



**City of Torrance**  
**Audited Financial Statements**  
**Air Quality Management District Fund**  
**of the City of Torrance, California**  
*As of and for the Year Ended June 30, 2023*  
*With Independent Auditor's Report*

**City of Torrance**  
**Audited Financial Statements**  
**Air Quality Management District Fund of the City of Torrance, California**  
***As of and for the Year Ended June 30, 2023***  
***With Independent Auditor's Report***

**City of Torrance**  
**Air Quality Management District Fund**  
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## Independent Auditor's Report

**The Honorable Mayor and the Members of the City Council  
City of Torrance, California**

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Air Quality Management District Special Revenue Fund (the AQMD Fund) of the City of Torrance, California (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise AQMD Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Management District Special Revenue Fund of the City of Torrance, California as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 2, the financial statements present only the Air Quality Management District Special Revenue Fund and do not purport to, and do not present fairly the financial position of the City, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### **Required Supplementary Information**

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the AQMD Fund's basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023 on our consideration of the City's internal control over the AQMD Fund's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the AQMD Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the AQMD Fund's financial reporting and compliance.

**Glendale, California  
December 28, 2023**



**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**The Honorable Mayor and the Members of the City Council  
City of Torrance, California**

We have audited, in accordance with the 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, the financial statements of the Air Quality Management District Special Revenue Fund (the AQMD Fund) of the City of Torrance, California (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the AQMD Fund's basic financial statements, and have issued our report thereon dated December 28, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over AQMD Fund's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the AQMD Fund's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the AQMD Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the AQMD Fund of the City's financial statements are free from material misstatements, we performed tests of its compliance with applicable provisions of Assembly Bill 2766 (AB2766), Chapter 1705 (Health and Safety Code Sections 44220 through 44247), and certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on AQMD Fund's financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the AQMD Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the AQMD Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California  
December 28, 2023**

**City of Torrance**  
**Air Quality Management District Fund**  
**Balance Sheet**  
**June 30, 2023**

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<b>ASSETS</b>		
Pooled cash and investments	\$	452,438
Accrued interest receivable		2,258
	<b>Total assets</b>	<u>\$ 454,696</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$	123
Accrued salaries and benefits		2,057
	<b>Total liabilities</b>	<u>2,180</u>
 <b>Fund Balance</b>		
Restricted for air quality initiatives		452,516
	<b>Total fund balance</b>	<u>452,516</u>
	<b>Total liabilities and fund balance</b>	<u>\$ 454,696</u>

*See notes to the financial statements*

**City of Torrance**  
**Air Quality Management District Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year ended June 30, 2023**

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**REVENUES**

Motor vehicle fees	\$	190,123
Investment earnings		8,516
		198,639
<b>Total revenues</b>		<b>198,639</b>

**EXPENDITURES**

Salaries and employee benefits		121,798
Materials and supplies		27,780
Professional services and contracts		36,002
		185,580
<b>Total expenditures</b>		<b>185,580</b>

**CHANGE IN FUND BALANCE**

13,059

**FUND BALANCE**

Beginning of year		439,457
End of year	\$	452,516

*See notes to the financial statements*

**NOTE 1      GENERAL**

California Assembly Bill 2766 (AB2766) authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects resulting fees and transfers appropriate amounts to the South Coast Air Quality Management District (SCAQMD) for vehicles registered in the South Coast District. Forty cents of every dollar collected by the SCAQMD is distributed to cities and counties within the jurisdiction of the SCAQMD based upon their prorated share of population to implement projects that reduce emissions from mobile sources. The amounts attributable to the City of Torrance, California (the City), are maintained in a Special Revenue Fund, a governmental fund administered by the City.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying fund financial statements for the Air Quality Management District Fund (the AQMD Fund) of the City of Torrance, California, have been prepared on the modified-accrual basis of accounting. Revenues are recognized when they become “susceptible to accrual,” that is, measurable and available to finance expenditures of the current period. Motor vehicle fee receipts are considered susceptible to accrual, if received within 60 days of year-end. Expenditures are recorded when the liability is incurred.

