

CITY OF TORRANCE, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

DEPARTMENT OF FINANCE • FISCAL YEAR ENDED JUNE 30, 2021



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2021

Prepared by
Department of Finance

Sheila Poisson
Finance Director

CITY OF TORRANCE, CALIFORNIA

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CITY OF TORRANCE, CALIFORNIA

Annual Comprehensive Financial Report

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INTRODUCTORY SECTION





CITY OF TORRANCE

December 23, 2021

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

In accordance with Section 1100 of the City Charter, the Finance Department hereby submits the Annual Comprehensive Financial Report for the City of Torrance for the fiscal year ended June 30, 2021.

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

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

REPORTING ENTITY

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

THE CITY

The City of Torrance is Los Angeles County's eighth largest city, by population, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City has a population of 144,832 within a boundary of approximately 21 square miles. The City borders the beautiful Pacific Ocean and is an integral part of the larger regional area known as the South Bay. The City of Torrance provides a wide range of services. These services include police and fire protection; sanitation, sewer and water services; a library system; a cultural arts center and gallery; recreational

services; a municipal airport and transit bus services; the construction and maintenance of streets and infrastructure; planning and zoning; and general administrative and support services.

ECONOMIC DEVELOPMENT HIGHLIGHTS

The City's challenges from Fiscal Year 2019-20 continued throughout Fiscal year 2020-2021 as the COVID-19 pandemic affected the local economy and region as a whole, yet still found some economic development opportunities throughout the year.

Activity at the Del Amo Fashion Center continues despite a challenging beginning to fiscal year 2020-21 with COVID-19. In partnership with Discover Torrance, Visit California opened a new California Welcome Center in April 2021. The City continues to explore possible redevelopment options for the Sears parcel and property adjacent to the mall. Among the possibilities being examined include housing, hotel development, and commercial development. With COVID-19 restrictions lifting, the City has seen an uptick in activity at the mall reminiscent of pre-pandemic levels, which is a welcome relief to businesses that were once struggling during the peak of restrictions.

Since the COVID-19 pandemic has created several challenges for businesses, the City launched its COVID-19 Business Assistance Program making \$500,000 available to help support businesses in varying capacities during the COVID-19 pandemic. To date, over \$240,000 has been invested directly into local businesses in an effort to support them during this challenging time.

Outside the COVID-19 pandemic, electric vehicle company, Lucid Motors, is working to create intuitive, sustainable, efficient vehicles with exceptional range. They have also recently established their new location on Hawthorne Blvd. Progress continues to be made on the Sares Regis business complex, with construction projects at 190th and Western Ave. (former Toyota Campus). At the former Sports Chalet on Hawthorne Blvd, the new Hannam Grocery Market is anticipated to be open in April to June 2022. Looking forward, the City is looking to create headquarter facilities for Rivian, the new electric automaker, on California Avenue in Torrance while Polypeptide and Bachem are looking to expand their operations in the coming years.

The City's Office of Economic Development activity continues to flourish. One of the components is the business visitation program, which is a key to building and nurturing business relationships. The office continues to work with regional partners and hosted several events to promote Torrance businesses. A website was developed to further promote the City's economic development that allows to market the City to potential businesses and provides resources to existing businesses to learn more about the City's assistance programs.

FINANCIAL FORECAST AND FUTURE OUTLOOK

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

Over the five years preceding the COVID-19 pandemic, General Fund revenues have grown at an average rate of 2.6% while General Fund expenditures have grown at an average rate of 3.8%, after controlling for one-time sources and uses and other non-cash events. This structural imbalance, coupled with the COVID-19 pandemic shutting down major sectors of the overall economy, diminished the General Fund's total fund balance. At the end of Fiscal Year 2019-20, the fund balance was left at \$10.8 million, of which \$581,449 was in the unassigned category.

As a direct result of this outcome, decisive actions were taken in the Fiscal Year 2020-21 and Fiscal Year 2021-22 operating budgets. In Fiscal Year 2020-21, \$15.7 million dollars in recurring solutions were identified and implemented to improve the budget imbalance. Additionally, one-time sources were identified that have rebuilt the total fund balance of the General Fund to \$32.0 million, of which \$22.6 million is in the unassigned category. Further, in Fiscal Year 2021-22, to date, an additional \$6.3 million in recurring solutions have been implemented to improve the budget imbalance. In total, \$22.0 million in recurring actions have been implemented to date, with another \$8.2 million in further reductions (in Police & Fire) delayed to July 2022. These final changes are delayed pending the outcome of a potential local sales tax measure in the City of Torrance. The City is currently pursuing initial steps to determine the viability of a potential sales tax ballot measure that would occur in the June 2022 election, pursuant to City Council approval to place on the ballot. If the sales tax ballot measure were successful, these reductions would not be implemented and funded from this new source. It is estimated by City staff that a $\frac{3}{4}$ (0.75%) sales and use tax would generate approximately \$27 million annually to directly benefit the City. Should the sales tax measure fail and these reductions be implemented, staff's latest projection as of December 2021 show that the City will have a balanced budget and be able to begin rebuilding its reserves at an increasing pace beginning in Fiscal Year 2023-24 and beyond. It is projected in the next five years, by Fiscal Year 2026-27, the unassigned category of the fund balance of the General Fund will be restored to \$55.0 million, increasing further in years beyond that. However should City Council decide to retract these proposed reductions, the City is anticipated to operate at a structural deficit for several years to follow.

INTERNAL CONTROLS

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

likely to be realized; and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS

The City employs a two-year operating budget and a five-year capital budget process. In year one of the biennial operating budget cycle, the City Council adopts authorized appropriations for the first year of the two-year budget and approves "planned" appropriations for the second fiscal year. In year two of the operating budget cycle, the City Council considers revisions and formally adopts authorized appropriations for the second fiscal year. Although the budget cycle covers a two-year period, the City Charter requires City Council approve the annual appropriations. The City's Five Year Capital Budget is updated every two years, with amendments and appropriations done annually, similar to the operating budget based on the financial viability to fund new infrastructure projects.

The City's annual appropriated budget is established and controlled at the fund and individual organization level (department). The budget is monitored at a more detailed level (program) that closely tracks cost. City Manager and Department Directors are held accountable for meeting the objectives within each of his or her programs, and for monitoring the use of budget allocations to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council.

The City also maintains an encumbrance accounting system as another technique in accomplishing budgetary control. All operating appropriations lapse at year-end to the extent they have not been expended or encumbered. Capital project appropriations lapse when individual projects are closed.

INDEPENDENT AUDIT

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

AWARDS

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Torrance for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. The City has received this award annually since 1987.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report.

This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

OTHERS

The City recommends that the Management Discussion and Analysis section be read in conjunction with the other sections of the ACFR to obtain an understanding of the City's financial condition as of June 30, 2021. This section also provides an overview of the City's financial activities at year end.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheila Poisson".

Sheila Poisson
Finance Director

**CITY OF TORRANCE
DIRECTORY OF CITY OFFICIALS**

June 30, 2021

CITY COUNCIL

Patrick J. Furey, Mayor

Heidi Ann Ashcraft

Sharon Kalani

George K. Chen

Aurelio Mattucci

Mike Griffiths

Vacant

CITY CLERK

Rebecca Poirier

CITY TREASURER

Dana Cortez

ADMINISTRATION

Aram Chaparyan, City Manager

Vacant, Assistant City Manager

Sheila Poisson, Finance Director

Patrick Q. Sullivan, City Attorney

Danny E. Santana, Community Development Director

John La Rock, Community Services Director

Martin A. Serna, Fire Chief

Shant Megerdichian, General Services Director

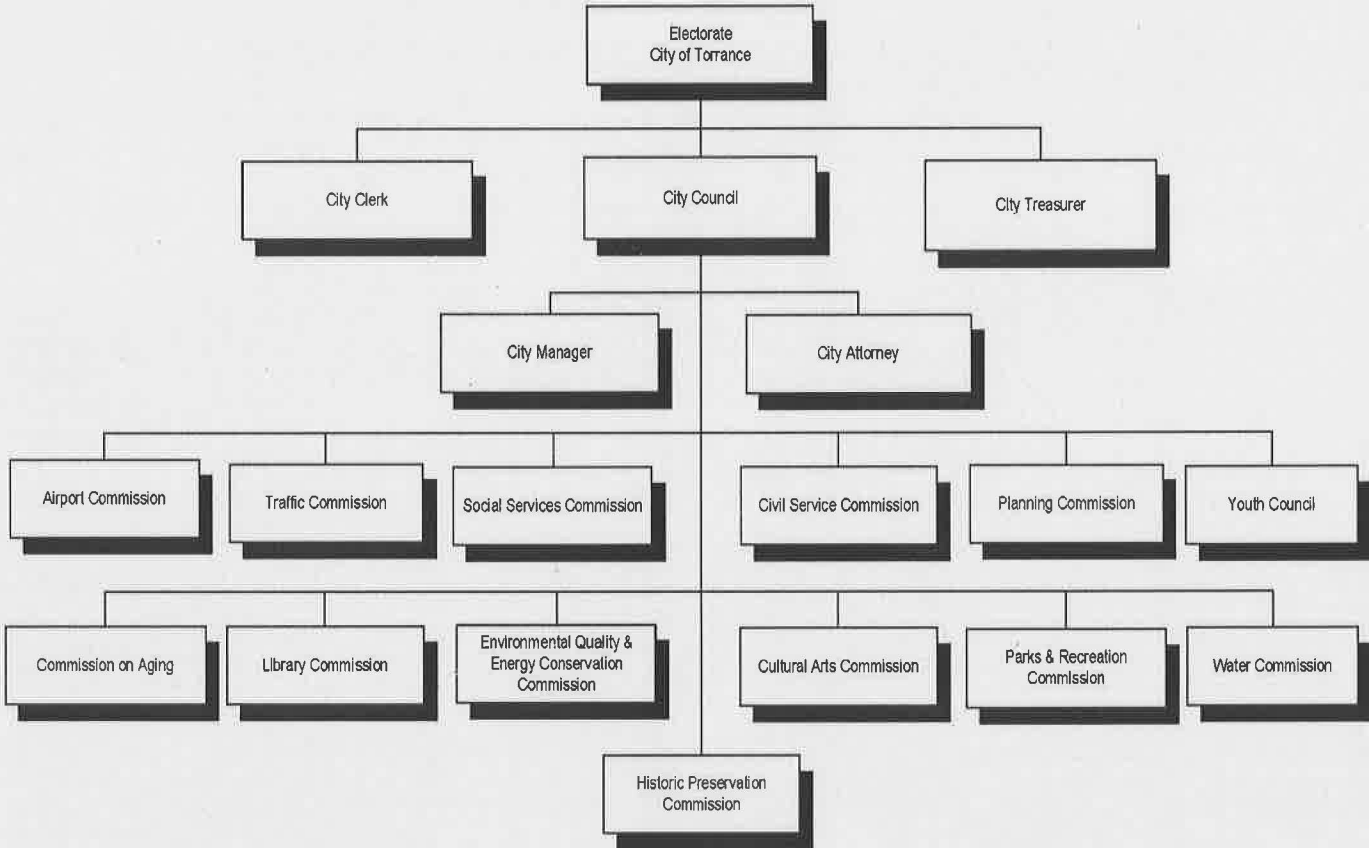
William Wang, Interim Information Technology Director

Jeremiah Hart, Police Chief

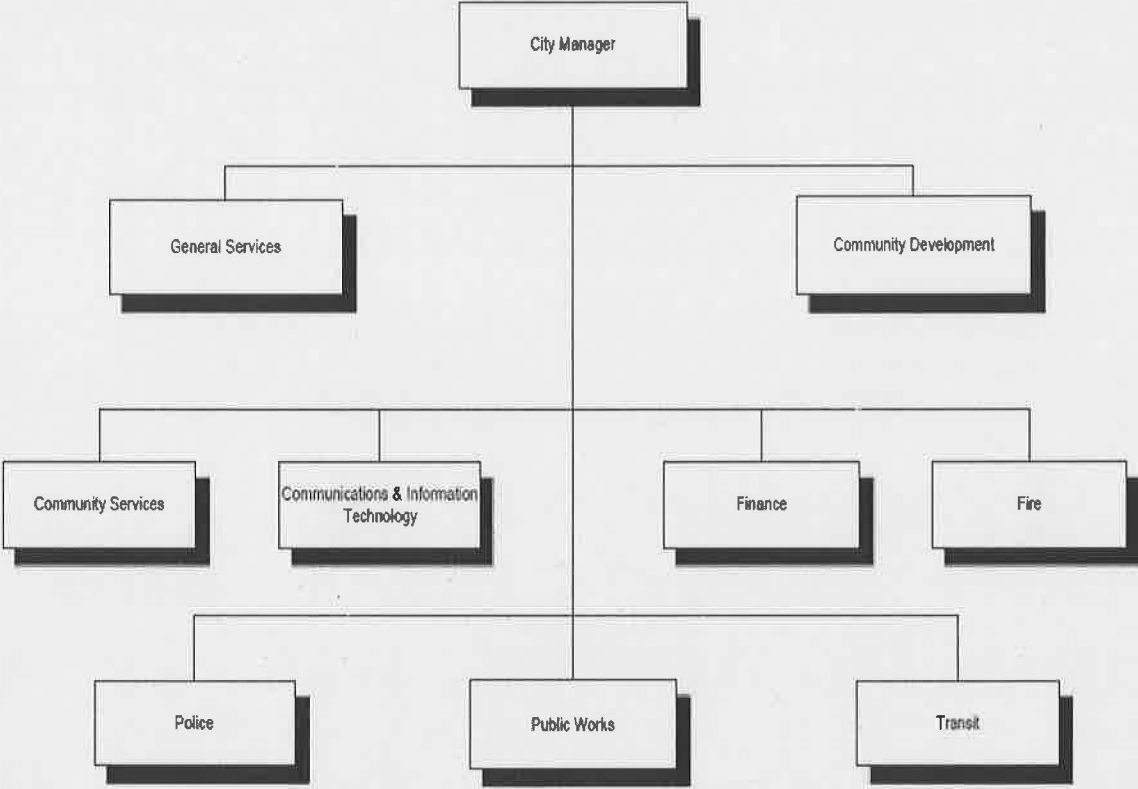
Craig Bilezerian, Public Works Director

Kim Turner, Transit Director

ELECTED AND APPOINTED OFFICIALS



CITY DEPARTMENTS





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Torrance
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**City Council Members
City of Torrance
Torrance, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California (the City), as of and for the year ended June 30, 2021, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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



The introductory section and 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 them.

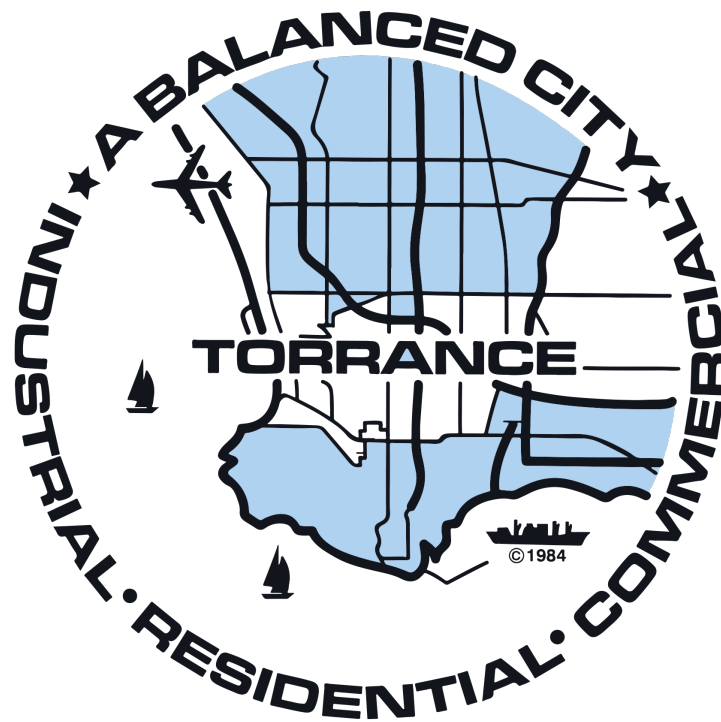
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 City’ internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over financial reporting and compliance.

Glendale, California
December 23, 2021

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MANAGEMENT DISCUSSION & ANALYSIS



CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

As management of the City of Torrance, California (City), we provide readers of the Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2021. It is recommended this information be read in conjunction with the City's transmittal letter in the preceding section and the accompanied financial statements, which immediately follows this section, in order to obtain a thorough understanding of the City's financial condition at June 30, 2021.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$49.7 million, as of June 30, 2021. Of this amount, \$458.9 million represents net investment in capital assets, \$41.9 million represents net position restricted for specific purposes, and (\$451.1) million represents unrestricted deficit in net position. (\$499.0) million represents unrestricted deficit in net position for governmental activities and \$47.9 million represents unrestricted net position for business-type activities.
- The City's total net position at fiscal year-end increased \$16.3 million, to \$49.7 million, which is primarily driven by an increase in net deferred outflows of resources for the City's pension plan (primarily CalPERS) by \$341.8 million, coupled with an increase on total assets by \$49 million, partially offset by an increase on total liabilities of \$392.2 million and a reduction of deferred inflows of resources of \$13.2 million. Total assets increased mainly due to an increase in pooled cash and investments by \$30.2 million and an increase in capital assets by \$10.6 million. Total liability increased by \$392.2 million mainly as a result of an increase in net pension liabilities of \$23.3 million and a \$359.1 million increase in long-term liabilities (2020 and 2021 Lease Revenue Bonds).
- The City's net capital assets increased by \$10.6 million or 2.1% to \$514.9 million as of June 30, 2021 as the City continues to invest and complete capital projects.
- The City's outstanding debt (Table 4) increased by \$352.5 million to 413.7 million as of June 30, 2021. Within the City's governmental activities, outstanding debt increased by \$353.0 million due to the issuance of the 2020 and 2021 Lease Revenue Bonds, partially offset by the reduction due to retirement of 2014 Certificates of Participation during fiscal year 2020-21. Within the City's business-type activities, long-term debt decreased by \$0.5 million due to continued payments made on the installment loan agreement to drill and construct a new water well, for the North Torrance Well Field Project.
- The City's net pension liability increased from \$487.6 million in fiscal year 2019-20 to \$510.9 million in fiscal year 2020-21, an increase of \$23.3 million or 4.8%. This amount will be significantly reduced when the CalPERS Valuation Report is updated next year and is reflective of the pay down made in October 2020. This net pension liability has been exchanged for long-term debt (2020 Lease Revenue Bonds) at a lower interest rate projected to save the City \$172.2 million over the duration of the bonds (no maturity extension).

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

- The City's net other post-employment benefits (OPEB) liability increased from \$44.5 million in fiscal year 2019-20 to \$44.6 million in fiscal year 2020-21, an increase of \$0.1 million or 0.2%.
- At the end of the fiscal year, the City's governmental funds reported total year ending fund balances of \$86.5 million, compared to \$70.3 million at the end of the prior fiscal year (as restated), which is an increase of \$16.2 million.
- The General Fund reported an ending fund balance of \$32.0 million as of June 30, 2021, compared to \$10.7 million as of June 30, 2020 (as restated), which represents an increase of \$21.3 million. This increase is the result of budget reduction actions taken in fiscal year 2020-21 to begin aligning expenditures with revenues impacted by COVID-19 coupled with one-time revenue sources identified during the fiscal year. In fiscal year 2020-21, \$4.7 million was transferred from the City's Transit Fund to pay the General Fund its final payment for the land on which the Regional Terminal Center (RTC) is located, \$4.2 million was transferred to the General Fund related to Capital projects that were closed out, \$1.8 million was received in CARES grant funding, and \$12.0 million was received in American Rescue Plan Act (ARPA) funding.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements found in three main sections: government-wide financial statements, fund financial statements, and notes to the basic financial statements.

The City implemented Governmental Accounting Standards Board Statement No. 75 (GASB 75) in fiscal year 2017-18 which addresses the accounting and financial reporting for Postemployment Benefits other than pensions. The City implemented Governmental Accounting Standards Board Statement No. 68 (GASB 68) in fiscal year 2014-15 which addresses the accounting and financial reporting for pension plans. The City has also presented its financial statements under the reporting model required by GASB No. 34 Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Government since fiscal year 2001-02.

Government-wide financial statements. The government-wide financial statements are designed to provide information about the financial activities of the City as a whole and presents a longer view of the City's finances, similar to private-sector businesses. These reports separate functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include all of the City's basic services, such as general government, public safety (police and fire), public works, community development, and culture and recreation. Property taxes, sales taxes, utility users' taxes, and occupancy taxes finance most of these activities. Business-type activities include functions such as the City's airport, transit, water, sanitation, and sewer funds. Additionally, the Emergency Medical

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund have been consolidated into the General Fund under governmental activities in fiscal year 2020-21, as they have been largely subsidized by the General Fund historically and thus, no longer function as an enterprise fund. Finally, the Animal Control Fund has also been consolidated under the General Fund under government activities in fiscal year 2020-21, as it has been largely subsidized by the General Fund as well.

The *Statement of Net Position* provides information using the accrual basis of accounting on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported as *net position*. Over time, changes to a City's net position may serve as one indicator of whether the financial position of the City is improving or deteriorating. Additional factors such as changes in the City's revenue receipt pattern need to be considered in assessing the overall health of the City.

The *Statement of Activities* provides information showing how the City's net position changed during the fiscal year. The changes in net position are reported when revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

Fund financial statements. The City establishes funds as a grouping of related accounts to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Additionally, some funds are required to be established by State law and by bond covenants. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances on these spendable resources at fiscal year-end. 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. This information is helpful in assessing the City's near-term financing requirements. Fund financials also report the City's operations in greater detail compared to the government-wide statements by providing information about the City's most significant funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented in the governmental funds with the governmental activities. This provides readers with a sense of the long-term impacts from the City's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances are both accompanied by a reconciliation to the government-wide financial statements to facilitate comparison between governmental funds and governmental activities.

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

The City maintains 33 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, the Measure R Local Return and Highway Fund, and the Torrance Financing Debt Service Fund, which are the only major funds this fiscal year. Data for the remaining 30 non-major governmental funds are combined into a single, consolidated presentation. Individual fund data for each of these non-major governmental funds is provided in the non-major funds supplementary information section of this report (special revenue and capital projects).

