

CITY OF EL SEGUNDO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2013



Prepared by the Finance Department
Deborah Cullen, Director of Finance

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CITY OF EL SEGUNDO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2013

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INTRODUCTORY SECTION



City of El Segundo

March 24, 2014

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, 2013.

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, 2013. 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. The MD&A complement’s 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 has undergone a major plant redevelopment that has improved 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.

During FY 2012/2013, the City reached a Tax Resolution Agreement (TRA) with Chevron USA, which also amended the Administrative Agreement regarding Gas Tax collection and extended the current Water Agreement. This 15-year agreement will net approximately \$128 million in new tax revenue for the City. \$104 million for the General Fund and \$24 million for the Water Fund. The City's objectives included:

- Establishing an appropriately values, reliable , long-term source of revenue;
- Incorporating an appropriate level of escalation of the value of the agreement to keep pace with inflation;
- Extension of the current Recycled Water Surcharge Agreement (set to expire in 2015) to coincide with the term of the TRA;
- Review of the natural gas usage at the refinery and compliance with the 1994 Settlement Agreement between the City and Chevron.

This Agreement will provide significant, long-term stability to the City's General Fund and Water Funds. This stability will help to reduce estimated budget deficits in the near term.

Relevant financial policies

The City's current general fund balance policy is to maintain 17% of its current general fund expenditures for its reserves. Due to the Chevron TRA the City's unreserved fund balance is above 17% at the end of FY 12/13. The excess fund balance will be used to balance the City's FY 13/14 Budget.

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

Major initiatives

Due to budget constraints 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:

- 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
- Conversion of The Lakes driving range to a Top Golf facility. The capital investment from Top Golf and associates is estimated to be in the range of \$17 million to \$22 million dollars. This improvement is expected to increase revenues to the General Fund.
- Various smaller projects that would provide enhanced 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, 2012. 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.

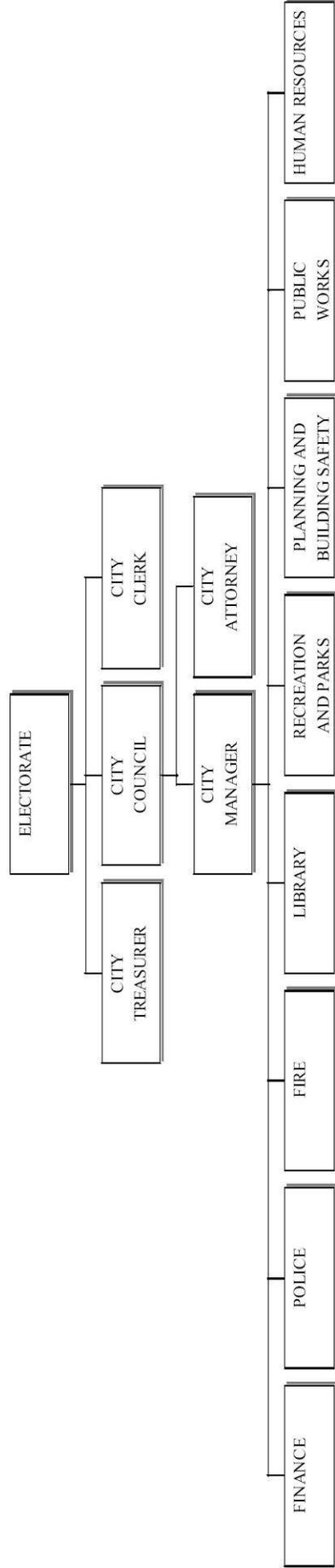
The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and accounting department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit 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


Greg Carpenter
City Manager

City Of El Segundo



CITY OF EL SEGUNDO

September 30, 2013

CITY COUNCIL MEMBERS

<u>Name</u>		<u>Term Expires</u>
Bill Fisher	Mayor	April 2014
Carl Jacobson	Mayor Pro Tem	April 2016
Suzanne Fuentes	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
Martha Djikstra	Director of Human Resources
Mitch Tavera	Chief of Police
Kevin Smith	Fire Chief
Debra Brighton	Director of Library Services
Sam Lee	Director of Planning and Building Safety
Bob Cummings	Director of Recreation and Parks
Stephanie Katsouleas	Director of Public Works



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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FINANCIAL SECTION



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Honorable Mayor and City Council
City of El Segundo, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Segundo, California, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the El Segundo Senior Citizen Housing Corporation, a discretely presented component unit. Those statements for the year ended December 31, 2012 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Segundo, California, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in note 17 to the financial statements, during the year ended September 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement Nos. 63 and 65. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and *Budgetary Comparison Schedules* on pages 4-16 and 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of El Segundo's basic financial statements. The *Combining and Individual Fund Statements and Schedules*, the *Introductory Section* and the *Statistical Section*

Honorable Mayor and City Council
City of El Segundo, California

financial statements. The *Combining and Individual Fund Statements and Schedules* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Combining and Individual Fund Statements and Schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *Introductory Section* and the *Statistical Section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014 on our consideration of the City of El Segundo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of El Segundo's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Mayor Heather M. C. B. C.", is written across the page.

Irvine, California
March 28, 2014

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, 2013. 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 \$143,586,023 (*net position*). Of this amount, \$22,535,326 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net position increased at September 30, 2013 by \$810,912. This increase is attributable to the Chevron tax agreement that was entered on April 23, 2013.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,553,631. Of this amount, \$12,483,555 (*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 \$14,714,238 which represents 24.76% of total general fund expenditures for 2014.

The City's unrestricted general fund balance is above the 17% threshold is attributable to the Chevron tax agreement that was entered on April 23, 2013.

The City's total debt increased by \$1,507,098 an increase of 5.73% of total long term debt in fiscal year 2012-2013. 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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 2013 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 69-71 of this report.

The basic governmental fund financial statements can be found on pages 20-23 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 24-27 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 Position.

The basic fiduciary fund financial statements can be found on page 28 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 29-68 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 position 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 \$143,586,023 at the close of 2013 fiscal year.

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

	Governmental		Business		Total	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 56,927,674	\$ 51,317,086	\$ 11,829,689	\$ 7,760,108	\$ 68,757,363	\$ 59,077,194
Capital assets	<u>104,714,313</u>	<u>103,739,119</u>	<u>20,675,297</u>	<u>21,009,889</u>	<u>125,389,610</u>	<u>124,749,008</u>
Total assets	<u>161,641,987</u>	<u>155,056,205</u>	<u>32,504,986</u>	<u>28,769,997</u>	<u>194,146,973</u>	<u>183,826,202</u>
Liabilities:						
Current and other liabilities	20,237,911	11,992,622	4,091,214	4,244,760	24,329,125	16,237,382
Other liabilities	<u>25,978,267</u>	<u>24,570,832</u>	<u>253,558</u>	<u>153,085</u>	<u>26,231,825</u>	<u>24,723,917</u>
Total liabilities	<u>46,216,178</u>	<u>36,563,454</u>	<u>4,344,772</u>	<u>4,397,845</u>	<u>50,560,950</u>	<u>40,961,299</u>
Net position:						
Net investment in capital assets	94,098,755	92,822,442	20,675,297	21,009,889	114,774,052	113,832,331
Restricted	6,276,645	10,941,373			6,276,645	10,941,373
Unrestricted	<u>15,050,409</u>	<u>14,728,936</u>	<u>7,484,917</u>	<u>3,362,263</u>	<u>22,535,326</u>	<u>18,091,199</u>
Total net position	<u>\$ 115,425,809</u>	<u>\$ 118,492,751</u>	<u>\$ 28,160,214</u>	<u>\$ 24,372,152</u>	<u>\$ 143,586,023</u>	<u>\$ 142,864,903</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	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$7,126,660	\$7,246,900	\$30,734,922	\$28,500,713	\$37,861,582	\$35,747,613
Operating grants and contributions	2,699,324	1,508,499			2,699,324	1,508,499
Capital grants and contributions	7,646,118	7,815,458			7,646,118	7,815,458
General revenues:						
Property taxes	7,910,980	7,365,363			7,910,980	7,365,363
Transient Occupancy taxes	5,156,080	4,735,585			5,156,080	4,735,585
Sales taxes	9,099,745	10,623,237			9,099,745	10,623,237
Utility user taxes	6,040,994	5,167,834			6,040,994	5,167,834
Franchise taxes	2,328,235	2,455,099			2,328,235	2,455,099
Business license taxes	10,028,304	10,093,794			10,028,304	10,093,794
Other taxes	6,916,854	871,155			6,916,854	871,155
Intergovernmental, unrestricted					-	-
Use of money and property	113,173	393,719	21,378	99,690	134,551	493,409
Other	<u>1,495,233</u>	<u>1,700,962</u>	<u>35,600</u>	<u>63,795</u>	<u>1,530,833</u>	<u>1,764,757</u>
Total revenues	66,561,700	59,977,605	30,791,900	28,664,198	97,353,600	88,641,803
Expenses						
General government	12,048,465	12,537,230			12,048,465	12,537,230
Public safety	32,790,373	32,238,620			32,790,373	32,238,620
Public works	9,123,850	7,988,435			9,123,850	7,988,435
Community & cultural	15,681,868	13,877,815			15,681,868	13,877,815
Interest on long-term debt	(15,914)	16,182			(15,914)	16,182
Water	-	-	21,988,089	22,452,371	21,988,089	22,452,371
Sewer	-	-	2,908,241	2,528,839	2,908,241	2,528,839
Golf Course	-	-	<u>2,017,716</u>	<u>1,973,712</u>	<u>2,017,716</u>	<u>1,973,712</u>
Total expenses	69,628,642	66,658,282	26,914,046	26,954,922	96,542,688	93,613,204
Excess (deficiency) before transfers	<u>(3,066,942)</u>	<u>(6,680,677)</u>	<u>3,877,854</u>	<u>1,709,276</u>	<u>810,912</u>	<u>(4,971,401)</u>
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(3,066,942)	(6,680,677)	3,877,854	1,709,276	810,912	(4,971,401)
Beginning net position (as restated)	<u>118,492,751</u>	<u>125,173,428</u>	<u>24,282,360</u>	<u>22,662,876</u>	<u>142,775,111</u>	<u>147,836,304</u>
Ending net position	<u>\$115,425,809</u>	<u>\$118,492,751</u>	<u>28,160,214</u>	<u>24,372,152</u>	<u>143,586,023</u>	<u>142,864,903</u>

Governmental Activities

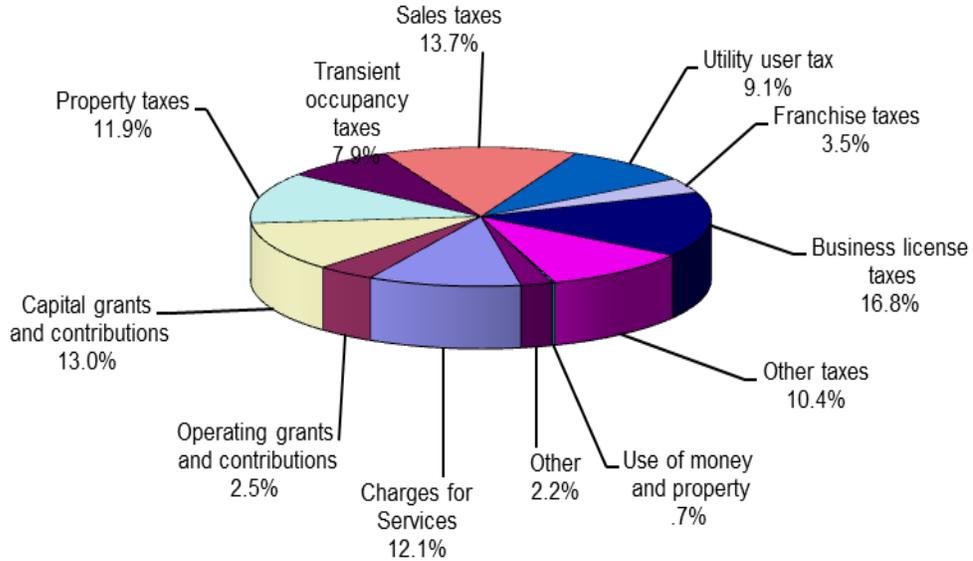
The City's net position from governmental activities decreased \$3,066,942. The decreases in net position are attributable to the increase in construction projects in Residential Sound Insulation Fund and rising costs in various areas of General Fund.

- The total expenditures for Residential Sound Insulation Fund were \$7,502,688 for fiscal year 2013. The City received reimbursement of \$1,032,972 from FAA and \$197,930 from LAWA during the year. The remaining balance is expected to be received from FAA and LAWA in fiscal year 2014.
- In General Fund:
 - In 2012, the City elected to drawdown \$1 million from the group insurance trust account to be used to offset the annual group insurance payment for retirees. The group insurance expense is offset by this \$1 million in 2012, and when compared to 2013, total group insurance increased by \$880,978 or 24% in 2013 compared to 2012.
 - Equipment Maintenance total expenditures increased by \$247,631 or 27% from prior year, primarily due to increases in vehicle gasoline charges, as well as an overall increase in the cost of parts used to repair vehicles
 - Government Buildings total expenditures increased by \$382,647 or 33.7% from prior year. The increases are due to an overall increase in service levels in this division, from temporary part-time help to assist with a backlog of building maintenance repairs and the related supplies needed for those services.

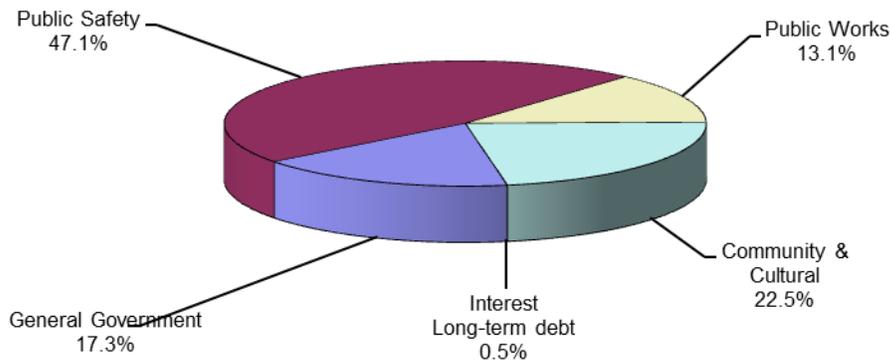
The cost of all governmental activities for the year was \$69.6 million. However, the taxes that ultimately financed these activities were only \$47.4 million because some of the costs were paid by those who directly benefited from the programs (\$7.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10.3 million).

Overall, the City's governmental program revenues were \$17.5 million; of the remaining "public benefit" governmental activities, \$10 million were paid with business license taxes, utility user taxes of \$6 million, sales and use taxes of \$9.1 million, property taxes of \$7.9 million, franchise taxes of \$2.3 million, transient occupancy tax of \$5.2 million and other revenues and taxes of \$8.5 million.

**Governmental Activities
Sources of Revenue
Fiscal Year 2012-2013**



**Governmental Activities
Expenditures
Fiscal Year 2012-2013**



Business-Type Activities

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

The City's net position from business-type activities increased by \$3,877,854. The cost of all Proprietary (Business Type) activities this year was \$26,914,046.

Charges for services are the major revenue source for the City's business-type activities, accounting for \$30,791,900 of total business-type activity revenue.

The Water Utility net costs of service of \$3,027,792 is attributable to an increase in water rates and reduction from operating expenses.

The Sewer Utility net cost of service of \$615,925 is attributable to an increase in sewer charges and reduction from operating expenses.

The Golf Course net cost of service of \$98,893 is attributable to an increase in fees.

