint powers authority of the police departments of cities and other institutions in Los Angeles County. The Organization was formed July 1, 1991, with the mission to promote coordinated law enforcement efforts and to address emerging criminal justice issues, mainly in the areas of drug trafficking and money laundering. The Executive Council consists of 14 police chiefs and other various police officers. All financial decisions were made by the Executive Council. The members received monetary distributions from the asset seizures based on their respective contribution to the effort.

L.A. IMPACT's latest summary financial information as of June 30, 2012 is as follows:

Assets	\$ 8,595,097
Liabilities	<u>(2,394,369)</u>
Net assets	<u>\$ 6,200,728</u>
Program revenues	7,353,156
Program expenses	(8,765,015)
Investment income	<u>18,064</u>
Changes in net assets	<u>\$(1,393,795)</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(13) Joint Venture (Continued)

Complete financial statements for the above joint venture may be obtained at the entity's administrative office:

L.A. IMPACT
5700 South Eastern Avenue
Commerce, CA 90040-2924

(14) Joint Use Agreement

The City entered into a joint use agreement with the El Segundo Unified School District, amended August 20, 1991, to provide for the City's use of certain recreational facilities. The City paid \$400,000 for the use of the facilities for a ten-year period. An additional agreement was signed December 8, 1992, which supersedes the prior agreement. The new agreement provides for the use of additional locations for a period of 22 years starting from 1990. The City paid \$750,000 on December 8, 1992 and July 1, 1993, and paid \$500,000 for the succeeding four years each July 1. The City's total contributions during the fiscal year ended September 30, 2012 were \$250,000.

(15) Litigation

The City is a defendant in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City, not covered by insurance resulting from such litigation, would not materially affect the basic financial statements of the City.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(16) Fund Balances

Nonspendable, restricted, assigned, and unassigned fund balances at September 30, 2012 were as follows:

	General <u>Fund</u>	Residential Sound Insulation <u>Fund</u>	LAWA <u>Fund</u>	Capital Improvements <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ 149,020	-	-	-	-	149,020
Loans receivables	86,394	-	-	-	-	86,394
Prepays	<u>1,649,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,649,188</u>
Total nonspendable	<u>1,884,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,884,602</u>
Restricted for:						
Community development	-	-	112,023	-	-	112,023
Law enforcement	-	-	-	-	1,348,661	1,348,661
Transportation	-	-	-	-	2,305,467	2,305,467
Special projects	-	-	-	-	1,955,029	1,955,029
Pollution control	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,888</u>	<u>76,888</u>
Total restricted	<u>-</u>	<u>-</u>	<u>112,023</u>	<u>-</u>	<u>5,686,045</u>	<u>5,798,068</u>
Assigned to:						
Aquatics facility	-	-	-	525,747	-	525,747
Arterial streets rehabilitation	-	-	-	217,497	-	217,497
City hall improvements	-	-	-	317,588	-	317,588
Continuing appropriations	89,655	-	-	887,550	-	977,205
CPR program	6,525	-	-	-	-	6,525
Fiber optic connection	-	-	-	31,338	-	31,338
Fire	156,645	-	-	-	-	156,645
Library	17,598	-	-	-	-	17,598
Other purposes	130,947	-	-	1,710,937	-	1,841,884
Parks development	4,921	-	-	-	-	4,921
Police	<u>38,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,823</u>
Total assigned	<u>445,114</u>	<u>-</u>	<u>-</u>	<u>3,690,657</u>	<u>-</u>	<u>4,135,771</u>
Unassigned:	<u>6,839,124</u>	<u>(3,414,224)</u>	<u>-</u>	<u>226,152</u>	<u>513,163</u>	<u>4,164,215</u>
Total fund balance	<u>\$9,168,840</u>	<u>(3,414,224)</u>	<u>112,023</u>	<u>3,916,809</u>	<u>6,199,208</u>	<u>15,982,656</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(17) **Restatement of Fund Balance**

During the fiscal year ended September 30, 2012, the City discovered that accrued payroll for the Water Fund was overstated in the prior year. An adjustment was made in the current year to reflect this adjustment as a restatement of beginning equity.

The following schedule summarizes the effect of the restatement to the financial statements:

	<u>Proprietary Fund</u>	<u>Government-Wide Financial Statements</u>
	<u>Water Fund</u>	<u>Business-type Activities</u>
Net assets at beginning of year, as previously reported	\$5,197,964	22,473,222
Restatement to adjust accrued payroll in prior year	<u>189,654</u>	<u>189,654</u>
Net assets at beginning of year, as restated	<u>\$5,387,618</u>	<u>22,662,876</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EL SEGUNDO

General Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 12,628,952	12,628,952	12,628,952	-
Resources (inflows):				
Taxes	30,516,800	31,816,800	31,218,273	(598,527)
Licenses and permits	11,448,700	11,448,700	11,855,052	406,352
Intergovernmental	1,430,000	130,000	69,192	(60,808)
Charges for services	4,174,000	4,175,500	5,220,234	1,044,734
Use of money and property	985,000	1,105,000	395,225	(709,775)
Fines and forfeitures	415,000	415,000	348,290	(66,710)
Miscellaneous	1,104,400	1,419,400	509,901	(909,499)
Transfers in	1,600,000	564,000	1,100,000	536,000
Amounts available for appropriation	<u>64,302,852</u>	<u>63,703,352</u>	<u>63,345,119</u>	<u>(358,233)</u>
Charges to appropriation (outflows):				
General government:				
City Council	211,000	211,003	249,130	(38,127)
City Treasurer	272,300	272,270	273,165	(895)
City Clerk	348,200	349,998	356,909	(6,911)
City Manager	1,318,000	1,829,270	1,984,247	(154,977)
City Attorney	448,600	448,550	505,643	(57,093)
Planning	946,600	1,826,400	1,555,774	270,626
Building Safety	1,187,800	1,154,865	1,022,662	132,203
Administrative Services	2,909,100	2,664,524	2,299,882	364,642
Non-departmental	2,072,300	2,565,392	3,789,443	(1,224,051)
Interfund reimbursements	-	(675,000)	(660,792)	(14,208)
Public safety:				
Police	15,289,500	15,308,480	15,367,564	(59,084)
Fire	12,158,700	12,208,564	13,490,613	(1,282,049)
Animal Control	139,800	139,787	176,182	(36,395)
Communication Center	1,403,300	1,459,343	1,321,852	137,491
Public works:				
Administration	216,800	224,108	204,645	19,463
Government Buildings	1,194,100	1,349,133	1,133,945	215,188
Engineering	344,100	400,064	296,308	103,756
Streets	1,636,500	1,675,775	1,572,670	103,105
Solid Waste	611,900	471,951	473,316	(1,365)
Storm Drain	163,000	151,953	180,907	(28,954)
Equipment Maintenance	1,081,100	1,081,083	918,764	162,319
Community and cultural:				
Recreation and Parks	4,881,800	4,419,171	4,543,848	(124,677)
Library	2,270,600	2,334,184	2,042,258	291,926
Capital outlay	-	24,600	11,918	12,682
Transfers out	307,900	62,900	65,426	(2,526)
Total charges to appropriations	<u>51,413,000</u>	<u>51,958,368</u>	<u>53,176,279</u>	<u>(1,217,911)</u>
Budgetary fund balance, September 30	\$ <u>12,889,852</u>	<u>11,744,984</u>	<u>10,168,840</u>	<u>(1,576,144)</u>

CITY OF EL SEGUNDO
Major Special Revenue Fund

Residential Sound Insulation Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Budgetary fund balance, October 1	\$ 203,774	203,774	203,774	-
Resources (inflows):				
Intergovernmental	10,587,500	10,587,500	1,016,487	(9,571,013)
Use of money and property	-	-	2,668	2,668
Miscellaneous	-	-	221	221
Transfers in	-	-	1,457,968	1,457,968
Amounts available for appropriation	<u>10,791,274</u>	<u>10,791,274</u>	<u>2,681,118</u>	<u>(8,110,156)</u>
Charges to appropriation (outflows):				
Community and cultural	<u>13,520,700</u>	<u>16,328,209</u>	<u>6,095,342</u>	<u>10,232,867</u>
Total charges to appropriations	<u>13,520,700</u>	<u>16,328,209</u>	<u>6,095,342</u>	<u>10,232,867</u>
Budgetary fund balance, September 30	<u>\$ (2,729,426)</u>	<u>(5,536,935)</u>	<u>(3,414,224)</u>	<u>2,122,711</u>

CITY OF EL SEGUNDO
Major Special Revenue Fund

LAWA Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 163,282	163,282	163,282	-
Resources (inflows):				
Intergovernmental	-	-	1,392,613	1,392,613
Use of money and property	-	-	14,117	14,117
Amounts available for appropriation	<u>163,282</u>	<u>163,282</u>	<u>1,570,012</u>	<u>1,406,730</u>
Charges to appropriation (outflows):				
General government	-	-	21	(21)
Transfer out	-	-	1,457,968	(1,457,968)
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>1,457,989</u>	<u>(1,457,989)</u>
Budgetary fund balance, September 30	<u>\$ 163,282</u>	<u>163,282</u>	<u>112,023</u>	<u>(51,259)</u>

CITY OF EL SEGUNDO

Notes to Required Supplementary Information

Year Ended September 30, 2011

(1) **Stewardship, Compliance and Accountability**

(a) General Budget Policies

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General Fund, certain Special Revenue Funds, and the Capital Projects Funds.