Proprietary Funds. Proprietary funds are used to account for the same functions reported in the government-wide financial statements, with a greater level of detail including cash flows. The City maintains two types of proprietary funds: enterprise funds and internal services funds. Enterprise funds are used to report the same activity as business-type activities in the government-wide financial statements. Internal service funds are an accounting device for funds that provide supplies and services to other programs and activities within the City as well as a way to account for inter-fund charges for City departments. The City uses internal service funds to account for its fleet services, risk management, and postemployment benefits operations. The proprietary fund financial statements provide information for the Transit System, Water, Sewer, and Sanitation funds, which are considered major funds of the City.

Fiduciary Funds. Fiduciary funds consist of private-purpose trust funds and agency funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes should be read in conjunction with the financial statements to have a greater understanding of the status of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position can be a useful indicator, over time, of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49.7 million at the close of this fiscal year.

As shown on the next page, the City's net position is broken down to three main categories: net investment in capital assets, restricted, and unrestricted. Currently, the majority of the City's net position, \$458.9 million, is associated with investment in

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

capital assets. The City uses these capital assets to provide services to citizens, therefore, these assets are not available for future spending. An additional portion of the City's net position, \$41.9 million, represents resources that have restrictions on how they may be used. The remaining balance of the City's net position, (\$451.1) million, represents the City's unrestricted net position. Due to the implementation of GASB 68 and GASB 75, which updated the way the City reported pensions and other post-employment benefits, this has made this value negative. The City continues to implement its financial plan, paying its CalPERS pension unfunded accrued liability (UAL) payments each year, to ensure that the City's net pension liability is reduced over time. Additionally, in October 2020, the City issued \$349.5 million in Lease Revenue Bonds that were utilized to pay down a large portion of the City's Unfunded Actuarial Liability effectively refinancing this obligation at a reduced interest rate. It is anticipated this will save the City approximately \$172.2 million over the duration of the bonds, which are fully paid down by Fiscal Year 2044.

The City's net position for fiscal year 2020-21 compared to 2019-20 is shown in Table 1:

Table 1
Statement of Net Position
(In Millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$142.8	\$116.3	\$85.7	\$73.8	\$228.5	\$190.1
Capital assets	350.2	342.3	164.7	162.0	514.9	504.3
Total assets	493.0	458.6	250.4	235.8	743.4	694.4
Deferred outflows of resources	394.8	59.6	22.1	11.3	416.9	70.9
Long-term debt	1,018.7	591.4	44.0	90.1	1,062.7	681.5
Current and other liabilities	26.1	14.2	15.2	16.1	41.3	30.3
Total liabilities	1,044.8	605.6	59.2	106.2	1,104.0	711.8
Deferred inflows of resources	5.6	15.9	1.0	3.9	6.6	19.8
Net investment in capital assets	294.5	286.5	164.4	155.9	458.9	442.4
Restricted	41.9	42.6	-	-	41.9	42.6
Unrestricted	(499.0)	(432.4)	47.9	(18.9)	(451.1)	(451.3)
Net Position	(\$162.6)	(\$103.3)	\$212.3	\$137.0	\$49.7	\$33.7

CITY OF TORRANCE, CALIFORNIA

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Total assets increased \$49.0 million or 7.1% from the prior fiscal year. Governmental activities increased by \$34.4 million and business-type activities increased by \$14.6 million. The increase in governmental activities assets is primarily driven by the increase in pooled cash and investments due to positive cashflow from operating activities as evidenced in the Statement of Revenues, Expenditures and Changes in Fund Balance for the City's Governmental Activities. The easing of state and county COVID-19 restrictions along with other identified one-time revenue sources facilitated this outcome.

Total deferred outflows of resources increased by \$346.0 million from the prior fiscal year. Governmental activities increased \$335.2 million and business-type activities increased \$10.8 million. Per GASB 68, deferred outflows are a consumption of net assets related to a future reporting period. The \$373.6 million payment to pay down the CalPERS UAL during the current fiscal year caused this increase in the deferred outflows of resources in both governmental and business-type activities. This payment was partially funded by the 2020 Lease Revenue Bonds (\$347.9 million) with the City's operating budget making up the balance from the annual payments each year towards the CalPERS UAL when a balance exists. When the CalPERS valuation report is updated next fiscal year (approximately August 2022) covering the period of Fiscal Year 2020-21, this large payment along with the 21.3% CalPERS returns will reduce the outstanding CalPERS net pension liability accordingly.

Total liabilities increased \$392.2 million or 55.1% from the prior fiscal year. Governmental activities increased by \$439.2 million and business-type activities decreased by \$47.0 million. The increase in governmental activities is primarily driven by two main factors. The first is an increase in outstanding debt of \$353.0 million primarily driven by the issuance of the 2020 Lease Revenue Bonds in fiscal year 2020-21. The second major factor is an increase in net pension liability of \$65.9 million compared with last year. This is partially related to the transfer of pension liability (prior period adjustment) from the former Emergency Medical Services Fund, Parks and Recreation Fund, and Cultural Arts Center fund coupled with an overall increase in pension liability at the end of Fiscal Year 2019-20 (latest completed CalPERS valuation period). It is important to note that the net pension liability will be adjusted downward as a result of the 2020 Lease Revenue Bond issuance, and subsequent pay down of UAL with CalPERS after the Fiscal Year 2020-21 valuation report is completed and incorporated into next year's financial statements. The decrease in business-type activities is primarily driven by decrease in net pension liability just described, a result of the consolidation of the Emergency Medical Services Fund, Parks and Recreation Fund and Cultural Arts Center Fund into the General Fund of governmental activities.

Overall, as a result of the above changes the City's total net position increased a total of \$16.3 million. There were three prior period adjustments for the City this past year. The first, affecting the City's Governmental Activities was a \$0.2 million reduction to correct the distribution of loan repayments from the Former Redevelopment Agency by applying to principal first then interest and the second was a \$0.3 million increase to correct an overstatement in depreciation of a

CITY OF TORRANCE, CALIFORNIA

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governmental asset. The third prior period adjustment affected both the City's governmental activities and business-type activities related to the consolidation of the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund under the General Fund. Based on this consolidation, the beginning net position balances of the City's governmental activities was lowered by \$41.5 million and the beginning net position balance of the City's enterprise funds was increased by \$41.2 million. Net position of the City's governmental activities amounted to (\$162.6) million. \$294.5 million is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other capital improvements; \$41.9 million is restricted for streets & highways, capital projects, community development, public safety and debt service; and (\$499.0) million is unrestricted. The net position of the City's governmental activities decreased by \$17.8 million (FY2020-21 is (\$162.6) million compared to FY2019-20 is (\$144.8) million). In addition to the previously described consolidation, CalPERS earned a 4.7% return in Fiscal Year 2019-20, below the then 7.0% discount rate, which would have an adverse effect on pension funding levels. Net position of the City's business-type activities amounted to \$212.3 million. \$164.4 million is invested in capital assets, and \$47.9 million is unrestricted. The net position of the City's business-type activities increased by \$34.1 million (FY2020-21 is \$212.3 million compared to FY2019-20 is \$178.2 million). This is primarily driven by the consolidation of the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund under the General Fund.

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Changes in net position

The City's total revenues are \$364.9 million and total costs of all programs and services are \$348.6 million which resulted in a change in net position of \$16.3 million during the year (See Table 2).

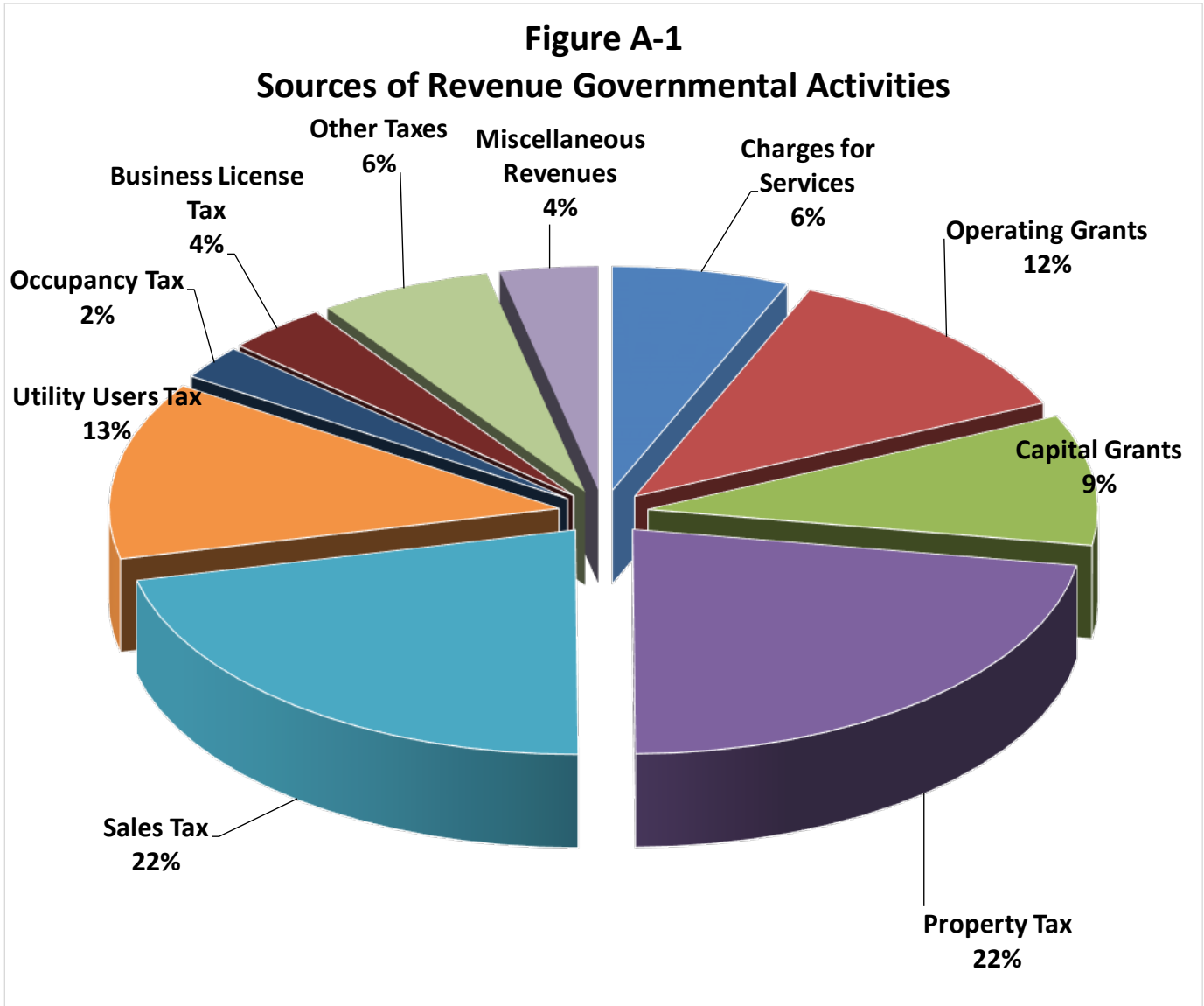
Table 2
Summary of Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$15.7	\$10.1	\$83.7	\$87.2	\$99.4	\$97.3
Operating grants/contributions	29.1	17.3	32.3	24.6	61.4	41.9
Capital grants/contributions	23.2	13.0	2.0	2.5	25.2	15.5
General revenues:						
Property taxes	55.0	52.2	-	-	55.0	52.2
Sales taxes	53.0	48.3	-	-	53.0	48.3
Utility Users Tax	31.6	29.8	-	-	31.6	29.8
Occupancy Tax	6.0	8.7	-	-	6.0	8.7
Business License Tax	8.9	9.1	-	-	8.9	9.1
Other taxes	15.2	10.9	-	-	15.2	10.9
Investment earnings	4.4	7.3	0.3	1.7	4.7	9.0
Motor vehicle tax (unrestricted)	0.1	0.1	-	-	0.1	0.1
Miscellaneous	4.3	4.9	0.1	0.3	4.4	5.2
Total revenues	246.5	211.7	118.4	116.3	364.9	328.0
Expenses						
General government	27.6	37.6	-	-	27.6	37.6
Public safety	156.3	144.5	-	-	156.3	144.5
Public works	27.9	35.3	-	-	27.9	35.3
Culture and recreation	26.1	22.0	-	-	26.1	22.0
Community development	11.1	18.1	-	-	11.1	18.1
Interest on long term debt	10.6	2.5	-	-	10.6	2.5
Airport	-	-	3.2	3.4	3.2	3.4
Transit	-	-	25.6	30.8	25.6	30.8
Water	-	-	41.5	39.1	41.5	39.1
Sewer	-	-	5.7	5.0	5.7	5.0
Sanitation	-	-	13.0	12.9	13.0	12.9
Cultural Arts	-	-	-	2.2	0.0	2.2
Parks and Recreation	-	-	-	7.1	0.0	7.1
Emergency Medical Services	-	-	-	16.9	0.0	16.9
Total expenses	259.6	260.0	89.0	117.4	348.6	377.4
Excess of revenues over expenses before transfers	(13.1)	(48.3)	29.4	(1.1)	16.3	(49.4)
Transfers	(4.7)	(9.1)	4.7	9.1	0.0	0.0
Increase (decrease) in net position	(\$17.8)	(\$57.4)	\$34.1	\$8.0	\$16.3	(\$49.4)
Net Position-beginning	(103.3)	(46.0)	137.0	124.0	33.7	78.0
Prior Period adjustment	(41.5)	0.1	41.2	5.0	(0.3)	5.1
Net Position-ending	(\$162.6)	(\$103.3)	\$212.3	\$137.0	\$49.7	\$33.7

CITY OF TORRANCE, CALIFORNIA

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Governmental Activities: Revenues. The City's governmental activities total revenues of \$246.5 million, by category, are shown below in Figure A-1.



Overall, revenues for the City's governmental activities increased by \$34.8 million, or 16.4%. The largest category of revenue for governmental activities is property tax (including all rolls), which represents 22.3% of total governmental activities revenues. This category totaled \$55.0 million in fiscal year 2020-21, compared to \$52.2 million in fiscal year 2019-20, which is an increase of \$2.8 million or 5.5%. The second largest category is sales tax, which represents 21.5% of total governmental activities revenues. This category totaled \$53.0 million in fiscal year 2020-21, compared to \$48.3 million in fiscal year 2019-20, which is an increase of \$4.7 million or 9.7%. The third largest category is utility user's tax, which represents 12.8% of total governmental activities revenue. This category totaled \$31.6 million in fiscal year 2020-21, compared to \$29.8 million in fiscal year 2019-20, which is an increase

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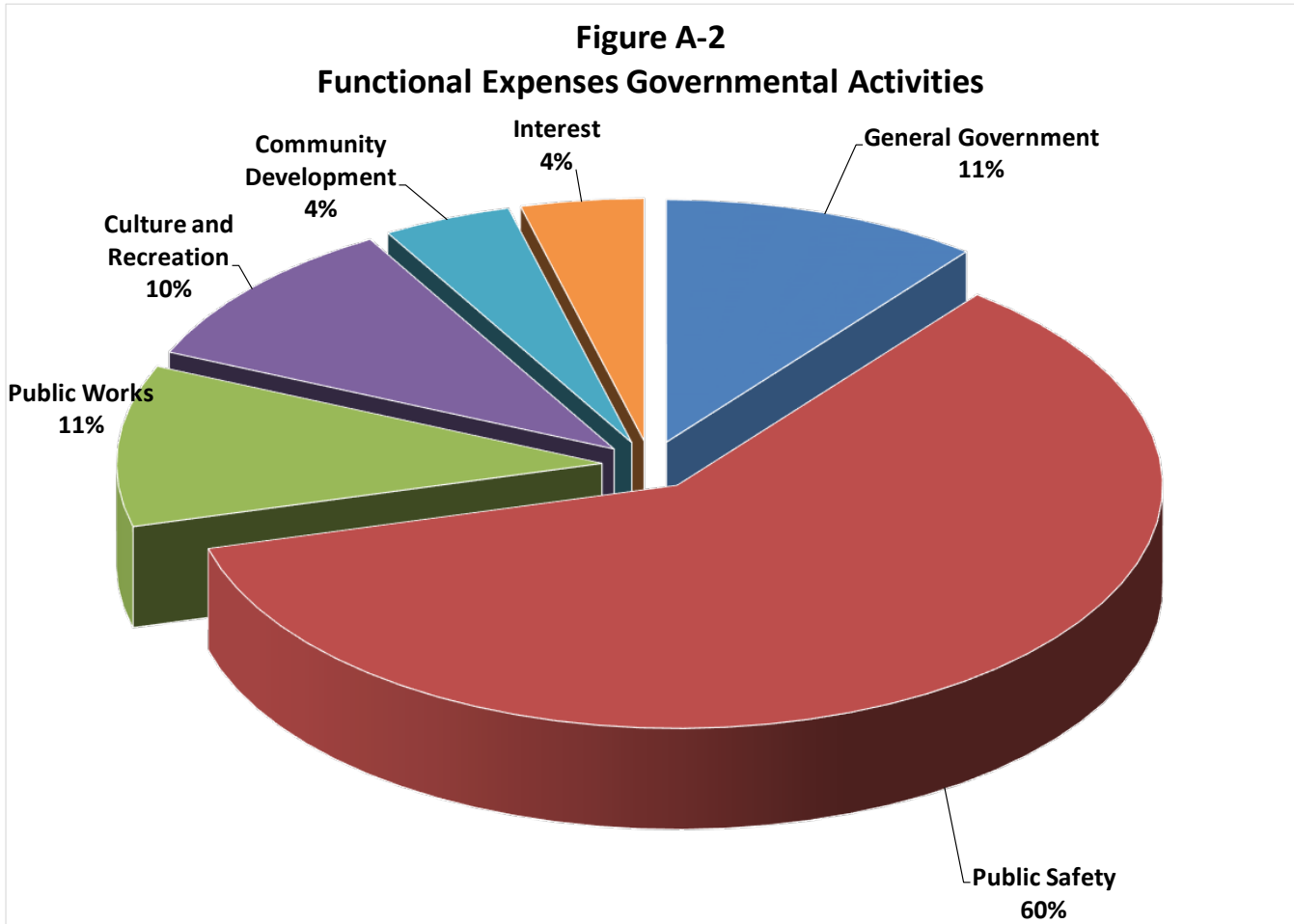
Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

of \$1.8 million or 6.0%. These three largest categories of revenue for governmental activities improved compared to the prior fiscal year as a result of the current housing market and economic recovery from easing of state and county COVID-19 restrictions. In addition to these three main revenue streams, program revenues in governmental activities also showed increases compared with the prior year. The Charges for Services classification increase was driven by these same factors along with the consolidation of the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund under the General Fund. The City's Charges for Services classification represents 6.4% of total governmental activities revenues. This category totaled \$15.7 million in fiscal year 2020-21, compared to \$10.1 million in fiscal year 2019-20, which is a 55.4% increase. Operating grants and contributions represents 11.8% of total governmental activities revenue. This category totaled \$29.1 million in fiscal year 2020-21, compared to \$17.3 million. Capital grants represents 9.4% of total governmental activities revenue. This category totaled \$23.2 million in fiscal year 2020-21, compared to \$13.0 million in fiscal year 2019-20. The increase in operating grants and capital grants are mainly due to the City's receipt of its first ARPA allocation of \$12.0 million.

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis
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Governmental Activities: Functional Expenses. The City's governmental activities total expenditures of \$259.6 million as shown below in Figure A-2.

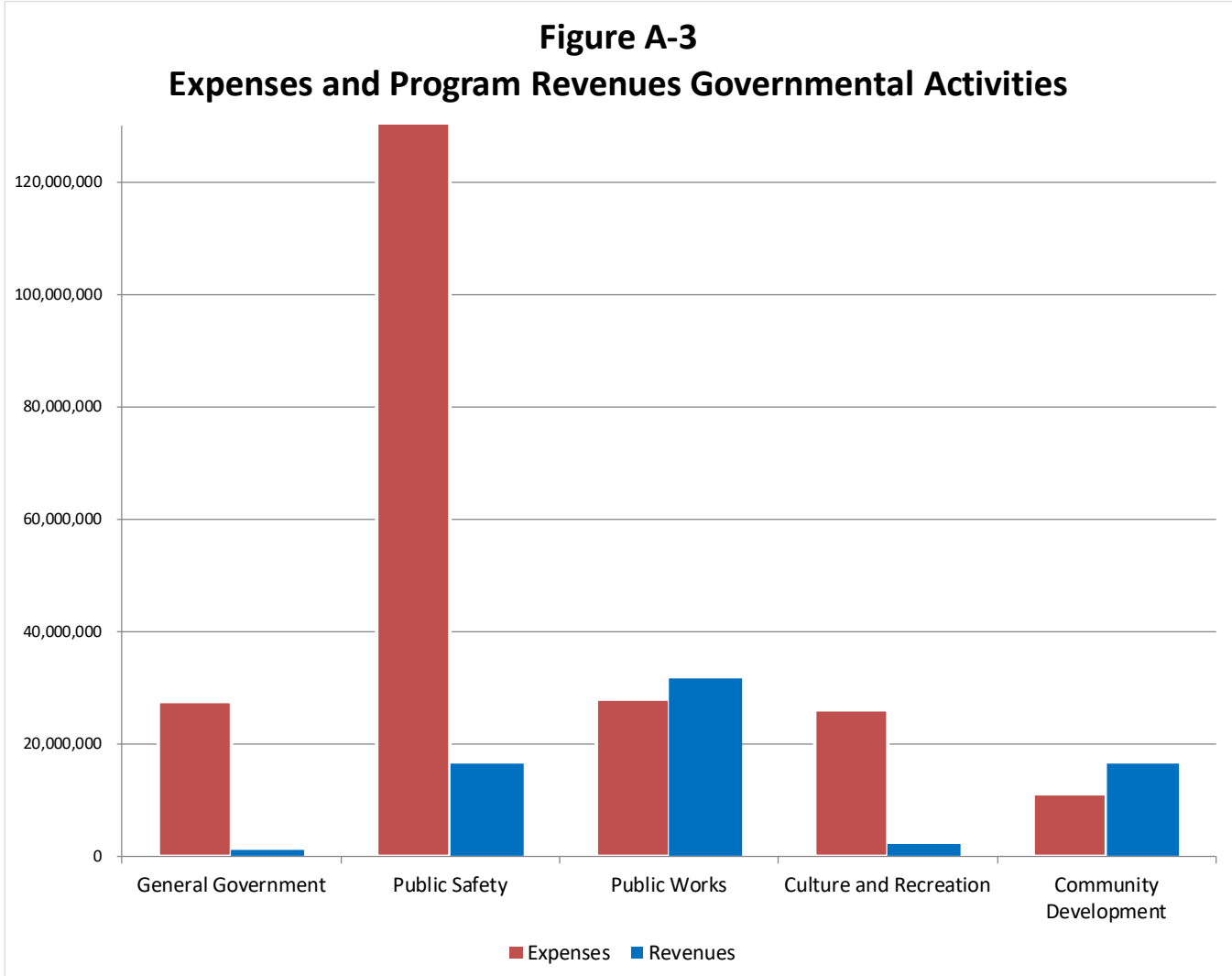


The City's governmental activities expenditures remained fairly consistent with slight decrease of \$0.4 million, when comparing fiscal year 2020-21 with fiscal year 2019-20. The largest category of expense for governmental activities is public safety, which represents 60.2% of total governmental activities expenses. This category totaled \$156.3 million in fiscal year 2020-21, compared to \$144.5 million in fiscal year 2019-20, which is an increase of \$11.8 million or 8.2%. The second largest category is public works, which represents 10.7% of total governmental activities expenses. This category totaled \$27.9 million in fiscal year 2020-21, compared to \$35.3 million in fiscal year 2019-20, which is a decrease of \$7.4 million or 21.0%. The third largest category is general government, which represents 10.6% of total governmental activities expenses. This category totaled \$27.6 million in fiscal year 2020-21, compared to \$37.6 million in fiscal year 2019-20, which is a decrease of \$10.0 million or 26.6%.

