



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, 2024
With Independent Auditor's Report

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655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
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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, 2024, and the related notes to the basic fund 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, 2024, 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 of the City of Torrance, California and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024, 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 fund financial statements. Such information is the responsibility of management and, although not a part of the basic fund 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 fund 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 fund financial statements, and other knowledge we obtained during the audit of the basic fund 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 fund financial statements. Such missing information, although not a part of the basic fund 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 fund financial statements in an appropriate operational, economic or historical context. Our opinion on the AQMD Fund's basic fund 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 10, 2024 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.

Vasquez & Company LLP

Glendale, California
December 10, 2024



**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, 2024, and the related notes to the financial statements, which collectively comprise the AQMD Fund's basic fund financial statements, and have issued our report thereon dated December 10, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the AQMD Fund's 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 of Torrance, California'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 City of Torrance, California's internal control over AQMD Fund or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Torrance, California's internal control over AQMD Fund and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez & Company LLP

**Glendale, California
December 10, 2024**

City of Torrance
Air Quality Management District Fund
Balance Sheet
June 30, 2024

ASSETS		
Pooled cash and investments	\$	505,707
Accrued interest receivable		<u>2,922</u>
Total assets	\$	<u><u>508,629</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$	2,275
Accrued salaries and benefits		<u>2,181</u>
Total liabilities		<u>4,456</u>
 Fund Balance		
Restricted for air quality initiatives		<u>504,173</u>
Total fund balance		<u>504,173</u>
Total liabilities and fund balance	\$	<u><u>508,629</u></u>

See notes to the basic fund financial statements

City of Torrance
Air Quality Management District Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2024

REVENUES

Motor vehicle fees	\$	192,470
Investment earnings		13,843
		206,313
Total revenues		206,313

EXPENDITURES

Salaries and employee benefits		117,951
Materials and supplies		33,543
Professional services and contracts		3,162
		154,656
Total expenditures		154,656

CHANGE IN FUND BALANCE

51,657

FUND BALANCE

Beginning of year		452,516
End of year	\$	504,173

See notes to the basic fund 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 basic 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. The implementation of the following new standard did not have an impact on the AQMD Fund's financial statements.

GASB 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*", effective for fiscal years beginning after June 30, 2023, and all reporting periods thereafter. Earlier application is encouraged. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

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 10, 2024, 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, 2024

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Motor vehicle fees	\$ 196,390	\$ 196,390	\$ 192,470	\$ (3,920)
Investment earnings	11,906	11,906	13,843	1,937
Total revenues	<u>208,296</u>	<u>208,296</u>	<u>206,313</u>	<u>(1,983)</u>
EXPENDITURES				
Salaries and employee benefits	119,847	119,847	117,951	1,896
Materials and supplies	34,338	34,338	33,543	795
Professional services and contracts	21,000	21,000	3,162	17,838
Total expenditures	<u>175,185</u>	<u>175,185</u>	<u>154,656</u>	<u>20,529</u>
CHANGE IN FUND BALANCE	33,111	33,111	51,657	18,546
FUND BALANCE				
Beginning of year	452,516	452,516	452,516	-
End of year	<u>\$ 485,627</u>	<u>\$ 485,627</u>	<u>\$ 504,173</u>	<u>\$ 18,546</u>



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