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. Budgets and adopted supplemental appropriations, where required during the period, are also approved by the City Council. Intradepartmental budget changes are approved by the City Manager. The legal level of control, that is defined as the level at which City Council approval is required for changes, is at the department level. During the year, several supplementary appropriations were necessary. At fiscal year-end, all operating budget appropriations lapse.

ADDITIONAL FINANCIAL INFORMATION

(This page intentionally left blank)

CITY OF EL SEGUNDO

General Fund

Combining Balance Sheet

September 30, 2012

	General	Economic Uncertainty Fund	Hyperion Mitigation Fund
<u>Assets</u>			
Cash and investments	\$ 3,579,404	849,193	139,654
Receivables:			
Taxes	2,957,116	-	-
Accounts	2,202,453	-	-
Interest	29,401	-	-
Notes and loans	86,394	-	-
Due from other funds	2,069,180	-	-
Due from other governments	49,710	-	-
Advances to other agencies	-	2,731,660	-
Inventories	149,020	-	-
Prepays	1,649,188	-	-
	<u>\$ 12,771,866</u>	<u>3,580,853</u>	<u>139,654</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,491,052	-	936
Accrued liabilities	1,674,263	-	-
Deferred revenue	553,171	2,731,660	-
Deposits payable	205,183	-	-
	<u>3,923,669</u>	<u>2,731,660</u>	<u>936</u>
Fund balances (deficit):			
Nonspendable	1,884,602	-	-
Assigned	438,814	-	6,300
Unassigned	6,524,781	849,193	132,418
	<u>8,848,197</u>	<u>849,193</u>	<u>138,718</u>
Total fund balances	<u>8,848,197</u>	<u>849,193</u>	<u>138,718</u>
Total liabilities and fund balances	<u>\$ 12,771,866</u>	<u>3,580,853</u>	<u>139,654</u>

Facilities Maintenance Fund	Project Deposits Fund	Total
49,433	629,509	5,247,193
-	-	2,957,116
-	-	2,202,453
-	-	29,401
-	-	86,394
139,000	7,975	2,216,155
-	-	49,710
-	-	2,731,660
-	-	149,020
-	-	1,649,188
<u>188,433</u>	<u>637,484</u>	<u>17,318,290</u>
4,773	28	1,496,789
-	-	1,674,263
-	358,286	3,643,117
-	130,098	335,281
<u>4,773</u>	<u>488,412</u>	<u>7,149,450</u>
-	-	1,884,602
-	-	445,114
<u>183,660</u>	<u>149,072</u>	<u>7,839,124</u>
<u>183,660</u>	<u>149,072</u>	<u>10,168,840</u>
<u>188,433</u>	<u>637,484</u>	<u>17,318,290</u>

CITY OF EL SEGUNDO

General Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2012

	<u>General</u>	<u>Economic Uncertainty Fund</u>	<u>Hyperion Mitigation Fund</u>
Revenues:			
Taxes	\$ 31,218,273	-	-
Licenses and permits	11,855,052	-	-
Intergovernmental	69,192	-	-
Charges for services	5,220,234	-	-
Use of money and property	393,719	-	1,506
Fines and forfeitures	348,290	-	-
Miscellaneous	<u>1,159,961</u>	<u>10,732</u>	<u>-</u>
Total revenues	<u>50,264,721</u>	<u>10,732</u>	<u>1,506</u>
Expenditures:			
Current:			
General government	11,784,272	-	-
Public safety	30,356,211	-	-
Public works	4,775,100	720	4,735
Community and cultural	6,586,106	-	-
Capital outlay	<u>11,918</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>53,513,607</u>	<u>720</u>	<u>4,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,248,886)</u>	<u>10,012</u>	<u>(3,229)</u>
Other financing sources (uses):			
Transfers in	1,600,000	-	-
Transfers out	<u>(449,426)</u>	<u>(500,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,150,574</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balances	(2,098,312)	(489,988)	(3,229)
Fund balances at beginning of year	<u>10,946,509</u>	<u>1,339,181</u>	<u>141,947</u>
Fund balances at end of year	<u>\$ 8,848,197</u>	<u>849,193</u>	<u>138,718</u>

(1) Transfers within the group of funds that are consolidated to form the General Fund for purposes of the combined financial statements have been eliminated on this schedule.

<u>Facilities Maintenance Fund</u>	<u>Project Deposits Fund</u>	<u>Eliminations (1)</u>	<u>Total</u>
-	-	-	31,218,273
-	-	-	11,855,052
-	-	-	69,192
-	-	-	5,220,234
-	-	-	395,225
-	-	-	348,290
-	-	-	1,170,693
<u>-</u>	<u>-</u>	<u>-</u>	<u>50,276,959</u>
252,583	-	-	12,036,855
-	-	-	30,356,211
-	-	-	4,780,555
-	-	-	6,586,106
-	-	-	11,918
<u>252,583</u>	<u>-</u>	<u>-</u>	<u>53,771,645</u>
<u>(252,583)</u>	<u>-</u>	<u>-</u>	<u>(3,494,686)</u>
384,000	-	(884,000)	1,100,000
-	-	884,000	(65,426)
<u>384,000</u>	<u>-</u>	<u>-</u>	<u>1,034,574</u>
131,417	-	-	(2,460,112)
<u>52,243</u>	<u>149,072</u>	<u>-</u>	<u>12,628,952</u>
<u>183,660</u>	<u>149,072</u>	<u>-</u>	<u>10,168,840</u>

CITY OF EL SEGUNDO
 Nonmajor Governmental Funds
 Combining Balance Sheet
 September 30, 2012

	Special Revenue Funds			
	State Gas Tax Fund	Community Development Block Grant Fund	Asset Forfeiture Fund	Prop "A" Fund
<u>Assets</u>				
Cash and investments	\$ 855,023	5,468	1,090,508	288,453
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	54,405	-	-
Due from other governments	<u>52,810</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 907,833</u>	<u>59,873</u>	<u>1,090,508</u>	<u>288,453</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	7,195	4,488	928
Accrued liabilities	5	364	9,207	3,945
Retentions payable	13,934	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	54,405	-	-
Deposits payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>13,939</u>	<u>61,964</u>	<u>13,695</u>	<u>4,873</u>
Fund balances (deficit):				
Restricted	893,894	-	1,076,813	283,580
Unassigned	<u>-</u>	<u>(2,091)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>893,894</u>	<u>(2,091)</u>	<u>1,076,813</u>	<u>283,580</u>
Total liabilities and and fund balances	<u>\$ 907,833</u>	<u>59,873</u>	<u>1,090,508</u>	<u>288,453</u>

Special Revenue Funds

Prop "C" Fund	Traffic Safety Fund	Air Pollution Reduction Fund	SB 821 Bikeway Fund	C.O.P.S. Fund
679,728	109,226	76,888	10,407	258,282
-	-	-	-	-
-	-	-	-	-
19,846	9,107	-	-	-
<u>699,574</u>	<u>118,333</u>	<u>76,888</u>	<u>10,407</u>	<u>258,282</u>
10,959	-	-	-	1,535
1,609	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	10,388	-
-	-	-	-	-
<u>12,568</u>	<u>-</u>	<u>-</u>	<u>10,388</u>	<u>1,535</u>
687,006	118,333	76,888	19	256,747
-	-	-	-	-
<u>687,006</u>	<u>118,333</u>	<u>76,888</u>	<u>19</u>	<u>256,747</u>
<u>699,574</u>	<u>118,333</u>	<u>76,888</u>	<u>10,407</u>	<u>258,282</u>

(Continued)

CITY OF EL SEGUNDO
Nonmajor Governmental Funds

Combining Balance Sheet

(Continued)

	Special Revenue Funds		
	Special Revenues/ Donations Fund	Measure R	Federal Grants
<u>Assets</u>			
Cash and investments	2,025,294	349,247	-
Receivables:			
Accounts	8,500	-	207,205
Notes and loans	-	-	-
Due from other governments	6,787	126,168	-
Total assets	2,040,581	475,415	207,205
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	12,504	42,129	10,616
Accrued liabilities	-	-	-
Retentions payable	-	-	-
Due to other funds	-	-	196,589
Deferred revenues	-	110,651	207,205
Deposits payable	92,811	-	-
Total liabilities	105,315	152,780	414,410
Fund balances (deficit):			
Restricted	1,935,266	322,635	-
Unassigned	-	-	(207,205)
Total fund balances (deficit)	1,935,266	322,635	(207,205)
Total liabilities and and fund balances	2,040,581	475,415	207,205

<u>Special Revenue</u>	<u>Debt Service</u>	
<u>State Grants</u>	<u>Facility Lease Fund</u>	<u>Total</u>
40,057	722,459	6,511,040
-	-	215,705
-	-	54,405
<u>8,457</u>	<u>-</u>	<u>223,175</u>
<u>48,514</u>	<u>722,459</u>	<u>7,004,325</u>
1,101	-	91,455
-	-	15,130
-	-	13,934
-	-	196,589
12,549	-	395,198
<u>-</u>	<u>-</u>	<u>92,811</u>
<u>13,650</u>	<u>-</u>	<u>805,117</u>
34,864	-	5,686,045
<u>-</u>	<u>722,459</u>	<u>513,163</u>
<u>34,864</u>	<u>722,459</u>	<u>6,199,208</u>
<u>48,514</u>	<u>722,459</u>	<u>7,004,325</u>