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis
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Governmental Activities: Expenses and Program Revenues. The following chart, Figure A-3, compares program revenues and expenses for governmental activities (excluding interest on long-term debt).



The comparison of direct expenses and program revenues demonstrates the extent to which each functional area is self-financing or draws from the general revenues of the City. A higher percentage of program revenues to direct expenses indicates a particular function is more self-sustaining through program revenues generated by activities of that function. In contrast, a lower percentage of program revenues to direct expenses indicates a function is primarily financed through general revenues.

The function with the highest percentage of program revenues to direct expenses in fiscal year 2020-21 is Community Development. Community Development had expenses of \$11.1 million and program revenues of 16.4 million, which is a ratio of 147.4%. The second highest is Public Works. Public Works had expenses of \$27.9 million and program revenues of \$31.6 million, which is a ratio of 113.3%. The higher percentage indicates the extent to which program expenses in this category are

CITY OF TORRANCE, CALIFORNIA

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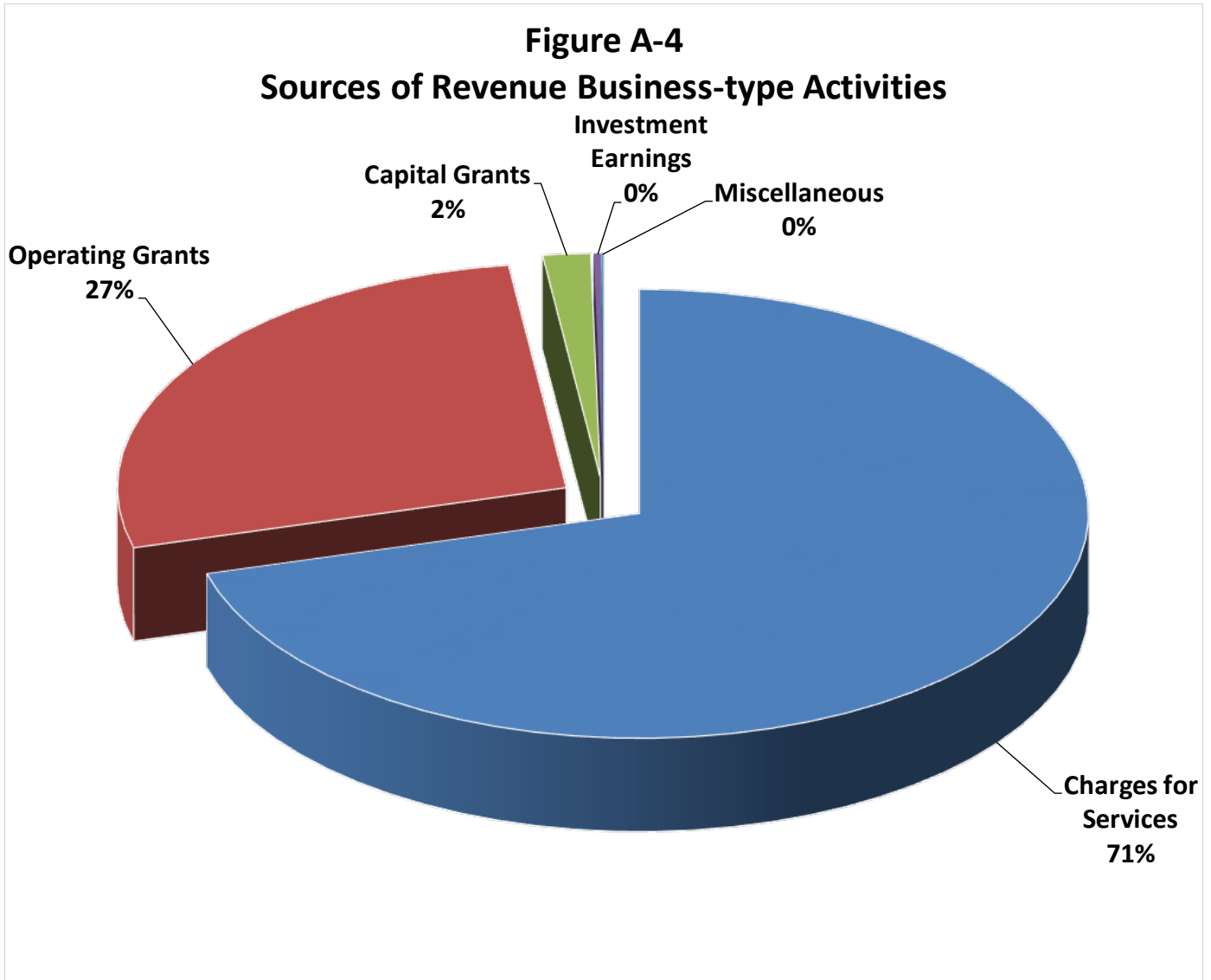
financed by revenues generated within the function categories. In Fiscal Year 2020-21, as a result of issuing the 2020 Lease Revenue Bonds and paying down a large portion of the UAL with CalPERS, this created GASB68 related entries suppressing non-cash expenditures on a one-time basis.

The function with the lowest percentage of program revenues to direct expenses in fiscal year 2020-21 is General Government. General Government had expenses of \$27.6 million and program revenues of \$1.2 million, which is a ratio of 4.4%. The second lowest is Culture and Recreation. Culture and Recreation had expenses of \$26.1 million and program revenues of \$2.2 million, which is a ratio of 8.4%. The third lowest is Public Safety. Public Safety had expenses of \$156.2 million and program revenues of \$16.6 million, which is a ratio of 10.6%.

CITY OF TORRANCE, CALIFORNIA

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Business-type Activities: Revenues. The City's business-type activities total revenues of \$118.4 million, by category, are shown below in Figure A-4.



Overall, revenues for the City's business-type activities increased by \$2.1 million, or 1.8%. This increase occurred despite the consolidation of the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund under the General Fund. The largest category of revenue for business-type activities is charges for services, which represents 70.7% of total business-type activities revenues. This category totaled \$83.7 million in fiscal year 2020-21, compared to \$87.2 million in fiscal year 2019-20, which is a decrease of \$3.5 million or 4.1%. The second largest category is operating grants, which represents 27.3% of total business-type activities revenues. This category totaled \$32.3 million in fiscal year 2020-21, compared to \$24.6 million in fiscal year 2019-20, which is an increase of \$7.7 million or 31.3%. This is mainly due to the one-time COVID-19 Federal grant funding received in fiscal year 2020-21 by the City's Transit Fund. The third largest

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category for business-type activities revenue is capital grants and contributions, which showed a decrease of \$0.5 million to \$2.0 million in fiscal year 2020-21, compared to \$2.5 million in fiscal year 2019-20.

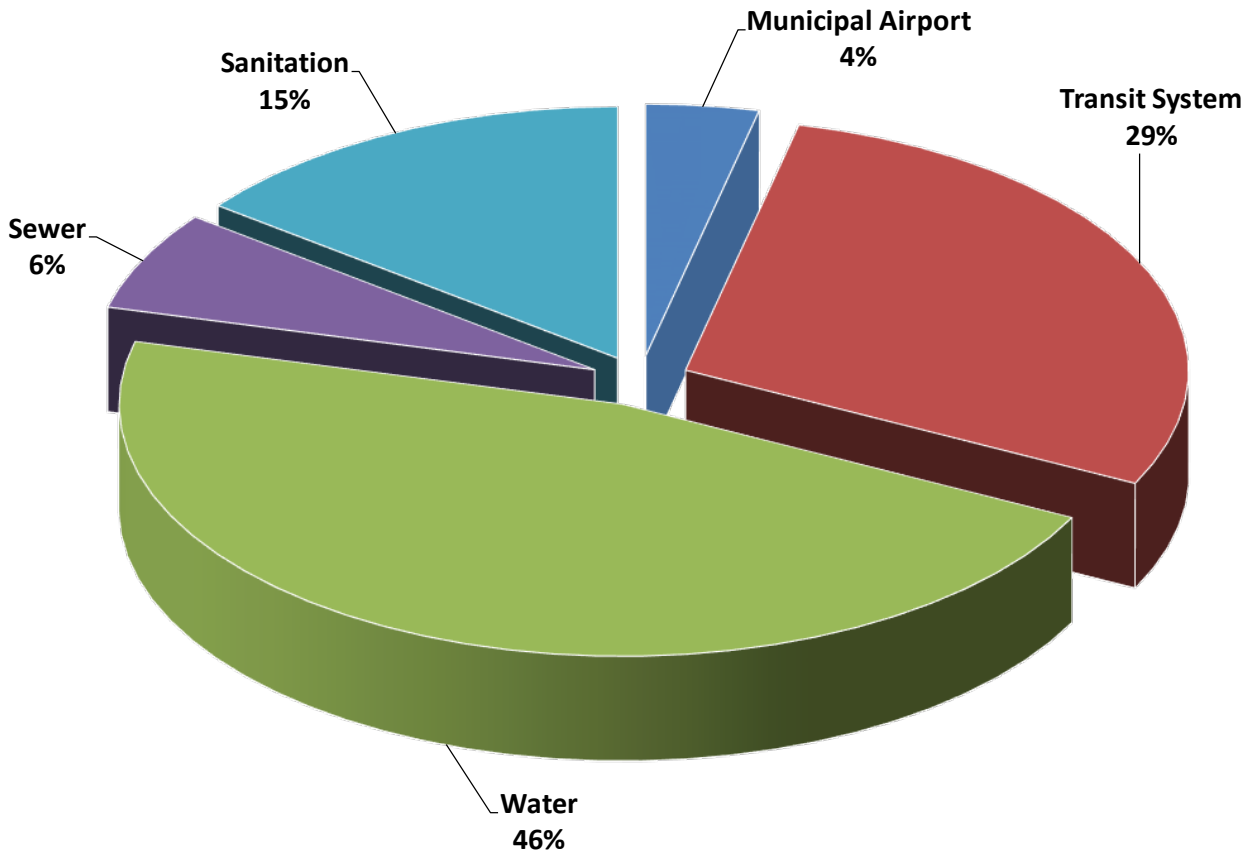
Business-type Activities: Expenses. The City's business-type activities total expenses of \$89.0 million, by category, are shown below in Figure A-5.

The City's business-type activities expenditures decreased by \$28.4 million, or 24.2%, when comparing fiscal year 2020-21 with fiscal year 2019-20. This decrease is driven by the consolidation of the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund under the General Fund. The largest category of expense for business-type activities is the City's Water Fund, which represents 46.6% of total business-type activities expenses. This category totaled \$41.5 million in fiscal year 2020-21, compared to \$39.1 million in fiscal year 2019-20, which is an increase of \$2.4 million or 6.1%. This is mainly due to an increase in City charges (franchise fee) of \$1.0 million, salaries and benefits of \$0.7 million and cost of water of \$0.4 million. The second largest category is the City's Transit System Fund, which represents 29% of total business-type activities expenses. This category totaled \$25.6 million in fiscal year 2020-21, compared to \$30.8 million in fiscal year 2019-20, which is a decrease of \$5.2 million or 16.8%. This decrease is mainly due to reduction in salary expenses by \$5.0 million related to the GASB entries from the pay down of the CalPERS UAL. The third largest category is the City's Sanitation fund, which represents 15% of total business-type activities expenses. This category totaled \$13.0 million in fiscal year 2020-21, compared to \$12.9 million in fiscal year 2019-20, an increase of \$0.1 million.

CITY OF TORRANCE, CALIFORNIA

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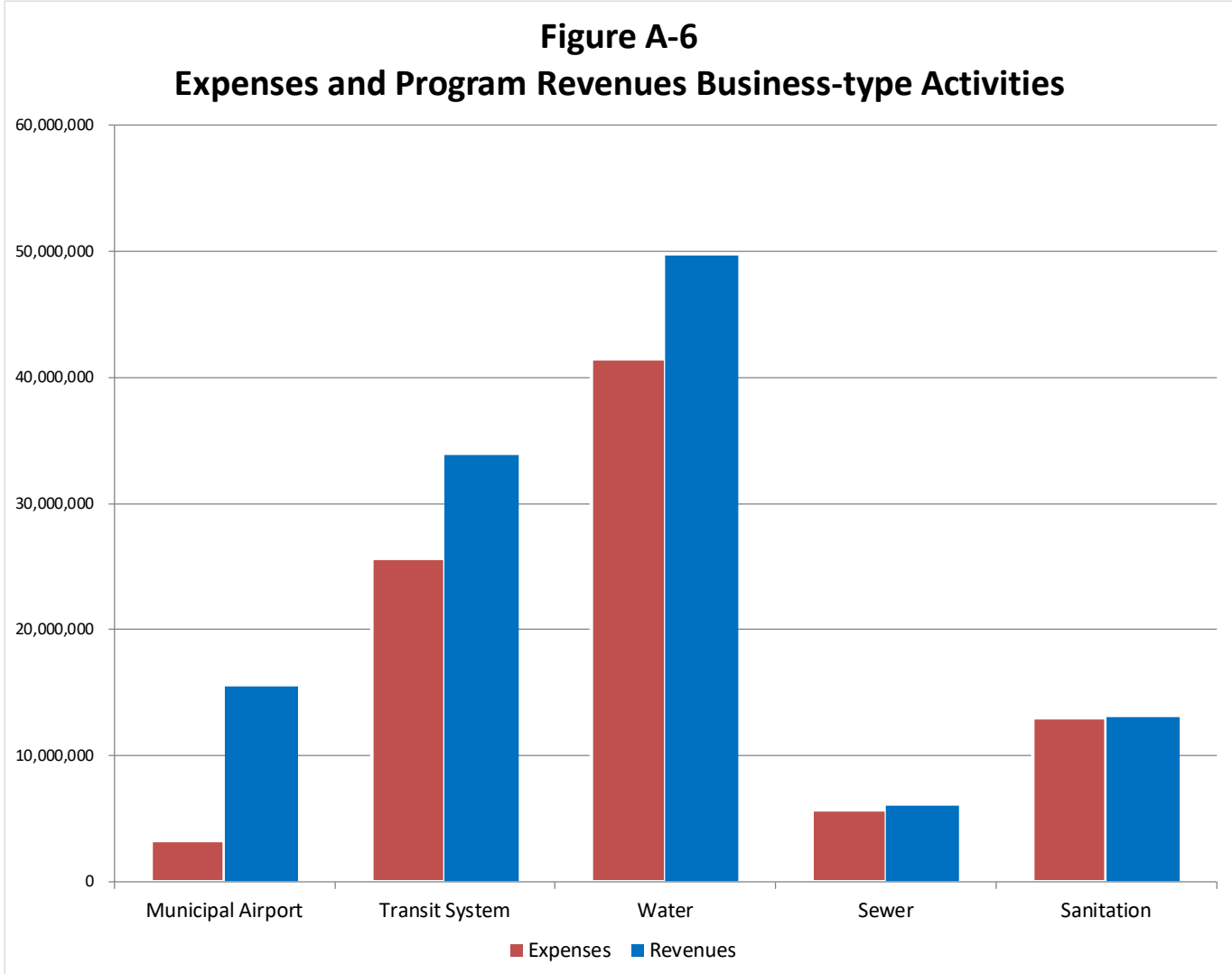
**Figure A-5
Business-type Activities Expenses**



CITY OF TORRANCE, CALIFORNIA

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Business-type Activities: Expenses and Program Revenues. The following chart, Figure A-6, compares program revenues and expenses for the city's business-type activities.



The comparison of direct expenses and program revenues demonstrates the extent to which each business-type activity area is self-financing, draws from its fund balance, or is supplemented with operating transfers. Since the chart above is a comparison of direct expenses and program revenues, it also does not include any operating transfers into/out of other funds. Overall the City's business-type activities fund their own operations.

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FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances on spendable resources. As the City completed the year, its governmental funds reported a combined fund balance of \$86.5 million. The General Fund is the main operating fund of the City and is accompanied by the Measure R Local Return and Highway Fund and Torrance Financing Debt Service Fund, as all three funds are considered major funds this year.

General Fund

General Fund revenues increased \$26.9 million or 15.2% from the prior fiscal year. Within the General Fund revenues, there are seven main categories, of which the City experienced increase in five categories in fiscal year 2020-21. The largest revenues source in the General Fund is taxes, which increased \$10.0 million or 6.2%. The second largest revenue source in the General Fund is intergovernmental, which increased \$11.8 million to \$12.4 million in fiscal year 2020-21, compared to \$0.6 million in fiscal year 2019-20. This was mainly due to ARPA funds received in the amount \$12.0 million in fiscal year 2020-21. The third largest revenue source in the General Fund is charges for current services, which increased \$4.8 million or 81.3%. This is attributable to the consolidation of the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund under the General Fund. In addition to these three main revenue streams, two other revenue sources have had notable increase, which are licenses, fees and permits and other revenues. The overall increase in the General Fund revenues are mainly due to the economic recovery stemming from the easing of state and county COVID-19 restrictions as well as the aforementioned one-time funding.

General Fund expenditures increased \$336.7 million from \$184.2 million in fiscal year 2019-20 to \$520.8 million in fiscal year 2020-21. This is primarily driven by the City paying down a large portion of its CalPERS UAL, made possible through the issuance of the 2020 Lease Revenue Bonds in fiscal year 2020-21, generating total expenditures of \$319.4 million in the General Fund. After controlling for the impact of the Lease Revenue Bond related expenses, General Fund expenditures increased \$17.3 million from the prior fiscal year. This increase was mainly driven by an increase in public safety expenditures of \$18.3 million or 15.3% and an increase in culture and recreation of \$4.0 million or 24.2%. The increase in public safety and Culture and Recreation is mainly the result of the consolidation of the Emergency Medical Services Fund and the Parks and Recreation Fund into the General Fund in fiscal year 2020-21. However, other areas in the General Fund experienced a decrease from budget reduction efforts and vacant positions held throughout the year.

The fund balance increase of \$21.3 million in General Fund this year is the result of budget reduction actions taken in fiscal year 2020-21 to begin aligning expenditures with revenues impacted by COVID-19 coupled with one-time revenue sources

CITY OF TORRANCE, CALIFORNIA

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identified during the fiscal year. In fiscal year 2020-21, \$4.7 million was transferred from the City's Transit Fund to pay the General Fund its final payment for the land on which the RTC is located, \$4.2 million was transferred to the General Fund related to Capital projects that were closed out, \$1.8 million was received in CARES grant funding, and \$12.0 million was received in ARPA funding.

Measure R Local Return and Highway Fund

The Measure R Local Return and Highway Fund is reflected as a major fund this year due to project activity that occurred in fiscal year 2020-21. In Fiscal year 20-21 the Measure R Local Return and Highway Fund revenues increased by \$5.4 million from \$3.5 million in fiscal year 2019-20 to \$8.9 million in fiscal year 2020-21. The expenditures increased by \$7.6 million from \$3.0 million in fiscal year 2019-20 to \$10.6 million in fiscal year 2020-21. This increase is attributable to project activities related to the I-169 (Residential St. Rehabilitation), FEAP764 (Torrance Transit Park and Ride Regional Transit Terminal), and T-155 (I-405 at 182nd St./Crenshaw Blvd. Operational Improvements).

Torrance Financing Debt Service Fund

The Torrance Financing Debt Service Fund is reflected as a major fund this year due to financing activity that occurred in fiscal year 2020-21. In Fiscal year 2020-21 the Torrance Financing Debt Service Fund revenues decreased by \$1.8 million from \$3.8 million in fiscal year 2019-20 to \$2.0 million in fiscal year 2020-21. This is mainly due to the retirement of the 2014 Certificates of Participation and the issuance of the 2021 Lease Revenue Bond, which allowed for a one-time reduction of payments in fiscal year 2020-21 and fiscal year 2021-22. The expenditures increased by \$3.0 million from \$3.7 million in fiscal year 2019-20 to \$6.7 million in fiscal year 2020-21. This is mainly due to the issuance of Lease Revenue Bonds 2020 and 2021 in fiscal year 2020-21.

Proprietary funds

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

The Transit Fund has an increase in fund equity of \$12.1 million mainly due to one-time CARES Act Federal grant of \$7.9 million. The Transit Fund also experienced an increase to its fund balance as a result of the actions taken to pay down the City's CalPERS UAL through the issuance of the 2020 Lease Revenue Bonds and the corresponding GASB68 entries. The effect of this action will be realized as an expenditure in fiscal year 2021-22 for this Fund when the net pension liability is relieved.

The Water Fund had an increase in fund equity of \$12.4 million. This Fund improved over the prior year's change in net position of \$7.3 million, primarily due to increase in charges for services. The Water Fund also experienced an increase to its fund

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balance as a result of the actions taken to pay down the City's CalPERS UAL through the issuance of the 2020 Lease Revenue Bonds and the corresponding GASB68 entries. The effect of this action will be realized as an expenditure in fiscal year 2021-22 for this Fund when the net pension liability is relieved.

The Sewer Fund had an increase in fund equity of \$2.1 million. This Fund improved over the prior year's change in net position of \$0.9 million due to increases in the charges for services classification. The Sewer Fund also experienced an increase to its fund balance as a result of the actions taken to pay down the City's CalPERS UAL through the issuance of the 2020 Lease Revenue Bonds and the corresponding GASB68 entries. The effect of this action will be realized as an expenditure in fiscal year 2021-22 for this Fund when the net pension liability is relieved.