**Measurement Focus**

Governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally only current assets and current liabilities are included on their balance sheet. Statement of revenues, expenditures, and changes in fund balance for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financial uses) in net current assets.

**Fund Balance Reporting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under AB2766 are recorded in a Special Revenue Fund, the AQMD Fund, used to account for the proceeds of revenue to be used for the purpose of implementing the California Clean Air Act. The accompanying financial statements reflect only the financial position and results of operations of the AQMD Fund, and do not purport to, and do not present the financial position and results of the operations of the City nor the City as a whole in conformity with accounting principles generally accepted in the United States of America. The City’s AQMD Fund includes a rideshare project funded by AB2766 subvention funds and discretionary grant projects funded by the Mobile Source Air Pollution Reduction Review Committee (MSRC).

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the AQMD Fund's financial reporting process. Current and future new standards which may impact the AQMD Fund include the following:

Recently Adopted

GASB 91, "*Conduit Debt Obligations*", effective for periods beginning after December 15, 2021. The objectives of this Statement are to provide a single method in reporting conduit debt obligations by issuers and eliminating diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The implementation of this standard did not have an impact on the AQMD Fund's financial statements.

GASB 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", effective for fiscal years beginning after June 15, 2022. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The implementation of this standard did not have an impact on the AQMD Fund's financial statements.

GASB 96, "*Subscription-Based Information Technology Arrangements (SBITA)*", effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for SBITAs for governments. It defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. The implementation of this standard did not have an impact on the AQMD Fund's financial statements.

Not Yet Adopted

GASB 99, "*Omnibus 2022*", effective upon issuance for requirements related to extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. This statement is effective for fiscal years beginning after June 15, 2022 for requirements related to leases, PPPs, and SBITAs. This statement is also effective for fiscal years beginning after June 15, 2023 for requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements (Continued)**

Not Yet Adopted (Continued)

GASB 100, “*Accounting Changes and Error Corrections*”, effective for fiscal years beginning after June 15, 2023. This statement enhances the accounting and financial reporting requirements for accounting changes and error corrections.

GASB 101, “*Compensated Absences*”, effective for fiscal years beginning after December 15, 2023. This statement updates the recognition and measurement guidance for compensated absences through aligning the guidance under a unified model and by amending certain previously required disclosures.

**NOTE 3      CASH AND INVESTMENTS**

Unspent funds received for the AQMD Fund are pooled with the City’s other cash and investments. The AQMD Fund’s share of interest earned from the cash and investment pool is allocated on a monthly basis based on each fund’s respective average monthly cash balance. Detailed information regarding the City’s pooled cash and investments program can be found in the City’s Annual Comprehensive Financial Report. Such report is available from the City of Torrance Department of Finance, 3031 Torrance Blvd., Torrance, California 90503.

**NOTE 4      SUBSEQUENT EVENTS**

The City and AQMD Fund has evaluated and determined that no subsequent events occurred through December 28, 2023, the date on which the financial statements were available to be issued, that require recognition or disclosure in the financial statements.

**City of Torrance**  
**Air Quality Management District Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year ended June 30, 2023**

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Motor vehicle fees	\$ 200,842	\$ 200,842	\$ 190,123	\$ (10,719)
Investment earnings	3,000	3,000	8,516	5,516
Total revenues	<u>203,842</u>	<u>203,842</u>	<u>198,639</u>	<u>(5,203)</u>
<b>EXPENDITURES</b>				
Salaries and employee benefits	103,459	103,459	121,798	(18,339)
Materials and supplies	64,423	64,423	27,780	36,643
Professional services and contracts	34,960	34,960	36,002	(1,042)
Others	1,000	1,000	-	1,000
Total expenditures	<u>203,842</u>	<u>203,842</u>	<u>185,580</u>	<u>18,262</u>
<b>CHANGES IN FUND BALANCE</b>	-	-	13,059	13,059
<b>FUND BALANCE</b>				
Beginning of year	439,457	439,457	439,457	-
End of year	<u>\$ 439,457</u>	<u>\$ 439,457</u>	<u>\$ 452,516</u>	<u>\$ 13,059</u>



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