Financial Analysis of the Government's Funds

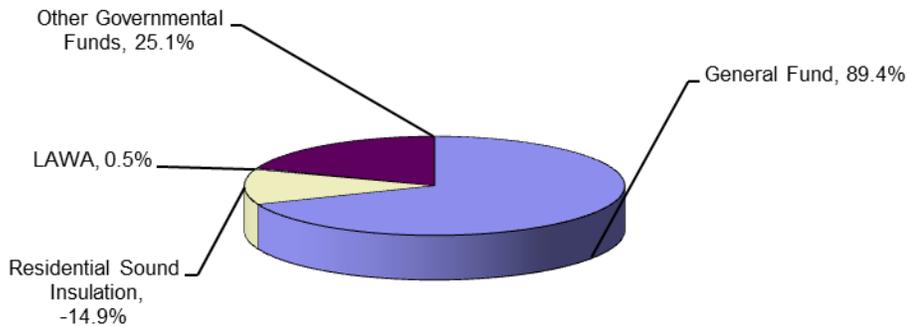
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$18,553,631, an increase of 9.75% from the previous year. The increase is primarily attributed to the Chevron tax agreement. Approximately 67.3% or \$12,483,555 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 \$3,438,639 (2) to represent amounts committed for inventory, receivables and prepaid costs \$1,873,892, (3) for a variety of other restricted purposes \$757,545.

Governmental Fund Balance Fiscal Year 2012-2013



Major Funds: There are three 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 \$14,714,238 which represents 88.7% of total fund balance of \$16,588,050. 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 21.3% of total general fund expenditures in 2014, while total general fund balance represents 27.9% of that same amount.

The fund balance of the City's General Fund has increased by \$6,419,210 during the current fiscal year. This is mainly attributable to the Chevron tax agreement signed in April of 2013.

The other major funds on the City's governmental funds balance sheet are the Residential Sound Insulation Fund and LAWA Fund. The Residential Sound Insulation Fund has a total fund balance of (\$2,772,215), which is \$642,009 higher than the prior year's balance of (\$3,414,224). The LAWA Fund has a total fund balance of \$89,035, which is \$22,988 lower than the prior year's balance of \$112,023. 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.

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 position for the proprietary funds are \$5,679,248 for the Water Utility Fund, \$7,699,412 for the Sewer Utility Fund and (\$5,781,471) for the Golf Course Fund. The total change in net position for the City's three proprietary funds is as follows:

- The Water Utility's net asset increase \$3,027,792 or an increase of 47.9% over net position of the prior year.
- The Sewer Utility's net position increased \$615,925 or an increase of 4.9% over net position of the prior year (as restated).
- The Golf Course net position increased \$98,893 or a net increase of 1.7% 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 expenditure 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 an increase in appropriations of \$2,070,866, or a net decrease in budgetary fund balance of \$2,070,866. The reasons for the most significant changes were as follows:

Revenue

There were no budget changes between the original budget and the final budget for revenue.

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

- Taxes – The variance of \$7,693,988 above the final budget is mainly attributable to the Chevron tax agreement.
- Charges for services – The variance of \$733,965 above the final budget is mainly attributable to the increase in plan checks, fire prevention and paramedic transport fees.

Appropriations

The FY 12/13 expenditure budget was increased by \$2,070,866. These budgetary increases were mainly attributable to the following:

- The cancelation of \$1 million drawdown from the health benefit trust. This is an offset to the expenditure. By canceling the drawdown, the budgeted and actual expenditures is increased by \$1 million.
- \$637,230 in encumbrances, primarily for planning & building professional services.
- \$378,350 in additional appropriations for City Hall roof repair.

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 was in General Government. The reasons for these savings are as follows:

- The Government Building Division came in \$200,000 under budget from the overall operation. This division was able to increase its annual budgeted amount in FY 2013, but due to time constraints, still had unspent funds at yearend.
- The Planning Division came in \$600,000 under budget, primarily in contracted & professional services. This is due to the unpredictability of the building development throughout the city.

For the City's general fund, amounts available for appropriation of \$61,686,940 was \$7,828,059 lower than actual revenues of \$69,514,999. Actual ending expenditures not including transfers out were \$52,500,052, which was \$661,217 less than budget of \$53,161,269. The net effect of these variances between actual and budgeted was an increase in budgetary fund balance of \$8,489,276. Therefore, there was an increase in ending 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, 2013 amounts to \$125,389,611 (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	
	2013	2012	2013	2012	2013	2012
Capital assets not being depreciated						
Land	\$29,522,040	\$28,597,387	\$5,999,980	\$5,999,980	\$35,522,020	\$34,597,367
Construction in progress	<u>3,555,094</u>	<u>1,828,074</u>	<u>298,706</u>	<u>298,706</u>	<u>3,853,800</u>	<u>2,126,780</u>
Total capital assets not being depreciated	<u>33,077,134</u>	<u>30,425,461</u>	<u>6,298,686</u>	<u>6,298,686</u>	<u>39,375,820</u>	<u>36,724,147</u>
Capital assets being depreciated, net						
Buildings and improvements	20,909,181	19,749,440	3,691,801	3,897,927	24,600,982	23,647,367
Vehicles and equipment	3,226,980	3,692,766	637,423	643,285	3,864,403	4,336,051
Infrastructure	<u>47,501,018</u>	<u>49,871,451</u>	<u>10,047,388</u>	<u>10,169,995</u>	<u>57,548,406</u>	<u>60,041,446</u>
Total capital assets being depreciated, net	<u>71,637,179</u>	<u>73,313,657</u>	<u>14,376,612</u>	<u>14,711,207</u>	<u>86,013,791</u>	<u>88,024,864</u>
Total capital assets, net	<u>\$104,714,313</u>	<u>\$103,739,118</u>	<u>\$20,675,298</u>	<u>\$21,009,893</u>	<u>\$125,389,611</u>	<u>\$124,749,011</u>

Additional information on the City's capital assets can be found in Note 5 of the Notes to Financial Statements in this report.

Long-term debt: The City's governmental activities total debt increased by \$1,508,528. The City's business-type activities total debt increased by \$100,473. This is mainly attributable to compensated absences in Sewer Fund. City-wide, compensated absences increased by \$270,867 and Claims and Judgments increased by \$1,538,850 due to increase in number of ongoing litigation. Capital parking structure lease decreased by \$33,772 and facility lease decreased by \$267,417.

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
Compensated absences	\$6,661,566	\$6,491,172	\$253,558	\$153,085	\$6,915,124	\$6,644,257
Claims and judgments	8,701,833	7,162,983	-	-	8,701,833	7,162,983
Capital lease parking structure	2,337,819	2,371,591	-	-	2,337,819	2,371,591
Facility lease	<u>8,277,669</u>	<u>8,545,086</u>	<u>-</u>	<u>-</u>	<u>8,277,669</u>	<u>8,545,086</u>
Total long-term debt	<u>\$ 25,978,887</u>	<u>\$ 24,570,832</u>	<u>\$ 253,558</u>	<u>\$ 153,085</u>	<u>\$ 26,232,445</u>	<u>\$ 24,723,917</u>

Additional information on the City's long-term debt can be found in Note 7 of the Notes to Financial Statements in this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for 2013-2014 the following economic factors significantly impacted the budget process:

- Increase cost in CalPERS retirement benefits for employees and funding of GASB 45 liability.
- Increase in Workers' Compensation insurance premium and rising costs of current open claims.
- Ongoing monitoring of gas utility users tax due to 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 income.

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.

BASIC FINANCIAL STATEMENTS

CITY OF EL SEGUNDO

Statement of Net Position

September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Park Vista Senior Housing December 31, 2012
<u>Assets</u>				
Cash and investments (note 3)	\$ 38,244,285	14,108,465	52,352,750	707,184
Receivables:				
Taxes	3,006,731	-	3,006,731	-
Accounts	1,270,322	3,285,258	4,555,580	392
Interest	50,567	-	50,567	-
Notes and loans (note 4)	132,864	-	132,864	-
Internal balances	5,805,526	(5,805,526)	-	-
Due from other governments	4,733,994	46,000	4,779,994	-
Inventories	121,967	113,306	235,273	-
Prepays	3,561,418	82,186	3,643,604	3,997
Capital assets, not being depreciated (note 5)	33,077,134	6,298,685	39,375,819	-
Capital assets, net of depreciation (note 5)	71,637,179	14,376,612	86,013,791	361,489
Total assets	<u>161,641,987</u>	<u>32,504,986</u>	<u>194,146,973</u>	<u>1,073,062</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	5,496,290	3,705,527	9,201,817	5,859
Accrued liabilities	1,470,011	83,493	1,553,504	-
Interest payable	55,762	-	55,762	-
Retention payable	364,544	-	364,544	-
Unearned revenue	12,213,506	218,756	12,432,262	-
Deposits payable	433,598	83,438	517,036	54,670
Due to other governments	204,200	-	204,200	-
Noncurrent liabilities (note 7):				
Due within one year	4,647,676	144,528	4,792,204	-
Due in more than one year	21,330,591	109,030	21,439,621	-
Total liabilities	<u>46,216,178</u>	<u>4,344,772</u>	<u>50,560,950</u>	<u>60,529</u>
<u>Net position</u>				
Net investment in capital assets	94,098,755	20,675,297	114,774,052	361,489
Restricted for:				
Public safety	721,055	-	721,055	-
Public works	1,170,100	-	1,170,100	-
Capital projects	1,180,446	-	1,180,446	-
Community and cultural	3,205,044	-	3,205,044	-
Unrestricted	15,050,409	7,484,917	22,535,326	651,044
Total net position	<u>\$ 115,425,809</u>	<u>28,160,214</u>	<u>143,586,023</u>	<u>1,012,533</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Statement of Activities

Year Ended September 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 12,048,465	419,008	-	-
Public safety	32,790,373	1,663,384	399,238	7,851
Public works	9,123,850	14,262	1,552,897	425,629
Community and cultural	15,681,868	5,030,006	747,189	7,212,638
Interest on long-term debt	(15,914)	-	-	-
Total governmental activities	<u>69,628,642</u>	<u>7,126,660</u>	<u>2,699,324</u>	<u>7,646,118</u>
Business-type activities:				
Water	21,988,089	25,048,713	-	-
Sewer	2,908,241	3,574,272	-	-
Golf course	<u>2,017,716</u>	<u>2,111,937</u>	-	-
Total business-type activities	<u>26,914,046</u>	<u>30,734,922</u>	-	-
Total primary government	<u>\$ 96,542,688</u>	<u>37,861,582</u>	<u>2,699,324</u>	<u>7,646,118</u>
Component unit:				
Park Vista Senior Housing	<u>\$ 567,219</u>	<u>606,543</u>	-	-

General revenues:

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

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Park Vista Senior Housing, Year Ended December 31, 2012
(11,629,457)	-	(11,629,457)	-
(30,719,900)	-	(30,719,900)	-
(7,131,062)	-	(7,131,062)	-
(2,692,035)	-	(2,692,035)	-
15,914	-	15,914	-
<u>(52,156,540)</u>	<u>-</u>	<u>(52,156,540)</u>	<u>-</u>
-	3,060,624	3,060,624	-
-	666,031	666,031	-
-	94,221	94,221	-
<u>-</u>	<u>3,820,876</u>	<u>3,820,876</u>	<u>-</u>
<u>(52,156,540)</u>	<u>3,820,876</u>	<u>(48,335,664)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>39,324</u>
7,910,980	-	7,910,980	-
5,156,080	-	5,156,080	-
9,099,745	-	9,099,745	-
6,040,994	-	6,040,994	-
2,328,235	-	2,328,235	-
10,028,304	-	10,028,304	-
6,916,854	-	6,916,854	-
7,245	-	7,245	-
113,173	21,378	134,551	1,362
1,487,988	35,600	1,523,588	-
<u>49,089,598</u>	<u>56,978</u>	<u>49,146,576</u>	<u>1,362</u>
(3,066,942)	3,877,854	810,912	40,686
<u>118,492,751</u>	<u>24,282,360</u>	<u>142,775,111</u>	<u>971,847</u>
<u>\$ 115,425,809</u>	<u>28,160,214</u>	<u>143,586,023</u>	<u>1,012,533</u>

CITY OF EL SEGUNDO

Governmental Funds

Balance Sheet

September 30, 2013

	Special Revenue				Total
	General	Residential Sound Insulation Fund	LAWA	Nonmajor Governmental Funds	
<u>Assets</u>					
Cash and investments	\$ 9,806,697	-	14,547,671	6,245,545	30,599,913
Receivables:					
Taxes	3,006,731	-	-	-	3,006,731
Accounts	805,677	-	-	364,885	1,170,562
Interest	50,567	-	-	-	50,567
Notes and loans (note 4)	78,459	-	-	54,405	132,864
Due from other funds (note 6)	4,067,334	3,084,813	-	-	7,152,147
Due from other governments	87,953	3,063,433	-	1,576,848	4,728,234
Advances to other funds (note 6)	1,800,000	-	-	-	1,800,000
Inventories	121,967	-	-	-	121,967
Prepays	1,673,386	80	-	-	1,673,466
Total assets	\$ 21,498,771	6,148,326	14,547,671	8,241,683	50,436,451
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 2,526,026	1,566,943	-	1,211,608	5,304,577
Accrued liabilities	1,293,482	24,576	-	26,431	1,344,489
Retentions payable	-	135,858	-	228,686	364,544
Due to other funds (note 6)	13,960	4,030,161	3,084,813	23,213	7,152,147
Due to other governments	204,200	-	-	-	204,200
Unearned revenue	366,179	-	11,373,823	473,504	12,213,506
Deposits payable	323,006	-	-	110,592	433,598
Total liabilities	4,726,853	5,757,538	14,458,636	2,074,034	27,017,061
Deferred inflows of resources:					
Unavailable revenue	183,868	3,163,003	-	1,518,888	4,865,759
Total deferred inflows of resources	183,868	3,163,003	-	1,518,888	4,865,759
Fund balances (deficit):					
Nonspendable	1,873,812	80	-	-	1,873,892
Restricted	-	-	89,035	4,107,149	4,196,184
Assigned	2,049,483	-	-	1,548,572	3,598,055
Unassigned	12,664,755	(2,772,295)	-	(1,006,960)	8,885,500
Total fund balances	16,588,050	(2,772,215)	89,035	4,648,761	18,553,631
Total liabilities, deferred inflows of resources and fund balances	\$ 21,498,771	6,148,326	14,547,671	8,241,683	50,436,451

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Governmental Funds

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

September 30, 2013

Fund balances of governmental funds	\$ 18,553,631
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	155,023,973
Accumulated depreciation	(52,191,181)
Long term debt and compensated absences have not been included in the governmental fund activity.	
Capital leases payable	(10,614,868)
Compensated absences	(6,661,566)
Accrued interest payable for the current portion of interest due on debt service has not been reported in the governmental funds.	(55,762)
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.	4,865,759
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 Position.	<u>6,505,823</u>
Net position of governmental activities	<u>\$ 115,425,809</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2013

	Special Revenue				Total
	General	Residential Sound Insulation Fund	LAWA Fund	Nonmajor Governmental Funds	
Revenues:					
Taxes	\$ 37,452,888	-	-	-	37,452,888
Licenses and permits	11,624,026	-	-	-	11,624,026
Intergovernmental	7,245	4,775,375	3,282,743	1,746,501	9,811,864
Charges for services	4,903,265	55,045	-	-	4,958,310
Use of money and property	113,268	32	18,884	1,107	133,291
Fines and forfeitures	377,801	-	-	413,849	791,650
Miscellaneous	1,886,790	630	-	186,966	2,074,386
Total revenues	<u>56,365,283</u>	<u>4,831,082</u>	<u>3,301,627</u>	<u>2,348,423</u>	<u>66,846,415</u>
Expenditures:					
Current:					
General government	11,174,919	-	11,000	538,296	11,724,215
Public safety	30,153,455	-	-	992,248	31,145,703
Public works	5,424,063	-	-	876,607	6,300,670
Community and cultural	6,401,019	7,502,688	-	548,186	14,451,893
Capital outlay	6,720	-	-	2,008,739	2,015,459
Total expenditures	<u>53,160,176</u>	<u>7,502,688</u>	<u>11,000</u>	<u>4,964,076</u>	<u>65,637,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,205,107</u>	<u>(2,671,606)</u>	<u>3,290,627</u>	<u>(2,615,653)</u>	<u>1,208,475</u>
Other financing sources (uses):					
Transfers in (note 6)	3,641,000	3,313,615	-	1,500,897	8,455,512
Transfers out (note 6)	(426,897)	-	(3,313,615)	(4,275,000)	(8,015,512)
Total other financing sources (uses)	<u>3,214,103</u>	<u>3,313,615</u>	<u>(3,313,615)</u>	<u>(2,774,103)</u>	<u>440,000</u>
Net change in fund balances	6,419,210	642,009	(22,988)	(5,389,756)	1,648,475
Fund balances at beginning of year	<u>10,168,840</u>	<u>(3,414,224)</u>	<u>112,023</u>	<u>10,038,517</u>	<u>16,905,156</u>
Fund balances at end of year	<u>\$ 16,588,050</u>	<u>(2,772,215)</u>	<u>89,035</u>	<u>4,648,761</u>	<u>18,553,631</u>

See accompanying notes to basic financial statements.