The Sanitation Fund had an increase in fund equity of \$3.5 million. This Fund improved over the prior year's change in net position of \$0.4 million, primarily due to the actions taken to pay down the City's CalPERS UAL through the issuance of the 2020 Lease Revenue Bonds and the corresponding GASB68 entries. The effect of this action will be realized as an expenditure in fiscal year 2021-22 for this Fund when the net pension liability is relieved.

General Fund Budgetary Highlights

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

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

During the First Quarter Budget Presentation, the following modification was approved:

- Convert 2.0 existing Management Aides to Management Assistants in the City Manager's Office (General Fund)
- Police Officer Lateral Hire Program, funded by the Police Department salary savings (General Fund)

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

During the Mid-Year Budget presentation, the following modification was approved:

- City Manager/Human Resources Division and Finance Department Restructuring
- Add 1.0 Senior Business Manager (Senior Transit Planner) and 1.0 Transit Supervisor (Marketing Specialist Positions) funded by the Transit System Fund

Although the City amended its expenditure budget, actual charges to appropriations were \$11.3 million below the final adopted budget amounts. This is primarily due to savings generated from vacant positions throughout the year allowing budget to be re-applied and generate a surplus in the Transfers Out classification. This surplus allowed for an economic anomaly reserve increase of \$7.5 million, which is not recorded as an actual under the overall reported General Fund but counts against the City's appropriation limits set by Council in the General Fund Operating Fund. Additionally, the budgetary fund balance for July 1, 2021 exceeded the final budgeted values largely driven by identified one-time sources identified during the year. In fiscal year 2020-21, \$4.7 million was transferred from the City's Transit Fund to pay the General Fund its final payment for the land on which the RTC is located, \$4.2 million was transferred to the General Fund related to Capital projects that were closed out, \$1.8 million was received in CARES grant funding, and \$12.0 million was received in ARPA funding.

The City's General Fund fund balance of \$32.0 million differs from the General Fund's budgetary fund balance of \$29.9 million because \$2.1 million of encumbrances are included for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2021 amounts to \$514.9 million (net of accumulated depreciation). The investment in capital assets includes land, right of way, buildings and improvements, equipment, construction in progress, easement and infrastructure assets.

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

Table 3
Capital Assets
(net of depreciation, in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Land	\$81.7	\$78.7	\$8.8	\$8.8	\$90.5	\$87.5
Right of Way	19.9	19.9	-	-	19.9	19.9
Construction in progress	20.4	21.7	10.7	16.6	31.1	38.3
Infrastructure	160.3	154.6	113.0	101.0	273.3	255.6
Buildings and improvements	44.6	44.3	6.1	6.4	50.7	50.7
Equipment	23.3	23.1	24.9	27.9	48.2	51.0
Easement	-	-	1.2	1.3	1.2	1.3
Total	\$350.2	\$342.3	\$164.7	\$162.0	\$514.9	\$504.3

The total capital assets in the governmental activities increased by \$7.9 million (\$350.2 million in fiscal year 2020-21, compared to \$342.3 million in 2019-20) and the business-type activities increased by \$2.7 million (\$164.7 million in fiscal year 2020-21, compared to \$162.0 million in 2019-20). More detailed information about the City's capital assets and its activities during the year is shown in Note 3 of the Notes to Basic Financial Statements.

Long-term debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$413.7 million as shown in Table 4.

Table 4
Outstanding Debt
(In Millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 409.7	\$ 56.7	\$ 4.0	\$ 4.5	\$ 413.7	\$ 61.2

For governmental activities, the City currently has \$409.7 million of outstanding debt. During fiscal year 2020-21 the total debt of the City increased by \$353 million. The increase is primarily due to the issuance of 2020 and 2021 Lease Revenue Bonds. The 2021 Lease Revenue Bonds issuance was partially offset by the retirement of 2014 Certificates of Participation during fiscal year 2020-21 using the 2021 lease Revenue Bonds proceeds. More detailed information about the City's long-term liabilities is presented in Notes 5 and 6 of the Notes to Basic Financial Statements.

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

The City's General Fund secured a "AA-negative" watch rating from S&P Global Ratings (Standard & Poor's) for its Lease Revenue Bonds that were issued during fiscal year 2020-21.

For business-type activities, the City's Water Fund has outstanding debt of \$4.0 million due to the installment sale agreement to fund the North Torrance Well Field Project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key Highlights of the 2021-22 Budget (Reference the 2021-23 Adopted Biennial Budget and Capital Improvement Plan along with 10/12/2021 Council Meeting Budget Reduction item's detail)

The City Council adopted in June 2021, the first year (2021-22 fiscal year) of the Two Year Operating budget. Entering the May budget workshops, staff projected a General Fund Operating Fund deficit of \$4.7 million dollar between projected revenues and expenditures. However this budget deficit was suppressed due to one-time revenues from the ARPA of \$12.0 million. After controlling for these one-time revenues, it was projected the Fiscal Year 2021-22 budget would operate at a \$16.8 million structural deficit. To address the continued shortfall, which persisted in varying degrees in the 10-year projection, the City Manager called on departments to cut 5% from their budgets and to have the Police Department identify their reductions that were delayed from fiscal year 2020-21 in the amount of \$5.2 million. Staff worked diligently and presented a plan that would meet the \$13.9 million in identified reductions at the City Council's October 12, 2021 meeting. City Council approval was granted for the following mitigations:

- Miscellaneous Department budget reductions and Police Department civilianization: \$5,325,715
- Increase General Fund revenues: \$361,176

The remaining reductions in the police department totaling \$6,425,772 and fire department totaling \$1,807,785 were deferred pending the outcome of the potential sales tax ballot measure that would occur in June 2022, should City Council approve its placement on the ballot. The one-time revenues from the ARPA coupled with the approved reductions noted above balanced the budget for fiscal year 2021-22, with the structural deficit still remaining in fiscal year 2022-23 when ARPA is not received.

Staff provided a First Quarter Budget Review Report in December 2021 for fiscal year 2021-22, which indicated that the General Fund Operating Fund revenues were projected to exceed budget by \$7.7 million as the City recovered from the impacts of the COVID-19 pandemic. This additional projected revenue was recommended for appropriation (\$7.6 million of the total) to resolve a long standing deficit in the overtime budget (\$6.75 million) and to utilize the remainder (\$850,000) to partially offset an additional transfer needed for the Self-Insurance Fund. In this report staff projected an additional \$15.8 million was needed as a contribution from the General

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

Fund Operating Fund to offset projected activity and settlements occurring during the remainder of the year. The Self-Insurance Fund and its deficit net position will be an area of focus to ensure this is properly funded and has a reduced reliance on one-time funding to cover projected periodic settlements.

In addition to the concerns and projected demands on the Self-Insurance Fund, this Budget Review Report identified other Areas of Concern that will be the topic of focus for years to come. This includes:

- **Fleet Services Fund:** identified structural operating deficit related to the operations and vehicle replacement portions of the Fund along with a shortfall in funding set aside for future replacements.
- **Cash Balance by Fund:** Staff highlighted the General Fund cash balance at fiscal year end and noted its balance relative to the overall cash balance of the City and the size of this fund's operation is insufficient. Building this cash balance, and the corresponding overall fund balance in the General Fund will be critical to improving the City's standing on the State Auditors High Risk Dashboard.
- **Labor Trends:** Staff are seeing a spike in voluntary resignations for employees seeking other positions. This spike has occurred in the first quarter of fiscal year 2021-22. Staff will be monitoring this closely to ensure the city remains attractive and competitive and retains a talented workforce.
- **Impact of Constrained Budgets:** Over the last two rounds of budget reductions, this is drawn out the majority of any budget flexibility making staff less equipped to address items as they come up.

Despite these challenges the City does continue to recover from the peaks of the COVID-19 pandemic. The City has been able to begin restoring its General Fund fund balance, though does need to continue on this path to fiscal sustainability. The outcome of a potential sales tax ballot measure in June 2022 will determine the broader path forward for the overall City.

Employee Pensions and Related Debt:

- The City is primarily a service organization with 85% of the General Fund budget in labor.
- CalPERS pension and related debt costs (2020 Lease Revenue Bond) as percentage of the general fund budget is 22.3% (CalPERS cost is 14.9% and LRB cost 7.4%).
 - Based on CalPERS 21.3% return in fiscal year 2020-21 and the corresponding reduction in discount rate to 6.8%, the City projects its CalPERS and related debt costs to fall over the next 6 years. However, based on assumed CalPERS underperformance of 6.2% annually in the City's 10-year projection, we anticipate these costs will then rise thereafter.
- The City has implemented "tiered" pension benefits that transfers more of the pension costs to new employees while reducing some pension benefits. The California Public Employees' Pension Reform Act was implemented at the

CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis For the Fiscal Year ended June 30, 2021

state level and implemented by Torrance with new members sharing in 50% of normal costs.

- During fiscal year 2020-21 the City issued Lease Revenue Bonds totaling \$349.5 million to pay down its unfunded actuarial liability with CalPERS. The City projects this will save approximately \$172.2 million over the duration of the bonds without extending the amortization period.

Other Postemployment Benefits (OPEB):

- The City continues to fund its actuarially determined contributions (ADC) for Other Postemployment Benefits.
- OPEB mainly covers health benefits for retirees of roughly \$143 a month for Miscellaneous employees and up to an additional \$130 to \$332 a month for Fire and Police retirees.

Workforce:

The City is experiencing an increase in employee retirements and staff turnover. This is primarily due to the aging of the current workforce as well as employee departures seeking better salaries, benefits and flexibility. Efforts continue to develop and recruit a highly skilled workforce to ensure the highest level of service to our residents.

Employee Memorandums of Understanding (MOUs):

Fire MOUs are set to expire June 2022, Police MOUs are set to expire December 2023, with others expired June 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS



GOVERNMENT - WIDE FINANCIAL STATEMENTS



CITY OF TORRANCE, CALIFORNIA
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments (note 2)	\$ 99,164,642	\$ 55,163,060	\$ 154,327,702
Cash and cash equivalents with fiscal agents (note 2)	6,117,307	-	6,117,307
Accounts receivable	11,695,039	14,386,241	26,081,280
Accrued interest receivable	143,656	90,753	234,409
Due from successor agency (note 20)	-	-	-
Due from other governments (note 14)	16,606,280	10,549,917	27,156,197
Advance to successor agency (note 20)	7,401,959	1,167,338	8,569,297
Notes receivable (note 4)	32,900	-	32,900
Inventories, at cost	1,249,265	4,350,070	5,599,335
Prepays and other assets	402,908	-	402,908
Capital assets (note 3):			
Land	81,742,840	8,833,133	90,575,973
Right-of-way	19,950,272	-	19,950,272
Construction in progress	20,439,589	10,646,630	31,086,219
Infrastructure, net of accumulated depreciation	160,253,804	112,959,985	273,213,789
Building and improvements net of accumulated depreciation	44,591,726	6,112,104	50,703,830
Machinery and equipment, net of accumulated depreciation	23,293,363	24,859,736	48,153,099
Easement, net of accumulated depreciation	-	1,230,122	1,230,122
Total Assets	<u>493,085,550</u>	<u>250,349,089</u>	<u>743,434,639</u>
Deferred Outflows of Resources			
Deferred refunding charge	6,347,856	-	6,347,856
Deferred pension amounts (notes 7 and 8)	382,782,795	21,476,027	404,258,822
Deferred OPEB amounts (note 9)	5,678,895	645,042	6,323,937
Total Deferred Outflows of Resources	<u>394,809,546</u>	<u>22,121,069</u>	<u>416,930,615</u>
Liabilities			
Accounts payable	7,395,005	6,198,081	13,593,086
Accounts payable - contract retention	464,589	231,916	696,505
Accrued liabilities	10,280,764	2,121,827	12,402,591
Due to other governments	2,510	-	2,510
Unearned revenue (note 15)	610,034	6,361,624	6,971,658
Deposits and guarantees	1,927,686	203,446	2,131,132
Interest payable	5,430,351	33,741	5,464,092
Long term liabilities - portion due or payable within one year (notes 5, 6 and 13)	16,670,455	1,199,578	17,870,033
Long term liabilities:			
Long term liabilities - portion due or payable after one year (notes 5, 6 and 13)	483,119,290	6,247,828	489,367,118
Net pension liability - due in more than one year (notes 7 and 8)	478,874,341	32,024,706	510,899,047
Net OPEB liability - due in more than one year (note 9)	40,061,760	4,550,445	44,612,205
Total Liabilities	<u>1,044,836,785</u>	<u>59,173,192</u>	<u>1,104,009,977</u>
Deferred Inflows of Resources			
Deferred pension amounts (notes 7 and 8)	4,397,444	858,041	5,255,485
Deferred OPEB amounts (note 9)	1,236,546	140,454	1,377,000
Total Deferred Inflows of Resources	<u>5,633,990</u>	<u>998,495</u>	<u>6,632,485</u>
Net Position (Deficit)			
Net investment in capital assets	294,481,827	164,409,794	458,891,621
Restricted for:			
Streets & highways	28,056,551	-	28,056,551
Capital projects	1,548,296	-	1,548,296
Community development	7,685,789	-	7,685,789
Public safety	3,439,554	-	3,439,554
Debt service	1,211,558	-	1,211,558
Unrestricted	(498,999,254)	47,888,677	(451,110,577)
Total Net Position (Deficit)	<u>\$ (162,575,679)</u>	<u>\$ 212,298,471</u>	<u>\$ 49,722,792</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Activities and Changes in Net Position
Year ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 27,552,651	\$ 889,903	\$ 152,361	\$ 173,147
Public safety	156,247,344	3,704,713	12,735,585	139,969
Public works	27,884,693	215,950	8,833,704	22,535,647
Culture and recreation	26,142,322	2,092,748	97,106	-
Community development	11,134,358	8,776,764	7,232,414	397,545
Interest on long term debt	10,633,032	-	-	-
Total Governmental Activities	259,594,400	15,680,078	29,051,170	23,246,308
Business-Type Activities:				
Municipal airport	3,223,334	15,497,471	-	-
Transit system	25,640,165	62,735	31,731,563	2,031,517
Water	41,464,976	49,197,792	470,021	-
Sewer	5,665,865	6,025,299	-	-
Sanitation	13,015,184	12,920,186	82,936	-
Cultural arts center	-	-	-	-
Parks and recreation	-	-	-	-
Emergency medical services	-	-	-	-
Total Business-Type Activities	89,009,524	83,703,483	32,284,520	2,031,517
Total Primary Government	\$ 348,603,924	\$ 99,383,561	\$ 61,335,690	\$ 25,277,825

General Revenues:

- Taxes:
 - Property taxes
 - Sales taxes
 - Utility users taxes
 - Occupancy taxes
 - Business license taxes
 - Construction, real property, cogeneration and misc. taxes
- Investment earnings
- Motor vehicle tax (unrestricted)
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) - beginning
Prior period Adjustment (note 17)

Net Position (Deficit) - ending

See accompanying notes to the basic financial statements.

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (26,337,240)	\$ -	\$ (26,337,240)
(139,667,077)	-	(139,667,077)
3,700,608	-	3,700,608
(23,952,468)	-	(23,952,468)
5,272,365	-	5,272,365
(10,633,032)	-	(10,633,032)
(191,616,844)	-	(191,616,844)
-	12,274,137	12,274,137
-	8,185,650	8,185,650
-	8,202,837	8,202,837
-	359,434	359,434
-	(12,062)	(12,062)
-	-	-
-	-	-
-	-	-
-	29,009,996	29,009,996
(191,616,844)	29,009,996	(162,606,848)
55,036,553	-	55,036,553
52,937,960	-	52,937,960
31,644,428	-	31,644,428
6,031,651	-	6,031,651
8,937,485	-	8,937,485
15,139,550	-	15,139,550
4,389,316	326,943	4,716,259
106,749	-	106,749
4,298,570	78,000	4,376,570
(4,710,371)	4,710,371	-
173,811,891	5,115,314	178,927,205
(17,804,953)	34,125,310	16,320,357
(103,319,751)	136,976,807	33,657,056
(41,450,975)	41,196,354	(254,621)
\$ (162,575,679)	\$ 212,298,471	\$ 49,722,792

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GOVERNMENTAL FUND FINANCIAL STATEMENTS



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CITY OF TORRANCE, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Measure R Local Return and Highway Fund	Torrance Financing Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Pooled cash and investments (note 2)	\$ 11,549,932	\$ 4,605,804	\$ -	\$ 53,404,610	\$ 69,560,346
Cash and cash equivalents with fiscal agents (note 2)	-	-	1,211,558	4,684,095	5,895,653
Accounts receivable	7,509,987	-	-	85,006	7,594,993
Accrued interest receivable	66,220	6,069	-	41,765	114,054
Due from other funds (note 11)	6,442,375	-	-	-	6,442,375
Due from other governments (note 14)	12,804,774	2,084,706	-	1,716,800	16,606,280
Advance to successor agency (note 11)	5,688,101	-	-	1,713,858	7,401,959
Interfund advances receivable (note 11)	-	-	-	600,000	600,000
Notes receivable (note 4)	-	-	-	32,900	32,900
Prepays	318,992	-	-	80,316	399,308
Total Assets	\$ 44,380,381	\$ 6,696,579	\$ 1,211,558	\$ 62,359,350	\$ 114,647,868
Liabilities					
Accounts payable	\$ 2,456,891	\$ 1,510,268	\$ -	\$ 2,749,773	\$ 6,716,932
Accounts payable-contract retention	-	250,963	-	213,626	464,589
Accrued liabilities	5,514,263	94,764	-	1,531,767	7,140,794
Due to other funds (note 11)	-	3,786,690	-	2,655,685	6,442,375
Interfund advances payable (note 11)	600,000	-	-	-	600,000
Due to other governments	-	-	-	2,510	2,510
Unearned revenue (note 15)	391,014	-	-	219,020	610,034
Deposits and guarantees	168,536	-	-	1,759,150	1,927,686
Total Liabilities	9,130,704	5,642,685	-	9,131,531	23,904,920
Deferred Inflows of Resources:					
Unavailable revenue	3,289,037	-	-	974,092	4,263,129
Total Deferred Inflows of Resources	3,289,037	-	-	974,092	4,263,129
Fund Balances					
Nonspendable					
Advances, net	2,399,064	-	-	-	2,399,064
Prepays	318,992	-	-	80,316	399,308
Restricted for:					
Public safety	-	-	-	3,353,045	3,353,045
Public works	-	1,053,894	-	28,085,712	29,139,606
Culture and recreation -					
Cable TV education	2,841,983	-	-	-	2,841,983
Parks and recreation	-	-	-	1,548,296	1,548,296
Community development	-	-	-	4,500,514	4,500,514
Debt service	-	-	1,211,558	-	1,211,558
Assigned to:					
Public safety	86,509	-	-	-	86,509
Capital projects -					
PC replacement	2,690,695	-	-	-	2,690,695
Fire vehicle replacement	218,860	-	-	-	218,860
Telephone replacement	370,964	-	-	-	370,964
Emergency operations center improvements	-	-	-	4,665,195	4,665,195
Other	400,511	-	-	10,020,649	10,421,160
Unassigned	22,633,062	-	-	-	22,633,062
Total Fund Balances	31,960,640	1,053,894	1,211,558	52,253,727	86,479,819
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 44,380,381	\$ 6,696,579	\$ 1,211,558	\$ 62,359,350	\$ 114,647,868

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2021

Total fund balances of governmental funds		\$ 86,479,819
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.</p>		
Land	81,742,840	
Right-of-way	19,950,272	
Construction in Progress	20,439,589	
Infrastructure, net of \$195,603,835 accumulated depreciation	160,253,804	
Buildings and improvements, net of \$65,309,288 accumulated depreciation	44,591,726	
Machinery and equipment, net of \$33,179,065 accumulated depreciation	16,587,338	
		343,565,569
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.</p>		
Compensated absences	(14,542,764)	
Joint Powers Financing Authority lease revenue bonds	(389,240,000)	
Public Property Financing Corporation refunding certificates of participation	(20,480,000)	
Certificates of participation premium	(1,468,035)	
Deferred refunding charge	6,347,856	
Net pension liability	(473,447,518)	
Net OPEB liability	(39,437,188)	
		(932,267,649)
<p>Accrued interest payable on long-term debt does not require current financial resources and therefore interest payable is not reported as a liability in the Governmental Funds Balance Sheet.</p>		
Accrued interest payable on bonded debt	(5,423,522)	
		(5,423,522)
<p>Accrued interest receivable on advance to Successor Agency is considered unavailable revenue and is reported as a deferred inflow in the Governmental Funds Balance Sheet. The interest receivable is included in the governmental activities in the Statement of Net Position as additional advance to Successor Agency.</p>		
Deferred inflows of resources-unavailable revenue	4,263,129	
		4,263,129
<p>Deferred outflows are not current assets or financial resources, and the deferred inflows are not due and payable in the current period, and therefore are not reported in the governmental Funds Balance Sheet.</p>		
Deferred outflows of resources - pension	379,034,442	
Deferred outflows of resources - OPEB	5,597,418	
Deferred inflows of resources - pension	(4,248,337)	
Deferred inflows of resources - OPEB	(1,217,268)	
		379,166,255
<p>Internal service funds are used by management to charge the cost of fleet management and self-insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.</p>		
		(38,359,280)
Net Position of Governmental Activities		\$ (162,575,679)