CITY OF EL SEGUNDO
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2012

	Special Revenue Funds			
	State Gas Tax Fund	Community Development Block Grant Fund	Asset Forfeiture Fund	Prop "A" Fund
Revenues:				
Intergovernmental	467,605	13,073	-	255,541
Use of money and property	8,684	-	12,646	3,418
Fines and forfeitures	-	-	565,732	-
Miscellaneous	-	-	-	-
	<u>476,289</u>	<u>13,073</u>	<u>578,378</u>	<u>258,959</u>
Total revenues				
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	726,207	-
Public works	140,732	-	-	-
Community and cultural	-	78,499	-	299,886
Capital outlay	235,677	-	20,288	-
	<u>376,409</u>	<u>78,499</u>	<u>746,495</u>	<u>299,886</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>99,880</u>	<u>(65,426)</u>	<u>(168,117)</u>	<u>(40,927)</u>
Other financing sources (uses):				
Transfers in	-	65,426	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>65,426</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	99,880	-	(168,117)	(40,927)
Fund balances (deficit) at beginning of year	<u>794,014</u>	<u>(2,091)</u>	<u>1,244,930</u>	<u>324,507</u>
Fund balances (deficit) at end of year	<u>\$ 893,894</u>	<u>(2,091)</u>	<u>1,076,813</u>	<u>283,580</u>

Special Revenue Funds

Prop "C" Fund	Traffic Safety Fund	Air Pollution Reduction Fund	SB 821 Bikeway Fund	C.O.P.S. Fund
211,161	-	20,957	-	100,000
6,242	1,457	678	19	3,233
-	136,810	-	-	-
-	-	-	-	-
<u>217,403</u>	<u>138,267</u>	<u>21,635</u>	<u>19</u>	<u>103,233</u>
-	-	-	-	-
-	-	-	-	13,354
-	-	-	-	-
115,051	-	-	-	-
-	-	-	-	63,151
<u>115,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,505</u>
-	-	-	-	-
<u>102,352</u>	<u>138,267</u>	<u>21,635</u>	<u>19</u>	<u>26,728</u>
-	-	-	-	-
-	(200,000)	-	-	-
-	(200,000)	-	-	-
102,352	(61,733)	21,635	19	26,728
<u>584,654</u>	<u>180,066</u>	<u>55,253</u>	<u>-</u>	<u>230,019</u>
<u>687,006</u>	<u>118,333</u>	<u>76,888</u>	<u>19</u>	<u>256,747</u>

(Continued)

CITY OF EL SEGUNDO
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

(Continued)

	Special Revenue Funds		
	Special Revenues/ Donations Fund	Measure R	Federal Grants
Revenues:			
Intergovernmental	-	157,166	82,237
Use of money and property	-	3,635	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
	-	160,801	82,237
Total Revenues	-	160,801	82,237
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	195,464
Public works	-	110,651	93,978
Community and cultural	-	-	-
Capital outlay	-	-	-
	-	110,651	289,442
Total expenditures	-	110,651	289,442
Excess (deficiency) of revenues over (under) expenditures:	-	50,150	(207,205)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	50,150	(207,205)
Fund balances (deficit) at beginning of year	1,935,266	272,485	-
Fund balances (deficit) at end of year	1,935,266	322,635	(207,205)

<u>Special Revenue</u>	<u>Debt Service</u>	
<u>State Grants</u>	<u>Facility Lease Fund</u>	<u>Total</u>
12,231	-	1,319,971
-	-	40,012
-	-	702,542
-	656,059	656,059
<u>12,231</u>	<u>656,059</u>	<u>2,718,584</u>
-	539,077	539,077
-	-	935,025
-	-	345,361
15,371	-	508,807
-	-	319,116
<u>15,371</u>	<u>539,077</u>	<u>2,647,386</u>
<u>(3,140)</u>	<u>116,982</u>	<u>71,198</u>
-	540,000	605,426
-	-	(200,000)
-	540,000	405,426
(3,140)	656,982	476,624
<u>38,004</u>	<u>65,477</u>	<u>5,722,584</u>
<u>34,864</u>	<u>722,459</u>	<u>6,199,208</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

State Gas Tax Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 794,014	794,014	-
Resources (inflows):			
Intergovernmental	254,000	467,605	213,605
Use of money and property	<u>6,000</u>	<u>8,684</u>	<u>2,684</u>
Amounts available for appropriation	<u>1,054,014</u>	<u>1,270,303</u>	<u>216,289</u>
Charges to appropriation (outflows):			
Public works	100,000	140,732	(40,732)
Capital outlay	<u>533,670</u>	<u>235,677</u>	<u>297,993</u>
Total charges to appropriations	<u>633,670</u>	<u>376,409</u>	<u>257,261</u>
Budgetary fund balance, September 30	<u>\$ 420,344</u>	<u>893,894</u>	<u>473,550</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Community Development Block Grant Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ (2,091)	(2,091)	-
Resources (inflows):			
Intergovernmental	10,000	13,073	3,073
Transfer in	<u>62,900</u>	<u>65,426</u>	<u>2,526</u>
Amounts available for appropriation	<u>70,809</u>	<u>76,408</u>	<u>5,599</u>
Charges to appropriation (outflows):			
Community and cultural	<u>93,214</u>	<u>78,499</u>	<u>14,715</u>
Total charges to appropriations	<u>93,214</u>	<u>78,499</u>	<u>14,715</u>
Budgetary fund balance (deficit), September 30	<u>\$ (22,405)</u>	<u>(2,091)</u>	<u>20,314</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Asset Forfeiture Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 1,244,930	1,244,930	-
Resources (inflows):			
Use of money and property	33,160	12,646	(20,514)
Fines and forfeitures	<u>-</u>	<u>565,732</u>	<u>565,732</u>
Amounts available for appropriation	<u>1,278,090</u>	<u>1,823,308</u>	<u>545,218</u>
Charges to appropriation (outflows):			
Public safety	1,082,138	726,207	355,931
Capital outlay	<u>40,800</u>	<u>20,288</u>	<u>20,512</u>
Total charges to appropriations	<u>1,122,938</u>	<u>746,495</u>	<u>376,443</u>
Budgetary fund balance, September 30	<u>\$ 155,152</u>	<u>1,076,813</u>	<u>921,661</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Prop "A" Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 324,507	324,507	-
Resources (inflows):			
Intergovernmental	236,150	255,541	19,391
Use of money and property	<u>15,600</u>	<u>3,418</u>	<u>(12,182)</u>
Amounts available for appropriation	<u>576,257</u>	<u>583,466</u>	<u>7,209</u>
Charges to appropriation (outflows):			
Community and cultural	<u>337,000</u>	<u>299,886</u>	<u>37,114</u>
Total charges to appropriations	<u>337,000</u>	<u>299,886</u>	<u>37,114</u>
Budgetary fund balance, September 30	<u>\$ 239,257</u>	<u>283,580</u>	<u>44,323</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Prop "C" Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 584,654	584,654	-
Resources (inflows):			
Intergovernmental	194,650	211,161	16,511
Use of money and property	<u>15,200</u>	<u>6,242</u>	<u>(8,958)</u>
Amounts available for appropriation	<u>794,504</u>	<u>802,057</u>	<u>7,553</u>
Charges to appropriation (outflows):			
Community and cultural	159,000	115,051	43,949
Transfer out	<u>340,000</u>	<u>-</u>	<u>340,000</u>
Total charges to appropriations	<u>499,000</u>	<u>115,051</u>	<u>383,949</u>
Budgetary fund balance, September 30	<u>\$ 295,504</u>	<u>687,006</u>	<u>391,502</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Traffic Safety Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 180,066	180,066	-
Resources (inflows):			
Use of money and property	3,250	1,457	(1,793)
Fines and forfeitures	<u>162,250</u>	<u>136,810</u>	<u>(25,440)</u>
Amounts available for appropriation	<u>345,566</u>	<u>318,333</u>	<u>(27,233)</u>
Charges to appropriation (outflows):			
Transfer out	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total charges to appropriations	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Budgetary fund balance (deficit), September 30	<u>\$ 145,566</u>	<u>118,333</u>	<u>(27,233)</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Air Pollution Reduction Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 55,253	55,253	-
Resources (inflows):			
Intergovernmental	19,000	20,957	1,957
Use of money and property	<u>400</u>	<u>678</u>	<u>278</u>
Amounts available for appropriation	<u>74,653</u>	<u>76,888</u>	<u>2,235</u>
Charges to appropriation (outflows):			
Community and cultural	<u>31,100</u>	<u>-</u>	<u>31,100</u>
Total charges to appropriations	<u>31,100</u>	<u>-</u>	<u>31,100</u>
Budgetary fund balance, September 30	<u>\$ 43,553</u>	<u>76,888</u>	<u>33,335</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

SB 821 Bikeway Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ -	-	-
Resources (inflows):			
Intergovernmental	6,000	-	(6,000)
Use of money and property	<u>700</u>	<u>19</u>	<u>(681)</u>
Amounts available for appropriation	<u>6,700</u>	<u>19</u>	<u>(6,681)</u>
Charges to appropriation (outflows):			
Public works	<u>19,388</u>	-	<u>19,388</u>
Total charges to appropriations	<u>19,388</u>	-	<u>19,388</u>
Budgetary fund balance (deficit), September 30	<u>\$ (12,688)</u>	<u>19</u>	<u>12,707</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