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, 2013

Net change in fund balances - total governmental funds \$ 1,648,475

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	2,011,657
Depreciation expense	(3,441,158)

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. 301,809

Accrued interest for debt service. This is the net change in accrued interest for the current period. 15,946

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. (170,394)

Receivable amounts that were earned in the audit period but not collected within the availability period have not been reported in the governmental funds. (149,471)

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 Position. (3,283,806)

Change in net assets of governmental activities \$ (3,066,942)

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Proprietary Funds

Statement of Net Position

September 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>	<u>Activities-</u>
			<u>Course</u>		<u>Internal</u>
					<u>Service Funds</u>
<u>Assets</u>					
Current assets:					
Cash and investments	\$ 6,784,918	7,285,989	37,558	14,108,465	7,644,372
Receivables:					
Accounts	2,797,352	487,342	564	3,285,258	99,760
Due from other governments	-	-	46,000	46,000	5,760
Advances to other funds (note 6)	-	-	-	-	3,893,254
Inventories	281	-	113,025	113,306	-
Prepays	7,750	74,436	-	82,186	1,887,952
Total current assets	<u>9,590,301</u>	<u>7,847,767</u>	<u>197,147</u>	<u>17,635,215</u>	<u>13,531,098</u>
Noncurrent assets:					
Capital assets, net	<u>3,668,024</u>	<u>5,434,006</u>	<u>11,573,267</u>	<u>20,675,297</u>	<u>1,881,521</u>
Total noncurrent assets	<u>3,668,024</u>	<u>5,434,006</u>	<u>11,573,267</u>	<u>20,675,297</u>	<u>1,881,521</u>
Total assets	<u>13,258,325</u>	<u>13,281,773</u>	<u>11,770,414</u>	<u>38,310,512</u>	<u>15,412,619</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	3,621,689	25,424	58,414	3,705,527	191,713
Accrued liabilities	31,874	19,407	32,212	83,493	125,522
Unearned revenue	14,497	11,945	192,314	218,756	-
Deposits payable	81,014	-	2,424	83,438	-
Advances from other funds (note 6)	-	-	5,693,254	5,693,254	-
Claims and judgments, current portion	-	-	-	-	1,248,000
Compensated absences, current portion	92,328	52,200	-	144,528	-
Total current liabilities	<u>3,841,402</u>	<u>108,976</u>	<u>5,978,618</u>	<u>9,928,996</u>	<u>1,565,235</u>
Noncurrent liabilities:					
Claims and judgments, net of current	-	-	-	-	7,453,833
Compensated absences, net of current	69,651	39,379	-	109,030	-
Total noncurrent liabilities	<u>69,651</u>	<u>39,379</u>	<u>-</u>	<u>109,030</u>	<u>7,453,833</u>
Total liabilities	<u>3,911,053</u>	<u>148,355</u>	<u>5,978,618</u>	<u>10,038,026</u>	<u>9,019,068</u>
<u>Net position</u>					
Net position:					
Investment in capital assets	3,668,024	5,434,006	11,573,267	20,675,297	1,881,521
Unrestricted	<u>5,679,248</u>	<u>7,699,412</u>	<u>(5,781,471)</u>	<u>7,597,189</u>	<u>4,512,030</u>
Total net position	<u>\$ 9,347,272</u>	<u>13,133,418</u>	<u>5,791,796</u>	<u>28,272,486</u>	<u>6,393,551</u>

Reconciliation of Net Position to the Statements of Net Position:

Net position per statements of net position - proprietary funds	\$ 28,272,486
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(247,516)
Adjustments to reflect the consolidation of internal service activities related to enterprise funds	<u>135,244</u>
Net Position per Statement of Net Position	<u>\$ 28,160,214</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended September 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Operating revenues:					
Sales and service charges	\$ 24,975,681	3,514,765	2,109,232	30,599,678	-
Interdepartmental charges	-	-	-	-	2,848,850
Miscellaneous	28,223	-	7,377	35,600	200,227
Total operating revenues	<u>25,003,904</u>	<u>3,514,765</u>	<u>2,116,609</u>	<u>30,635,278</u>	<u>3,049,077</u>
Operating expenses:					
Personnel services	1,272,174	729,714	702,388	2,704,276	171,397
Materials and supplies	178,112	81,955	391,688	651,755	277,173
Purchased water/utilities	19,169,686	-	173,792	19,343,478	-
Insurance and claims	480,000	129,000	23,106	632,106	4,766,635
Contractual services	72,739	675,515	-	748,254	-
Repairs and maintenance	189,719	677,679	185,632	1,053,030	-
Administrative cost	376,000	154,596	335,441	866,037	-
Depreciation	249,659	459,782	205,669	915,110	542,434
Total operating expenses	<u>21,988,089</u>	<u>2,908,241</u>	<u>2,017,716</u>	<u>26,914,046</u>	<u>5,757,639</u>
Operating income (loss)	<u>3,015,815</u>	<u>606,524</u>	<u>98,893</u>	<u>3,721,232</u>	<u>(2,708,562)</u>
Nonoperating revenues (expenses):					
Interest revenue	11,977	9,401	-	21,378	-
Miscellaneous Income	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Interest expense	-	-	-	-	-
Gain (loss) on disposal of capital assets	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>11,977</u>	<u>9,401</u>	<u>-</u>	<u>21,378</u>	<u>-</u>
Income (loss) before transfers	<u>3,027,792</u>	<u>615,925</u>	<u>98,893</u>	<u>3,742,610</u>	<u>(2,708,562)</u>
Interfund transfers:					
Transfers in (note 6)	-	-	200,000	200,000	-
Transfers out (note 6)	-	-	(200,000)	(200,000)	(440,000)
Total interfund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(440,000)</u>
Change in net position	3,027,792	615,925	98,893	3,742,610	(3,148,562)
Net position at beginning of year	<u>6,319,480</u>	<u>12,517,493</u>	<u>5,692,903</u>	<u>24,529,876</u>	<u>9,542,113</u>
Net position at end of year	<u>\$ 9,347,272</u>	<u>13,133,418</u>	<u>5,791,796</u>	<u>28,272,486</u>	<u>6,393,551</u>
Reconciliation of Changes in Net Position to the Statement of Activities:					
Changes in Net position per Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Funds				\$ 3,742,610	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds				<u>135,244</u>	
Changes in Net Position of Business-Type Activities per Statement of Activities				<u>\$ 3,877,854</u>	

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Proprietary Funds

Statement of Cash Flows

Year Ended September 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Total</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 24,546,900	3,457,034	2,089,049	30,092,983	-
Cash received from user departments	-	-	-	-	2,999,837
Cash payments to suppliers for goods and services	(20,575,100)	(1,838,597)	(1,064,404)	(23,478,101)	(4,716,589)
Cash payments to employees for services	(1,256,511)	(724,869)	(699,986)	(2,681,366)	(170,217)
Net cash provided by operating activities	<u>2,715,289</u>	<u>893,568</u>	<u>324,659</u>	<u>3,933,516</u>	<u>(1,886,969)</u>
Cash flows from noncapital financing activities:					
Cash received from other funds	-	-	-	-	2,039,240
Cash paid to other funds	-	-	(384,000)	(384,000)	(440,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(384,000)</u>	<u>(384,000)</u>	<u>1,599,240</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(26,817)	(549,017)	(8,071)	(583,905)	(215,470)
Net cash provided by (used for) capital and related financing activities	<u>(26,817)</u>	<u>(549,017)</u>	<u>(8,071)</u>	<u>(583,905)</u>	<u>(215,470)</u>
Cash flows from investing activities:					
Interest on investments	11,977	9,401	-	21,378	-
Net cash provided by investing financing activities	<u>11,977</u>	<u>9,401</u>	<u>-</u>	<u>21,378</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,700,449	353,952	(67,412)	2,986,989	(503,199)
Cash and cash equivalents at beginning 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>
Cash and cash equivalents at end of year	<u>\$ 6,784,918</u>	<u>7,285,989</u>	<u>37,558</u>	<u>14,108,465</u>	<u>7,644,372</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Proprietary Funds

Statement of Cash Flows

(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 3,015,815	606,524	98,893	3,721,232	(2,708,562)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	249,659	459,782	205,669	915,110	542,434
(Increase) decrease in accounts receivable	(471,501)	(69,676)	119	(541,058)	(49,240)
(Increase) decrease in due from other governments	-	-	(30,000)	(30,000)	-
(Increase) decrease in inventories	-	-	11,537	11,537	-
(Increase) decrease in prepaids	259	(4,086)	-	(3,827)	(1,265,769)
Increase (decrease) in accounts payable	(94,529)	(115,766)	31,692	(178,603)	54,138
Increase (decrease) in accrued liabilities	6,769	3,058	2,402	12,229	1,180
Increase (decrease) in unearned revenue	14,497	11,945	2,323	28,765	-
Increase (decrease) in deposits payable	(14,574)	-	2,024	(12,550)	-
Increase (decrease) in compensated absences payable	8,894	1,787	-	10,681	-
Increase (decrease) in claims and judgments	-	-	-	-	1,538,850
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,538,850</u>
Net cash provided by (used for) operating activities	<u>\$ 2,715,289</u>	<u>893,568</u>	<u>324,659</u>	<u>3,933,516</u>	<u>(1,886,969)</u>

Noncash capital, financing, investing activities

There were no significant noncash capital, financing, or investing activities during the fiscal year ended September 30, 2013.

CITY OF EL SEGUNDO
Agency Funds

Statement of Fiduciary Assets and Liabilities

September 30, 2013

Assets

Cash and investments (note 3)	\$ 59,248
Receivables:	
Accounts	<u>114,763</u>
Total assets	<u>\$ 174,011</u>

Liabilities

Accounts payable	\$ 41,730
Deposits	<u>132,281</u>
Total liabilities	<u>\$ 174,011</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

Year Ended September 30, 2013

(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 2012-13, 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. As a result, the activities of the Corporation have been discretely presented. All members of the Board of Directors are unpaid volunteers.

The Corporation’s fiscal year end is December 31, which is different than the City. 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.

In May 1986, the City entered into an agreement with the Senior Citizen Housing Corporation Board. The City built the Senior Housing Center, and the Senior Citizen Housing Corporation 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 by the City as rent income.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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.

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)

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.

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 (RSI)

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 that is received from Los Angeles World Airports.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

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

(c) Fund Classifications (Continued)

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.

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.

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

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.

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.

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.

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

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

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

(l) Fund Balances (Continued)

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 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. 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 costs when incurred.

(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.

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.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

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

(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.

(q) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues mainly from one source: intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(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>
Non-Major Special Revenue Fund:			
Special Revenues/Donations Fund	\$ 7,030	-	(7,030)
State Grants Fund	87,644	61,962	(25,682)

(b) Fund Balance Deficits

The following funds contained deficit fund balances at September 30, 2013:

Major Special Revenue Fund:	
Residential Sound Insulation Fund	\$2,772,215
Nonmajor Special Revenue Fund:	
Community Development Block Grant Fund	20,295
Measure R Fund	972,705
Federal Grant Fund	13,960

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

(3) Cash and Investments

Primary Government

Cash and investments as of September 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$52,352,750
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	<u>59,248</u>
Total cash and investments	<u>\$52,411,998</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(3) Cash and Investments (Continued)

Primary Government (Continued)

Cash and investments of the primary government as of September 30, 2013 consist of the following:

Cash on hand	\$ 23,997
Deposits with financial institutions	21,744,662
Investments	<u>30,643,339</u>
Total cash and investments	<u>\$52,411,998</u>

Discretely Presented Component Unit

Cash and investments of the discretely presented component unit as of December 31, 2012 consist of the following:

Deposits with financial institutions	\$499,832
Investments	<u>207,352</u>
Total cash and investments	<u>\$707,184</u>

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>Type of Investment</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
Federal 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%

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 (Continued)

Each of the maximums included in the table on the previous page are based upon 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.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Federal agency securities	\$14,757,936	-	500,315	14,257,621
Negotiable CDs	7,041,783	994,540	2,599,545	3,447,698
Medium term notes	3,000,770	-	1,011,735	1,989,035
LAIF	<u>5,842,850</u>	<u>5,842,850</u>	<u>-</u>	<u>-</u>
Total	<u>\$30,643,339</u>	<u>6,837,390</u>	<u>4,111,595</u>	<u>19,694,354</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:

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(3) Cash and Investments (Continued)

Disclosures Relating to Credit Risk (Continued)

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Total</u>	<u>AAA</u>	<u>Remaining as of Year End</u>		
				<u>AA/A</u>	<u>BAA</u>	<u>Not Rated</u>
Federal agency securities	N/A	\$14,757,936	14,757,936	-	-	-
Negotiable CDs	N/A	7,041,783	-	-	-	7,041,783
Medium term notes	A	3,000,770	-	2,503,900	496,870	-
LAIF	N/A	5,842,850	-	-	-	5,842,850
Total		<u>\$30,643,339</u>	<u>14,757,936</u>	<u>2,503,900</u>	<u>496,870</u>	<u>12,884,633</u>

The \$207,352 investment of the discretely presented component unit was invested in LAIF as of December 31, 2012. This investment had a maturity of less than 12 months and since it was an investment pool it was unrated.

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 Home Loan Mortgage Corp	Federal agency securities	\$1,988,775
Federal National Mortgage Association	Federal agency securities	\$8,422,530
Federal Farm Credit Bank	Federal agency securities	\$3,364,421

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 provisions 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.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

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

Custodial Credit Risk (Continued)

- 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 LAIF, which 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, 2013 was \$78,459.

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, 2013 was \$54,405.