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2021

	General Fund	Measure R Local Return and Highway Fund	Torrance Financing Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 170,949,067	\$ -	\$ -	\$ 1,268,245	\$ 172,217,312
Licenses, fees and permits	4,261,769	-	-	1,393,117	5,654,886
Fines, forfeitures and penalties	648,759	-	-	19,483	668,242
Use of money and property	2,054,658	59,948	2,033,716	642,494	4,790,816
Intergovernmental	12,388,894	8,855,412	-	29,280,437	50,524,743
Charges for current services	10,745,297	-	-	-	10,745,297
Other revenues	2,401,623	-	-	1,526,300	3,927,923
Total revenues	<u>203,450,067</u>	<u>8,915,360</u>	<u>2,033,716</u>	<u>34,130,076</u>	<u>248,529,219</u>
Expenditures:					
Current expenditures:					
General government	40,510,626	-	-	1,448,093	41,958,719
Nondepartmental	2,927,540	-	-	-	2,927,540
Public safety	411,840,878	-	-	1,203,143	413,044,021
Public works	18,106,516	10,586,779	-	16,085,998	44,779,293
Culture and recreation	31,543,922	-	-	324,874	31,868,796
Community development	15,911,358	-	-	7,853,645	23,765,003
Debt service:					
Principal retirement (note 6)	-	-	435,000	-	435,000
Interest and fiscal charges	-	-	1,606,215	-	1,606,215
Bond issuance costs	-	-	2,063,827	-	2,063,827
Payment to refunded bond escrow agent	-	-	2,611,940	-	2,611,940
Total expenditures	<u>520,840,840</u>	<u>10,586,779</u>	<u>6,716,982</u>	<u>26,915,753</u>	<u>565,060,354</u>
Excess of revenues over (under) expenditures	<u>(317,390,773)</u>	<u>(1,671,419)</u>	<u>(4,683,266)</u>	<u>7,214,323</u>	<u>(316,531,135)</u>
Other financing sources (uses):					
Transfers in (note 12)	353,463,434	-	-	3,286,378	356,749,812
Transfers out (note 12)	(14,756,886)	-	(347,933,066)	(12,598,188)	(375,288,140)
Payment to refunded bond escrow agent	-	-	(38,032,286)	-	(38,032,286)
Issuance of debt	-	-	389,240,000	-	389,240,000
Total other financing sources (uses)	<u>338,706,548</u>	<u>-</u>	<u>3,274,648</u>	<u>(9,311,810)</u>	<u>332,669,386</u>
Net change in fund balances	21,315,775	(1,671,419)	(1,408,618)	(2,097,487)	16,138,251
Fund balances, July 1, 2020	10,806,979	2,725,313	2,620,176	54,391,742	70,544,210
Prior period adjustment (note 17)	(162,114)	-	-	(40,528)	(202,642)
Fund balances, June 30, 2021	<u>\$ 31,960,640</u>	<u>\$ 1,053,894</u>	<u>\$ 1,211,558</u>	<u>\$ 52,253,727</u>	<u>\$ 86,479,819</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities and Changes in Net Position
 For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$	16,138,251
<p>The change in net position reported for governmental activities in the Statement of Activities and Changes in Net Position is different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense (excluding internal service funds)		(4,160,168)
Asset additions funded by Governmental Funds		11,753,781
		7,593,613
<p>The issuance of long-term debt (e.g. bonds), provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Bond principal payment		1,340,000
Payment to bond escrow - principal		39,739,225
Amortization of bond premium		586,543
Amortization of deferred refunding charge		(1,611,890)
Bond proceeds		(389,240,000)
		(349,186,122)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable, available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis until due, rather than as it accrues. This adjustment combines the net changes of accrued interest and advances.</p>		
Accrued interest payable on bonded debt		(5,154,370)
		(5,154,370)
<p>The amounts below reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds (net change).</p>		
Compensated absences (excluding internal service funds)		624,038
Interest receivable on advance to Successor Agency		38,913
Grant revenues accrued in the prior year		(2,851,586)
		(2,188,635)
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the net change in pension related amounts.</p>		
		311,063,208
<p>Governmental funds report OPEB benefits paid to retirees as expenditures. However, in the statement of activities, OPEB expense is measured as the change in total OPEB liability and the amortization of deferred outflows and inflows related to OPEB. This amount represents the net change in OPEB related amounts.</p>		
		1,777,290
<p>Internal service funds are used by management to charge the cost of fleet management and self-insurance to individual funds. The net revenue of certain activities are reported with the governmental activities.</p>		
		2,151,812
Change in net position of governmental activities		\$ (17,804,953)

See accompanying notes to the basic financial statements

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (see Note A)	Final Budget positive (negative)
Budgetary fund balance, July 1, 2020 (as restated)	\$ 10,644,865	\$ 10,644,865	\$ 10,644,865	\$ -
Resources (inflows):				
Taxes:				
Property Taxes:				
Current secured taxes	37,114,928	37,114,928	37,562,245	447,317
Current unsecured taxes	1,391,148	1,391,148	1,301,308	(89,840)
Prior years secured taxes	21,325	21,325	-	(21,325)
Prior years unsecured taxes	104,747	104,747	52,015	(52,732)
VLF swap and repayment taxes	15,787,000	15,787,000	15,631,754	(155,246)
Penalties and interest	131,108	131,108	153,891	22,783
Supplemental prior year secured taxes	-	-	-	-
Supplemental current secured	1,104,686	1,104,686	994,264	(110,422)
Redemption	385,854	385,854	689,916	304,062
Aircraft assessment tax	169,605	169,605	137,640	(31,965)
	<u>56,210,401</u>	<u>56,210,401</u>	<u>56,523,033</u>	<u>312,632</u>
Taxes other than property:				
Sales and use tax	46,772,000	46,772,000	52,937,960	6,165,960
Prop 172 sales tax	1,670,800	1,670,800	1,818,068	147,268
Business license tax	8,887,700	8,887,700	8,937,485	49,785
Business permit tax	181,400	181,400	140,362	(41,038)
Utility users tax	29,363,390	29,363,390	31,644,428	2,281,038
Construction tax	2,437,400	2,437,400	1,902,424	(534,976)
Real property transfer tax	769,000	769,000	1,005,082	236,082
Franchise tax-all other	7,634,100	7,634,100	8,668,584	1,034,484
Public education government fees	350,000	350,000	323,131	(26,869)
Occupancy tax	10,016,297	10,016,297	6,031,651	(3,984,646)
Oil severance tax	7,500	7,500	6,790	(710)
Cogeneration tax	967,608	967,608	877,568	(90,040)
Alarm permit fees	140,796	140,796	132,501	(8,295)
	<u>109,197,991</u>	<u>109,197,991</u>	<u>114,426,034</u>	<u>5,228,043</u>
Total taxes	<u>165,408,392</u>	<u>165,408,392</u>	<u>170,949,067</u>	<u>5,540,675</u>
Licenses, fees and permits:				
Fire permits	129,171	403,171	287,717	(115,454)
Construction/excavation permits	172,228	172,228	155,564	(16,664)
Grading permits	45,529	45,529	74,104	28,575
Building permits	2,323,786	2,323,786	2,133,798	(189,988)
Plumbing permits	-	-	-	-
Electrical permits	198,493	198,493	205,032	6,539
Mechanical permits	107,643	107,643	106,720	(923)
Special energy inspection fees	688,912	688,912	863,092	174,180
Sign permits and filing fees	43,057	43,057	37,054	(6,003)
Other licenses and permits	429	429	3,124	2,695
NPDES building permit fees	387,513	387,513	365,614	(21,899)
Building TEQECC filing fees	21,529	21,529	22,787	1,258
Oversized vehicle permit fees	6,459	6,459	7,163	704
Total licenses, fees, and permits	<u>4,124,749</u>	<u>4,398,749</u>	<u>4,261,769</u>	<u>(136,980)</u>

See accompanying notes to the basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (see Note A)	Final Budget positive (negative)
Fines, forfeitures and penalties:				
Parking citations	\$ 541,120	\$ 541,120	\$ 538,985	\$ (2,135)
Traffic fines	99,680	99,680	43,316	(56,364)
General fines	71,200	71,200	66,458	(4,742)
Total fines, forfeitures and penalties	<u>712,000</u>	<u>712,000</u>	<u>648,759</u>	<u>(63,241)</u>
Revenue from use of money and property:				
Investment earnings	852,750	1,737,905	(169,936)	(1,907,841)
Rents and concessions	2,255,503	2,385,503	2,213,206	(172,297)
Royalties	-	-	11,388	11,388
Total revenue from use of money and property	<u>3,108,253</u>	<u>4,123,408</u>	<u>2,054,658</u>	<u>(2,068,750)</u>
Revenue from other intergovernmental agencies:				
Emergency relief grants	-	-	12,037,138	12,037,138
State motor vehicle licenses	113,100	116,704	116,487	(217)
State homeowners property tax relief	152,250	152,250	178,294	26,044
Other state grants	169,650	169,650	56,975	(112,675)
Total revenue from other intergovernmental agencies	<u>435,000</u>	<u>438,604</u>	<u>12,388,894</u>	<u>11,950,290</u>
Charges for current services:				
TUSD collection fees	14,836	14,836	34,530	19,694
Planning and zoning fees	574,624	592,624	647,464	54,840
Traffic signal maintenance	176,930	176,930	215,950	39,020
Vacation processing fees	1,890	1,890	6,298	4,408
State encroachment collection fees	1,992	1,992	3,938	1,946
Grading	86,114	86,114	118,192	32,078
Plan check fees-building	1,475,786	1,475,786	1,788,228	312,442
Plan check fees-engineering	12,445	12,445	167,166	154,721
Green building code fees	539,465	539,465	847,625	308,160
Oil related inspection fees	7,730	7,730	960	(6,770)
Appeal fees	12,970	12,970	4,500	(8,470)
Other inspection fees	541,716	541,716	421,095	(120,621)
Engineering mapping fees	15,833	15,833	23,852	8,019
Engineering inspection fees	208,212	208,212	624,106	415,894
General government service charges	1,804	1,804	510	(1,294)
Advertising on shelters	-	205,000	128,356	(76,644)
Microfilming fees	313,163	313,163	324,267	11,104
Police charges-copies and photos	14,859	14,859	28,262	13,403
Police charges-fingerprinting and other	444,060	444,060	213,652	(230,408)
Fire department fees	777,448	2,443,448	2,251,008	(192,440)
Fire department fees-hazardous materials fees	664,176	664,176	913,548	249,372
Cultural arts center fees	-	1,255,723	84,899	(1,170,824)
Parks and recreational fees	386,241	5,746,237	1,851,200	(3,895,037)
Miscellaneous	12,024	36,024	44,388	8,364
Library revenues	89,496	89,496	1,303	(88,193)
Total charges for current services	<u>6,373,814</u>	<u>14,902,533</u>	<u>10,745,297</u>	<u>(4,157,236)</u>

See accompanying notes to the basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u> (see Note A)	<u>Final Budget</u> <u>positive</u> <u>(negative)</u>
Other revenues:				
Donations-private sources	\$ 9,633	\$ 313,123	\$ 338,411	\$ 25,288
Miscellaneous	493,900	495,100	2,063,212	1,568,112
Premium Tax Revenue Anticipation Notes	172,300	-	-	-
Total other revenues	<u>675,833</u>	<u>808,223</u>	<u>2,401,623</u>	<u>1,593,400</u>
Transfers in	<u>15,946,949</u>	<u>352,500,499</u>	<u>353,463,434</u>	<u>962,935</u>
Amounts available for appropriation	<u>207,429,855</u>	<u>553,937,273</u>	<u>567,558,366</u>	<u>13,621,093</u>
Charges to appropriation (outflows)				
General government:				
City Council	427,874	444,600	411,002	33,598
Commissions and committees:				
Parks and recreation	8,600	8,600	1,687	6,913
Planning	20,594	23,394	22,899	495
Environmental quality	3,800	3,800	962	2,838
Cultural arts	4,552	5,857	1,166	4,691
Traffic	4,800	4,800	1,510	3,290
Youth council	8,948	13,948	7,439	6,509
Historic preservation	7,900	3,100	-	3,100
Commission on aging	4,600	4,600	1,389	3,211
Library	5,323	5,323	1,650	3,673
Social services	16,000	63,410	27,748	35,662
City manager	5,240,356	8,226,981	8,012,128	214,853
City attorney	2,596,935	4,664,200	4,656,907	7,293
City clerk	1,028,949	1,729,351	1,721,900	7,451
City treasurer	340,514	582,666	576,357	6,309
Finance	5,911,030	9,619,000	9,328,643	290,357
Human resources	1,913,265	2,918,906	2,850,249	68,657
Civil service	581,596	983,404	914,317	69,087
Communications & Info Tech	5,913,344	9,992,511	9,914,370	78,141
General services	4,453,029	10,488,248	10,143,320	344,928
Less indirect cost allocation, other funds	<u>(7,573,211)</u>	<u>(7,573,211)</u>	<u>(7,610,489)</u>	<u>37,278</u>
Total general government	<u>20,918,798</u>	<u>42,213,488</u>	<u>40,985,154</u>	<u>1,228,334</u>
Nondepartmental				
Insurance, net	25,000	25,000	24,821	179
Community promotion	362,900	234,900	46,800	188,100
Other	4,257,091	816,260	815,839	421
Leaseback payments	3,748,888	2,060,616	2,044,128	16,488
Total nondepartmental	<u>8,393,879</u>	<u>3,136,776</u>	<u>2,931,588</u>	<u>205,188</u>

See accompanying notes to the basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u> (see Note A)	<u>Final Budget</u> <u>positive</u> <u>(negative)</u>
Community Development	\$ 8,270,581	\$ 15,949,951	\$ 15,945,099	\$ 4,852
Public safety:				
Police	89,181,313	262,366,730	262,266,653	100,077
Fire	33,218,523	149,763,194	149,744,366	18,828
Total public safety	<u>122,399,836</u>	<u>412,129,924</u>	<u>412,011,019</u>	<u>118,905</u>
Public works	<u>12,377,033</u>	<u>18,771,319</u>	<u>18,769,887</u>	<u>1,432</u>
Culture and recreation	<u>16,135,773</u>	<u>32,239,675</u>	<u>32,230,256</u>	<u>9,419</u>
Transfers out	<u>24,419,841</u>	<u>24,503,700</u>	<u>14,756,886</u>	<u>9,746,814</u>
Total Charges to appropriations	<u>212,915,741</u>	<u>548,944,833</u>	<u>537,629,889</u>	<u>11,314,944</u>
Budgetary Fund Balance, July 1, 2021	<u>(5,485,886)</u>	<u>4,992,440</u>	<u>29,928,477</u>	<u>24,936,037</u>

See accompanying notes to the basic financial statements

CITY OF TORRANCE, CALIFORNIA

Budgetary Comparison Statement

Budget-to-GAAP Reconciliation

General Fund

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement	\$	567,558,366
Differences - budget to GAAP:		
The fund balance at the beginning of the year (as restated) is not a current year revenue for financial reporting purposes		(10,644,865)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes		<u>(353,463,434)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u><u>203,450,067</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$	537,629,889
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		(2,032,163)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(14,756,886)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u><u>520,840,840</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS



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CITY OF TORRANCE, CALIFORNIA
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities					Total	Governmental
	Enterprise Funds						Internal Service
	Transit System Fund	Water Fund	Sewer Fund	Sanitation Fund	Nonmajor Enterprise Funds		Funds
Assets and Deferred Outflows of Resources							
Current assets:							
Pooled cash and investments (note 2)	\$ 11,940,696	\$ 26,918,687	\$ 6,479,593	\$ 3,654,190	\$ 6,169,894	\$ 55,163,060	\$ 29,604,296
Cash and cash equivalents with fiscal agents (note 2)	-	-	-	-	-	-	221,654
Accounts receivable	89,194	8,362,214	1,415,868	3,531,411	987,554	14,386,241	4,100,044
Accrued interest receivable	15,641	35,482	8,520	23,028	8,082	90,753	29,603
Inventory	1,146,956	3,203,114	-	-	-	4,350,070	1,249,265
Due from other funds (note 11)	-	-	-	-	-	-	-
Due from other governments (note 14)	10,549,917	-	-	-	-	10,549,917	-
Prepays	-	-	-	-	-	-	3,600
Total current assets	<u>23,742,404</u>	<u>38,519,497</u>	<u>7,903,981</u>	<u>7,208,629</u>	<u>7,165,530</u>	<u>84,540,041</u>	<u>35,208,462</u>
Noncurrent assets:							
Advance to successor agency (note 11)	-	1,167,338	-	-	-	1,167,338	-
Capital assets, net (note 3)	22,724,251	90,069,266	39,298,021	4,751,499	7,798,673	164,641,710	6,706,026
Total noncurrent assets	<u>22,724,251</u>	<u>91,236,604</u>	<u>39,298,021</u>	<u>4,751,499</u>	<u>7,798,673</u>	<u>165,809,048</u>	<u>6,706,026</u>
Deferred outflows of resources:							
Deferred pension amounts	8,596,285	5,388,169	2,182,468	4,131,899	1,177,206	21,476,027	3,748,353
Deferred OPEB amounts	347,817	126,479	50,591	94,859	25,296	645,042	81,477
Total deferred outflows of resources	<u>8,944,102</u>	<u>5,514,648</u>	<u>2,233,059</u>	<u>4,226,758</u>	<u>1,202,502</u>	<u>22,121,069</u>	<u>3,829,830</u>
Total Assets and Deferred Outflows of Resources	<u>55,410,757</u>	<u>135,270,749</u>	<u>49,435,061</u>	<u>16,186,886</u>	<u>16,166,705</u>	<u>272,470,158</u>	<u>45,744,318</u>
Liabilities and Deferred Inflows of Resources							
Current liabilities:							
Accounts payable	393,345	5,074,118	310,895	369,763	49,960	6,198,081	678,074
Contract retainage payable	208,633	12	-	-	23,271	231,916	-
Deposits payable	-	44,570	-	-	158,876	203,446	-
Accrued interest payable	-	15,607	-	18,134	-	33,741	6,829
Accrued liabilities	410,106	1,429,447	103,261	127,090	51,923	2,121,827	3,139,970
Due to other funds (note 11)	-	-	-	-	-	-	-
Compensated absences payable-current	348,367	61,877	65,578	64,447	47,071	587,340	9,195,614
Current installment sale loan payable - principal (notes 5 and 6)	-	554,122	-	-	-	554,122	-
Easement payable - current	-	58,116	-	-	-	58,116	-
Accrued liabilities for self-insurance claims - current (note 13)	-	-	-	-	-	-	8,033,477
Unearned revenues (note 15)	5,998,551	-	-	-	363,073	6,361,624	-
Total current liabilities	<u>7,359,002</u>	<u>7,237,869</u>	<u>479,734</u>	<u>579,434</u>	<u>694,174</u>	<u>16,350,213</u>	<u>21,053,964</u>
Noncurrent liabilities:							
Compensated absences payable-long term	991,503	176,111	186,647	183,425	133,971	1,671,657	-
Long-term obligations (notes 5 and 6)	-	4,576,171	-	-	-	4,576,171	-
Accrued Liability for self-insurance claims long-term (note 13)	-	-	-	-	-	-	56,829,855
Net pension liability	12,709,955	8,377,556	3,294,872	5,968,166	1,674,157	32,024,706	5,426,823
Net OPEB liability	2,453,671	892,244	356,898	669,183	178,449	4,550,445	624,571
Total noncurrent liabilities	<u>16,155,129</u>	<u>14,022,082</u>	<u>3,838,417</u>	<u>6,820,774</u>	<u>1,986,577</u>	<u>42,822,979</u>	<u>62,881,249</u>
Deferred inflows of resources:							
Deferred pension amounts	343,186	216,112	87,295	164,613	46,835	858,041	149,107
Deferred OPEB amounts	75,735	27,540	11,016	20,655	5,508	140,454	19,278
Total deferred inflows of resources	<u>418,921</u>	<u>243,652</u>	<u>98,311</u>	<u>185,268</u>	<u>52,343</u>	<u>998,495</u>	<u>168,385</u>
Total Liabilities and Deferred Inflows of Resources	<u>23,933,052</u>	<u>21,503,603</u>	<u>4,416,462</u>	<u>7,585,476</u>	<u>2,733,094</u>	<u>60,171,687</u>	<u>84,103,598</u>
Net Position							
Net investment in capital assets	22,515,618	90,069,254	39,298,021	4,751,499	7,775,402	164,409,794	6,706,026
Unrestricted	8,962,087	23,697,892	5,720,578	3,849,911	5,658,209	47,888,677	(45,065,306)
Total Net Position	<u>\$ 31,477,705</u>	<u>\$ 113,767,146</u>	<u>\$ 45,018,599</u>	<u>\$ 8,601,410</u>	<u>\$ 13,433,611</u>	<u>\$ 212,298,471</u>	<u>\$ (38,359,280)</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2021