C.O.P.S. Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 230,019	230,019	-
Resources (inflows):			
Intergovernmental	-	100,000	100,000
Use of money and property	<u>-</u>	<u>3,233</u>	<u>3,233</u>
Amounts available for appropriation	<u>230,019</u>	<u>333,252</u>	<u>103,233</u>
Charges to appropriation (outflows):			
Public safety	-	13,354	(13,354)
Capital outlay	<u>123,123</u>	<u>63,151</u>	<u>59,972</u>
Total charges to appropriations	<u>123,123</u>	<u>76,505</u>	<u>46,618</u>
Budgetary fund balance, September 30	<u>\$ 106,896</u>	<u>256,747</u>	<u>149,851</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund
 Special Revenues/Donations Fund
 Budgetary Comparison Schedule
 Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 1,935,266	1,935,266	-
Resources (inflows):			
Fines and forfeitures	<u>\$ -</u>	<u>-</u>	<u>-</u>
Amounts available for appropriation	<u>1,935,266</u>	<u>1,935,266</u>	<u>-</u>
Charges to appropriation (outflows):			
Community and cultural	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance, September 30	<u><u>\$ 1,935,266</u></u>	<u><u>1,935,266</u></u>	<u><u>-</u></u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Measure R Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 272,485	272,485	-
Resources (inflows):			
Intergovernmental	145,950	157,166	11,216
Use of money and property	<u>-</u>	<u>3,635</u>	<u>3,635</u>
Amounts available for appropriation	<u>418,435</u>	<u>433,286</u>	<u>14,851</u>
Charges to appropriation (outflows):			
Public works	2,500,000	110,651	2,389,349
Capital outlay	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Total charges to appropriations	<u>2,780,000</u>	<u>110,651</u>	<u>2,669,349</u>
Budgetary fund balance (deficit), September 30	<u><u>\$(2,361,565)</u></u>	<u><u>322,635</u></u>	<u><u>2,684,200</u></u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Federal Grants Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ -	-	-
Resources (inflows):			
Intergovernmental	<u>302,000</u>	<u>82,237</u>	<u>(219,763)</u>
Amounts available for appropriation	<u>302,000</u>	<u>82,237</u>	<u>(219,763)</u>
Charges to appropriation (outflows):			
Public safety	194,000	195,464	(1,464)
Public works	<u>108,723</u>	<u>93,978</u>	<u>14,745</u>
Total charges to appropriations	<u>302,723</u>	<u>289,442</u>	<u>13,281</u>
Budgetary fund balance (deficit), September 30	<u>\$ (723)</u>	<u>(207,205)</u>	<u>(206,482)</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

State Grants Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 38,004	38,004	-
Resources (inflows):			
Intergovernmental	<u>185,054</u>	<u>12,231</u>	<u>(172,823)</u>
Amounts available for appropriation	<u>223,058</u>	<u>50,235</u>	<u>(172,823)</u>
Charges to appropriation (outflows):			
Community and cultural	<u>157,900</u>	<u>15,371</u>	<u>142,529</u>
Total charges to appropriations	<u>157,900</u>	<u>15,371</u>	<u>142,529</u>
Budgetary fund balance (deficit), September 30	<u>\$ 65,158</u>	<u>34,864</u>	<u>(30,294)</u>

CITY OF EL SEGUNDO
Major Capital Projects Fund

Capital Improvement Fund

Budgetary Comparison Schedule

Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance (deficit), October 1	\$ 4,858,234	4,858,234	-
Resources (inflows):			
Intergovernmental	214,000	798,461	584,461
Transfer in	<u>340,000</u>	<u>-</u>	<u>(340,000)</u>
Amounts available for appropriation	<u>5,412,234</u>	<u>5,656,695</u>	<u>244,461</u>
Charges to appropriation (outflows):			
Public works	340,000	718	339,282
Capital outlay	1,100,605	1,276,668	(176,063)
Transfer out	<u>540,000</u>	<u>540,000</u>	<u>-</u>
Total charges to appropriations	<u>1,980,605</u>	<u>1,817,386</u>	<u>163,219</u>
Budgetary fund balance, September 30	<u>\$ 3,431,629</u>	<u>3,839,309</u>	<u>407,680</u>

CITY OF EL SEGUNDO

Internal Service Funds

Combining Statement of Net Assets

September 30, 2012

	Equipment Replacement Fund	Liability Insurance Fund	Workers' Compensation Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 799,660	1,172,431	6,175,480	8,147,571
Receivables:				
Accounts	-	6,772	43,748	50,520
Due from other funds	45,000	-	-	45,000
Advance to other funds	5,893,254	-	-	5,893,254
Prepays	-	396,026	226,156	622,182
Total current assets	<u>6,737,914</u>	<u>1,575,229</u>	<u>6,445,384</u>	<u>14,758,527</u>
Noncurrent assets:				
Capital assets, net	<u>2,208,486</u>	-	-	<u>2,208,486</u>
Total assets	<u>8,946,400</u>	<u>1,575,229</u>	<u>6,445,384</u>	<u>16,967,013</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	107,256	19,847	10,472	137,575
Accrued liabilities	-	12,115	112,227	124,342
Claims and judgments, current portion	-	274,000	974,000	1,248,000
Total current liabilities	<u>107,256</u>	<u>305,962</u>	<u>1,096,699</u>	<u>1,509,917</u>
Noncurrent liabilities:				
Claims and judgments, net of current	-	466,410	5,448,573	5,914,983
Total liabilities	<u>107,256</u>	<u>772,372</u>	<u>6,545,272</u>	<u>7,424,900</u>
<u>Net assets</u>				
Net assets:				
Invested in capital assets	2,208,486	-	-	2,208,486
Unrestricted	<u>6,630,658</u>	<u>802,857</u>	<u>(99,888)</u>	<u>7,333,627</u>
Total net assets	<u>\$ 8,839,144</u>	<u>802,857</u>	<u>(99,888)</u>	<u>9,542,113</u>

CITY OF EL SEGUNDO

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended September 30, 2012

	<u>Equipment Replacement Fund</u>	<u>Liability Insurance Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
Operating revenues:				
Interdepartmental charges	\$ 798,261	523,550	2,060,010	3,381,821
Miscellaneous	<u>-</u>	<u>6,772</u>	<u>137,420</u>	<u>144,192</u>
Total operating revenues	<u>798,261</u>	<u>530,322</u>	<u>2,197,430</u>	<u>3,526,013</u>
Operating expenses:				
Personnel services	-	93,897	69,657	163,554
Materials and supplies	510,282	-	17,820	528,102
Insurance and claims	-	1,085,872	2,334,222	3,420,094
Depreciation	<u>318,912</u>	<u>-</u>	<u>-</u>	<u>318,912</u>
Total operating expenses	<u>829,194</u>	<u>1,179,769</u>	<u>2,421,699</u>	<u>4,430,662</u>
Operating income (loss)	<u>(30,933)</u>	<u>(649,447)</u>	<u>(224,269)</u>	<u>(904,649)</u>
Nonoperating revenues (expenses):				
Gain (loss) on disposal of capital assets	<u>(4,594)</u>	<u>-</u>	<u>-</u>	<u>(4,594)</u>
Total nonoperating revenues (expenses)	<u>(4,594)</u>	<u>-</u>	<u>-</u>	<u>(4,594)</u>
Income (loss) before transfers	(35,527)	(649,447)	(224,269)	(909,243)
Transfers:				
Transfers out	<u>(900,000)</u>	<u>-</u>	<u>-</u>	<u>(900,000)</u>
Total transfers	<u>(900,000)</u>	<u>-</u>	<u>-</u>	<u>(900,000)</u>
Change in net assets	(935,527)	(649,447)	(224,269)	(1,809,243)
Net assets at beginning of year	<u>9,774,671</u>	<u>1,452,304</u>	<u>124,381</u>	<u>11,351,356</u>
Net assets at end of year	<u>\$ 8,839,144</u>	<u>802,857</u>	<u>(99,888)</u>	<u>9,542,113</u>

CITY OF EL SEGUNDO

Internal Service Funds

Combining Statement of Cash Flows

Year Ended September 30, 2012

	Equipment Replacement Fund	Liability Insurance Fund	Workers' Compensation Fund	Total
Cash flows from operating activities:				
Cash received from user departments	\$ 798,261	523,603	2,171,261	3,493,125
Cash payments to suppliers for goods and services	(443,974)	(1,028,991)	(1,644,907)	(3,117,872)
Cash payments to employees for services	<u>-</u>	<u>(93,592)</u>	<u>(80,876)</u>	<u>(174,468)</u>
Net cash provided by (used for) operating activities	<u>354,287</u>	<u>(598,980)</u>	<u>445,478</u>	<u>200,785</u>
Cash flows from noncapital financing activities:				
Cash paid to other funds	<u>(1,239,594)</u>	<u>-</u>	<u>-</u>	<u>(1,239,594)</u>
Net cash provided by (used for) noncapital financing activities	<u>(1,239,594)</u>	<u>-</u>	<u>-</u>	<u>(1,239,594)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(388,977)	-	-	(388,977)
Proceeds from sale of capital assets	<u>166,813</u>	<u>-</u>	<u>-</u>	<u>166,813</u>
Net cash provided by (used for) capital and related financing activities	<u>(222,164)</u>	<u>-</u>	<u>-</u>	<u>(222,164)</u>
Net increase in cash and cash equivalents	(1,107,471)	(598,980)	445,478	(1,260,973)
Cash and cash equivalents at beginning of year	<u>1,907,131</u>	<u>1,771,411</u>	<u>5,730,002</u>	<u>9,408,544</u>
Cash and cash equivalents at end of year	<u>\$ 799,660</u>	<u>1,172,431</u>	<u>6,175,480</u>	<u>8,147,571</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (30,933)	(649,447)	(224,269)	(904,649)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	318,912	-	-	318,912
Loss on disposal of capital assets	(4,594)	-	-	(4,594)
(Increase) decrease in accounts receivable	-	(6,719)	(26,169)	(32,888)
(Increase) decrease in prepaids	-	(1,477)	35,513	34,036
Increase (decrease) in accounts payable	70,902	16,368	6,961	94,231
Increase (decrease) in accrued liabilities	-	305	(11,219)	(10,914)
Increase (decrease) in claims and judgments payable	<u>-</u>	<u>41,990</u>	<u>664,661</u>	<u>706,651</u>
Net cash provided by (used for) operating activities	<u>\$ 354,287</u>	<u>(598,980)</u>	<u>445,478</u>	<u>200,785</u>