(5) **Capital Assets**

Primary Government:

Capital asset activity of the primary government for the year ended September 30, 2013 was as follows:

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets (Continued)

Primary Government (Continued):

	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2013</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights of way	\$ 28,597,387	924,653	-	29,522,040
Construction-in-progress	<u>1,828,074</u>	<u>1,727,020</u>	<u>-</u>	<u>3,555,094</u>
Total capital assets, not being depreciated	<u>30,425,461</u>	<u>2,651,673</u>	<u>-</u>	<u>33,077,134</u>
Capital assets being depreciated:				
Buildings and improvements	30,775,427	5,326,326	-	36,101,753
Vehicles and equipment	14,630,967	382,421	-	15,013,388
Infrastructure:				
Pavement	58,693,195	-	-	58,693,195
Sidewalks	2,454,970	-	-	2,454,970
Curbs and gutters	1,773,741	-	-	1,773,741
Traffic signals	4,848,792	-	-	4,848,792
Medians	546,730	-	-	546,730
Street trees	302,692	-	-	302,692
Storm drains	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>125,023,791</u>	<u>5,708,747</u>	<u>-</u>	<u>130,732,538</u>
Less accumulated depreciation:				
Buildings and improvements	11,025,985	4,166,587	-	15,192,572
Vehicles and equipment	10,938,201	874,126	(25,919)	11,786,408
Infrastructure:				
Pavement	21,944,798	1,800,934	-	23,745,732
Sidewalks	726,565	49,099	-	775,664
Curbs and gutters	665,667	35,475	-	701,142
Traffic signals	3,590,291	146,444	-	3,736,735
Medians	178,132	10,935	-	189,067
Storm drains	853,603	34,896	-	888,499
Parks and recreation	<u>1,786,891</u>	<u>292,649</u>	<u>-</u>	<u>2,079,540</u>
Total accumulated depreciation	<u>51,710,133</u>	<u>7,411,145</u>	<u>(25,919)</u>	<u>59,095,359</u>
Total capital assets being depreciated, net	<u>73,313,658</u>	<u>(1,702,398)</u>	<u>25,919</u>	<u>71,637,179</u>
Governmental activities capital assets	<u>\$ 103,739,119</u>	<u>949,275</u>	<u>25,919</u>	<u>104,714,313</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets (Continued)

Primary Government (Continued)

	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2013</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,999,980	-	-	5,999,980
Construction-in-progress	<u>298,705</u>	<u>-</u>	<u>-</u>	<u>298,705</u>
Total capital assets, not being depreciated	<u>6,298,685</u>	<u>-</u>	<u>-</u>	<u>6,298,685</u>
Capital assets being depreciated:				
Building and improvements	8,755,787	-	-	8,755,787
Improvements other than buildings	418,161	-	-	418,161
Vehicles and equipments	656,044	53,903	-	709,947
Infrastructure	<u>30,926,488</u>	<u>530,000</u>	<u>-</u>	<u>31,456,488</u>
Total capital assets being depreciated	<u>40,756,480</u>	<u>583,903</u>	<u>-</u>	<u>41,340,383</u>
Less accumulated depreciation:				
Building and improvements	4,857,863	206,123	-	5,063,986
Improvements other than buildings	13,242	14,287	-	27,529
Vehicles and equipment	417,678	45,478	-	463,156
Infrastructure	<u>20,756,493</u>	<u>652,607</u>	<u>-</u>	<u>21,409,100</u>
Total accumulated depreciation	<u>26,045,276</u>	<u>918,495</u>	<u>-</u>	<u>26,963,771</u>
Total capital assets being depreciated, net	<u>14,711,204</u>	<u>(334,592)</u>	<u>-</u>	<u>14,376,612</u>
Business-type activities capital assets	<u>\$21,009,889</u>	<u>(334,592)</u>	<u>-</u>	<u>20,675,297</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets (Continued)

Discretely Presented Component Unit

Capital asset activity of the discretely presented component unit for the year ended December 31, 2012 was as follows:

	Balance at January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2012</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ <u>924,653</u>	<u>-</u>	<u>(924,653)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>924,653</u>	<u>-</u>	<u>(924,653)</u>	<u>-</u>
Capital assets being depreciated:				
Building and improvements	5,819,447	60,380	(5,208,641)	671,186
Furniture and equipment	<u>256,207</u>	<u>11,106</u>	<u>-</u>	<u>267,313</u>
Total capital assets being depreciated	<u>6,075,654</u>	<u>31,397</u>	<u>(5,208,641)</u>	<u>938,499</u>
Less accumulated depreciation:				
Building and improvements	3,665,579	30,795	(3,322,273)	374,101
Furniture and equipment	<u>170,448</u>	<u>32,461</u>	<u>-</u>	<u>202,909</u>
Total accumulated depreciation	<u>3,836,027</u>	<u>63,256</u>	<u>(3,322,273)</u>	<u>577,010</u>
Total capital assets being depreciated, net	<u>2,239,627</u>	<u>8,230</u>	<u>(1,886,368)</u>	<u>361,489</u>
Business-type activities capital assets	<u>\$3,164,280</u>	<u>8,230</u>	<u>(2,811,021)</u>	<u>361,489</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets (Continued)

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	2,600,885
Community and cultural	674,510
Capital assets held by the City's internal service funds are charged to the various function based on their usage of assets	<u>574,263</u>
Total governmental activities	<u>\$4,088,872</u>
Business-type activities:	
Water	\$ 251,790
Sewer	461,040
Golf course	<u>205,665</u>
Total business-type activities	<u>\$ 918,495</u>
Discretely presented component unit:	
Park Vista	<u>\$ 63,256</u>

(6) Interfund Activities

The composition of interfund balances as of September 30, 2013 is as follows:

Due From/To Other Funds

<u>Due From Other Funds</u>	<u>Due to Other Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>LAWA Fund</u>	<u>RSI Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund (1)	\$ 13,960	-	4,030,161	23,213	4,067,334
Residential Sound Insulation Fund (2)	-	<u>3,084,813</u>	-	-	<u>3,084,813</u>
Totals	<u>\$ 13,960</u>	<u>3,084,813</u>	<u>4,031,161</u>	<u>23,213</u>	<u>7,152,147</u>

(1) The \$4,067,334 represents short term borrowings of cash pending receipt of reimbursement from granting agencies and others.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(6) Interfund Activities (Continued)

Due From/To Other Funds (Continued)

(2) The \$3,084,813 represents the amount due to the Residential Sound Insulation Program from the LAWA Fund for drawdowns that occurred during the year ended September 30, 2013.

Advances To/From Other Funds

	<u>Advances from Other Funds</u>
	Golf Course Fund
<u>Advances to Other Funds</u>	
General Fund	\$1,800,000
Internal Service Funds	<u>3,893,254</u>
Totals	<u>\$5,693,254</u>

During the 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 increased to \$5,693,254 as of September 30, 2013.

Interfund Transfers

	<u>Transfers In</u>			
		Residential Sound Insulation Fund	Nonmajor Governmental Funds	
<u>Transfers Out</u>	<u>General Fund</u>			<u>Total</u>
General Fund	\$ -	-	426,897	426,897
LAWA Fund (1)	-	3,313,615	-	3,313,615 (1)
Nonmajor Governmental Funds (2)	3,641,000	-	634,000	4,275,000 (2)
Internal Service Funds (3)	<u>-</u>	<u>-</u>	<u>440,000</u>	<u>440,000 (3)</u>
Totals	<u>\$3,641,000</u>	<u>3,313,615</u>	<u>1,452,000</u>	<u>8,455,512</u>

Interfund transfers during the year ended September 30, 2013 were made for the following purposes:

(1) The LAWA Special Revenue Fund transferred \$3,313,615 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.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(6) Interfund Activities (Continued)

Interfund Transfers (Continued)

(2) The Capital Improvement Fund (Nonmajor) transferred \$3,441,000 to the General Fund as a balancing option in the approved budget by City Council.

The Traffic Safety Fund (Nonmajor) transferred \$200,000 to the General Fund to support expenditures in the Police Department Traffic Safety Division.

The State Gas Tax Fund (Nonmajor) transferred \$174,000 to the Capital Improvement Fund (Nonmajor) for eligible expenditures incurred.

The Prop C Fund (Nonmajor) transferred \$460,000 to the Capital Improvement Fund (Nonmajor) for eligible expenditures incurred.

(3) The Internal Service Funds transferred \$440,000 to the General Fund to pay for employee benefits that were charged to the General Fund.

(7) 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, 2013:

	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2013</u>	Due within <u>one year</u>
Compensated absences	\$ 6,491,172	2,910,732	(2,740,338)	6,661,566	2,539,211
Claims and judgments	7,162,983	3,732,824	(2,193,974)	8,701,833	1,797,232
Capital lease – parking structure	2,371,591	-	(33,772)	2,337,819	36,141
Facility lease	<u>8,545,086</u>	<u>-</u>	<u>(267,417)</u>	<u>8,277,669</u>	<u>275,092</u>
Totals	<u>\$24,570,832</u>	<u>6,643,556</u>	<u>(5,235,501)</u>	<u>25,978,887</u>	<u>4,647,676</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(7) Noncurrent Liabilities (Continued)

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$6,661,566 at September 30, 2013, will be paid in future years from the General Fund.

Claims and Judgments

The City's self-insurance contingencies are described in Note 11. This liability, amounting to \$8,701,833 at September 30, 2013, 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, 2013, is \$2,337,819 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>
2014	36,141	157,859
2015	38,677	155,323
2016	41,390	152,610
2017	44,294	149,706
2018	47,402	146,598
2019-2023	291,813	678,187
2024-2028	409,589	560,412
2029-2033	574,899	395,102
2034-2038	853,614	156,719
Total	<u>\$2,337,819</u>	<u>2,552,516</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(7) 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, 2013, is \$8,277,669 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>
2014	275,092	237,569
2015	282,987	229,674
2016	291,109	221,552
2017	299,464	213,197
2018	308,059	204,603
2018-2022	1,678,097	932,027
2023-2027	1,933,129	684,111
2028-2032	2,226,919	398,517
2033-2035	<u>982,813</u>	<u>84,232</u>
Total	<u>\$8,277,669</u>	<u>3,205,482</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, 2013:

	Balance at October 1, 2012	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, 2013	Due within one year
Compensated absences	\$ 153,085	179,491	(79,018)	253,558	144,528
Total	\$ 153,085	179,491	(79,018)	253,558	144,528

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$253,558 at September 30, 2013, will be paid in future years from the Water Fund.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(8) 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, 2012 through September 30, 2013 has been determined by an actuarial valuation of the plan as of June 2011. The contribution rate indicated for the period is 35.389% of payroll for the safety plan and 13.362% 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, 2011
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)

(8) 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 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%

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(8) Retirement Plan (Continued)

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
6/30/11:						
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%
6/30/12:						
Miscellaneous	\$ 73,235,616	88,576,580	15,340,964	82.7%	12,893,586	119.0%
Safety	<u>160,811,639</u>	<u>221,641,184</u>	<u>60,829,545</u>	72.6%	<u>14,470,628</u>	420.4%
Total	<u>\$234,047,255</u>	<u>310,217,764</u>	<u>76,170,509</u>	75.4%	<u>27,364,214</u>	278.4%

Three-Year Trend Information (Miscellaneous)

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/11	\$2,205,040	100%	\$-
9/30/12	2,218,832	100%	-
9/30/13	2,275,724	100%	-

Three-Year Trend Information (Safety)

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/11	\$5,105,630	100%	\$-
9/30/12	5,371,465	100%	-
9/30/13	5,624,882	100%	-

(9) 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.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

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

Plan Description (Continued)

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 determined	12.8%
Plan members	n/a

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(9) Post-Employment Health Insurance (Continued)

	<u>Retiree Healthcare Plan</u>
Annual required contribution	\$3,946,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	3,946,000
Contributions made	<u>(3,946,000)</u>
Increase in net OPEB obligation	-
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u><u>\$ -</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 2013 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>
9/30/11	\$4,090,000	100%	\$-
9/30/12	3,681,000	100%	-
9/30/13	3,946,000	100%	-

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(9) 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

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age*</u>	<u>Unfunded Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/08	\$-	42,532,000	42,532,000	0.0%	26,664,000	159.5%
6/30/10	5,212,000	46,310,000	41,098,000	11.2%	27,695,000	148.4%
6/30/11	9,594,000	49,928,000	40,334,000	19.2%	28,595,000	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	6/30/11
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)

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

Actuarial Methods and Assumptions (Continued)

Actuarial assumptions:

Investment rate of return*	7.50%‡
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.

(10) **Supplemental Retirement Plan**

On September 1, 2008, the City approved the establishment of a Retirement Enhancement Plan (the "Plan") for eligible employees of the Supervisory and Professional Employees' Association of the City, effective October 1, 2008. The Plan provides a supplemental retirement benefit in addition to the employees' current CalPERS retirement plan. The Plan is a single-employer defined benefit plan. The Plan will provide for 0.5% at age 55 for employees who retire from the City under CalPERS on or after September 30, 2008 and have 15 years of continuous City service.

The City's Finance Director is the Plan Administrator, and is responsible for taking the necessary actions to implement and administer the Plan in compliance with the Plan Document and applicable legal requirements.

Public Agency Retirement Services (PARS) is the Trust Administrator and is responsible for Plan accounting, coordinating benefit distributions with the Trustee, and communicating Plan provisions.

Union Bank of California is the Trustee and is responsible for receiving and investing Plan contributions, safeguarding Plan assets, and distributing benefits to eligible Plan participants or beneficiaries at the direction of the Plan Administrator and pursuant to the Plan Document.

The amounts of the benefit payments are calculated by the Trust Administrator and all accounting and reporting functions are performed by the Trust Administrator. Plan assets are considered to be held by the third party administrator on behalf of the employees and are therefore excluded from the accompanying financial statements. The City's responsibilities for this Plan are not sufficient administrative involvement to constitute a "holding of assets" by the City in a pension trust fund. The year ended September 30, 2009, was the first year of the Plan.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(10) Supplemental Retirement Plan (Continued)

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting the Trust Administrator at the following address or telephone number:

Public Agency Retirement Services, PARS Trust Administrator
PO Box 12919
Newport Beach, CA 92658-2919
(800) 540-6369

An actuarial valuation of the Supplemental Retirement Plan was performed as of June 30, 2012 to determine the funding level requirement of the plan. The following table shows the components of the City's supplemental retirement cost for the year, the amount actually contributed to the Plan, and changes in the City's net supplemental pension obligation for these benefits.

Determination of Net Pension Obligation as of June 30, 2012

Annual required contribution	\$180,614
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension cost	180,614
Contributions made	(180,614)
Increase (decrease) in net pension obligation	<u>-</u>
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u><u>\$ -</u></u>

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

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(10) Supplemental Retirement Plan (Continued)

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Actuarial assumptions:	
Investment rate of return	5.75% for funding purposes
Retirement age	Age 55
Cost of living adjustment	2%

Initial unfunded liabilities are amortized over a 20-year fixed period beginning on October 1, 2008. The unfunded liability is currently being amortized over a 15 year amortization period.

Funded Status and Funding Progress

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

Valuation Date	Actuarial Normal Accrued Liability	Actuarial Value of Assets	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
10/1/08	\$1,381,000	\$ -	\$ 903,000	0.00%	\$2,925,000	30.87%
6/30/10	1,456,000	183,000	1,273,000	12.57%	3,477,000	36.61%
6/30/12	1,897,000	448,000	1,449,000	23.62%	3,544,000	40.89%

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(10) Supplemental Retirement Plan (Continued)

Funded Status and Funding Progress (Continued)

The schedule of funding progress is as follows:

<u>Schedule of Employer Contributions</u>			<u>Schedule of Employee Contributions</u>		
	Annual			Annual	
<u>Date</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Date</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
6/30/09	\$ 60,224	100%	6/30/09	\$24,090	100%
6/30/10	85,980	100%	6/30/10	34,050	100%
6/30/11	73,230	100%	6/30/11	29,292	100%
6/30/12	148,254	100%	6/30/12	32,360	100%

(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, through June 30, 2013, on each general liability claim against the City. As of July 1, 2013, the City is self-insured for the first \$750,000 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 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, 2013, \$7,136,421 is shown as a liability in the Workers' Compensation Fund for workers' compensation claims, and \$1,565,412 is shown as a liability in the Liability Insurance Fund for liability claims. While the ultimate amount of loss incurred through September 30, 2013 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.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

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

Changes in liability claims for the years ended September 30, 2012 and September 30, 2013 were as follows:

	Workers' Compensation Fund	Liability Insurance Fund	Total
Balance, October 1, 2011	\$5,757,912	698,420	6,456,032
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	6,422,573	740,410	7,162,983
Claim payments	(1,519,402)	(674,572)	(2,193,974)
Current year claims and changes in estimate	<u>2,233,250</u>	<u>1,499,574</u>	<u>3,732,824</u>
Balance, September 30, 2013	<u>\$7,136,421</u>	<u>1,565,412</u>	<u>8,701,833</u>

(12) **Risk Management – ICRMA**

As described in Note 11, the City is a member of the ICRMA. ICRMA 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 (through June 30, 2013 and \$750,000 as of July 1, 2013) 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, 2013, ICRMA has claim reserves of \$13,309,870 or 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, 2013 was \$21,374,755.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

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

As of June 30, 2013, ICRMA's summary financial information is as follows:

Assets	<u>\$72,145,529</u>
Liabilities	\$35,455,671
Net position	<u>36,689,858</u>
Total liabilities and net position	<u>\$72,145,529</u>
Operating revenues	\$ 21,070,149
Operating expenses	<u>(19,845,022)</u>
Operating income	1,225,127
Non-operating revenues	<u>167,149</u>
Changes in net position	<u>\$ 1,392,276</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. L.A. Impact 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 asset seizures based on their respective resource contribution to the effort. The City does not have a measurable equity interest in LA IMPACT. The net position of LA IMPACT represents a temporary holding of funds to be distributed to various law enforcement jurisdictions. The distribution of these funds is not determinable until action has been taken by the courts or the LA IMPACT board of directors with respect to the use of these funds.