	Business-type Activities					Total	Governmental
	Enterprise Funds						Activity
	Transit System Fund	Water Fund	Sewer Fund	Sanitation Fund	Nonmajor Enterprise Funds		Internal Service Funds
Operating revenues:							
Charges for services	\$ 56,026	\$ 47,514,003	\$ 6,025,299	\$ 12,883,355	\$ 15,027,751	\$ 81,506,434	\$ 8,464,656
Other	6,709	1,683,789	-	36,831	469,720	2,197,049	189,450
Total operating revenues	<u>62,735</u>	<u>49,197,792</u>	<u>6,025,299</u>	<u>12,920,186</u>	<u>15,497,471</u>	<u>83,703,483</u>	<u>8,654,106</u>
Operating expenses:							
Salaries and employee benefits	13,359,311	7,002,408	2,687,922	4,855,563	1,887,889	29,793,093	4,923,934
Services and supplies	1,789,739	1,937,002	224,000	2,812,865	82,489	6,846,095	66,164
Other professional services	1,644,591	1,390,243	794,348	2,811,869	546,613	7,187,664	183,213
Depreciation and amortization	4,167,954	2,280,858	1,245,614	1,044,749	221,988	8,961,163	1,493,160
Insurance and claims	277,092	52,362	-	92,932	16,280	438,666	13,723,658
City charges	4,256,390	2,471,572	705,110	1,395,249	467,034	9,295,355	144,085
Cost of water	-	26,301,940	-	-	-	26,301,940	-
Other	145,088	28,591	8,871	1,957	1,041	185,548	16,235
Total operating expenses	<u>25,640,165</u>	<u>41,464,976</u>	<u>5,665,865</u>	<u>13,015,184</u>	<u>3,223,334</u>	<u>89,009,524</u>	<u>20,550,449</u>
Operating income (loss)	<u>(25,577,430)</u>	<u>7,732,816</u>	<u>359,434</u>	<u>(94,998)</u>	<u>12,274,137</u>	<u>(5,306,041)</u>	<u>(11,896,343)</u>
Nonoperating revenues (expenses)							
Investment earnings	76,870	200,542	45,726	44,275	60,644	428,057	69,347
Gain on sale of capital assets	300	45,200	24,200	8,300	-	78,000	150,850
Assistance from other governments	31,731,563	-	-	-	-	31,731,563	-
Interest expense	-	(101,114)	-	-	-	(101,114)	-
Grants	-	470,021	-	82,936	-	552,957	-
Total nonoperating revenues (expenses) net	<u>31,808,733</u>	<u>614,649</u>	<u>69,926</u>	<u>135,511</u>	<u>60,644</u>	<u>32,689,463</u>	<u>220,197</u>
Income (loss) before contributions and operating transfers	6,231,303	8,347,465	429,360	40,513	12,334,781	27,383,422	(11,676,146)
Capital grants	2,031,517	-	-	-	-	2,031,517	-
Transfers in (note 12)	8,646,860	4,099,459	1,701,178	3,437,947	2,846,794	20,732,238	14,076,378
Transfers out (note 12)	(4,798,461)	(18,077)	-	(8,211)	(11,197,118)	(16,021,867)	(248,420)
Change in net position	12,111,219	12,428,847	2,130,538	3,470,249	3,984,457	34,125,310	2,151,812
Total net position - July 1, 2020	19,366,486	101,338,299	42,888,061	5,131,161	(31,747,200)	136,976,807	(40,511,092)
Prior period adjustment (note 17)	-	-	-	-	41,196,354	41,196,354	-
Total net position - June 30, 2021	<u>\$ 31,477,705</u>	<u>\$ 113,767,146</u>	<u>\$ 45,018,599</u>	<u>\$ 8,601,410</u>	<u>\$ 13,433,611</u>	<u>\$ 212,298,471</u>	<u>\$ (38,359,280)</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities					Total	Governmental
	Enterprise Funds						Activity
	Transit System Fund	Water Fund	Sewer Fund	Sanitation Fund	Nonmajor Enterprise Funds		Internal Service Funds
Cash flows from operating activities:							
Receipts from customers	\$ 56,026	\$ 46,604,779	\$ 5,908,778	\$ 12,784,377	\$ 15,041,456	\$ 80,395,416	\$ 8,654,600
Cash payments to suppliers for goods and services	(8,746,200)	(31,997,353)	(1,462,571)	(7,157,032)	(1,221,802)	(50,584,958)	(8,926,664)
Cash payments to employees for services	(22,921,444)	(9,991,140)	(4,140,379)	(7,844,586)	(44,307,903)	(89,205,452)	(3,255,096)
Cash payments to other funds	-	-	-	-	(1,575,503)	(1,575,503)	-
Other receipts	6,709	1,683,789	-	36,831	469,720	2,197,049	-
Net cash provided by (used in) operating activities	<u>(31,604,909)</u>	<u>6,300,075</u>	<u>305,828</u>	<u>(2,180,410)</u>	<u>(31,594,032)</u>	<u>(58,773,448)</u>	<u>(3,527,160)</u>
Cash flows from noncapital financing activities:							
Cash received from noncapital grants and subsidies	25,831,684	470,021	-	82,936	-	26,384,641	-
Cash transfer due to reorganization	-	-	-	-	41,555,735	41,555,735	-
Cash received from other funds	8,646,860	4,099,459	1,701,178	3,437,947	2,846,794	20,732,238	24,076,378
Cash transfers paid to other funds	(4,798,461)	(18,077)	-	(8,211)	(11,197,118)	(16,021,867)	(248,421)
Net cash provided by noncapital financing activities	<u>29,680,083</u>	<u>4,551,403</u>	<u>1,701,178</u>	<u>3,512,672</u>	<u>33,205,411</u>	<u>72,650,747</u>	<u>23,827,957</u>
Cash flows from capital financing activities:							
Cash received from capital grants and subsidies	2,031,517	-	-	-	-	2,031,517	-
Cash payments for capital additions	(1,938,091)	(9,413,690)	(1,045,081)	(72,110)	(66,855)	(12,535,827)	(1,906,904)
Proceeds from sale of capital assets	300	45,200	24,200	8,300	-	78,000	150,850
Payments for long-term obligations - principal & interest	-	(702,632)	-	-	-	(702,632)	-
Net cash provided by (used in) capital financing activities	<u>93,726</u>	<u>(10,071,122)</u>	<u>(1,020,881)</u>	<u>(63,810)</u>	<u>(66,855)</u>	<u>(11,128,942)</u>	<u>(1,756,054)</u>
Cash flows from investing activities:							
Cash received from interest on investments	84,325	192,068	46,401	43,392	60,269	426,455	69,938
Cash provided by investing activities	<u>84,325</u>	<u>192,068</u>	<u>46,401</u>	<u>43,392</u>	<u>60,269</u>	<u>426,455</u>	<u>69,938</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	(1,746,775)	972,424	1,032,526	1,311,844	1,604,793	3,174,812	18,614,681
Cash and cash equivalents, July 1, 2020	13,687,471	25,946,263	5,447,067	2,342,346	4,565,101	51,988,248	11,211,269
Cash and cash equivalents, June 30, 2021	<u>\$ 11,940,696</u>	<u>\$ 26,918,687</u>	<u>\$ 6,479,593</u>	<u>\$ 3,654,190</u>	<u>\$ 6,169,894</u>	<u>\$ 55,163,060</u>	<u>\$ 29,825,950</u>
Reconciliation of cash and cash equivalents:							
Pooled cash and investments	11,940,696	26,918,687	6,479,593	3,654,190	6,169,894	55,163,060	29,604,296
Cash and cash equivalents with fiscal agents	-	-	-	-	-	-	221,654
Total cash and cash equivalents	<u>\$ 11,940,696</u>	<u>\$ 26,918,687</u>	<u>\$ 6,479,593</u>	<u>\$ 3,654,190</u>	<u>\$ 6,169,894</u>	<u>\$ 55,163,060</u>	<u>\$ 29,825,950</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (25,577,430)	\$ 7,732,816	\$ 359,434	\$ (94,998)	\$ 12,274,137	\$ (5,306,041)	\$ (11,896,343)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	4,167,954	2,280,858	1,245,614	1,044,749	221,988	8,961,163	1,493,160
Bad debt expense	-	18,861	159	626	190	19,836	-
Changes in assets and liabilities:							
Accounts receivable	341,097	(909,224)	(116,521)	(98,978)	(3,606)	(787,232)	(440,554)
Due from other government	-	-	-	-	-	-	-
Prepays and other assets	-	1,000	-	-	-	1,000	-
Inventories	(40,932)	(390,157)	-	-	-	(431,089)	(229,397)
Accounts payable	(771,885)	(468,354)	202,199	(82,888)	(144,577)	(1,265,505)	200,063
Accrued salaries and benefits	27,964	(17,046)	63,814	(3,288)	(313,931)	(242,487)	1,214,364
Due to other funds	-	-	-	-	(1,575,504)	(1,575,504)	-
Other accrued liabilities	(161,580)	1,023,007	67,400	40,102	36,043	1,004,972	8,325,634
Deferred outflows related to pensions	(6,638,686)	(4,528,061)	(1,806,123)	(3,452,630)	5,364,154	(11,061,346)	(3,195,037)
Deferred outflows related to OPEB	(82,967)	(36,430)	(13,512)	(10,107)	371,979	228,963	(7,319)
Net pension liability	(2,429,273)	1,658,503	352,799	705,821	(42,947,218)	(42,659,368)	1,144,016
Net OPEB liability	226,471	134,996	45,093	(43,521)	(3,162,351)	(2,799,312)	955
Deferred inflows related to pensions	(638,627)	(193,299)	(91,159)	(173,073)	(1,584,028)	(2,680,186)	(127,211)
Deferred inflows related to OPEB	(27,015)	(7,395)	(3,369)	(12,225)	(148,619)	(198,623)	(9,491)
Deposits and guarantees	-	-	-	-	(128,036)	(128,036)	-
Unearned revenues	-	-	-	-	145,347	145,347	-
Net cash provided by (used in) operating activities	<u>\$ (31,604,909)</u>	<u>\$ 6,300,075</u>	<u>\$ 305,828</u>	<u>\$ (2,180,410)</u>	<u>\$ (31,594,032)</u>	<u>\$ (58,773,448)</u>	<u>\$ (3,527,160)</u>

Noncash, investing, capital and financing activities:
During fiscal year 2020-21, there were no significant noncash investing, capital, or financing activities.

See accompanying notes to the basic financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS



CITY OF TORRANCE, CALIFORNIA

Statement of Net Position - Trust and Agency Funds

June 30, 2021

Assets	Private- Purpose Trust Fund	Total Agency Funds
	<u> </u>	<u> </u>
Pooled cash and investments (note 2)	\$ 2,062,595	\$ 5,080,882
Cash and cash equivalents with fiscal agents (note 2)	4	-
Accounts receivable	-	44,186
Accrued interest receivable	-	801
Property, plant and equipment, net	<u>-</u>	<u>705,935</u>
Total assets	<u>2,062,599</u>	<u>\$ 5,831,804</u>
Liabilities		
Deposits payable	-	\$ 5,831,804
Interest payable	203,600	-
Advances from City (note 11)	8,569,297	-
Long-term debt:		
Due within one year (note 20)	2,036,644	-
Due in more than one year (note 20)	<u>39,319,007</u>	<u>-</u>
Total Liabilities	<u>\$ 50,128,548</u>	<u>\$ 5,831,804</u>
Net Position (Deficit)		
Held in trust for successor agency	<u>\$ (48,065,949)</u>	

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Changes in Net Position - Trust Funds
Year Ended June 30, 2021

	Private- Purpose Trust Fund
Additions	Private- Purpose Trust Fund
Property taxes	\$ 3,187,503
Use of money and property	3,440
Total additions	3,190,943
Deductions	
Residual commitments of former redevelopment agency	259,423
Debt service	
Interest and fiscal charges of former redevelopment agency	1,435,496
Other	4,000
Total deductions	1,698,919
Change in net position	1,492,024
Net position (deficit) - beginning	(49,570,568)
Prior period adjustment (note 20)	12,595
Net position (deficit) - ending	\$ (48,065,949)

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

(1) Description of Funds and Summary of Significant Accounting Policies

Reporting Entity

The City of Torrance (the City) was incorporated in 1921 and became a charter city in 1947. The City is governed by an elected mayor and a six-member council and provides a wide range of services including police and fire protection, sanitation and water services, airport and bus transit services, the construction and maintenance of streets and infrastructure, and recreational activities. The accompanying annual comprehensive financial report includes the financial activities of the City, the primary government. The City has no component units.

Government-Wide and Fund Financial Statements

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

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for franchise taxes and grant revenues (for which the availability period is 180 days). Property taxes, taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.), licenses, permits, charges for services, interest, and other miscellaneous revenues associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long term debt, which is recognized when due.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

The City reports the following major Governmental Funds:

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

The *Measure R Local Return and Highway Fund* is used to account for monies received for the purpose of planning, right of way acquisitions, engineering, administration, construction improvement, maintenance, and operation of public streets and roads, highways and exclusive public mass transit guide ways.

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

The City reports the following major Enterprise Funds:

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

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

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

The *Sanitation Fund* is used to account for the operation of the City's refuse and waste management system including its recycling program.

Additionally, the City reports the following fund types:

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

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

The *Internal Service Funds* consist of the Fleet Services Fund which is used to account for costs relating to the City's vehicular equipment; the Self-Insurance Fund that is used to account for risk management activities and the Postemployment/Compensated Absences Fund that is used to account for inter-fund charges for postemployment and compensated absences benefits. These funds are financed by charges to other departments or agencies of the City on a cost reimbursement basis.

The *Trust and Agency Funds* are used to account for the resources held by the City in a fiduciary capacity. The City's fiduciary funds include agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations and a private-purpose trust fund which does include measurement of results of operations. The agency funds are

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

accounted for on an accrual basis of accounting. The City uses agency (fiduciary) funds to account for employee unspent pre-tax benefits collected from the participating employees in the Flexible Benefits Fund, safekeeping and disbursement of the private property collected and held in the custody of the police department in the Property Room Evidence Fund, environmental deposits from developers/contractors to account for the cost analysis and evaluation of air pollutants in the Environmental Trust Fund, the Special Deposits Fund for private donations, deposits and other disbursements held on behalf of various depositors for disbursements on projects of the general government, the Torrance Tourism Business Improvement District Fund to account for local business revenues to finance tourism generating activities in the City and the Interoperability Network of the South Bay Fund to account for member city revenues to finance a wide-area interoperable government communications network. The City uses a private-purpose trust (fiduciary) fund to account for the successor agency activities since the dissolution of the former redevelopment agency (governmental) funds on February 1, 2012 (see Note 20).

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues for the Water Enterprise Fund, the Sewer Enterprise Fund, the Sanitation Enterprise Fund, the Transit System Enterprise Fund, and the Municipal Airport Enterprise Fund are charges for goods and services. Operating expenses for these same enterprise funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. During the fiscal year 2020-21, the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund were consolidated to the General Fund as these funds had been largely subsidized by the General Fund.

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

Accounting for Encumbrances

The encumbrance system of accounting is used. An encumbrance is recorded as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received, as required by generally accepted

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

accounting principles. Encumbrances at year end are reported as restricted, committed, or assigned depending on the resources that have been identified to fund the applicable encumbrance.

Cash and Investments

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

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

Cash and Cash Equivalents with Fiscal Agents

Cash and investments restricted as to their use by debt resolutions.

Inventories and Prepaids

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

Prepaids are items that were paid in the current fiscal year but pertain to the next fiscal year activities. The governmental funds use the consumption method in accounting for prepaids.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at acquisition value when received. Depreciation is recorded on a straight-line basis over the useful life of the assets as follows:

Buildings – 40 years

Improvements – 40 years

Equipment – 5 to 7 years

Infrastructure – 25 to 80 years

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

Property Tax Calendar

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

Pension Plans

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

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

CalPERS pension:

Valuation date (VD)	June 30, 2019
Measurement date (MD)	June 30, 2020
Measurement period (MP)	June 30, 2019 to June 30, 2020

PARS pension:

Valuation date (VD)	June 30, 2019
Measurement date (MD)	June 30, 2020
Measurement period (MP)	July 1, 2019 to June 30, 2020

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Local Government of the City's OPEB plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Governmental Accounting Standards Board Statement 75 (GASB 75) requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation date (VD)	June 30, 2019
Measurement date (MD)	June 30, 2020
Measurement period (MP)	July 1, 2019 to June 30, 2020

Vacation and Sick Leave

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

Claims and Judgments

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

Deferred Outflows and Deferred Inflows of Resources

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

- Deferred loss on refunding, net of accumulated amortization reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows related to pensions/OPEB equal to employer contributions made after the measurement date of the net pension/OPEB liability.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

- Deferred outflows related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.

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

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

Fund Balance

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

Nonspendable Fund Balance

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

Spendable Fund Balance

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

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

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

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

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

Net Position

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

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

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Net Position Flow Assumptions

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

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

Budgetary Principles

The City uses the modified accrual plus encumbrances as its budgetary basis of accounting. The City is required by its Charter to adopt an annual budget. On or before the first day of June each year, the City Manager shall submit to City Council a proposed budget for all departments. The said budget shall include estimates for all revenues and expenditures for the ensuing year. From the effective date of the budget, the amounts stated therein, as proposed expenditures become appropriations to the various City departments. The following governmental funds are annually appropriated: General Fund, Debt Service Fund, Rental Assistance Program Fund, Street Lighting District Assessment Fund, Vanpool Rideshare Fund, Low Mod Housing Fund, and Meadow Park Parking Lot District Fund. Budgets for the Capital Improvement Fund and Special Revenue Capital Project Funds are long-term in nature. Therefore, no budgetary comparisons are presented in the accompanying financial statements. The enterprise funds with annual appropriations are: Transit System Fund, Water Fund, Sewer Fund, Sanitation Fund, and Municipal Airport Fund.

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

New Accounting Pronouncements

Current Year Standards

GASB 84, “*Fiduciary Activities*”, effective for periods beginning after December 15, 2019. This statement improves guidance and establishes criteria for identifying fiduciary activities of all state and local governments.

GASB 90, “*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*”, effective for periods beginning after December 15, 2019. This statement defines a majority equity interest and improves its reporting as an investment if a government’s holding of the equity interest meets the definition of an investment.

GASB 98, “*The Annual Comprehensive Financial Report*”, was issued on October 2021 and effective for fiscal years ending after December 15, 2021. This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*.

Pending Accounting Standards

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

GASB 87, “*Leases*”, effective for periods beginning after June 15, 2021.

GASB 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*”, effective for periods beginning after December 15, 2020.

GASB 91, “*Conduit Debt Obligations*”, effective for periods beginning after December 15, 2021.

GASB 93, “*Replacement of Interbank Offered Rates*”, effective for fiscal years beginning after June 15, 2022.

GASB 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”, effective for fiscal years beginning after June 15, 2022.

GASB 96, “*Subscription-Based Information Technology Arrangements*”, effective for fiscal years beginning after June 15, 2022.

GASB 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*”, effective for periods beginning after June 15, 2021.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Use of Estimates

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

(2) Cash and Investments

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 154,327,702
Cash and investments held by bond trustee	6,117,307
Fiduciary funds:	
Cash and investments	7,143,477
Cash and investments held by bond trustee	<u>4</u>
Total cash and investments	<u><u>\$ 167,588,490</u></u>

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 18,730
Cash with fiscal agent	238,744
Deposits with financial institutions	23,548,559
Investments	<u>143,782,457</u>
Total cash and investments	<u><u>\$ 167,588,490</u></u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment In One Issuer</u>
Local Agency Bonds	Yes	5 years	10%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	75%	30%
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	20%	None
Time Certificates of Deposit	Yes	1 year	10%	None
Repurchase Agreements	Yes	30 days	10%	None
Reverse Repurchase Agreements	No	N/A	N/A	None
Medium-Term Notes	Yes	5 years	20%	5%
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	None	None
Mortgage Pass-Through Securities	No	N/A	N/A	None
County Pooled Investment Funds	No	N/A	N/A	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$65 mil per agency	None
JPA Pools (other investment pools)	No	N/A	N/A	None

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Fair Value Measurement

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

The City has the following recurring fair value measurements as of June 30, 2021:

Investment Type	Fair Value Measurement				
		Exempt from Disclosure	Level 1 Inputs (not applicable)	Level 2 Inputs (observable inputs)	Level 3 Inputs (not applicable)
U.S. treasury notes	\$ 11,335,985	\$ -	\$ -	\$ 11,335,985	\$ -
Local municipal bonds	544,653	-	-	544,653	-
Federal agency securities	20,176,953	-	-	20,176,953	-
Corporate medium term notes	15,650,090	-	-	15,650,090	-
Negotiable Certificate of deposit	11,045,602	-	-	11,045,602	-
Subtotal	58,753,283	-	-	58,753,283	-
Money market mutual funds	4,043,739	4,043,739	-	-	-
State investment pool	75,101,575	75,101,575	-	-	-
	137,898,597	79,145,314	-	58,753,283	-
<u>Held by bond trustee:</u>					
Money market mutual funds	5,883,860	5,883,860	-	-	-
	5,883,860	5,883,860	-	-	-
Total	\$ 143,782,457	\$ 85,029,174	\$ -	\$ 58,753,283	\$ -

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Information about the sensitivity of the fair values of the City investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City investments by maturity:

Investment Type	Remaining Maturity (in Months)			
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. treasury notes	\$ 11,335,985	\$ 2,032,820	\$ 9,303,165	\$ -
Local municipal bonds	544,653	-	-	544,653
Federal agency securities	20,176,953	12,637,753	-	7,539,200
Corporate medium term notes	15,650,090	2,000,480	5,155,400	8,494,210
Negotiable certificate of deposit	11,045,602	3,227,521	6,584,428	1,233,653
Money market mutual funds	4,043,739	4,043,739	-	-
State investment pool	75,101,575	75,101,575	-	-
	137,898,597	99,043,888	21,042,993	17,811,716
<u>Held by bond trustee:</u>				
Money market mutual funds	5,883,860	5,883,860	-	-
	5,883,860	5,883,860	-	-
Total	<u>\$ 143,782,457</u>	<u>\$ 104,927,748</u>	<u>\$ 21,042,993</u>	<u>\$ 17,811,716</u>

Disclosures Relating to Credit Risk

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Investment Type		Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
U.S. Treasury notes	\$ 11,335,985	N/A	\$ -	\$ -	\$ 2,032,820	\$ -	\$ 9,303,165
Local municipal bonds	544,653	N/A	-	-	-	-	544,653
Federal agency securities	20,176,953	N/A	-	-	20,176,953	-	-
Corporate medium term notes	15,650,090	A	-	2,000,480	13,649,610	-	-
Negotiable certificate of deposit	11,045,602	N/A	-	-	-	-	11,045,602
Money market mutual funds	4,043,739	N/A	-	-	-	4,043,739	-
State investment pool	75,101,575	N/A	-	-	-	-	75,101,575
	137,898,597		-	2,000,480	35,859,383	4,043,739	95,994,995
Held by bond trustee							
Money market mutual funds	5,883,860	A	-	5,883,860	-	-	-
	5,883,860		-	5,883,860	-	-	-
TOTAL	\$ 143,782,457		\$ -	\$ 7,884,340	\$ 35,859,383	\$ 4,043,739	\$ 95,994,995

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 that stipulated by the California Government Code. The one exception is the Policy limits the percentage allowed in any one issuer for Federal agencies to 30% per agency. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$ 13,547,310

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 investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, \$25,074,421 of the City deposits with financial institutions in excess of federal depository insurance limits were secured by pledged securities in an undivided collateral pool held in the name of Bank of America under trust with Bank of New York Trust.

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

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City 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. LAIF is not rated.