CITY OF EL SEGUNDO

Agency Fund

Statement of Changes in Assets and Liabilities

Year Ended September 30, 2012

	<u>Balance at October 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2012</u>
<u>Assets</u>				
Receivables:				
Accounts	\$ 125,487	-	10,724	114,763
Total assets	<u>\$ 125,487</u>	<u>-</u>	<u>10,724</u>	<u>114,763</u>
<u>Liabilities</u>				
Accounts payable	\$ 62,697	-	9,097	53,600
Due to other funds	62,790	-	54,815	7,975
Deposits	-	53,188	-	53,188
Total liabilities	<u>\$ 125,487</u>	<u>53,188</u>	<u>63,912</u>	<u>114,763</u>

(This page intentionally left blank)

STATISTICAL SECTION

CITY OF EL SEGUNDO
Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	106
<i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	
Revenue Capacity	111
<i>These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.</i>	
Debt Capacity	116
<i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	122
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.</i>	
Operating Information	124
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.</i>	

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

CITY OF EL SEGUNDO
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 73,829,021	81,460,251	58,084,103	84,750,880	93,050,671	96,945,461	101,059,634	97,156,670	94,655,626	92,822,442
Restricted	13,488,010	36,481,636	41,045,537	32,400,183	21,459,215	23,533,242	15,034,440	14,945,583	8,055,325	10,941,373
Unrestricted	44,192,532	18,029,423	22,981,699	19,832,838	26,063,219	33,203,368	26,925,769	19,672,020	22,462,477	14,728,936
Total governmental activities net assets	\$ 131,509,563	135,971,310	122,111,339	136,983,901	140,573,105	153,682,071	143,019,843	131,774,273	125,173,428	118,492,751
Business-type activities:										
Invested in capital assets, net of related debt	\$ 10,401,352	15,733,435	24,388,819	23,563,042	22,805,716	22,762,429	22,432,525	22,070,122	21,360,061	21,009,889
Restricted	525,841	-	-	-	-	-	-	-	-	-
Unrestricted	3,565,395	(3,039,962)	(2,484,895)	(4,953,090)	(4,559,622)	(3,537,616)	(2,952,989)	(3,948,729)	1,113,161	3,362,263
Total business-type activities net assets	\$ 14,492,588	12,693,473	21,903,924	18,609,952	18,246,094	19,224,813	19,479,536	18,121,393	22,473,222	24,372,152
Primary government:										
Invested in capital assets, net of related debt	\$ 84,230,373	97,193,686	82,472,922	108,313,922	115,856,387	119,707,890	123,492,159	119,226,792	116,015,687	113,832,331
Restricted	14,013,851	36,481,636	41,045,537	32,400,183	21,459,215	23,533,242	15,034,440	14,945,583	8,055,325	10,941,373
Unrestricted	47,757,927	14,989,461	20,496,804	14,879,748	21,503,597	29,665,752	23,972,780	15,723,291	23,575,638	18,091,199
Total primary government net assets	\$ 146,002,151	148,664,783	144,015,263	155,593,853	158,819,199	172,906,884	162,499,379	149,895,666	147,646,650	142,864,903

The City of El Segundo implemented GASB 34 for the fiscal year ended September 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF EL SEGUNDO

Changes in Net Assets

**Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government	\$ 10,113,045	9,685,338	9,690,050	9,349,510	10,321,092	10,718,938	13,852,408	13,165,193	11,882,856	12,537,230
Public safety	21,763,101	23,758,618	25,460,305	27,989,969	29,703,159	33,790,991	34,337,277	31,998,360	31,638,027	32,238,620
Public works	7,953,077	5,819,248	7,000,050	6,705,868	7,904,340	8,206,589	9,178,249	7,692,049	7,903,942	7,988,435
Community development	7,782,242	6,340,051	7,949,491	10,622,993	19,171,016	18,969,354	14,776,778	15,405,013	9,115,175	13,877,815
Interest on long-term debt	25,594	141,320	286,221	121,171	262,544	412,436	382,625	324,119	258,581	16,182
Total governmental activities expenses	47,637,059	45,744,575	50,386,117	54,789,511	67,362,151	72,098,308	72,527,337	68,584,734	60,798,581	66,658,282
Business-type activities:										
Water	11,477,843	11,960,841	12,247,632	12,349,552	12,876,676	13,988,801	16,148,799	21,035,538	19,811,233	22,452,371
Wastewater	-	-	2,689,389	2,355,974	2,593,615	2,203,536	2,849,682	3,293,104	2,847,527	2,528,839
Golf Course	2,885,798	3,045,502	2,341,556	2,562,604	2,303,340	2,750,411	2,048,696	2,095,408	2,043,141	1,973,712
Total business-type activities expenses	14,363,641	15,006,343	17,278,577	17,268,130	17,773,631	18,942,748	21,047,177	26,424,050	24,701,901	26,954,922
Total primary government expenses	62,000,700	60,750,918	67,664,694	72,057,641	85,135,782	91,041,056	93,574,514	95,008,784	85,500,482	93,613,204
Program revenues:										
Governmental activities:										
Charges for services:										
General government	138,541	107,728	118,559	100,489	113,309	806,733	1,021,661	299,202	457,671	581,718
Public safety	803,718	1,067,501	1,497,751	1,585,443	1,564,512	1,514,759	1,563,776	1,677,855	1,743,941	1,568,107
Public works	1,112,665	1,077,681	965	1,135	792	10,486	13,099	20,331	32,102	15,190
Community development	3,349,937	3,740,093	3,433,535	3,960,577	4,960,291	5,160,611	5,043,717	3,385,519	3,941,316	5,081,885
Operating grants and contributions	672,342	927,742	990,739	1,190,565	1,583,770	4,984,065	3,053,968	2,186,623	2,101,494	1,508,499
Capital grants and contributions	2,547,410	1,834,825	3,042,974	17,360,670	10,875,311	20,921,140	3,264,022	16,013,471	595,807	7,815,458
Total governmental activities program revenues	8,624,613	8,755,570	9,084,523	24,198,879	19,097,985	33,397,794	13,960,243	23,583,001	8,872,331	16,570,857
Business-type activities:										
Charges for services:										
Water	10,771,568	11,428,190	12,702,398	11,613,793	12,873,323	14,394,964	15,487,005	19,233,888	22,800,787	23,344,919
Wastewater	-	-	1,290,934	1,654,179	2,244,229	3,091,178	3,717,090	3,663,397	4,274,392	3,236,359
Golf Course	2,554,859	2,280,809	1,859,474	1,930,790	2,267,616	2,141,499	2,119,159	1,945,930	1,945,415	1,919,435
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	13,326,427	13,708,999	15,852,806	15,198,762	17,385,168	19,627,641	21,323,254	24,843,215	29,020,594	28,500,713
Total primary government program revenues	21,951,040	22,464,569	24,937,329	39,397,641	36,483,153	53,025,435	35,283,497	48,426,216	37,892,925	45,071,570
Net revenues (expenses):										
Governmental activities	(39,012,446)	(36,989,005)	(41,301,594)	(30,590,632)	(48,264,166)	(38,700,514)	(58,567,094)	(45,001,733)	(51,926,250)	(50,087,425)
Business-type activities	(1,037,214)	(1,297,344)	(1,425,771)	(2,069,368)	(388,463)	684,893	276,077	(1,580,835)	4,318,693	1,545,791
Total net revenues (expenses)	(40,049,660)	(38,286,349)	(42,727,365)	(32,660,000)	(48,652,629)	(38,015,621)	(58,291,017)	(46,582,568)	(47,607,557)	(48,541,634)

The City of El Segundo implemented GASB 34 for the fiscal year ended September 30, 2003. Information prior to the implementation of GASB 34 is not available.