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(13) Joint Venture (Continued)

L.A. IMPACT's latest summary financial information as of June 30, 2013 is as follows:

Assets	\$ 5,619,560
Liabilities	<u>(2,467,055)</u>
Net position	<u>\$ 3,152,505</u>
Program revenues	5,987,700
Program expenses	(9,041,850)
Investment income	<u>5,927</u>
Changes in net position	<u><u>\$(3,048,223)</u></u>

Complete financial statements for L.A. IMPACT may be obtained at its 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 on July 1 of each of the years. The City's total contributions for the year ended September 30, 2013 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, 2013 were as follows:

	General Fund	Residential Sound Insulation Fund	LAWA Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory	\$ 121,968	-	-	-	121,968
Loans receivables	78,459	-	-	-	78,459
Prepays	<u>1,673,385</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>1,673,465</u>
Total nonspendable	<u>1,873,812</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>1,873,892</u>
Restricted for:					
Community development	-	-	89,035	-	89,035
Law enforcement	-	-	-	722,131	722,131
Transportation	-	-	-	1,333,860	1,333,860
Special projects	-	-	-	1,954,014	1,954,017
Pollution control	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,144</u>	<u>97,144</u>
Total restricted	<u>-</u>	<u>-</u>	<u>89,035</u>	<u>4,107,149</u>	<u>4,196,184</u>
Assigned to:					
Parking in lieu	259,073	-	-	-	259,073
Computer refresh	230,600	-	-	-	230,600
Continuing appropriations	176,977	-	-	-	176,977
CPR program	4,814	-	-	-	4,814
Debt service	-	-	-	370,827	370,827
Capital projects	-	-	-	1,177,745	1,177,745
General plan maintenance	457,691	-	-	-	457,691
ESOSPC permit center	69,865	-	-	-	69,865
Encumbrances	500,507	-	-	-	500,507
Fire	203,169	-	-	-	203,169
Library	24,478	-	-	-	24,478
Parks development	62,432	-	-	-	62,432
Police	<u>59,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,877</u>
Total assigned	<u>2,049,303</u>	<u>-</u>	<u>-</u>	<u>1,548,572</u>	<u>3,597,875</u>
Unassigned:	<u>12,644,755</u>	<u>(2,772,295)</u>	<u>-</u>	<u>(1,006,960)</u>	<u>8,885,500</u>
Total fund balance	<u>\$16,588,050</u>	<u>(2,772,215)</u>	<u>89,035</u>	<u>4,648,761</u>	<u>18,553,631</u>

CITY OF EL SEGUNDO

Notes to Basic Financial Statements

(Continued)

(17) Implementation of GASB Statement Nos. 63 and 65

During the year ended September 30, 2013, the City implemented GASB Statement Nos. 63 and 65. The primary effect of GASB Statement No. 63 on the City's financial statements was to replace the term Net Assets with the term Net Position. Significant impacts of GASB Statement No. 65 include reclassifying as deferred inflows of resources and deferred outflow of resources certain balances previously reported as assets and liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EL SEGUNDO

General Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 10,168,840	10,168,840	10,168,840	-
Resources (inflows):				
Taxes	29,758,900	29,758,900	37,452,888	7,693,988
Licenses and permits	11,753,000	11,753,000	11,624,026	(128,974)
Intergovernmental	-	-	7,245	7,245
Charges for services	4,169,300	4,169,300	4,903,265	733,965
Use of money and property	240,800	240,800	113,268	(127,532)
Fines and forfeitures	330,100	330,100	377,801	47,701
Miscellaneous	686,000	686,000	1,226,666	540,666
Transfers in	4,580,000	4,580,000	3,641,000	(939,000)
Amounts available for appropriation	<u>61,686,940</u>	<u>61,686,940</u>	<u>69,514,999</u>	<u>7,828,059</u>
Charges to appropriation (outflows):				
General government:				
City Council	212,500	212,415	255,371	(42,956)
City Treasurer	280,500	280,523	291,059	(10,536)
City Clerk	325,500	325,431	313,597	11,834
City Manager	939,400	958,904	1,438,648	(479,744)
City Attorney	389,000	388,950	468,614	(79,664)
Planning	1,528,900	2,174,002	1,561,045	612,957
Building Safety	850,900	795,939	844,671	(48,732)
Administrative Services	2,456,400	2,456,407	2,266,377	190,030
Non-departmental	2,800,300	3,800,157	3,735,537	64,620
Interfund reimbursements	(675,000)	(675,000)	(660,124)	(14,876)
Public safety:				
Police	15,380,700	15,551,517	15,597,755	(46,238)
Fire	12,917,700	12,865,653	13,099,959	(234,306)
Animal Control	129,900	129,919	132,813	(2,894)
Communication Center	1,389,500	1,389,500	1,322,928	66,572
Public works:				
Administration	165,900	186,164	219,870	(33,706)
Government Buildings	1,559,800	1,555,777	1,516,592	39,185
Engineering	312,400	317,678	288,552	29,126
Streets	1,570,300	1,572,304	1,543,299	29,005
Solid Waste	543,600	539,592	489,055	50,537
Storm Drain	232,900	246,859	200,300	46,559
Equipment Maintenance	1,037,300	1,043,718	1,166,395	(122,677)
Community and cultural:				
Recreation and Parks	4,819,500	4,821,438	4,317,655	503,783
Library	2,210,600	2,223,422	2,083,364	140,058
Capital outlay	-	-	6,720	(6,720)
Transfers out	138,800	426,897	426,897	-
Total charges to appropriations	<u>51,517,300</u>	<u>53,588,166</u>	<u>52,926,949</u>	<u>661,217</u>
Budgetary fund balance, September 30	<u>\$ 10,169,640</u>	<u>8,098,774</u>	<u>16,588,050</u>	<u>8,489,276</u>

CITY OF EL SEGUNDO
Major Special Revenue Fund

Residential Sound Insulation Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ (3,414,224)	(3,414,224)	(3,414,224)	-
Resources (inflows):				
Intergovernmental	10,587,500	10,587,500	4,775,375	(5,812,125)
Charges for services	-	155,000	55,045	(99,955)
Use of money and property	-	1,700	32	(1,668)
Miscellaneous	-	2,000	630	(1,370)
Transfers in	-	3,682,900	3,313,615	(369,285)
Amounts available for appropriation	7,173,276	11,014,876	4,730,473	(6,284,403)
Charges to appropriation (outflows):				
Community and cultural	13,520,700	19,635,767	7,502,688	12,133,079
Total charges to appropriations	13,520,700	19,635,767	7,502,688	12,133,079
Budgetary fund balance, September 30	\$ (6,347,424)	(8,620,891)	(2,772,215)	5,848,676

CITY OF EL SEGUNDO
Major Special Revenue Fund

LAWA Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 112,023	112,023	112,023	-
Resources (inflows):				
Intergovernmental	-	-	3,282,743	3,282,743
Use of money and property	-	12,000	18,884	6,884
Amounts available for appropriation	<u>112,023</u>	<u>124,023</u>	<u>3,413,650</u>	<u>3,289,627</u>
Charges to appropriation (outflows):				
General government	-	-	11,000	(11,000)
Transfer out	<u>3,682,900</u>	<u>3,682,900</u>	<u>3,313,615</u>	<u>369,285</u>
Total charges to appropriations	<u>3,682,900</u>	<u>3,682,900</u>	<u>3,324,615</u>	<u>358,285</u>
Budgetary fund balance, September 30	<u>\$ (3,570,877)</u>	<u>(3,558,877)</u>	<u>89,035</u>	<u>3,647,912</u>

CITY OF EL SEGUNDO

Notes to Required Supplementary Information

Year Ended September 30, 2013

(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. All operating budget appropriations lapse at year-end.

ADDITIONAL FINANCIAL INFORMATION

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CITY OF EL SEGUNDO

General Fund

Combining Balance Sheet

September 30, 2013

	General	Economic Uncertainty Fund	Hyperion Mitigation Fund
<u>Assets</u>			
Cash and investments	\$ 8,386,956	2,983	134,856
Receivables:			
Taxes	3,006,731	-	-
Accounts	805,677	-	-
Interest	50,567	-	-
Notes and loans	78,459	-	-
Due from other funds	4,067,334	-	-
Due from other governments	85,953	-	-
Advances to other funds	1,800,000	-	-
Inventories	121,967	-	-
Prepays	1,673,386	-	-
Total assets	\$ 20,077,030	2,983	134,856
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 2,505,627	2,983	796
Accrued liabilities	1,293,482	-	-
Due to other funds	-	-	-
Due to other governments	204,200	-	-
Unearned revenue	366,179	-	-
Deposits payable	163,469	-	-
Total liabilities	4,532,957	2,983	796
Deferred inflows of resources:			
Unavailable revenue	183,868	-	-
Total deferred inflows o resources	183,868	-	-
Fund balances (deficit):			
Nonspendable	1,873,812	-	-
Assigned	1,475,849	-	1,547
Unassigned	12,010,544	-	132,513
Total fund balances	15,360,205	-	134,060
Total liabilities and fund balances	\$ 20,077,030	2,983	134,856

Facilities Maintenance Fund	Project Deposits Fund	Total
226,214	1,055,688	9,806,697
-	-	3,006,731
-	-	805,677
-	-	50,567
-	-	78,459
-	-	4,067,334
-	2,000	87,953
-	-	1,800,000
-	-	121,967
-	-	1,673,386
<u>226,214</u>	<u>1,057,688</u>	<u>21,498,771</u>
9,057	7,563	2,526,026
-	-	1,293,482
-	13,960	13,960
-	-	204,200
-	-	366,179
-	159,537	323,006
<u>9,057</u>	<u>181,060</u>	<u>4,726,853</u>
-	-	<u>183,868</u>
-	-	<u>183,868</u>
-	-	1,873,812
39,203	532,884	2,049,483
<u>177,954</u>	<u>343,744</u>	<u>12,664,755</u>
<u>217,157</u>	<u>876,628</u>	<u>16,588,050</u>
<u>226,214</u>	<u>1,057,688</u>	<u>21,498,771</u>

CITY OF EL SEGUNDO

General Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2013

	<u>General</u>	<u>Economic Uncertainty Fund</u>	<u>Hyperion Mitigation Fund</u>
Revenues:			
Taxes	\$ 37,452,888	-	-
Licenses and permits	11,624,026	-	-
Intergovernmental	7,245	-	-
Charges for services	4,703,265	-	-
Use of money and property	113,173	-	95
Fines and forfeitures	377,801	-	-
Miscellaneous	1,359,111	123	-
Total revenues	<u>55,637,509</u>	<u>123</u>	<u>95</u>
Expenditures:			
Current:			
General government	11,113,416	-	-
Public safety	30,153,455	-	-
Public works	5,270,105	149,205	4,753
Community and cultural	6,401,019	-	-
Capital outlay	6,720	-	-
Total expenditures	<u>52,944,715</u>	<u>149,205</u>	<u>4,753</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,692,794</u>	<u>(149,082)</u>	<u>(4,658)</u>
Other financing sources (uses):			
Transfers in	4,341,111	-	-
Transfers out	<u>(521,897)</u>	<u>(700,111)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,819,214</u>	<u>(700,111)</u>	<u>-</u>
Net change in fund balances	6,512,008	(849,193)	(4,658)
Fund balances at beginning of year	<u>8,848,197</u>	<u>849,193</u>	<u>138,718</u>
Fund balances at end of year	<u>\$ 15,360,205</u>	<u>-</u>	<u>134,060</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>
-	-	-	37,452,888
-	-	-	11,624,026
-	-	-	7,245
-	200,000	-	4,903,265
-	-	-	113,268
-	-	-	377,801
-	<u>527,556</u>	-	<u>1,886,790</u>
<u>-</u>	<u>727,556</u>	<u>-</u>	<u>56,365,283</u>
61,503	-	-	11,174,919
-	-	-	30,153,455
-	-	-	5,424,063
-	-	-	6,401,019
-	-	-	<u>6,720</u>
<u>61,503</u>	<u>-</u>	<u>-</u>	<u>53,160,176</u>
<u>(61,503)</u>	<u>727,556</u>	<u>-</u>	<u>3,205,107</u>
95,000	-	(795,111)	3,641,000
-	-	<u>795,111</u>	<u>(426,897)</u>
<u>95,000</u>	<u>-</u>	<u>-</u>	<u>3,214,103</u>
33,497	727,556	-	6,419,210
<u>183,660</u>	<u>149,072</u>	<u>-</u>	<u>10,168,840</u>
<u>217,157</u>	<u>876,628</u>	<u>-</u>	<u>16,588,050</u>

CITY OF EL SEGUNDO
Nonmajor Governmental Funds

Combining Balance Sheet

September 30, 2013

	Special Revenue Funds			
	State Gas Tax Fund	Community Development Block Grant Fund	Asset Forfeiture Fund	Prop "A" Fund
<u>Assets</u>				
Cash and investments	\$ 640,541	-	456,036	293,823
Receivables:				
Accounts	-	-	302	-
Notes and loans	-	54,405	-	-
Due from other governments	82,083	-	1,372	-
Total assets	\$ 722,624	54,405	457,710	293,823
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	10,624	13,622	3,490
Accrued liabilities	-	418	14,191	4,623
Retentions payable	16,012	-	-	-
Due to other funds	-	9,253	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Total liabilities	16,012	20,295	27,813	8,113
Deferred inflows of resources:				
Unavailable revenue	-	54,405	-	-
Total deferred inflows of resources	-	54,405	-	-
Fund balances (deficit):				
Restricted	706,612	-	429,897	285,710
Assigned	-	-	-	-
Unassigned	-	(20,295)	-	-
Total fund balances (deficit)	706,612	(20,295)	429,897	285,710
Total liabilities, deferred inflows of resources and fund balances	\$ 722,624	54,405	457,710	293,823

Special Revenue Funds

Prop "C" Fund	Traffic Safety Fund	Air Pollution Reduction Fund	SB 821 Bikeway Fund	C.O.P.S. Fund
349,509	23,558	97,144	9,962	268,538
-	-	-	-	-
-	-	-	-	-
-	9,566	-	-	-
<u>349,509</u>	<u>33,124</u>	<u>97,144</u>	<u>9,962</u>	<u>268,538</u>
6,156	-	-	9,201	8,886
1,815	-	-	-	630
-	-	-	-	-
-	-	-	-	-
-	-	-	673	-
-	-	-	-	-
<u>7,971</u>	<u>-</u>	<u>-</u>	<u>9,874</u>	<u>9,516</u>
-	-	-	-	-
-	-	-	-	-
341,538	33,124	97,144	88	259,022
-	-	-	-	-
-	-	-	-	-
<u>341,538</u>	<u>33,124</u>	<u>97,144</u>	<u>88</u>	<u>259,022</u>
<u>349,509</u>	<u>33,124</u>	<u>97,144</u>	<u>9,962</u>	<u>268,538</u>