(3) Capital Assets

Infrastructure Assets at June 30, 2021 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$ 323,830	\$ (185,190)	\$ 138,640
Storm drain system	28,913	(10,388)	18,525
Sewer lines	76,773	(40,293)	36,480
Water system	126,638	(47,069)	79,569
	<u>\$ 556,154</u>	<u>\$ (282,940)</u>	<u>\$ 273,214</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Capital Asset activity for the year ended June 30, 2021 was as follows (in thousands):

	Beginning Balance (As Restated, see Note 18)	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 78,678	\$ 3,065	\$ -	\$ -	\$ 81,743
Right of way	19,950	-	-	-	19,950
Construction in progress	21,710	9,885	(11,155)	-	20,440
Total capital assets not being depreciated	<u>120,338</u>	<u>12,950</u>	<u>(11,155)</u>	<u>-</u>	<u>122,133</u>
Capital assets being depreciated:					
Land improvements and buildings	106,608	2,801	-	492	109,901
Machinery and equipment	74,990	5,563	(11,542)	166	69,177
Infrastructure	343,204	12,654	-	-	355,858
Total capital assets being depreciated	<u>524,802</u>	<u>21,018</u>	<u>(11,542)</u>	<u>658</u>	<u>534,936</u>
Less accumulated depreciation for:					
Land improvements and buildings	(62,316)	(2,834)	-	(159)	(65,309)
Machinery and equipment	(51,555)	(5,022)	10,840	(147)	(45,884)
Infrastructure	<u>(188,581)</u>	<u>(7,023)</u>	<u>-</u>	<u>-</u>	<u>(195,604)</u>
Total accumulated depreciation	<u>(302,452)</u>	<u>(14,879)</u>	<u>10,840</u>	<u>(306)</u>	<u>(306,797)</u>
Total capital assets being depreciated, net	<u>222,350</u>	<u>6,139</u>	<u>(702)</u>	<u>352</u>	<u>228,139</u>
Governmental activities capital assets, net	<u>\$ 342,688</u>	<u>\$ 19,089</u>	<u>\$ (11,857)</u>	<u>\$ 352</u>	<u>\$ 350,272</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 8,833	\$ -	\$ -	\$ -	\$ 8,833
Construction in progress	16,027	8,697	(14,568)	-	10,156
Capitalized construction interest	547	-	(56)	-	491
Total capital assets not being depreciated	<u>25,407</u>	<u>8,697</u>	<u>(14,624)</u>	<u>-</u>	<u>19,480</u>
Capital assets being depreciated:					
Infrastructure	185,637	14,659	-	-	200,296
Easement	1,743	-	-	-	1,743
Land improvements and buildings	19,887	246	-	(492)	19,641
Machinery and equipment	76,485	2,942	(1,930)	(266)	77,231
Furniture and fixtures	2,011	-	-	-	2,011
Total capital assets being depreciated	<u>285,763</u>	<u>17,847</u>	<u>(1,930)</u>	<u>(758)</u>	<u>300,922</u>
Less accumulated depreciation for:					
Infrastructure	(84,655)	(2,681)	-	-	(87,336)
Easement	(455)	(58)	-	-	(513)
Land improvements and buildings	(13,452)	(236)	-	159	(13,529)
Machinery and equipment	(48,905)	(5,853)	1,930	247	(52,581)
Furniture and fixtures	(1,669)	(132)	-	-	(1,801)
Total accumulated depreciation	<u>(149,136)</u>	<u>(8,960)</u>	<u>1,930</u>	<u>406</u>	<u>(155,760)</u>
Total capital assets being depreciated, net	<u>136,627</u>	<u>8,887</u>	<u>-</u>	<u>(352)</u>	<u>145,162</u>
Business-type activities capital assets, net	<u>\$ 162,034</u>	<u>\$ 17,584</u>	<u>\$ (14,624)</u>	<u>\$ (352)</u>	<u>\$ 164,642</u>

The capital assets for the Fleet Services Fund and the Self-Insurance Fund, internal service funds, have been consolidated into the governmental activities, and are included in the machinery and equipment category: asset additions amounted to \$1,717,962 and asset deductions amounted to \$1,542,694.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

Governmental Activities:	
General government	\$ 5,344
Public safety	1,370
Public works	7,330
Culture and recreation	835
Total depreciation expense - governmental activities	<u>\$ 14,879</u>
Business-type activities:	
Water	\$ 2,281
Sewer	1,245
Sanitation	1,045
Municipal Airport	222
Transit System	4,168
Total depreciation expense - business-type activities	<u>\$ 8,961</u>

Included in the depreciation charge to general government is the amount of depreciation for the Fleet Services Fund and the Self-Insurance Fund, internal service funds. This amount includes depreciation expense of \$1,501,023, retirements of \$1,315,357. The result is a net deduction to accumulated depreciation in the amount of \$185,666.

(4) Notes Receivable

Rehabilitation Housing

This represents a number of small loans given to eligible participants in the City's Federal Housing Rehabilitation program. These loans, usually less than \$10,000, are no-interest bearing loans that will be repaid when the property is sold. The balance of these loans as of June 30, 2021 is \$32,900.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

(5) Long-term Debt

a) *Certificates of Participation*

2014 Refunding Certificates of Participation

In 2014, the City, with the Public Property Financing Corporation of California, issued \$40,445,000 of refunding certificates of participation to refinance the 2004 Series A and 2004 Series B certificates of participation issued by the Torrance Public Financing Authority to construct certain maintenance and entertainment facilities within the City. As a result, the 2004 A and B certificates of participation are considered defeased, and the related liability has been removed from the books. A portion (\$6,550,000) of the 2014 Refunding Certificates of Participation was transferred to the General Fund of the City for the purpose of making an interfund loan to the Water Enterprise Fund of the City. This interfund loan was repaid in June of 2017. The refunding certificates of participation debt is considered to be capital related.

The principal matured June 1 each year through 2021 when the certificates were refunded. In 2021, the certificates were defeased by placing a portion of the proceeds of the new 2021 bonds in an escrow account to provide for all future debt service payments on the 2014 certificates. At June 30, 2021, certificates totaling \$35,795,000 were outstanding and scheduled to be redeemed by June of 2024. The escrow account balance and the outstanding certificates are not considered assets or obligations, respectively, of the City.

2016 Refunding Certificates of Participation

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

There is no reserve requirement for the 2016 Refunding Certificates of Participation. Pledged rental payments equaled debt service payment during fiscal year ended June 30, 2021.

The principal matures November 1 each year through 2046 at variable amounts ranging from \$395,000 to \$1,235,000. Interest is payable on November 1 and May 1 with interest rates ranging from 2.00% to 5.00% and \$20,480,000 remains outstanding as of June 30, 2021.

Annual debt service requirements are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2022	\$ 450	\$ 805	\$ 1,255
2023	470	787	1,257
2024	490	768	1,258
2025	510	748	1,258
2026	530	727	1,257
2027 to 2031	3,050	3,239	6,289
2032 to 2036	3,780	2,505	6,285
2037 to 2041	4,485	1,803	6,288
2042 to 2046	5,480	813	6,293
2047	1,235	24	1,259
	<u>\$ 20,480</u>	<u>\$ 12,219</u>	<u>\$ 32,699</u>

b) Lease Revenue Bonds

2020 Lease Revenue Bonds

In 2020, the City, with the Torrance Joint Powers Financing Authority, issued \$349,515,000 of lease revenue bonds to refinance a portion of the Unfunded Accrued Liability (UAL) of the City's Miscellaneous, Safety Fire and Safety Police pension plans with CalPERS. The refinancing is estimated to generate \$9.5 million in savings for FY 2021 and \$9 million in FY 2022. Overall savings through FY 2044 are projected to be about \$165 million or \$130 million on a present value basis, assuming current interest rates and 7.0% future CalPERS returns).

There is no reserve requirement for the 2021 Lease Revenue Bonds. Pledged rental payments equaled debt service payment during fiscal year ended June 30, 2021.

The principal matures October 1 each year through 2043 at variable amounts ranging from \$2,015,000 to \$26,590,000. Interest is payable on October 1 and April 1 with interest rates ranging from 1.239% to 3.803% and \$349,515,000 remains outstanding as of June 30, 2021.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Annual debt service requirements are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2022	\$ 2,015	\$ 15,839	\$ 17,854
2023	7,415	10,923	18,338
2024	8,015	10,818	18,833
2025	8,650	10,691	19,341
2026	9,325	10,538	19,863
2027 to 2031	58,540	49,106	107,646
2032 to 2036	83,525	39,458	122,983
2037 to 2041	118,160	21,868	140,028
2042 to 2044	53,870	2,896	56,766
	<u>\$ 349,515</u>	<u>\$ 172,137</u>	<u>\$ 521,652</u>

2021 Lease Revenue Bonds

In 2021, the City, with the Torrance Joint Powers Financing Authority, issued \$39,725,000 of lease revenue bonds to refinance the 2014 certificates of participation issued by the Torrance Public Financing Authority to construct certain maintenance and entertainment facilities within the City. Debt proceeds and the 2014 certificates of participation reserves of \$2,611,940 were deposited in an irrevocable trust with an escrow agent to redeem the 2014 certificates of participation on April 15, 2021. As a result, the 2014 certificates of participation are considered defeased, and the related liability has been removed from the books. The economic gain (difference between the present values of the old and the new debt service payments) resulting from this transaction was approximately \$3.8 million. Proceeds from the 2014 Refunding Certificates of Participation was set aside for the construction of street improvements, storm drain improvements, and purchases of equipment. The lease revenue bonds are considered to be capital related.

There is no reserve requirement for the 2021 Lease Revenue Bonds. Pledged rental payments equaled debt service payment during fiscal year ended June 30, 2021.

The principal matures June 1 each year through 2044 at variable amounts ranging from \$1,445,000 to \$2,415,000. Interest is payable on December 1 and June 1 with interest rates ranging from 0.408% to 3.379% and \$39,725,000 remains outstanding as of June 30, 2021.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Annual debt service requirements are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2022	\$ -	\$ 1,194	\$ 1,194
2023	1,445	1,059	2,504
2024	1,450	1,053	2,503
2025	1,465	1,043	2,508
2026	1,480	1,026	2,506
2027 to 2031	7,785	4,739	12,524
2032 to 2036	8,795	3,727	12,522
2037 to 2041	10,280	2,238	12,518
2042 to 2044	7,025	480	7,505
	<u>\$ 39,725</u>	<u>\$ 16,559</u>	<u>\$ 56,284</u>

c) Water Fund Easement

In August 2012, the City entered into a thirty year easement agreement with the Torrance Unified School District for access to a land-locked, City-owned parcel to be developed as a water well, treatment and storage facility. The value of the easement asset as of June 30, 2021 is \$1,220,436. The related debt is considered to be capital debt.

The future easement obligations at June 30, 2021 are as follows (in thousands):

	Water Enterprise Fund
Year ending June 30:	
2022	\$ 58
2023	58
2024	58
2025	58
2026	58
2027 to 2031	291
2032 to 2036	291
2037 to 2041	291
2042	58
	<u>\$ 1,221</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

d) Water Fund Installment Sale Agreement

In 2017, the City entered into an installment sale agreement with the Public Property Financing Corporation of California (the “Corporation”), for the purpose of financing the drilling and construction of a new water well, the North Torrance Well Field Project (the “Project”). The Corporation or its assignee provided \$5,749,428 for construction of the Project. The installment sale agreement debt is considered to be capital related.

The principal matures May 1 and November 1 each year from 2018 through 2028 at variable amounts ranging from \$195,000 to \$317,071. Interest is payable on May 1 and November 1 at a rate of 2.36% and \$3,967,973 remains outstanding as of June 30, 2021.

Annual debt service requirements are as follows (in thousands):

	Water Fund Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2022	\$ 554	\$ 90	\$ 644
2023	567	77	644
2024	581	64	645
2025	595	50	645
2026	609	36	645
2027 to 2028	1,062	28	1,090
	<u>\$ 3,968</u>	<u>\$ 345</u>	<u>\$ 4,313</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

(6) Changes in Long-Term Obligations

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2021 (in thousands):

Governmental Activities:	Balance June 30, 2020	Incurred or Issued	Satisfied or Matured	Balance June 30, 2021	Amounts due within One Year	Amounts Due in more than One Year
Other Long-term Liabilities						
Compensated absences payable	\$ 23,158	6,393	5,813	\$ 23,738	6,172	17,566
Claims & judgments	59,311	8,412	2,860	64,863	8,033	56,830
Other Debt						
Certificates of Participation:						
2014 refunding certificates	35,795	-	35,795	-	-	-
2014 premium	529	-	529	-	-	-
2016 refunding certificates	20,915	-	435	20,480	450	20,030
2016 premium	1,526	-	58	1,468	-	1,468
Lease Revenue Bonds:						
2020 lease revenue bonds	-	349,515	-	349,515	2,015	347,500
2021 lease revenue bonds	-	39,725	-	39,725	-	39,725
Total Governmental Activities	\$141,234	404,045	45,490	\$ 499,789	16,670	483,119
Business-Type Activities:						
Other Long-term Liabilities						
Compensated absences payable	\$ 2,291	474	506	\$ 2,259	588	1,671
Direct Borrowings						
Easement payable - Water Fund	1,279	-	58	1,221	58	1,163
Installment Sale Agreement - Water Fund	4,509	-	541	3,968	554	3,414
Total Business-Type Activities	\$ 8,079	474	1,105	\$ 7,448	1,200	6,248

Compensated Absences

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, is recorded in the Internal Service funds and business-type Enterprise funds totaling \$9,195,614 and \$2,258,997 respectively. The unfunded portion, amounting to \$14,542,763 is recorded in the governmental activities and is expected to be paid from future resources. In prior years, compensated absences have been liquidated primarily by the General Fund.

Claims and Judgments

The long-term liability for self-insurance claims and judgments is recorded in the Self-Insurance Fund of the Internal Service funds and the liability is liquidated in that fund. Since the Internal Service funds primarily serve the governmental funds, the long-term liability for claims and

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

judgments has been included in the governmental activities in the Government-wide Statement of Net Position.

(7) Pension Plan

The following is a summary of pension related items for the year ended June 30, 2021:

	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalPERS Miscellaneous	\$ 135,335,688	\$ 97,651,247	\$ (3,876,444)	\$ 15,088,223
CalPERS Safety – Police	225,143,416	192,073,601	(447,674)	27,217,099
CalPERS Safety – Fire	133,710,122	112,737,079	(825,367)	18,440,737
PARS (see Note 8)	16,709,821	1,796,895	(106,000)	1,612,726
Total	\$ 510,899,047	\$ 404,258,822	\$ (5,255,485)	\$ 62,358,785

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The City typically uses the General Fund and the enterprise funds to liquidate pension and other post-retirement obligations. The Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%
Required employee contribution rates	6.856%	6.000%
Required employer contribution:		
Normal cost rate	8.942%	12.479%
Payment of unfunded liability	\$ 9,843,960	\$ -

	Safety - Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.7%
Required employee contribution rates	9.135%	11.25 % or 13.00%
Required employer contribution:		
Normal cost rate	24.861%	26.221% or 22.529%
Payment of unfunded liability	\$ 14,188,381	\$ -

	Safety – Fire	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.7%
Required employee contribution rates	9.049%	10.25% or 11.00%
Required employer contribution:		
Normal cost rate	20.980%	20.822% or 22.549%
Payment of unfunded liability	\$ 8,895,090	\$ -

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Employees Covered

At June 30, 2020 measurement date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety - Police	Safety - Fire
Inactive employees or beneficiaries currently receiving benefits	1,150	386	218
Inactive employees entitled to but not yet receiving benefits	1,164	106	40
Active employees	976	199	128
Total	3,290	691	386

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. For the measurement period ending June 30, 2020 (the measurement date), the average active employee contribution rate is 6.93 percent for Miscellaneous, 9.44 percent for Safety – Police and 9.33 percent for Safety – Fire, of annual pay, and the employer’s contribution rate is 25.93 percent for Miscellaneous, 81.78 percent for Safety – Police and 70.11 percent for Safety – Fire, of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.5%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.25% net of pension plan investment and administrative expenses; includes inflation
Retirement Age	Based on 2017 CalPERS' Experience Study for the period 1997 - 2015
Mortality Rate Table	Based on 2017 CalPERS' Experience Study for the period 1997 - 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

The expected real rates of return by asset class are as follows:

Asset Class ¹	New Strategic Allocation	Real Return Years 1 – 10²	Real Return Years 11+³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	0.00	(0.92)
Total	100.00%		

¹In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

²An expected inflation of 2.0% used for this period

³An expected inflation of 2.92% used for this period

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Changes in Net Pension Liability

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

	Miscellaneous		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2019	\$ 658,857,836	\$ 530,676,259	\$ 128,181,577
Changes Recognized for the Measurement Period:			
Service Cost	10,706,256	-	10,706,256
Interest on the Total Pension Liability	46,055,415	-	46,055,415
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	(3,733,828)	-	(3,733,828)
Changes of Assumptions	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	15,584,372	(15,584,372)
Contributions from Employees	-	4,742,292	(4,742,292)
Net Investment Income	-	26,295,191	(26,295,191)
Administrative Expense	-	(748,123)	748,123
Benefit Payments, including Refunds of Employee Contributions	(32,690,913)	(32,690,913)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes during 2019-20	20,336,930	13,182,819	7,154,111
Balance at: 6/30/2020	\$ 679,194,766	\$ 543,859,078	\$ 135,335,688

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

	Safety - Police		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2019	\$ 586,375,374	\$ 370,990,020	\$ 215,385,354
Changes Recognized for the Measurement Period:			
Service Cost	10,266,470	-	10,266,470
Interest on the Total Pension Liability	41,172,526	-	41,172,526
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	332,145	-	332,145
Changes of Assumptions	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	21,054,557	(21,054,557)
Contributions from Employees	-	2,993,505	(2,993,505)
Net Investment Income	-	18,488,022	(18,488,022)
Administrative Expense	-	(523,005)	523,005
Benefit Payments, including Refunds of Employee Contributions	(30,696,816)	(32,002,431)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes during 2019-20	19,768,710	10,010,648	9,758,062
Balance at: 6/30/2020	\$ 606,144,084	\$ 381,000,668	\$ 225,143,416

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

	Safety - Fire		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2019	\$ 376,747,760	\$ 249,119,933	\$ 127,627,827
Changes Recognized for the Measurement Period:			
Service Cost	5,373,553	-	5,373,553
Interest on the Total Pension Liability	26,342,771	-	26,342,771
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	(275,824)	-	(275,824)
Changes of Assumptions	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	11,622,060	(11,622,060)
Contributions from Employees	-	1,711,907	(1,711,907)
Net Investment Income	-	12,375,436	(12,375,436)
Administrative Expense	-	(351,198)	351,198
Benefit Payments, including Refunds of Employee Contributions	(21,456,735)	(21,456,735)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes during 2019-20	9,983,765	3,901,470	6,082,295
Balance at: 6/30/2020	\$ 386,731,525	\$ 253,021,403	\$ 133,710,122

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability – Miscellaneous	\$ 221,048,100	\$ 135,335,688	\$ 64,031,826
Plan's Net Pension Liability – Safety-Police	\$ 303,995,425	\$ 225,143,416	\$ 160,154,256
Plan's Net Pension Liability – Safety-Fire	\$ 181,016,817	\$ 133,710,122	\$ 94,331,993

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

For the measurement period ending June 30, 2020 (the measurement date), the City recognized a pension expense of \$15,088,223 for the Miscellaneous Plan, \$27,217,099 for the Safety-Police Plan and \$18,440,737 for the Safety-Fire Plan.

As of June 30, 2021, the City has deferred outflows and deferred inflows of resources related to the Plans as follows:

Miscellaneous	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 93,526,274	\$ -
Differences between Expected and Actual Experience	-	(3,622,740)
Changes of Assumptions	-	(253,704)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,124,973	-
Total	\$ 97,651,247	\$ (3,876,444)

Safety - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 189,103,194	\$ -
Differences between Expected and Actual Experience	330,497	(210,369)
Changes of Assumptions	-	(237,305)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,639,910	-
Total	\$ 192,073,601	\$ (447,674)

Safety - Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 109,115,882	\$ -
Differences between Expected and Actual Experience	1,911,717	(294,571)
Changes of Assumptions	-	(530,796)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,709,480	-
Total	\$ 112,737,079	\$ (825,367)

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Deferred outflows of resources related to contributions subsequent to the measurement date reported above for Miscellaneous, Safety-Police and Safety-Fire in the amounts of \$93,526,274, \$189,103,194 and \$109,115,882, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
Measurement Period Ending June 30	Miscellaneous	Safety - Police	Safety - Fire
2022	\$ (4,719,077)	\$ (2,020,703)	\$ (913,679)
2023	115,607	1,064,101	1,404,430
2024	2,622,861	1,935,919	1,299,190
2025	2,229,138	1,543,416	1,005,889
2026	-	-	-
Thereafter	-	-	-

(8) PARS Enhanced Retirement Defined Benefit Pension Plan

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

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Employees covered – At June 30, 2020, the following employees were covered by the benefit term for the Plan:

Retirees	140
Vested terminations	33
Active employees	95
Total	<u>268</u>

Contribution Description

The City’s funding policy is to make the contribution as determined by the Plan’s actuary. The Plan’s annual pension cost for the fiscal year ended June 30, 2021, is based on an actuarial valuation as of June 30, 2019. For the fiscal year ended June 30, 2021, the City’s annual pension cost is \$1,612,726. The City contributed \$1,512,000 to the plan.

Measurement Date:	June 30, 2020
Actuarial Valuation Date:	June 30, 2019
Asset Valuation Method:	Investment gains and losses over 5 year period, not less than 80% nor more than 120% of market value
Discount rate:	5.75%
Mortality:	CalPERS’ 1997-2015 Experience Study
General Inflation:	2.75%
Cost of Living Adjustment:	2%
Termination:	CalPERS’ 1997-2015 Experience Study
Salary Increases:	Varies by entry age and service
Retirement Age:	CalPERS’ 1997-2015 Experience Study

Actuarial Methods

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

Plan funded status based on the excess of

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Discount Rate

The discount rate used to measure the total pension liability was 5.75 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the actuary stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 5.75 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

Change in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2019	\$ 32,126,000	\$ 15,672,000	\$ 16,454,000
Changes Recognized for the Measurement Period:			
Service Cost	441,715	-	441,715
Interest on the total pension liability	1,836,979	-	1,836,979
Differences between actual and expected experience	-	-	-
Change of assumptions	-	-	-
Contributions from the employer	-	1,509,800	(1,509,800)
Investment income	-	545,042	(545,042)
Administrative expense	-	(31,969)	31,969
Benefit payments, including refunds	(1,240,507)	(1,240,507)	-
Net Changes	1,038,187	782,366	255,821
Balance at: 6/30/2020	\$ 33,164,187	\$ 16,454,366	\$ 16,709,821

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 5.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.75%) or 1 percentage-point higher (6.75%) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
Net Pension Liability	\$ 21,109,662	\$ 16,709,821	\$ 13,050,412

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

For the measurement period ending June 30, 2020 (the measurement date), the City recognized a pension expense of \$1,612,726 for the Plan.

As of June 30, 2021, the City has deferred outflows and deferred inflows of resources related to the Plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (106,000)
Changes of assumptions	94,000	-
Net difference between projected and actual earnings on plan investments	190,895	-
Employer contributions made subsequent to the measurement date	1,512,000	-
Total	\$ 1,796,895	\$ (106,000)

As of June 30, 2021, deferred outflows of resources related to employer contributions subsequent to the measurement date in the amount of \$1,512,000 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30:	Deferred Outflows/(Inflows) of Resources
2022	\$ (34,776)
2023	59,224
2024	74,224
2025	80,223
2026	-
Thereafter	-

(9) Other Postemployment Benefit Plan

Plan Description

The City has established the City of Torrance Retiree Healthcare Plan (the “Plan”), an agent multiple-employer defined benefit postemployment healthcare plan. The Plan provides post-retirement medical benefits to eligible retirees and their dependents through the California Public Employees Medical and Hospital Care Act (PEMHCA) and managed through the California Retiree Benefit Trust (CERBT). All employees are vested after five years of employment and must reach the age of 50 and qualify for CalPERS retirement in order to receive these benefits. Benefits

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

are payable for the life of the retiree and survivor coverage continues after the death of the retiree. A separate financial report is not prepared for the Plan.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefits	679
Inactive employees entitled to but not yet receiving benefits	583
Active employees	<u>1,232</u>
Total	<u>2,494</u>

Contributions

The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreement between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution (ADC). In the measurement date June 30, 2020, the City’s cash contributions were \$5,297,000 in payments to the Trust.