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes	5,493,722	5,502,298	4,791,454	5,760,520	7,017,784	7,282,401	7,616,466	7,752,878	7,549,483	7,365,363
Sales tax	6,484,731	8,138,282	11,922,937	10,426,570	12,154,510	12,770,990	12,754,717	10,067,929	11,383,167	10,623,237
Transient occupancy taxes	2,866,811	3,357,942	3,849,783	4,238,880	4,809,341	4,842,887	4,109,581	3,954,416	4,301,696	4,735,585
Other taxes	21,191,395	20,651,769	19,424,606	21,418,400	23,373,778	21,355,842	19,551,661	18,038,918	18,559,063	18,587,882
Motor vehicle in lieu, unrestricted	826,644	769,009	1,367,575	120,171	93,768	70,886	48,011	51,543	73,736	8,754
Investment income	2,081,562	1,060,204	844,238	2,354,908	3,420,487	(1,825,582)	3,241,784	836,001	925,388	393,719
Other general revenues		-		-	7,050	1,376,666	333,886	1,003,771	2,532,872	1,692,208
Transfers	(316,000)	(316,000)	(10,587,730)	795,000	-	-	(6,000)	-	-	-
Total governmental activities	38,628,865	39,163,504	31,612,863	45,114,449	50,876,718	45,874,090	47,650,106	41,705,456	45,325,405	43,406,748
Business-type activities:										
Investment income	2,060	(15,956)	37,573	(3,563)	4,595	10,256	(109,236)	96,668	-	99,690
Other	7,728	51,410	10,919	18,463	20,010	89,059	81,882	29,482	33,136	63,795
Transfers	316,000	316,000	10,587,730	(795,000)	-	-	6,000	-	-	-
Total business-type activities	325,788	351,454	10,636,222	(780,100)	24,605	99,315	(21,354)	126,150	33,136	163,485
Total primary government	38,954,653	39,514,958	42,249,085	44,334,349	50,901,323	45,973,405	47,628,752	41,831,606	45,358,541	43,570,233
Changes in net assets:										
Governmental activities	(383,581)	2,174,499	(9,688,731)	14,523,817	2,612,552	7,173,576	(10,916,988)	(3,296,277)	(6,600,845)	(6,680,677)
Business-type activities	(711,426)	(945,890)	9,210,451	(2,849,468)	(363,858)	784,208	254,723	(1,454,685)	4,351,829	1,709,276
Total primary government	\$ (1,095,007)	1,228,609	(478,280)	11,674,349	2,248,694	7,957,784	(10,662,265)	(4,750,962)	(2,249,016)	(4,971,401)

The City of El Segundo implemented GASB 34 for the fiscal year ended September 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF EL SEGUNDO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 ¹	2012
General fund:										
Reserved	\$ 1,163,296	770,099	1,260,821	1,617,474	1,328,063	971,743	5,088,566	326,005	-	-
Unreserved	13,308,747	13,332,311	13,816,591	14,115,350	14,403,394	14,004,971	8,224,712	11,423,791	-	-
Nonspendable	-	-	-	-	-	-	-	-	6,421,009	1,884,602
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	892,810	445,114
Unassigned	-	-	-	-	-	-	-	-	5,315,133	7,839,124
Total general fund	<u>\$ 14,472,043</u>	<u>14,102,410</u>	<u>15,077,412</u>	<u>15,732,824</u>	<u>15,731,457</u>	<u>14,976,714</u>	<u>13,313,278</u>	<u>11,749,796</u>	<u>12,628,952</u>	<u>10,168,840</u>
All other governmental funds:										
Reserved	\$ 3,401,554	1,072,016	5,435,114	11,987,345	4,918,779	13,268,029	9,800,612	4,623,285	-	-
Unreserved, reported in:										
Special revenue funds	7,617,014	9,079,014	10,661,502	11,504,787	5,843,345	10,154,118	7,510,316	3,485,711	-	-
Debt Service funds	268,335	265,440	65,477	65,477	65,477	65,477	65,477	65,477	-	-
Capital projects funds	22,663,628	21,413,985	24,907,496	13,530,903	6,947,892	(4,682,793)	(3,242,872)	3,999,778	-	-
Restricted	-	-	-	-	-	-	-	-	6,091,731	5,798,068
Assigned	-	-	-	-	-	-	-	-	4,858,234	3,690,657
Unassigned	-	-	-	-	-	-	-	-	(2,091)	(2,752,409)
Total all other governmental funds	<u>\$ 33,950,531</u>	<u>31,830,455</u>	<u>41,069,589</u>	<u>37,088,512</u>	<u>17,775,493</u>	<u>18,804,831</u>	<u>14,133,533</u>	<u>12,174,251</u>	<u>10,947,874</u>	<u>6,736,316</u>

The data for the City of El Segundo prior to 2003 is not available.

Notes: ¹ The City of El Segundo implemented GASB Statement No. 54 during the fiscal year ended September 30, 2011. This statement eliminated the previous fund balance categories (reserved and unreserved) and replaced them with four new categories (nonspendable, restricted, assigned, unassigned). Fund balance amounts as of September 30, 2011 are stated to present the new categories; however, all previous fiscal years are presented using the old categories.

CITY OF EL SEGUNDO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 26,126,162	26,571,626	28,805,047	32,534,393	33,575,184	36,590,651	34,727,842	30,557,942	32,094,475	31,218,273
Licenses and permits	9,256,486	10,418,044	9,847,389	9,338,841	11,095,397	11,062,494	10,824,480	10,385,074	10,936,873	11,855,052
Intergovernmental	3,251,001	3,587,335	5,529,413	16,859,158	10,749,574	18,520,903	12,428,031	16,743,693	4,048,295	4,596,724
Charges for services	3,870,155	4,275,963	2,666,584	3,610,900	4,261,714	4,600,659	4,159,268	3,517,010	4,320,364	5,220,234
Use of money and property	2,081,562	1,188,838	983,916	2,524,061	3,535,569	(1,616,003)	3,060,556	1,227,521	898,711	452,022
Fines and forfeitures	549,463	592,131	1,010,589	958,562	1,028,757	1,531,739	2,433,868	1,676,572	1,201,110	1,050,832
Other	1,413,650	1,617,107	1,712,900	3,177,497	3,566,400	2,199,327	1,152,558	1,187,008	3,349,096	1,826,973
Total revenues	46,548,479	48,251,044	50,555,868	69,003,412	67,812,595	72,889,770	68,786,603	65,294,820	56,848,924	56,220,110
Expenditures										
Current:										
General government	10,272,750	9,554,261	8,985,058	8,497,006	10,442,261	10,781,830	14,472,959	13,698,982	12,456,304	12,575,953
Public safety	22,067,275	23,405,792	24,472,917	28,310,843	30,734,673	34,589,623	34,703,602	31,435,938	31,359,158	31,291,236
Public works	5,242,177	6,032,417	4,214,748	4,415,311	5,540,010	5,935,480	5,927,434	5,711,977	4,991,382	5,126,634
Community and cultural	7,664,513	6,332,688	7,763,562	10,550,000	19,180,981	18,528,447	14,304,838	13,476,514	7,748,804	13,190,255
Capital outlay	8,509,127	11,107,790	3,954,447	20,956,917	18,842,262	5,788,135	7,362,304	3,550,273	2,040,497	1,607,702
Debt service:										
Principal retirement	85,000	1,205,096	209,632	21,009	248,144	256,199	-	-	-	-
Interest and fiscal charges	26,125	143,023	186,568	172,991	287,000	435,813	-	-	-	-
Total expenditures	53,866,967	57,781,067	49,786,932	72,924,077	85,275,331	76,315,527	76,771,137	67,873,684	58,596,145	63,791,780
Excess (deficiency) of revenues over (under) expenditures	(7,318,488)	(9,530,023)	768,936	(3,920,665)	(17,462,736)	(3,425,757)	(7,984,534)	(2,578,864)	(1,747,221)	(7,571,670)
Other financing sources (uses):										
Transfers in	8,857,093	7,658,550	12,448,434	19,877,540	18,284,204	12,605,726	13,781,018	10,358,160	3,167,231	3,163,394
Transfers out	(9,173,093)	(7,749,550)	(13,003,234)	(19,282,540)	(20,135,854)	(12,860,726)	(12,131,218)	(6,827,610)	(1,767,231)	(2,263,394)
Proceeds from loans	-	-	-	-	-	-	-	1,980,038	-	-
Capital leases issued	-	3,688,222	-	-	-	-	-	-	-	-
Long-term debt issued	-	-	10,000,000	-	-	-	-	-	-	-
Total other financing sources (uses)	(316,000)	3,597,222	9,445,200	595,000	(1,851,650)	(255,000)	1,649,800	5,510,588	1,400,000	900,000
Net change in fund balances	\$ (7,634,488)	(5,932,801)	10,214,136	(3,325,665)	(19,314,386)	(3,680,757)	(6,334,734)	2,931,724	(347,221)	(6,671,670)
Debt service as a percentage of noncapital expenditures	0.24%	2.89%	0.86%	0.37%	0.81%	0.98%	0.00%	0.00%	0.00%	0.00%

The data for the City of El Segundo prior to 2003 is not available.