(Continued)

CITY OF EL SEGUNDO
Nonmajor Governmental Funds

Combining Balance Sheet

(Continued)

	Special Revenue Funds			
	Special Revenues/ Donations Fund	MTA Grant Fund	Measure R	Federal Grants
<u>Assets</u>				
Cash and investments	2,041,599	243,458	168,816	-
Receivables:				
Accounts	8,699	-	-	-
Notes and loans	-	-	-	-
Due from other governments	-	-	1,452,392	12,497
Total assets	2,050,298	243,458	1,621,208	12,497
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	11,470	-	1,091,632	-
Accrued liabilities	-	-	-	-
Retentions payable	-	-	65,613	-
Due to other funds	-	-	-	13,960
Unearned revenues	-	243,458	-	-
Deposits payable	110,592	-	-	-
Total liabilities	122,062	243,458	1,157,245	13,960
Deferred inflows of resources:				
Unavailable revenue	-	-	1,436,668	12,497
Total deferred inflows of resources	-	-	1,436,668	12,497
Fund balances (deficit):				
Restricted	1,928,236	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(972,705)	(13,960)
Total fund balances (deficit)	1,928,236	-	(972,705)	(13,960)
Total liabilities, deferred inflows of resources and fund balances	2,050,298	243,458	1,621,208	12,497

<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<u>State Grants</u>	<u>Facility Lease Fund</u>	<u>Capital Improvements Fund</u>	<u>Total</u>
133,333	370,827	1,148,401	6,245,545
-	-	355,884	364,885
-	-	-	54,405
<u>13,612</u>	<u>-</u>	<u>5,326</u>	<u>1,576,848</u>
<u>146,945</u>	<u>370,827</u>	<u>1,509,611</u>	<u>8,241,683</u>
14,949	-	41,578	1,211,608
4,754	-	-	26,431
-	-	147,061	228,686
-	-	-	23,213
88,759	-	140,614	473,504
<u>-</u>	<u>-</u>	<u>-</u>	<u>110,592</u>
<u>108,462</u>	<u>-</u>	<u>329,253</u>	<u>2,074,034</u>
<u>12,705</u>	<u>-</u>	<u>2,613</u>	<u>1,518,888</u>
<u>12,705</u>	<u>-</u>	<u>2,613</u>	<u>1,518,888</u>
25,778	-	-	4,107,149
-	370,827	1,177,745	1,548,572
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,006,960)</u>
<u>25,778</u>	<u>370,827</u>	<u>1,177,745</u>	<u>4,648,761</u>
<u>146,945</u>	<u>370,827</u>	<u>1,509,611</u>	<u>8,241,683</u>

CITY OF EL SEGUNDO
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2013

	Special Revenue Funds			
	State Gas Tax Fund	Community Development Block Grant Fund	Asset Forfeiture Fund	Prop "A" Fund
Revenues:				
Intergovernmental	\$ 423,984	12,759	-	270,800
Use of money and property	1,645	-	143	192
Fines and forfeitures	-	-	299,062	-
Miscellaneous	-	-	302	-
	<u>425,629</u>	<u>12,759</u>	<u>299,507</u>	<u>270,992</u>
Total revenues				
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	941,348	-
Public works	123,583	-	-	-
Community and cultural	-	74,813	-	268,862
Capital outlay	320,375	-	5,075	-
	<u>443,958</u>	<u>74,813</u>	<u>946,423</u>	<u>268,862</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(18,329)</u>	<u>(62,054)</u>	<u>(646,916)</u>	<u>2,130</u>
Other financing sources (uses):				
Transfers in	5,047	43,850	-	-
Transfers out	(174,000)	-	-	-
	<u>(168,953)</u>	<u>43,850</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	(187,282)	(18,204)	(646,916)	2,130
Fund balances (deficit) at beginning of year	<u>893,894</u>	<u>(2,091)</u>	<u>1,076,813</u>	<u>283,580</u>
Fund balances (deficit) at end of year	<u>\$ 706,612</u>	<u>(20,295)</u>	<u>429,897</u>	<u>285,710</u>

Special Revenue Funds

Prop "C" Fund	Traffic Safety Fund	Air Pollution Reduction Fund	SB 821 Bikeway Fund	C.O.P.S. Fund
224,409	-	20,170	19,438	100,000
(40)	4	86	68	33
-	114,787	-	-	-
-	-	-	-	-
<u>224,369</u>	<u>114,791</u>	<u>20,256</u>	<u>19,506</u>	<u>100,033</u>
-	-	-	-	-
-	-	-	-	41,582
-	-	-	19,437	-
109,837	-	-	-	-
-	-	-	-	56,176
<u>109,837</u>	<u>-</u>	<u>-</u>	<u>19,437</u>	<u>97,758</u>
-	-	-	-	-
<u>114,532</u>	<u>114,791</u>	<u>20,256</u>	<u>69</u>	<u>2,275</u>
-	-	-	-	-
<u>(460,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
<u>(460,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(345,468)	(85,209)	20,256	69	2,275
<u>687,006</u>	<u>118,333</u>	<u>76,888</u>	<u>19</u>	<u>256,747</u>
<u>341,538</u>	<u>33,124</u>	<u>97,144</u>	<u>88</u>	<u>259,022</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	-	167,599	211,274
Use of money and property	-	(1,024)	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
	-	166,575	211,274
Total Revenues	-	166,575	211,274
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	9,318
Public works	-	135,898	8,711
Community and cultural	7,030	-	-
Capital outlay	-	1,326,017	-
	7,030	1,461,915	18,029
Total expenditures	7,030	1,461,915	18,029
Excess (deficiency) of revenues over (under) expenditures:	(7,030)	(1,295,340)	193,245
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(7,030)	(1,295,340)	193,245
Fund balances (deficit) at beginning of year	1,935,266	322,635	(207,205)
Fund balances (deficit) at end of year	1,928,236	(972,705)	(13,960)

<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
State Grants	Facility Lease Fund	Capital Improvements Fund	Total
78,558	-	217,510	1,746,501
-	-	-	1,107
-	-	-	413,849
-	186,664	-	186,966
<u>78,558</u>	<u>186,664</u>	<u>217,510</u>	<u>2,348,423</u>
-	538,296	-	538,296
-	-	-	992,248
-	-	588,978	876,607
87,644	-	-	548,186
-	-	301,096	2,008,739
<u>87,644</u>	<u>538,296</u>	<u>890,074</u>	<u>4,964,076</u>
<u>(9,086)</u>	<u>(351,632)</u>	<u>(672,564)</u>	<u>(2,615,653)</u>
-	-	1,452,000	1,500,897
-	-	(3,441,000)	(4,275,000)
-	-	(1,989,000)	(2,774,103)
(9,086)	(351,632)	(2,661,564)	(5,389,756)
<u>34,864</u>	<u>722,459</u>	<u>3,839,309</u>	<u>10,038,517</u>
<u>25,778</u>	<u>370,827</u>	<u>1,177,745</u>	<u>4,648,761</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

State Gas Tax Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 893,894	893,894	-
Resources (inflows):			
Intergovernmental	436,300	423,984	(12,316)
Use of money and property	-	1,645	1,645
Transfer in	<u>5,047</u>	<u>5,047</u>	<u>-</u>
Amounts available for appropriation	<u>1,335,241</u>	<u>1,324,570</u>	<u>(10,671)</u>
Charges to appropriation (outflows):			
Public works	119,561	123,583	(4,022)
Community and cultural	-	-	-
Capital outlay	336,567	320,375	16,192
Transfer out	<u>174,000</u>	<u>174,000</u>	<u>-</u>
Total charges to appropriations	<u>630,128</u>	<u>617,958</u>	<u>12,170</u>
Budgetary fund balance, September 30	<u>\$ 705,113</u>	<u>706,612</u>	<u>1,499</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Community Development Block Grant Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ (2,091)	(2,091)	-
Resources (inflows):			
Intergovernmental	10,000	12,759	2,759
Transfer in	<u>43,850</u>	<u>43,850</u>	<u>-</u>
Amounts available for appropriation	<u>51,759</u>	<u>54,518</u>	<u>2,759</u>
Charges to appropriation (outflows):			
Community and cultural	<u>99,893</u>	<u>74,813</u>	<u>25,080</u>
Total charges to appropriations	<u>99,893</u>	<u>74,813</u>	<u>25,080</u>
Budgetary fund balance (deficit), September 30	<u>\$ (48,134)</u>	<u>(20,295)</u>	<u>27,839</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Asset Forfeiture Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 1,076,813	1,076,813	-
Resources (inflows):			
Use of money and property	6,800	143	(6,657)
Fines and forfeitures	-	299,062	299,062
Miscellaneous	<u>-</u>	<u>302</u>	<u>302</u>
Amounts available for appropriation	<u>1,083,613</u>	<u>1,376,320</u>	<u>292,707</u>
Charges to appropriation (outflows):			
Public safety	1,293,470	941,348	352,122
Capital outlay	<u>40,800</u>	<u>5,075</u>	<u>35,725</u>
Total charges to appropriations	<u>1,334,270</u>	<u>946,423</u>	<u>387,847</u>
Budgetary fund balance, September 30	<u>\$ (250,657)</u>	<u>429,897</u>	<u>680,554</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Prop "A" Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 283,580	283,580	-
Resources (inflows):			
Intergovernmental	245,000	270,800	25,800
Use of money and property	<u>1,800</u>	<u>192</u>	<u>(1,608)</u>
Amounts available for appropriation	<u>530,380</u>	<u>554,572</u>	<u>24,192</u>
Charges to appropriation (outflows):			
Community and cultural	<u>311,400</u>	<u>268,862</u>	<u>42,538</u>
Total charges to appropriations	<u>311,400</u>	<u>268,862</u>	<u>42,538</u>
Budgetary fund balance, September 30	<u>\$ 218,980</u>	<u>285,710</u>	<u>66,730</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Prop "C" Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 687,006	687,006	-
Resources (inflows):			
Intergovernmental	202,000	224,409	22,409
Use of money and property	<u>3,100</u>	<u>(40)</u>	<u>(3,140)</u>
Amounts available for appropriation	<u>892,106</u>	<u>911,375</u>	<u>19,269</u>
Charges to appropriation (outflows):			
Community and cultural	166,516	109,837	56,679
Transfer out	<u>460,000</u>	<u>460,000</u>	<u>-</u>
Total charges to appropriations	<u>626,516</u>	<u>569,837</u>	<u>56,679</u>
Budgetary fund balance, September 30	<u>\$ 265,590</u>	<u>341,538</u>	<u>75,948</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Traffic Safety Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 118,333	118,333	-
Resources (inflows):			
Use of money and property	800	4	(796)
Fines and forfeitures	<u>148,400</u>	<u>114,787</u>	<u>(33,613)</u>
Amounts available for appropriation	<u>267,533</u>	<u>233,124</u>	<u>(34,409)</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>\$ 67,533</u>	<u>33,124</u>	<u>(34,409)</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Air Pollution Reduction Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 76,888	76,888	-
Resources (inflows):			
Intergovernmental	20,000	20,170	170
Use of money and property	<u>400</u>	<u>86</u>	<u>(314)</u>
Amounts available for appropriation	<u>97,288</u>	<u>97,144</u>	<u>(144)</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>\$ 97,288</u>	<u>97,144</u>	<u>(144)</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

SB 821 Bikeway Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 19	19	-
Resources (inflows):			
Intergovernmental	9,723	19,438	9,715
Use of money and property	<u>-</u>	<u>68</u>	<u>68</u>
Amounts available for appropriation	<u>9,742</u>	<u>19,525</u>	<u>9,783</u>
Charges to appropriation (outflows):			
Public works	<u>39,347</u>	<u>19,437</u>	<u>19,910</u>
Total charges to appropriations	<u>39,347</u>	<u>19,437</u>	<u>19,910</u>
Budgetary fund balance (deficit), September 30	<u>\$ (29,605)</u>	<u>88</u>	<u>29,693</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

C.O.P.S. Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 256,747	256,747	-
Resources (inflows):			
Intergovernmental	-	100,000	100,000
Use of money and property	<u>-</u>	<u>33</u>	<u>33</u>
Amounts available for appropriation	<u>256,747</u>	<u>356,780</u>	<u>100,033</u>
Charges to appropriation (outflows):			
Public safety	22,493	41,582	(19,089)
Capital outlay	<u>101,399</u>	<u>56,176</u>	<u>45,223</u>
Total charges to appropriations	<u>123,892</u>	<u>97,758</u>	<u>26,134</u>
Budgetary fund balance, September 30	<u>\$ 132,855</u>	<u>259,022</u>	<u>126,167</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

FEMA Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance (deficit), October 1	\$ -	-	-
Resources (inflows):			
Taxes	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Use of money and property	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Transfer in	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>-</u>
Charges to appropriation (outflows):			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Community and cultural	-	-	-
Capital outlay	-	-	-
Transfer out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance (deficit), September 30	<u>\$ -</u>	<u>-</u>	<u>-</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund
 Special Revenues/Donations Fund
 Budgetary Comparison Schedule
 Year Ended September 30, 2013

	<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>7,030</u>	<u>(7,030)</u>
Total charges to appropriations	<u>-</u>	<u>7,030</u>	<u>(7,030)</u>
Budgetary fund balance, September 30	<u><u>\$ 1,935,266</u></u>	<u><u>1,928,236</u></u>	<u><u>(7,030)</u></u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

MTA Grant Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ -	-	-
Resources (inflows):			
Taxes	-	-	-
Licenses and permits	-	-	-
Intergovernmental	<u>243,458</u>	<u>-</u>	<u>(243,458)</u>
Charges for services	-	-	-
Use of money and property	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>
Amounts available for appropriation	<u>243,458</u>	<u>-</u>	<u>(243,458)</u>
Charges to appropriation (outflows):			
General government	-	-	-
Public safety	-	-	-
Public works	<u>243,458</u>	<u>-</u>	<u>243,458</u>
Community and cultural	-	-	-
Capital outlay	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>243,458</u>	<u>-</u>	<u>243,458</u>
Budgetary fund balance, September 30	<u><u>\$ -</u></u>	<u><u>-</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, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 322,635	322,635	-
Resources (inflows):			
Intergovernmental	-	167,599	167,599
Use of money and property	<u>-</u>	<u>(1,024)</u>	<u>(1,024)</u>
Amounts available for appropriation	<u>322,635</u>	<u>489,210</u>	<u>166,575</u>
Charges to appropriation (outflows):			
Public works	135,227	135,898	(671)
Capital outlay	<u>2,669,349</u>	<u>1,326,017</u>	<u>1,343,332</u>
Total charges to appropriations	<u>2,804,576</u>	<u>1,461,915</u>	<u>1,342,661</u>
Budgetary fund balance (deficit), September 30	<u><u>\$(2,481,941)</u></u>	<u><u>(972,705)</u></u>	<u><u>1,509,236</u></u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Federal Grants Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ (207,205)	(207,205)	-
Resources (inflows):			
Intergovernmental	<u>36,940</u>	<u>211,274</u>	<u>174,334</u>
Amounts available for appropriation	<u>(170,265)</u>	<u>4,069</u>	<u>174,334</u>
Charges to appropriation (outflows):			
Public safety	36,940	9,318	27,622
Public works	<u>24,956</u>	<u>8,711</u>	<u>16,245</u>
Total charges to appropriations	<u>61,896</u>	<u>18,029</u>	<u>43,867</u>
Budgetary fund balance (deficit), September 30	<u>\$ (232,161)</u>	<u>(13,960)</u>	<u>218,201</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

State Grants Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 34,864	34,864	-
Resources (inflows):			
Intergovernmental	<u>49,612</u>	<u>78,558</u>	<u>28,946</u>
Amounts available for appropriation	<u>84,476</u>	<u>113,422</u>	<u>28,946</u>
Charges to appropriation (outflows):			
Community and cultural	<u>61,962</u>	<u>87,644</u>	<u>(25,682)</u>
Total charges to appropriations	<u>61,962</u>	<u>87,644</u>	<u>(25,682)</u>
Budgetary fund balance (deficit), September 30	<u>\$ 22,514</u>	<u>25,778</u>	<u>3,264</u>