CITY OF EL SEGUNDO
Top Sales Tax Producers
September 30, 2012

<u>Business Name</u>	<u>Business Category</u>
Accuvant	Information Technology
Aerospace Corporation	Business Services
Best Buy	Electronics/Appliance Stores
Bobs Union	Service Station
Boeing Company	Transportation Equipment Manufacturing
Chevron	Refinery
Dicks Sporting Goods	Sporting Goods/Bike Stores
Direct TV	Public Utilities
Ebsco Industries	Library Subscription Services
El Segundo Chevron	Service Stations
Flemings Steakhouse	Restaurant
Home Goods	Home Furnishings Stores
Just Fabulous	Shoe Stores
Karl Storz Endoscopy America	Health/Medical
Lululemon Athletica	Sporting & Recreational Goods & Supplies
NetApp Inc.	Information Technology
Patterson Dental Supply	Health/Medical
Petsmart	Specialty Stores
PF Changs China Bistro	Restaurant
Primary Color Systems	Graphic Arts Services
Ralphs	Grocery Stores-Liquor
Raytheon Company	Aerospace
Sensa Products	Specialty Stores
Trace3	Information Technology
Whole Foods Market	Grocery Stores-Beer/Wine

Note: Percent of Fiscal Year Total Paid by Top 25 accounts - 76.0%

*Firms Listed Alphabetically. (Period October 2011 - September 2012)

Source: HdL Coren & Cone; Hinderliter, de Llamas & Associates, State Board of Equalization

CITY OF EL SEGUNDO
Principal Property Tax Payers
Current Year and Ten Years Ago

Taxpayer	2012			2003		
	Assessed Value	Rank	Percent of Total City Assessed Value	Assessed Value	Rank	Percent of Total City Assessed Value
Chevron USA Inc	\$ 2,013,597,841	1	21.59%	1,900,755,392	1	24.27%
Hughes Aircraft/Raytheon	562,723,576	2	6.03%	461,257,484	3	5.89%
Boeing Company	348,801,883	3	3.74%	-	-	0.00%
Aerospace Corporation	276,444,109	4	2.96%	113,665,708	8	1.45%
Northrup Grumman Systems	228,298,849	5	2.45%	200,668,448	5	2.56%
Kilroy Realty Finance Partnership	168,309,856	6	1.81%	117,302,194	7	1.50%
Pacific Corporate Towers LLC	162,058,456	7	1.74%	143,263,995	6	1.83%
Pes Partners LLC	148,875,831	8	1.60%	-	-	0.00%
Hines Reit El Segundo LP	123,029,395	9	1.32%	-	-	0.00%
LA4 LLC	109,353,063	10	1.17%	-	-	0.00%
Raytheon Company	-	-	-	669,403,426	2	8.55%
DirectTV Operations Inc.	-	-	-	232,747,132	4	2.97%
Mattel Inc	-	-	-	99,080,165	9	1.26%
Infonet Services Corporation	-	-	-	97,383,217	10	1.24%
	<u>\$ 4,141,492,859</u>		<u>44.42%</u>	<u>4,035,527,161</u>		<u>51.52%</u>

The data for the City of El Segundo prior to 2003 is not available.

Source: County Assessor's Office and HdL Coren & Cone.

CITY OF EL SEGUNDO

Assessed Value and Estimated Actual Value of Taxable Property¹

(in thousands of dollars)

Year Ended June 30	City			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions ¹		
2003	6,269,706	1,563,458	-	7,833,164	1.0000%
2004	6,309,413	1,499,983	-	7,809,396	1.0000%
2005	6,589,892	1,264,390	-	7,854,282	1.0000%
2006	6,938,417	1,118,644	-	8,057,062	1.0000%
2007	7,158,440	1,144,458	-	8,302,898	1.0000%
2008	7,762,424	1,185,813	-	8,948,237	1.0000%
2009	8,359,395	1,300,504	-	9,659,899	1.0000%
2010	8,571,689	1,338,811	-	9,910,501	1.0000%
2011	8,187,752	1,423,531	-	9,611,284	1.0000%
2012	8,082,672	1,241,746	-	9,324,418	1.0000%

Beginning with the fiscal year ended June 30, 1999, exemptions are netted directly against the individual property categories.

NOTE:

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 re-assessed 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.

Source: Los Angeles County Assessor's Office

CITY OF EL SEGUNDO

**Direct and Overlapping Property Tax Rates
(Rate per \$100 of taxable value)**

Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City Direct Rates:										
General	<u>1.00000</u>									
Total City Direct Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:										
Metropolitan Water District	0.00670	0.00610	0.00520	0.00470	0.00450	0.00450	0.00430	0.00430	0.00370	0.00370
County Flood Control	0.00088	0.00046	0.00005	0.00052	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
El Segundo Unified School District	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170
City of El Segundo	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Los Angeles County	<u>0.00100</u>	<u>0.00990</u>	<u>0.00080</u>	<u>0.00066</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>
Total Direct Rate	<u>1.12028</u>	<u>1.12816</u>	<u>1.11774</u>	<u>1.11758</u>	<u>1.11620</u>	<u>1.11620</u>	<u>1.11600</u>	<u>1.11600</u>	<u>1.11540</u>	<u>1.11540</u>

NOTE:

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. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the Example Unified School District bonds.

Source: Los Angeles County Assessor's Office

CITY OF EL SEGUNDO
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2003	5,220,431	5,054,008	96.81%	139,813	5,193,821	99.49%
2004	5,165,796	5,027,386	97.32%	115,129	5,142,515	99.55%
2005	5,106,741	4,959,460	98.95%	109,391	5,068,851	99.26%
2006	5,217,126	5,067,060	97.12%	110,226	5,177,286	99.24%
2007	5,298,287	5,085,531	95.98%	46,304	5,131,835	96.86%
2008	5,768,451	5,474,568	94.91%	45,822	5,520,390	95.70%
2009	6,202,417	5,904,696	95.20%	260,889	6,165,584	99.41%
2010	6,345,073	6,117,416	96.41%	0	6,117,416	96.41%
2011	6,172,420	6,005,643	97.30%	0	6,005,643	97.30%
2012	6,006,864	5,990,455	99.73%	0	5,990,455	99.73%

Source: Los Angeles County Auditor Controller's Office

CITY OF EL SEGUNDO

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

(In Thousands, except Per Capita)

Fiscal Year Ended ¹ September 30	Outstanding General Bonded Debt				Percent of Assessed Value ²	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Total		
2003 ³	280	-	-	280	0.004%	16.8
2004	190	-	-	190	0.002%	11.3
2005	-	-	-	-	0.000%	-
2006	-	-	-	-	0.000%	-
2007	-	-	-	-	0.000%	-
2008	-	-	-	-	0.000%	-
2009	-	-	-	-	0.000%	-
2010	-	-	-	-	0.000%	-
2011	-	-	-	-	0.000%	-
2012	-	-	-	-	0.000%	-

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

¹ Fiscal Years 2000 - current are 12 month reporting periods ending on September 30.

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

³ 2003 Population has been revised to agree to State Department of Finance. This has affected Ratio of Debt Per Capita Ratio.

CITY OF EL SEGUNDO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended September 30	Governmental Activities				Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Leases/ Loans	
2003	280,000	-	-	13,467,000	13,747,000
2004	190,000	-	-	2,573,126	2,763,126
2005	-	-	-	12,553,494	12,553,494
2006	-	-	-	12,532,485	12,532,485
2007	-	-	-	12,284,341	12,284,341
2008	-	-	-	10,048,104	10,048,104
2009	-	-	-	9,783,555	9,783,555
2010	-	-	-	11,490,384	11,490,384
2011	-	-	-	11,208,191	11,208,191
2012	-	-	-	10,916,677	10,916,677

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

² Office of Economic Development (data shown is for Los Angeles County)

CITY OF EL SEGUNDO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended September 30	Business-type Activities			Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Leases/ Loans	Certificates of Participation	Total Business-type Activities			
2003	-	3,435,000	3,435,000	17,182,000	5.3%	521
2004	3,186,522	-	3,186,522	5,949,648	1.8%	173
2005	2,938,400	-	2,938,400	15,491,894	4.3%	425
2006	2,550,605	-	2,550,605	15,083,090	3.9%	382
2007	2,139,360	-	2,139,360	14,423,701	3.6%	351
2008	1,727,846	-	1,727,846	11,775,950	2.9%	279
2009	1,240,683	-	1,240,683	11,024,238	2.7%	270
2010	777,301	-	777,301	12,267,685	3.0%	299
2011	285,586	-	285,586	11,493,777	2.9%	280
2012	-	-	-	10,916,677	2.5%	249

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

¹ Office of Economic Development (data shown is for Los Angeles County)

CITY OF EL SEGUNDO
Direct and Overlapping Debt
September 30, 2012

2011-12 City Assessed Valuation:

		<u>\$9,324,417,663</u>		
	Percentage Applicable ¹	Total Debt 9/30/12	Exclusions	Estimated Share of Direct and Overlapping Debt
DIRECT DEBT:		<u>\$0</u>		<u>\$0</u>
TOTAL DIRECT DEBT		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>OVERLAPPING DEBT:</u>				
Los Angeles County Flood Control District	0.909%	\$37,195,000	\$36,856,897	\$ 338,103
Metropolitan Water District	0.517%	196,545,000	195,528,862	1,016,138
El Camino Community College District	12.410%	340,829,491	298,532,551	42,296,940
El Segundo Unified School District	100.000%	42,894,521	0	42,894,521
Centinel Valley Union High School District	36.830%	190,539,098	120,363,548	70,175,550
Wiseburn School District	77.937%	108,614,986	23,963,724	84,651,262
L.A.County Regional Park and Open Space A.D.	1.005%	170,725,000	169,009,214	1,715,786
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 1,087,343,096</u>	<u>\$ 844,254,796</u>	<u>\$ 243,088,300</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	1.005%	\$ 1,447,164,091	\$ 1,432,620,092	\$ 14,543,999
Los Angeles County Superintendent of Schools COP'S	1.005%	10,377,239	10,272,948	104,291
L.A.County Sanitation District No. 5 Authority	4.947%	49,899,761	47,431,220	2,468,541
L.A.County Sanitation District South Bay Cities Authority	0.145%	8,501,885	8,489,557	12,328
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$1,515,942,976</u>	<u>\$ 1,498,813,817</u>	<u>\$17,129,159</u>
Less: Los Angeles County General Fund Obligations supported by landfill revenues	1.005%	16,698,209	16,530,392	167,817
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$1,499,244,767</u>	<u>\$1,482,283,425</u>	<u>\$16,961,342</u>
Total Gross Overlapping Debt		\$ 2,603,286,072	\$ 2,343,068,613	\$ 260,217,459
Total Net Overlapping Debt		\$ 2,586,587,863	\$ 2,326,538,221	\$ 260,049,642
Gross Combined Total Debt		\$ 2,603,286,072	\$ 2,343,068,613	\$ 260,217,459 ²
Net Combined Total Debt		\$ 2,586,587,863	\$ 2,326,538,221	\$ 260,049,642

¹ Percentage of overlapping agency's assessed valuation located within boundaries of the city.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Also excludes accreted value of capital appreciation bonds.

Ratios to Assessed Valuation:

Total Direct Debt.....0.00%
Gross Combined Total Debt.....2.79%
Net Combined Total Debt.....2.79%

Source: California Municipal Statistics, Inc.

CITY OF EL SEGUNDO
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2002-03	2003-04	2004-05	2005-06	2006-07
Assessed valuation	\$ 7,833,163,604	\$ 7,809,395,740	\$ 7,854,282,360	\$ 8,057,061,507	\$ 8,302,898,491
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Assessed valuation	1,958,290,901	1,952,348,935	1,963,570,590	2,014,265,377	2,075,724,623
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	293,743,635	292,852,340	294,535,589	302,139,807	311,358,693
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 293,743,635</u>	<u>\$ 292,852,340</u>	<u>\$ 294,535,589</u>	<u>\$ 302,139,807</u>	<u>\$ 311,358,693</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a 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: California Municipal Statistics, Inc.
Los Angeles County Tax Assessor's Office

		Fiscal Year							
		2007-08	2008-09	2009-10	2010-11	2011-12			
\$	8,948,236,979	\$	9,659,898,923	\$	9,910,500,695	\$	9,611,283,541	\$	9,324,417,663
	<u>25%</u>		<u>25%</u>		<u>25%</u>		<u>25%</u>		<u>25%</u>
	2,237,059,245		2,414,974,731		2,477,625,174		2,402,820,885		2,331,104,416
	<u>15%</u>		<u>15%</u>		<u>15%</u>		<u>15%</u>		<u>15%</u>
	335,558,887		362,246,210		371,643,776		360,423,133		349,665,662
	-		-		-		-		-
\$	<u>335,558,887</u>	\$	<u>362,246,210</u>	\$	<u>371,643,776</u>	\$	<u>360,423,133</u>	\$	<u>349,665,662</u>
	0.0%		0.0%		0.0%		0.0%		0.0%

CITY OF EL SEGUNDO
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2003	16,697	322,267	32,961	7.1%
2004	16,861	338,203	34,481	6.3%
2005	17,024	357,186	36,433	5.0%
2006	16,965	385,724	39,519	4.7%
2007	17,076	400,366	41,128	5.3%
2008	17,002	412,639	42,195	8.2%
2009	16,999	402,459	40,867	12.3%
2010	17,049	403,100 ⁴	41,025 ⁴	12.6%
2011	16,708	420,900 ⁴	42,564 ⁴	12.5%
2012	16,720	435,300 ⁴	43,915 ⁴	10.4%

Note: The information provided for personal income and per capita personal income is for the county of Los Angeles. Information for the City of El Segundo was not available.

- Sources:
- (1) State Department of Finance
 - (2) Bureau of Economic Analysis & California Department of Finance (data shown is for Los Angeles County)
 - (3) State of California Employment Development Department (data shown is for Los Angeles County adjusted seasonally for September and restated prior years due to the data's annual revision)
 - (4) LAEDC Outlook for Los Angeles County
- ^E Estimate based on LAEDC Outlook for Los Angeles County

CITY OF EL SEGUNDO
Principal Employers
Current Year and Six Years Ago

Employer	2012			2006		
	Number of Employees	Percent of Total Employment	Rank	Number of Employees	Percent of Total Employment ¹	Rank
Raytheon Company	6,793	12.82%	1	8,594	0.00%	1
Boeing Satellite Systems Inc.	5,247	9.90%	2	5,960	0.00%	2
Northrop Grumman Corporation	4,456	8.41%	3	5,555	0.00%	3
Aerospace Corporation	2,689	5.07%	4	2,847	0.00%	4
The DirecTV Group Inc.	2,427	4.58%	5	1,268	0.00%	6
Mattel	1,738	3.28%	6	1,737	0.00%	5
Chevron Products Company/USA Inc.	1,204	2.27%	7	1,062	0.00%	7
Accenture	760	1.43%	8	753	0.00%	8
Time Warner Cable	652	1.23%	9	N/A	0.00%	-
Rhythm & Hues	503	0.95%	10	N/A	0.00%	-
International Rectifier Corporation	491	0.93%	11	708	0.00%	10
Carsdirect.com	410	0.77%	12	N/A	0.00%	-
Teledyne Controls	372	0.70%	13	N/A	0.00%	-
Big 5	349	0.66%	14	N/A	0.00%	-
Fresh & Easy Neighborhood Market	321	0.61%	15	N/A	0.00%	-
Xerox Corporation	N/A	0.00%	-	718	0.00%	9

¹ Total Employment within city limits is not available for 2006-2008 to calculate percentage.

Source: City of El Segundo Business Services Division
The data for the City of El Segundo prior to 2006 is not available.

CITY OF EL SEGUNDO

Full-time and Part-time City Employees By Function

Last Ten Fiscal Years

Function	Full-time and Part-time Employees as of September 30									
	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	58	54	55	52	52	65	65	52	51	51
Public Safety	153	148	148	147	147	181	178	177	157	150
Public Works	34	32	32	33	33	22	27	18	18	17
Community & Cultural	148	138	138	140	110	75	78	73	81	83
Water	12	10	11	11	11	10	10	11	11	9
Sewer	6	6	6	6	6	6	6	5	5	6
Total	411	388	390	389	359	359	364	336	323	316

Source: City of El Segundo Payroll Division

CITY OF CITY OF EL SEGUNDO
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Arrests	924	958	1,266	1,139	1,048	1,171	1,401	1,316	810	826
Parking citations issued	7,508	10,727	11,664	12,066	12,505	11,859	9,662	8,536	7,792	8,698
Fire:										
Number of emergency calls	2,535	2,366	2,426	2,410	2,434	2,505	2,323	2,260	2,314	2,403
Inspections	N/A	N/A	N/A	N/A	N/A	N/A	2,170	2,166	1,985	2,445
Medical Responses	N/A	N/A	N/A	N/A	1,538	1,507	1,442	1,465	1,533	1,547
Public Works:										
Street resurfacing (miles)	N/A	N/A	N/A	N/A	0.50	0.60	N/A	1.04	0.83	-
Reconstruction (miles)	N/A	N/A	N/A	N/A	0.82	-	N/A	-	-	-
New Street (miles)	N/A	N/A	N/A	N/A	0.80	0.25	N/A	-	-	-
Electronic Recycling (pounds)	N/A	N/A	N/A	N/A	N/A	11,658	N/A	N/A	N/A	N/A
Paper Shred Recycling (pounds)	N/A	N/A	N/A	N/A	N/A	1,140	N/A	N/A	N/A	N/A
Lamp Recycling (pounds)	N/A	N/A	N/A	N/A	N/A	224	N/A	N/A	N/A	N/A
Parks and recreation:										
Number of recreation classes	N/A	N/A	N/A	N/A	933	1,065	1,212	1,344	1,362	1,228
Class registrations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,809	8,026
Recreation Trips participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	840	1,185
Number of facility rentals	N/A	N/A	N/A	N/A	124	120	552	248	262	365
Shuttles transported (riders)	N/A	N/A	N/A	N/A	N/A	14,400	23,374	14,661	33,990	30,976
Dial-A-Ride residents	N/A	N/A	N/A	N/A	N/A	19,920	8,769	10,262	7,693	9,085
Homebound Meals	N/A	N/A	N/A	N/A	N/A	8,457	6,033	6,205	5,935	5,794
Finance:										
Business Licenses processed:	5,560	5,775	5,915	6,011	6,748	6,739	6,946	6,757	6,917	7,024
Purchase Orders processed	444	448	276	247	256	250	267	288	159	341
Invoices processed	16,359	13,588	11,952	24,402	13,521	13,930	13,003	11,315	10,772	9,855
Checks processed	8,112	6,733	5,801	5,900	6,270	6,334	5,886	5,414	5,068	5,010
Cash Receipts processed (excluding Water)	N/A	N/A	43,884	39,975	41,330	38,646	37,964	39,117	36,665	36,432

The data for the City of El Segundo prior to 2003 is not available.

Source: City of El Segundo

CITY OF EL SEGUNDO
Capital Asset Statistics
by Function
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works:										
Streets (miles)	53.1	53.1	54.8	54.9	54.9	55.1	55.1	55.1	55.1	55.1
Streetlights	1,700	1,700	1,700	1,700	1,700	1,718	1,718	1,718	1,718	1,718
Traffic signals	51	51	54	54	54	55	55	55	55	55
Parks and recreation:										
Parks	20	22	22	22	22	22	22	22	22	22
Recreation Facilities	11	12	12	12	13	13	13	13	13	13
Number of Acres	84.5	84.8	84.8	84.8	91.2	91.2	91.2	91.2	91.2	91.2

Source: City of El Segundo