CITY OF EL SEGUNDO
 Non-Major Capital Projects Fund

Capital Improvement Fund

Budgetary Comparison Schedule

Year Ended September 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance (deficit), October 1	\$ 3,839,309	3,839,309	-
Resources (inflows):			
Intergovernmental	-	217,510	217,510
Transfer in	<u>1,452,000</u>	<u>1,452,000</u>	<u>-</u>
Amounts available for appropriation	<u>5,291,309</u>	<u>5,508,819</u>	<u>217,510</u>
Charges to appropriation (outflows):			
Public works	973,280	588,978	384,302
Capital outlay	1,039,999	301,096	738,903
Transfer out	<u>3,441,000</u>	<u>3,441,000</u>	<u>-</u>
Total charges to appropriations	<u>5,454,279</u>	<u>4,331,074</u>	<u>1,123,205</u>
Budgetary fund balance, September 30	<u>\$ (162,970)</u>	<u>1,177,745</u>	<u>1,340,715</u>

CITY OF EL SEGUNDO

Internal Service Funds

Combining Statement of Net Position

September 30, 2013

	Equipment Replacement <u>Fund</u>	Liability Insurance <u>Fund</u>	Workers' Compensation <u>Fund</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 833,879	421,600	6,388,893	7,644,372
Receivables:				
Accounts	-	-	99,760	99,760
Due from other governments	5,760	-	-	5,760
Advance to other funds	3,893,254	-	-	3,893,254
Prepays	<u>1,175,543</u>	<u>462,429</u>	<u>249,980</u>	<u>1,887,952</u>
Total current assets	<u>5,908,436</u>	<u>884,029</u>	<u>6,738,633</u>	<u>13,531,098</u>
Noncurrent assets:				
Capital assets, net	<u>1,881,521</u>	-	-	<u>1,881,521</u>
Total assets	<u>7,789,957</u>	<u>884,029</u>	<u>6,738,633</u>	<u>15,412,619</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	104,745	86,442	526	191,713
Accrued liabilities	-	12,570	112,952	125,522
Claims and judgments, current portion	<u>-</u>	<u>274,000</u>	<u>974,000</u>	<u>1,248,000</u>
Total current liabilities	<u>104,745</u>	<u>373,012</u>	<u>1,087,478</u>	<u>1,565,235</u>
Noncurrent liabilities:				
Claims and judgments, net of current	<u>-</u>	<u>1,291,412</u>	<u>6,162,421</u>	<u>7,453,833</u>
Total liabilities	<u>104,745</u>	<u>1,664,424</u>	<u>7,249,899</u>	<u>9,019,068</u>
<u>Net position</u>				
Net position:				
Investment in capital assets	1,881,521	-	-	1,881,521
Unrestricted	<u>5,803,691</u>	<u>(780,395)</u>	<u>(511,266)</u>	<u>4,512,030</u>
Total net position	<u>\$ 7,685,212</u>	<u>(780,395)</u>	<u>(511,266)</u>	<u>6,393,551</u>

CITY OF EL SEGUNDO

Internal Service Funds

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

Year Ended September 30, 2013

	<u>Equipment Replacement Fund</u>	<u>Liability Insurance Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
Operating revenues:				
Interdepartmental charges	\$ 92,200	643,600	2,113,050	2,848,850
Miscellaneous	<u>5,760</u>	<u>-</u>	<u>194,467</u>	<u>200,227</u>
Total operating revenues	<u>97,960</u>	<u>643,600</u>	<u>2,307,517</u>	<u>3,049,077</u>
Operating expenses:				
Personnel services	-	101,820	69,577	171,397
Materials and supplies	269,458	-	7,715	277,173
Insurance and claims	-	2,125,032	2,641,603	4,766,635
Depreciation	<u>542,434</u>	<u>-</u>	<u>-</u>	<u>542,434</u>
Total operating expenses	<u>811,892</u>	<u>2,226,852</u>	<u>2,718,895</u>	<u>5,757,639</u>
Operating income (loss)	<u>(713,932)</u>	<u>(1,583,252)</u>	<u>(411,378)</u>	<u>(2,708,562)</u>
Transfers:				
Transfers out	<u>(440,000)</u>	<u>-</u>	<u>-</u>	<u>(440,000)</u>
Total transfers	<u>(440,000)</u>	<u>-</u>	<u>-</u>	<u>(440,000)</u>
Change in net position	(1,153,932)	(1,583,252)	(411,378)	(3,148,562)
Net position at beginning of year	<u>8,839,144</u>	<u>802,857</u>	<u>(99,888)</u>	<u>9,542,113</u>
Net position at end of year	<u>\$ 7,685,212</u>	<u>(780,395)</u>	<u>(511,266)</u>	<u>6,393,551</u>

CITY OF EL SEGUNDO

Internal Service Funds

Combining Statement of Cash Flows

Year Ended September 30, 2013

	<u>Equipment Replacement Fund</u>	<u>Liability Insurance Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from user departments	\$ 97,960	650,372	2,251,505	2,999,837
Cash payments to suppliers for goods and services	(1,447,511)	(1,299,838)	(1,969,240)	(4,716,589)
Cash payments to employees for services	<u>-</u>	<u>(101,365)</u>	<u>(68,852)</u>	<u>(170,217)</u>
Net cash provided by (used for) operating activities	<u>(1,349,551)</u>	<u>(750,831)</u>	<u>213,413</u>	<u>(1,886,969)</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	2,039,240	-	-	2,039,240
Cash paid to other funds	<u>(440,000)</u>	<u>-</u>	<u>-</u>	<u>(440,000)</u>
Net cash provided by (used for) noncapital financing activities	<u>1,599,240</u>	<u>-</u>	<u>-</u>	<u>1,599,240</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	<u>(215,470)</u>	<u>-</u>	<u>-</u>	<u>(215,470)</u>
Net cash provided by (used for) capital and related financing activities	<u>(215,470)</u>	<u>-</u>	<u>-</u>	<u>(215,470)</u>
Net increase in cash and cash equivalents	34,219	(750,831)	213,413	(503,199)
Cash and cash equivalents at beginning of year	<u>799,660</u>	<u>1,172,431</u>	<u>6,175,480</u>	<u>8,147,571</u>
Cash and cash equivalents at end of year	<u>\$ 833,879</u>	<u>421,600</u>	<u>6,388,893</u>	<u>7,644,372</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (713,932)	(1,583,252)	(411,378)	(2,708,562)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	542,434	-	-	542,434
(Increase) decrease in accounts receivable	-	6,772	(56,012)	(49,240)
(Increase) decrease in prepaids	(1,175,542)	(66,403)	(23,824)	(1,265,769)
Increase (decrease) in accounts payable	(2,511)	66,595	(9,946)	54,138
Increase (decrease) in accrued liabilities	-	455	725	1,180
Increase (decrease) in claims and judgments payable	<u>-</u>	<u>825,002</u>	<u>713,848</u>	<u>1,538,850</u>
Net cash provided by (used for) operating activities	<u>\$ (1,349,551)</u>	<u>(750,831)</u>	<u>213,413</u>	<u>(1,886,969)</u>

CITY OF EL SEGUNDO

Agency Fund

Statement of Changes in Assets and Liabilities

Year Ended September 30, 2013

	<u>Balance at</u> <u>October 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>September 30, 2013</u>
<u>Assets</u>				
Cash and investments	\$ -	59,248	-	59,248
Receivables:				
Accounts	<u>\$ 114,763</u>	<u>-</u>	<u>-</u>	<u>114,763</u>
Total assets	<u>\$ 114,763</u>	<u>59,248</u>	<u>-</u>	<u>174,011</u>
<u>Liabilities</u>				
Accounts payable	\$ 53,600	-	11,870	41,730
Due to other funds	7,975	-	7,975	-
Deposits	<u>53,188</u>	<u>79,093</u>	<u>-</u>	<u>132,281</u>
Total liabilities	<u>\$ 114,763</u>	<u>79,093</u>	<u>19,845</u>	<u>174,011</u>

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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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	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	94,098,755
Restricted	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	6,276,645
Unrestricted	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	15,050,409
Total governmental activities net assets	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	115,425,809
Business-type activities:										
Net investment in capital assets	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	20,675,297
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(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	7,484,917
Total business-type activities net assets	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	28,160,214
Primary government:										
Net investment in capital assets	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	114,774,052
Restricted	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	6,276,645
Unrestricted	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	22,535,326
Total primary government net position	148,664,783	144,015,263	155,593,853	158,819,199	172,906,884	162,489,379	149,895,666	147,646,650	142,864,903	143,586,023

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 Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government	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	12,048,465
Public safety	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	32,790,373
Public works	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	9,123,850
Community development	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	15,681,868
Interest on long-term debt	141,320	286,221	121,171	262,544	412,436	382,625	324,119	258,581	16,182	(15,914)
Total governmental activities expenses	<u>45,744,575</u>	<u>50,386,117</u>	<u>54,789,511</u>	<u>67,362,151</u>	<u>72,098,308</u>	<u>72,527,337</u>	<u>68,584,734</u>	<u>60,798,581</u>	<u>66,658,282</u>	<u>69,628,642</u>
Business-type activities:										
Water	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	21,988,089
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	2,908,241
Golf Course	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	2,017,716
Total business-type activities expenses	<u>15,006,343</u>	<u>17,278,577</u>	<u>17,268,130</u>	<u>17,773,631</u>	<u>18,942,748</u>	<u>21,047,177</u>	<u>26,424,050</u>	<u>24,701,901</u>	<u>26,954,922</u>	<u>26,914,046</u>
Total primary government expenses	<u>60,750,918</u>	<u>67,664,694</u>	<u>72,057,641</u>	<u>85,135,782</u>	<u>91,041,056</u>	<u>93,574,514</u>	<u>95,008,784</u>	<u>85,500,482</u>	<u>93,613,204</u>	<u>96,542,688</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	107,728	118,559	100,489	113,309	806,733	1,021,661	299,202	457,671	581,718	419,008
Public safety	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	1,663,384
Public works	1,077,681	965	1,135	792	10,486	13,099	20,331	32,102	15,190	14,262
Community development	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	5,030,006
Operating grants and contributions	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	2,699,324
Capital grants and contributions	1,834,825	3,042,974	17,360,670	10,875,311	20,921,140	3,264,022	16,013,471	595,807	7,815,456	7,646,118
Total governmental activities program revenues	<u>8,755,570</u>	<u>9,084,523</u>	<u>24,198,879</u>	<u>19,097,985</u>	<u>33,397,794</u>	<u>13,960,243</u>	<u>23,583,001</u>	<u>8,872,331</u>	<u>16,570,857</u>	<u>17,472,102</u>
Business-type activities:										
Charges for services:										
Water	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	25,048,713
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	3,574,272
Golf Course	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	2,111,937
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>13,708,999</u>	<u>15,852,806</u>	<u>15,198,762</u>	<u>17,385,168</u>	<u>19,627,641</u>	<u>21,323,254</u>	<u>24,843,215</u>	<u>29,020,594</u>	<u>28,500,713</u>	<u>30,734,922</u>
Total primary government program revenues	<u>22,464,569</u>	<u>24,937,329</u>	<u>39,397,641</u>	<u>36,483,153</u>	<u>53,025,435</u>	<u>35,283,497</u>	<u>48,426,216</u>	<u>37,892,925</u>	<u>45,071,570</u>	<u>48,207,024</u>
Net revenues (expenses):										
Governmental activities	(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)	(52,156,540)
Business-type activities	(1,297,344)	(1,425,771)	(2,069,368)	(388,463)	684,893	276,077	(1,580,835)	4,318,693	1,545,791	3,820,876
Total net revenues (expenses)	<u>(38,286,349)</u>	<u>(42,727,365)</u>	<u>(32,660,000)</u>	<u>(48,652,629)</u>	<u>(38,015,621)</u>	<u>(58,291,017)</u>	<u>(46,582,568)</u>	<u>(47,607,557)</u>	<u>(48,541,634)</u>	<u>(48,335,664)</u>

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	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	7,910,980
Sales tax	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	9,099,745
Transient occupancy taxes	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	5,156,080
Other taxes	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	25,314,387
Motor vehicle in lieu, unrestricted	769,009	1,367,575	120,171	93,768	70,886	48,011	51,543	73,736	8,754	7,245
Investment income	1,060,204	844,238	2,354,908	3,420,487	(1,825,582)	3,241,784	836,001	925,388	393,719	113,173
Other general revenues	-	-	-	7,050	1,376,666	333,886	1,003,771	2,532,872	1,692,208	1,487,988
Transfers	(316,000)	(10,587,730)	795,000	-	-	(6,000)	-	-	-	-
Total governmental activities	39,183,504	31,612,863	45,114,449	50,876,718	45,874,090	47,650,106	41,705,456	45,325,405	43,406,748	49,089,598
Business-type activities:										
Investment income	(15,956)	37,573	(3,563)	4,595	10,256	(109,236)	96,668	-	99,690	21,378
Other	51,410	10,919	18,463	20,010	89,059	81,882	29,482	33,136	63,795	35,600
Transfers	316,000	10,587,730	(795,000)	-	-	6,000	-	-	-	-
Total business-type activities	351,454	10,636,222	(780,100)	24,605	99,315	(21,354)	126,150	33,136	163,485	56,978
Total primary government	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	49,146,576
Changes in net position:										
Governmental activities	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)	(3,066,942)
Business-type activities	(945,890)	9,210,451	(2,849,468)	(363,858)	784,208	254,723	(1,454,685)	4,351,829	1,709,276	3,877,854
Total primary government	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)	810,912

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									
	2004	2005	2006	2007	2008	2009	2010	2011 ¹	2012	2013
General fund:										
Reserved	770,099	1,260,821	1,617,474	1,328,063	971,743	5,088,566	326,005	-	-	-
Unreserved	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	1,873,812
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	892,810	445,114	2,049,483
Unassigned	-	-	-	-	-	-	-	5,315,133	7,839,124	12,664,755
Total general fund	<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>	<u>16,588,050</u>
All other governmental funds:										
Reserved	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	9,079,014	10,661,502	11,504,787	5,843,345	10,154,118	7,510,316	3,485,711	-	-	-
Debt Service funds	285,440	65,477	65,477	65,477	65,477	65,477	65,477	-	-	-
Capital projects funds	21,413,985	24,907,496	13,530,903	6,947,892	(4,662,793)	(3,242,872)	3,999,778	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	80
Restricted	-	-	-	-	-	-	-	6,091,731	5,798,088	4,196,184
Assigned	-	-	-	-	-	-	-	4,858,234	3,690,657	1,548,572
Unassigned	-	-	-	-	-	-	-	(2,091)	(2,752,409)	(3,779,255)
Total all other governmental funds	<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>	<u>1,985,581</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	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	37,452,888
Licenses and permits	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	11,624,026
Intergovernmental	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	9,811,864
Charges for services	4,275,963	2,666,584	3,610,900	4,261,714	4,600,659	4,169,268	3,517,010	4,320,364	5,220,234	4,958,310
Use of money and property	1,168,838	983,916	2,524,081	3,535,569	(1,616,003)	3,060,556	1,227,521	898,711	452,022	133,291
Fines and forfeitures	592,131	1,010,589	958,582	1,028,757	1,531,739	2,433,868	1,678,572	1,201,110	1,050,832	791,650
Other	1,617,107	1,712,930	3,177,497	3,566,400	2,199,327	1,152,558	1,187,008	3,348,096	1,826,973	2,074,386
Total revenues	48,251,044	50,555,868	69,003,412	67,812,595	72,889,770	68,786,603	65,294,820	58,848,924	56,220,110	66,846,415
Expenditures										
Current:										
General government	9,554,261	8,985,068	8,497,006	10,442,261	10,781,830	14,472,959	13,698,982	12,468,304	12,575,953	11,724,216
Public safety	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	31,145,703
Public works	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	6,300,670
Community and cultural	6,332,888	7,763,582	10,550,000	19,180,981	18,528,447	14,304,838	13,476,514	7,748,804	13,190,255	14,451,893
Capital outlay	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	2,015,459
Debt service:										
Principal retirement	1,205,096	209,632	21,009	248,144	256,199	-	-	-	-	-
Interest and fiscal charges	143,023	186,568	172,991	287,000	435,813	-	-	-	-	-
Total expenditures	57,781,067	49,786,932	72,924,077	86,275,331	76,315,527	76,771,137	67,873,684	58,598,145	63,791,780	65,637,940
Excess (deficiency) of revenues over (under) expenditures	(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)	1,208,475
Other financing sources (uses):										
Transfers in	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	8,455,512
Transfers out	(7,749,550)	(13,003,234)	(19,282,540)	(20,135,854)	(12,860,726)	(12,131,218)	(6,827,610)	(1,787,231)	(2,263,394)	(8,015,512)
Proceeds from loans	-	-	-	-	-	-	1,980,038	-	-	-
Capital leases issued	3,688,222	-	-	-	-	-	-	-	-	-
Long-term debt issued	-	10,000,000	-	-	-	-	-	-	-	-
Total other financing sources (uses)	3,597,222	9,445,200	585,000	(1,851,650)	(255,000)	1,649,800	5,510,588	1,400,000	800,000	440,000
Net change in fund balances	(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)	1,648,475
Debt service as a percentage of noncapital expenditures	2.89%	0.86%	0.37%	0.81%	0.98%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF EL SEGUNDO
Top Sales Tax Producers
September 30, 2013

<u>Business Name</u>	<u>Business Category</u>
Accuvant	Information Technology
Best Buy	Electronics/Appliance Stores
Bobs Union	Service Station
Boeing Company	Transportation Equipment Manufacturing
BT Americas/Infonet USA	InformationTechnology
Chevron	Refinery
Circle K	Service Stations
Dermstore LLC	Specialty Stores
Dicks Sporting Goods	Sporting Goods/Bike Stores
El Segundo Chevron	Service Stations
Flemings Steakhouse	Restaurant
Home Goods	Home Furnishings Stores
Interior Fabulous	Office Furniture Store
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
Primary Color Systems	Graphic Arts Services
Ralphs	Grocery Stores - Liquor
Raytheon Company	Aerospace
Sensa Products	Specialty Stores
Sun Microsystems	Information Technology
Trace3	Information Technology
Whole Foods Market	Grocery Stores-Beer/Wine

Note: Percent of Fiscal Year Total Paid by Top 25 accounts - 65.5%

*Firms Listed Alphabetically. (Period October 2012 - September 2013)

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	2013			2003		
	Assessed Value	Rank	Percent of Total City Assessed Value	Assessed Value	Rank	Percent of Total City Assessed Value
Chevron USA Inc	\$ 1,967,602,556	1	20.28%	1,900,755,392	1	24.27%
Hughes Aircraft/Raytheon	602,105,979	2	6.21%	461,257,484	3	5.89%
Boeing Company	350,488,014	3	3.61%	-	-	0.00%
Aerospace Corporation	280,300,856	4	2.89%	113,665,708	8	1.45%
Northrup Grumman Systems	256,639,310	5	2.65%	200,668,448	5	2.56%
Pacific Corporate Towers LLC	165,234,959	6	1.70%	143,263,995	6	1.83%
Kilroy Realty Finance Partnership	162,448,749	7	1.67%	117,302,194	7	1.50%
Pes Partners LLC	151,853,343	8	1.57%	-	-	0.00%
Hines Reit El Segundo LP	125,489,981	9	1.29%	-	-	0.00%
Mattel Inc	109,529,812	10	1.13%	99,080,165	9	1.26%
Raytheon Company	-	-	-	669,403,426	2	8.55%
DirecTV Operations Inc.	-	-	-	232,747,132	4	2.97%
Infonet Services Corporation	-	-	-	97,383,217	10	1.24%
	<u>\$ 4,171,693,559</u>		<u>43.00%</u>	<u>4,035,527,161</u>		<u>51.52%</u>

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		
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%
2013	8,278,135	1,423,110		9,701,245	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>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>	<u>2013</u>
City Direct Rates:										
General	<u>1.00000</u>									
Total City Direct Rate	<u>1.00000</u>									
Overlapping Rates:										
Metropolitan Water District	<u>0.00610</u>	<u>0.00520</u>	<u>0.00470</u>	<u>0.00450</u>	<u>0.00450</u>	<u>0.00430</u>	<u>0.00430</u>	<u>0.00370</u>	<u>0.00370</u>	<u>0.00350</u>
County Flood Control	<u>0.00046</u>	<u>0.00005</u>	<u>0.00052</u>	<u>0.00000</u>						
El Segundo Unified School District	<u>0.11170</u>									
City of El Segundo	<u>0.00000</u>									
Los Angeles County	<u>0.00990</u>	<u>0.00080</u>	<u>0.00066</u>	<u>0.00000</u>						
Total Direct Rate	<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>	<u>1.11520</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
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%
2013	6,277,523	6,144,309	97.88%	0	6,144,309	97.88%

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		
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%	-
2013	-	-	-	-	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.

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	
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
2013	-	-	-	10,615,488	10,615,488

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

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			
2004	3,186,522	-	3,186,522	5,949,648	1.8%	172
2005	2,938,400	-	2,938,400	15,491,894	4.3%	424
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%	352
2008	1,727,846	-	1,727,846	11,775,950	2.9%	280
2009	1,240,683	-	1,240,683	11,024,238	2.8%	273
2010	777,301	-	777,301	12,267,685	3.0%	298
2011	285,586	-	285,586	11,493,777	2.7%	268
2012	-	-	-	10,916,677	2.5%	245
2013	-	-	-	10,615,488	2.4%	236

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, 2013

<u>2012-13 City Assessed Valuation:</u>		<u>\$9,701,244,855</u>		
	<u>Percentage Applicable ¹</u>	<u>Total Debt 9/30/13</u>	<u>Exclusions</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
DIRECT DEBT:		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL DIRECT DEBT		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OVERLAPPING DEBT:				
Los Angeles County Flood Control District	0.802%	\$19,770,000	\$19,611,445	\$ 158,555
Metropolitan Water District	0.462%	165,085,000	164,322,307	762,693
El Camino Community College District	11.851%	334,051,264	294,462,849	39,588,415
El Segundo Unified School District	100.000%	46,185,825	0	46,185,825
Centinela Valley Union High School District	33.030%	188,233,832	126,060,197	62,173,635
Wiseburn School District	71.906%	143,542,601	40,326,858	103,215,743
L.A.County Regional Park and Open Space A.D.	0.891%	142,870,000	141,597,028	1,272,972
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 1,039,738,522</u>	<u>\$ 786,380,684</u>	<u>\$ 253,357,838</u>
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:				
Los Angeles County General Fund Obligations	0.891%	\$ 1,701,925,625	\$ 1,686,761,468	\$ 15,164,157
Los Angeles County Superintendent of Schools COP'S	0.891%	9,529,882	9,444,971	84,911
Centinela Valley Union High School District COP'S	33.030%	6,980,000	4,674,506	2,305,494
L.A.County Sanitation District No. 5 Authority	4.833%	39,570,833	37,658,375	1,912,458
L.A.County Sanitation District South Bay Cities Authority	0.105%	6,742,050	6,734,971	7,079
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$1,764,748,390</u>	<u>\$ 1,745,274,291</u>	<u>\$ 19,474,099</u>
Less: Los Angeles County General Fund Obligations supported by landfill revenues	0.0891%	5,491,807	5,442,875	48,932
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$1,759,256,583</u>	<u>\$1,739,831,416</u>	<u>\$19,425,167</u>
Total Gross Overlapping Debt		<u>\$ 2,804,486,912</u>	<u>\$ 2,531,654,975</u>	<u>\$ 272,831,937</u>
Total Net Overlapping Debt		<u>\$ 2,798,995,105</u>	<u>\$ 2,526,212,100</u>	<u>\$ 272,783,005</u>
Gross Combined Total Debt		<u>\$ 2,804,486,912</u>	<u>\$ 2,531,654,975</u>	<u>\$ 272,831,937 ²</u>
Net Combined Total Debt		<u>\$ 2,798,995,105</u>	<u>\$ 2,526,212,100</u>	<u>\$ 272,783,005</u>

¹ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.61%
Total Direct Debt.....	0.00%
Gross Combined Total Debt.....	2.81%
Net Combined Total Debt.....	2.81%

Source: California Municipal Statistics, Inc.

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

	Fiscal Year				
	2003-04	2004-05	2005-06	2006-07	2007-08
Assessed valuation	\$ 7,809,395,740	\$ 7,854,282,360	\$ 8,057,061,507	\$ 8,302,898,491	\$ 8,948,236,979
Conversion percentage	25%	25%	25%	25%	25%
Assessed valuation	1,952,348,935	1,963,570,590	2,014,265,377	2,075,724,623	2,237,059,245
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	292,852,340	294,535,589	302,139,807	311,358,693	335,558,887
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	\$ 292,852,340	\$ 294,535,589	\$ 302,139,807	\$ 311,358,693	\$ 335,558,887
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							
		2008-09	2009-10	2010-11	2011-12	2012-13			
\$	9,659,898,923	\$	9,910,500,695	\$	9,611,283,541	\$	9,324,417,663	\$	9,701,244,855
	<u>25%</u>		<u>25%</u>		<u>25%</u>		<u>25%</u>		<u>25%</u>
	2,414,974,731		2,477,625,174		2,402,820,885		2,331,104,416		2,425,311,214
	<u>15%</u>		<u>15%</u>		<u>15%</u>		<u>15%</u>		<u>15%</u>
	362,246,210		371,643,776		360,423,133		349,665,662		363,796,682
	-		-		-		-		-
\$	<u>362,246,210</u>	\$	<u>371,643,776</u>	\$	<u>360,423,133</u>	\$	<u>349,665,662</u>	\$	<u>363,796,682</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 (2)
2004	16,861	338,700	34,584	6.5%
2005	17,024	357,300	36,513	5.4%
2006	16,965	384,400	39,471	4.8%
2007	17,076	397,900	41,016	5.1%
2008	17,002	410,000	42,114	7.5%
2009	16,999	394,900	40,351	11.6%
2010	17,049	404,000	41,113	12.6%
2011	16,708	424,800	42,953	12.3%
2012	16,720	443,100	44,474	11.0%
2013	16,804	451,100	44,919	9.8%

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) LAEDC Outlook for Los Angeles County (data shown is for Los Angeles County and restated prior years due to the data's annual revision).

CITY OF EL SEGUNDO

Principal Employers

Current Year and Seven Years Ago

Employer	2013			2006		
	Number of Employees	Percent of Total Employment	Rank	Number of Employees	Percent of Total Employment ¹	Rank
Raytheon Company	6,117	11.64%	1	8,594	0.00%	1
Boeing Satellite Systems Inc.	5,229	9.95%	2	5,960	0.00%	2
Northrop Grumman Corporation	3,572	6.80%	3	5,555	0.00%	3
The Aerospace Corporation	2,580	4.91%	4	2,847	0.00%	4
The DirecTV Group Inc.	2,864	5.45%	5	1,268	0.00%	6
Mattel	1,857	3.53%	6	1,737	0.00%	5
Chevron Products Company/USA Inc.	1,166	2.22%	7	1,062	0.00%	7
Accenture	964	1.83%	8	753	0.00%	8
Time Warner Cable/Sports	661	1.26%	9	N/A	0.00%	-
Carsdirect.com	442	0.84%	10	N/A	0.00%	-
Teledyne Controls	391	0.74%	11	N/A	0.00%	-
International Rectifier Corporation	370	0.70%	12	708	0.00%	10
Big 5	364	0.69%	13	N/A	0.00%	-
Karl Storz Endoscopy America Inc	328	0.62%	14	N/A	0.00%	-
Team One Advertising	296	0.56%	15	N/A	0.00%	-

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	54	55	52	52	65	65	52	51	51	52
Public Safety	148	148	147	147	181	178	177	157	150	153
Public Works	32	32	33	33	22	27	18	18	17	18
Community & Cultural	138	138	140	110	75	78	73	81	83	77
Water	10	11	11	11	10	10	11	11	9	9
Sewer	6	6	6	6	6	6	5	5	6	5
Total	388	390	389	359	359	364	336	323	316	314

Source: City of El Segundo Payroll Division

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Arrests	958	1,266	1,139	1,048	1,171	1,401	1,316	810	826	795
Parking citations issued	10,727	11,664	12,066	12,505	11,859	9,662	8,536	7,792	8,698	10,900
Fire:										
Number of emergency calls	2,366	2,426	2,410	2,434	2,505	2,323	2,260	2,314	2,403	2,208
Inspections	N/A	N/A	N/A	N/A	N/A	2,170	2,166	1,985	2,445	2,411
Medical Responses	N/A	N/A	N/A	1,538	1,507	1,442	1,465	1,533	1,547	1,441
Public Works:										
Street resurfacing (miles)	N/A	N/A	N/A	0.50	0.60	N/A	1.04	0.83	-	1.87
Reconstruction (miles)	N/A	N/A	N/A	0.82	-	N/A	-	-	-	-
New Street (miles)	N/A	N/A	N/A	0.80	0.25	N/A	-	-	-	-
Electronic Recycling (pounds)	N/A	N/A	N/A	N/A	11,658	N/A	N/A	N/A	N/A	N/A
Paper Shred Recycling (pounds)	N/A	N/A	N/A	N/A	1,140	N/A	N/A	N/A	N/A	17,950
Parks and recreation:										
Number of recreation classes	N/A	N/A	N/A	933	1,065	1,212	1,344	1,362	1,228	1,191
Class registrations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,809	8,026	7,950
Recreation Trips participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	840	1,185	1,480
Number of facility rentals	N/A	N/A	N/A	124	120	552	248	262	365	411
Number of Reservations	N/A	N/A	N/A	N/A	N/A	N/A	9,686	9,969	9,971	9,041
Shuttles transported (riders)	N/A	N/A	N/A	N/A	14,400	23,374	14,661	33,990	30,976	27,472
Dial-A-Ride residents	N/A	N/A	N/A	N/A	19,920	8,769	10,262	7,693	9,085	11,258
Homebound Meals	N/A	N/A	N/A	N/A	8,457	6,033	6,205	5,935	5,794	5,007
Finance:										
Business Licenses processed:	5,775	5,915	6,011	6,748	6,739	6,946	6,757	6,917	7,024	6,686
Purchase Orders processed	448	276	247	256	250	267	288	159	341	428
Purchase Change Orders processed	250	136	110	131	49	57	67	21	74	139
Invoices processed	13,588	11,952	24,402	13,521	13,930	13,003	11,315	10,772	9,855	10,008
Checks processed	6,733	5,801	5,900	6,270	6,334	5,886	5,414	5,068	5,010	5,262
Cash Receipts processed (excluding Water)	N/A	43,884	39,975	41,330	38,646	37,964	39,117	36,665	36,432	34,120

Source: City of El Segundo

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	54.8	54.9	54.9	55.1	55.1	55.1	55.1	55.1	55.1
Streetlights	1,700	1,700	1,700	1,700	1,718	1,718	1,718	1,718	1,718	1,718
Traffic signals	51	54	54	54	55	55	55	55	55	55
Parks and recreation:										
Parks	22	22	22	22	22	22	22	22	22	22
Recreation Facilities	12	12	12	13	13	13	13	13	13	13
Number of Acres	84.8	84.8	84.8	91.2	91.2	91.2	91.2	91.2	91.2	91.2

Source: City of El Segundo