Net Other Postemployment Benefit (OPEB) Liability

The City’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions:

Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020
Actuarial Cost Method	Entry age normal, level percentage of payroll
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	Aggregate - 3%, Merit - CalPERS 1997-2015 assumptions
Investment Rate of Return	6.75%
Medical Trend	Non-Medicare – 7.25%, Medicare – 6.3%, decreasing to 4%
Mortality, Retirement, Disability, Termination	CalPERS 1997 – 2015 Experience Study

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

The target allocation shown below was adopted by CERBT effective October 1, 2018.

Asset Class	Strategic Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	59%	4.82%
Fixed Income	25	1.47
TIPS	5	1.29
Commodities	3	0.84
REITs	8	3.76
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and dependents. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Changes in Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2019	\$ 69,583,000	\$ 25,039,000	\$ 44,544,000
Changes Recognized for the Measurement Period:			
Service Cost	1,803,137	-	1,803,137
Interest on the Total OPEB Liability	4,696,322	-	4,696,322
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions from the Employer	-	5,297,000	(5,297,000)
Contributions from Employees	-	-	-
Net Investment Income	-	1,164,007	(1,164,007)
Administrative Expense	-	(29,753)	29,753
Benefit Payments	(3,622,000)	(3,622,000)	-
Net Changes during 2019-20	2,877,459	2,809,254	68,205
Balance at: 6/30/2020	\$ 72,460,459	\$ 27,848,254	\$ 44,612,205

Change of Assumptions

There were no changes of assumptions.

Change of Benefit Terms

There were no changes of benefit terms.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.75%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	Discount Rate – 1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate + 1% (7.75%)
Net OPEB Liability	\$ 53,875,872	\$ 44,612,205	\$ 36,952,417

Sensitivity of the Net OPEB Liability to Changes in the Medical Trend Rates

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the medical trend rates of Non-Medicare - 7.25% and Medicare – 6.30%, as well as what the net OPEB liability would be if it were calculated using medical trend rates that are 1 percentage-point lower (Non-Medicare – 6.25%, Medicare – 5.30%) or 1 percentage-point higher (Non-Medicare – 8.25%, Medicare - 7.30%) than the current rates:

	Medical Trend Rates – 1% (6.25% and 5.30%)	Current Medical Trend Rates (7.25% and 6.30%)	Medical Trend Rates + 1% (8.25% and 7.30%)
Net OPEB Liability	\$ 38,467,198	\$ 44,612,205	\$ 52,242,745

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the measurement period ending June 30, 2020, the City recognized OPEB expense of \$4,144,268.

As of June 30, 2021, the City has deferred outflows and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 5,781,000	\$ -
Differences between Expected and Actual Experience	-	1,147,000
Changes of Assumptions	-	230,000
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	542,937	-
Total	\$ 6,323,937	\$ 1,377,000

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Notes to the Basic Financial Statements

Year ended June 30, 2021

Deferred outflows of resources related to contributions subsequent to the measurement date reported above in the amounts of \$5,781,000, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30	Miscellaneous
2022	\$ (372,516)
2023	(240,516)
2024	(189,516)
2025	(31,515)
2026	-
Thereafter	-

(10) Deferred Compensation Plan

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

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

serious financial emergency, the City may approve, upon request, withdrawals from the Plan by the participants, along with their allocated contributions.

(11) Other Required Individual Fund Disclosures

Interfund Transactions – Due to/Due from Other Funds

Interfund receivable and payable balances at June 30, 2021 were as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Measure R Local Return and Highway Fund	\$ 3,787
General Fund	Nonmajor Governmental Funds	\$ 2,656

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

Interfund Transactions - Advances

The balances of advances between funds at June 30, 2021 were as follows (in thousands):

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 600

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

Successor Agency – Advances

The balances of advances to the Successor Agency Trust at June 30, 2021 were as follows (in thousands):

Receivable Fund	Amount
General Fund	\$ 5,688
Other Governmental Funds	1,714
Water Enterprise Fund	1,167
	\$ 8,569

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

The advances to the Successor Agency Trust represents loans to fund infrastructure improvements and Supplemental Educational Revenue Augmentation Fund (SERAF) payments. As required by law, 20% of the loan repayments from the Successor Agency are transferred to the Low Mod Housing Fund. More information regarding the Successor Agency Trust can be found in Note 20.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

(12) Transfers In and Out

The balances of transfers between funds for the year ended June 30, 2021 were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Sanitation Enterprise Fund	\$ 145
	Nonmajor Enterprise Funds	1,874
	Internal Service Funds	11,120
	Nonmajor Governmental Funds	<u>1,618</u>
		14,757
Torrance Financing Debt Service Fund	General Fund	328,872
	Nonmajor Enterprise Funds	973
	Transit System Enterprise Fund	5,972
	Water Enterprise Fund	4,100
	Sewer Enterprise Fund	1,701
	Sanitation Enterprise Fund	3,266
	Internal Service Funds	2,956
	Nonmajor Governmental Funds	<u>93</u>
		347,933
Water Enterprise Fund	General Fund	18
Transit System Enterprise Fund	General Fund	4,795
	Sanitation Enterprise Fund	<u>3</u>
		4,798
Sanitation Enterprise Fund	General Fund	8
Internal Service Funds	General Fund	239
	Sanitation Enterprise Fund	<u>9</u>
		248
Nonmajor Enterprise Funds	General Fund	11,088
	Sanitation Enterprise Fund	15
	Nonmajor Governmental Funds	<u>94</u>
		11,197
Nonmajor Governmental Funds	General Fund	8,442
	Transit System Enterprise Fund	2,675
	Nonmajor Governmental Funds	<u>1,481</u>
		12,598
Total		<u>\$ 391,557</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

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

- General Fund transfers to the Self-Insurance Fund (an internal service fund) represent contributions to fund self-insured claims and settlements;
- General Fund transfers to the Emergency Medical Services Fund, the Cultural Arts Center Fund and the Parks and Recreation Fund (each a nonmajor enterprise fund) represent subsidies to cover their negative cash balances as a result of consolidating these funds to the General Fund during the fiscal year;
- General Fund transfers to the Capital Improvement Fund (a nonmajor governmental fund) represents contributions to fund various capital projects;
- Transfers to the General Fund from the Transit System Enterprise Fund represent transfers to reimburse the General Fund for land acquisition costs for the Torrance Transit Park and Ride Regional Transit Center;
- Transfers to the General Fund from the Municipal Airport Enterprise Fund (a nonmajor enterprise fund) represent transfers to fund operations and equipment replacement;
- Transfers to the Transit System Enterprise Fund from the Proposition A Fund (a nonmajor governmental fund) represent contributions to improve public transit and related transportation infrastructure;
- Torrance Financing Debt Service Fund transfers to the General Fund, various enterprise funds and internal services funds represent bond proceeds from the issuance of the 2020 lease revenue bonds to refinance pension obligations (see note 5).

(13) Risk Management

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

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

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

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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

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

As of June 30, 2021, \$48,170,089 and \$16,693,243 have been accrued for workers' compensation and general liability claims, respectively. These accruals represent estimates of amounts to be ultimately paid for reported claims and incurred but unreported claims based upon past experience, modified for current trends and other information.

Changes in the balance of claim liabilities during the period for all Self-Insurance Funds combined are as follows (in thousands):

<u>Fiscal years</u>	<u>Beginning fiscal year liability balance</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Ending fiscal year balance</u>
2019-20	\$ 41,939	21,743	(4,370)	\$ 59,312
2020-21	\$ 59,312	11,411	(5,860)	\$ 64,863

(14) Due from Other Governments

Amounts due from other governments consisted of the following at June 30, 2021 (in thousands):

	<u>State of California</u>	<u>Federal Agencies</u>	<u>County of Los Angeles</u>	<u>Other Local Governments</u>	<u>Total</u>
Governmental Funds:					
General Fund	\$ 11,145	\$ -	\$ 1,660	\$ -	\$ 12,805
Measure R Highway Fund	-	-	2,085	-	2,085
Other Governmental Funds:					
Air Quality Management District Fund	-	-	-	48	48
DNA Sampling Fund	-	-	2	-	2
State Gas Tax Improvement Fund	492	-	-	-	492
Grants and Donation Fund	83	287	127	-	497
CDBG Fund	-	-	667	-	667
Street Lighting Assessment Fund	-	-	10	-	10
Enterprise Funds:					
Transit System Fund	-	25	10,525	-	10,550
Total	<u>\$ 11,720</u>	<u>\$ 312</u>	<u>\$ 15,076</u>	<u>\$ 48</u>	<u>\$ 27,156</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

(15) Unearned Revenue

The table that follows shows activity for the City’s unearned revenue accounts as of June 30, 2021. The unearned revenue in the Transit System Enterprise Fund represents amounts that will be recognized when eligible purchases occur. The rents received by the Municipal Airport Enterprise Fund in June for July will be recognized in July 2021. In May and June of 2021, the Parks and Recreation Enterprise Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July 2021.

**Unearned Revenue Activity for Fiscal Year Ended June 30, 2021
(in thousands)**

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2021</u>
Governmental Funds:				
Parks and Recreation revenues received				
in May and June for July classes	\$ 28	\$ 391	\$ 28	\$ 391
Section 8 Housing - Emergency				
Housing Voucher	-	58	-	58
Section 8 Housing CARES Grant	130	161	130	161
Total governmental funds	<u>158</u>	<u>610</u>	<u>158</u>	<u>610</u>
Enterprise Funds:				
Transit Security Reserve	1,142	47	-	1,189
Transit Prop 1B	3,691	25	1,662	2,054
Transit Prop C (MOSIP)	1,076	1,200	35	2,241
Transit Measure R Capital	137	-	-	137
Transit Cap and Trade Capital	313	65	-	378
Airport rents received for July	190	2,877	2,704	363
Total Enterprise Funds	<u>6,549</u>	<u>4,214</u>	<u>4,401</u>	<u>6,362</u>
Total	<u>\$ 6,707</u>	<u>\$ 4,824</u>	<u>\$ 4,559</u>	<u>\$ 6,972</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

(16) Deficit Fund Equity (Accumulated Deficit)

The Self-Insurance Fund, an internal service fund, has an accumulated deficit of \$55,827,148 at June 30, 2021. Such deficit is attributed to replenishment of the reserve for general liability claims resulting from settlements of claims in excess of established reserves. It is anticipated that the deficit will continue to be reduced over future years through increases in annual charges made through the budgeting process, as they become necessary. Excess charges will be distributed to all funds proportionately depending on their proportionate benefit of the Self-Insurance Fund.

The Governmental Activities, in the government-wide Statement of Net Position, have accumulated deficits as of June 30, 2021. These deficits are primarily due to implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

(17) Prior Period Adjustment

During the year ended June 30, 2021, the City adjusted the beginning fund balances of the General Fund (a governmental fund) and the Low Mod Housing Fund (a nonmajor governmental fund), to correct the distribution of loan repayments from the Former Redevelopment Agency by applying to principal first, then interest. The City adjusted the beginning net position in the Governmental Activities to correct an overstatement in depreciation of a governmental asset. In addition, during the fiscal year, the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund were consolidated to the General Fund. These funds had been largely subsidized by the General Fund and thus, no longer function as an enterprise fund. The beginning balances in these funds relating to the pension obligations were transferred to the General Fund. As such, the City also adjusted the beginning net position in the Business Type Activities and Governmental Activities.

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Low Mod Housing Fund</u>
Fund balance/Net position, beginning	\$ (103,319,751)	\$ 10,806,979	\$ 2,786,025
Adjustment to loan balance	(202,642)	(162,114)	(40,528)
Adjustment to capital assets	299,590	-	-
Adjustment to pension/OPEB obligations	(41,547,923)	-	-
Fund balance/Net position, beginning, as restated	<u>\$ (144,770,726)</u>	<u>\$ 10,644,865</u>	<u>\$ 2,745,497</u>

	<u>Business Type Activities</u>	<u>Emergency Medical Services Fund</u>	<u>Parks and Recreation Fund</u>	<u>Cultural Arts Center Fund</u>
Fund balance/Net position, beginning	\$ 136,976,807	\$ (35,894,151)	\$ (4,782,774)	\$ (2,340,162)
Adjustment to pension/OPEB obligations	41,196,354	35,805,691	3,464,184	1,926,479
Fund balance/Net position, beginning, as restated	<u>\$ 178,173,161</u>	<u>\$ (88,460)</u>	<u>\$ (1,318,590)</u>	<u>\$ (413,683)</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

(18) Commitments and Contingencies

The City has various outstanding contracts and purchase orders for services, supplies, materials and capital projects that have not been completed as of fiscal year-end. These commitments total \$27,347,759 at June 30, 2021.

The balances of encumbrances and other commitments by funds at June 30, 2021 were as follows (in thousands):

Governmental Funds:

General Fund	\$ 2,032
Capital improvement funds	25,238
Nonmajor governmental funds	77
Total governmental funds	<u>\$ 27,347</u>

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

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus (the "COVID-19 outbreak") and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. Additionally, in March 2020, the City began to shutter many of its programs and offices. Since this time, some offices are back to regular operations, some continue to have employees working from home partially and/or exclusively, and some remain shuttered. Additionally, many programs in the Parks & Recreation, Library and Cultural Arts areas remain partially or fully shuttered.

The City's operations are heavily dependent on its ability to raise sales taxes, property taxes and transient occupancy taxes and assess business licenses, developer fees and construction permits. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress the tax bases and other areas in which the City receives revenue during fiscal year 2021. The outbreak could also have other potential impacts, including disruptions or restrictions on employees' ability to work. As such, this may hinder the ability for the City to meet the needs of its constituents. The City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the City's results of future operations and financial position in fiscal year 2022.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

(19) Fund Balance Policies of the General Fund

Included in the unassigned fund balance of the General Fund is an economic anomaly reserve (\$8,081,449). The funding goal of the economic anomaly reserve is 10% of the combined net adopted 2020-21 appropriation level for the General Fund.

(20) Successor Agency Trust for Assets of Former Redevelopment Agency

a) Long-term Debt – Successor Agency Bonds

2018 Tax Allocation Refunding Bonds – Downtown Redevelopment Project

On October 2018, the Former Redevelopment Agency issued \$3,665,000 Tax Allocation Refunding Bonds. Proceeds of the Bonds were used to refund the Agency's outstanding Downtown Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A, to fund a reserve for the Bonds, to pay premium of the 2018 Insurance Policy, and to pay the costs of issuing the Bonds. Starting from September 1, 2019 and continuing through 2028, the principal on the term bonds matures at variable amounts ranging from \$310,000 to \$445,000. Interest is payable on March 1 and September 1 of each year with rates ranging from 3.00% to 5.00%. Principal and interest are to be repaid directly from the tax increments accruing to the Agency.

The reserve requirement is equal to the lesser of: 1) 10% of the original principal amount of the bonds; 2) 125% of average annual debt service payments; or 3) the maximum annual debt service payments. This requirement will be satisfied by the delivery of the 2018 Reserve Policy in the amount of \$412,448 on the closing date of the 2018 bonds. The Successor Agency will have no obligation to replace the 2018 Reserve Policy or to fund the reserve account with cash if 1) amounts are not available under the 2018 Reserve Policy, or 2) any rating assigned to the bond insurer is downgraded, withdrawn or suspended.

2018 Tax Allocation Refunding Bonds – Industrial Redevelopment Project

On October 2018, the Former Redevelopment Agency issued \$11,505,000 Tax Allocation Refunding Bonds. Proceeds of the 2018 Series Bonds were used to refund the Agency's outstanding Industrial Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A and B, and 1999 Series C, to fund a reserve for the Bonds, to pay premium of the 2018 Insurance Policy, and to pay the costs of issuing the Bonds. Starting from September 1, 2019 and continuing through 2028, the principal on the term bonds matures at variable amounts ranging from \$960,000 to \$1,390,000. Interest is payable on March 1 and September 1 of each year with rates ranging from 3.00% to 5.00%.

The reserve requirement is equal to the lesser of: 1) 10% of the original principal amount of the bonds; 2) 125% of average annual debt service payments; or 3) the maximum annual debt service payments. This requirement will be satisfied by the delivery of the 2018 Reserve Policy in the amount of \$1,294,318 on the closing date of the 2018 bonds. The Successor Agency will

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

have no obligation to replace the 2018 Reserve Policy or to fund the reserve account with cash if 1) amounts are not available under the 2018 Reserve Policy, or 2) any rating assigned to the bond insurer is downgraded, withdrawn or suspended.

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2022	\$ 1,320	\$ 584	\$ 1,904
2023	1,370	524	1,894
2024	1,435	454	1,889
2025	1,515	380	1,895
2026	1,590	302	1,892
2027 to 2029	5,250	402	5,652
	<u>\$ 12,480</u>	<u>\$ 2,646</u>	<u>\$ 15,126</u>

Advances and Notes Payable

At June 30, 2021, the Successor Agency Trust had advances and notes payable in the following amounts:

Advance from Los Angeles County: The maximum annual debt service on Agency indebtedness may not exceed \$1,550,000. Such advances are to be repaid in the fiscal year immediately following the year in which the Agency’s annual tax increment allocation exceeds the annual debt service requirement. This advance bears simple interest at the rate of 7.0% per year. At June 30, 2021, the principal balance outstanding is \$12,733,970 and accrued interest is \$14,752,493.

Pledged Revenue

The Successor Agency Trust reports debt issuances outstanding that were collateralized by the pledging of certain revenues of the former redevelopment agency. The amount and term of the remainder of these commitments is indicated in the debt service to maturity tables presented in the accompanying notes. The purpose for which the proceeds of the related debt issuances were utilized is disclosed in the debt description of the accompanying notes. As a result of the state’s action to dissolve all redevelopment agencies, the Successor Agency no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream, Redevelopment Property Tax Trust Fund (RPTTF) funds, provided to the Successor Agency that represents only that portion of tax

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

increment that is necessary to pay the enforceable obligations approved by the Department of Finance. For the current year, debt service payments as a percentage of RPTTF funds is indicated on the table below. This percentage also approximates the relationship of debt service to RPTTF revenues for the remainder of the term of the commitments.

Description of Pledged Revenue	Annual Amount of RPTTF Revenue	Debt Service (Annual Principal and Interest)	Debt Service as a Percentage of RPTTF Revenue
Successor Agency Revenues (RPTTF)	\$3,193,441	\$1,906,200	59.7%

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

The following is a summary of changes in the Successor Agency Trust’s long-term obligations for the year ended June 30, 2021 (in thousands):

Trust Activities:	Balance June 30, 2020	Incurred or Issued	Satisfied or Matured	Balance June 30, 2021	Amounts due within One Year	Amounts Due in more than One Year
Advances and notes payable:						
Direct Borrowing						
County of Los Angeles	\$ 27,264	\$ 892	\$ 669	\$ 27,487	\$ 717	\$ 26,770
Other debt:						
Tax Allocation Bonds						
Downtown '18 project refunding	3,325	-	310	3,015	320	2,695
Downtown '18 project refunding - premium	382	-	46	336	-	336
Industrial '18 project refunding	10,425	-	960	9,465	1,000	8,465
Industrial '18 project refunding - premium	1,196	-	143	1,053	-	1,053
Total Trust Activities	<u>\$ 42,592</u>	<u>\$ 892</u>	<u>\$ 2,128</u>	<u>\$ 41,356</u>	<u>\$ 2,037</u>	<u>\$ 39,319</u>

c) Advances from City – Successor Agency Advances

The advances from the City to the Successor Agency Trust of \$8,569,297 represent loans to fund infrastructure improvements including debt related interest and SERAF payments.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2021

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

The Successor Agency Trust has an accumulated deficit of \$48,065,949 as of June 30, 2021, which represents the inclusion of long-term advances and bond debt in excess of cash with fiscal agents including related interest.

e) Prior Period Adjustment – Successor Agency Adjustment

During the year ended June 30, 2021, the Successor Agency Trust adjusted the beginning net position as follows:

Net position, beginning as previously reported	\$(49,570,568)
Adjustment to correct loan receivable balance	<u>12,595</u>
Net position, beginning as restated	<u><u>\$(48,065,949)</u></u>

(21) Subsequent Event

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 23, 2021, which is the date these financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION



CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

Schedules of Required Supplementary Information

1) Pension Plan

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

MISCELLANEOUS							
Fiscal Year	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Measurement Period	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 *
TOTAL PENSION LIABILITY							
Service Cost	\$ 10,706,256	\$ 10,949,536	\$ 10,957,510	\$ 10,776,016	\$ 9,326,290	\$ 9,144,087	\$ 9,490,054
Interest	46,055,415	44,638,083	43,043,370	42,085,919	40,872,188	39,258,518	38,027,142
Changes of Benefit Terms	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	(3,733,828)	(1,659,363)	(7,537,823)	(4,660,868)	(2,057,399)	(7,405,941)	-
Changes of Assumptions	-	-	(4,059,282)	34,423,764	-	(9,412,681)	-
Benefit Payments, Including Refunds of Employee Contributions	(32,690,913)	(31,127,723)	(28,939,991)	(26,989,306)	(25,708,633)	(24,976,500)	(23,765,315)
Net Change in Total Pension Liability	20,336,930	22,800,533	13,463,784	55,635,525	22,432,446	6,607,483	23,751,881
Total Pension Liability – Beginning	658,857,836	636,057,303	622,593,519	566,957,994	544,525,548	537,918,065	514,166,184
Total Pension Liability – Ending (a)	\$ 679,194,766	\$ 658,857,836	\$ 636,057,303	\$ 622,593,519	\$ 566,957,994	\$ 544,525,548	\$ 537,918,065
PLAN FIDUCIARY NET POSITION							
Contributions – Employer	\$ 15,584,372	\$ 13,593,022	\$ 11,610,677	\$ 10,402,620	\$ 10,695,442	\$ 8,666,613	\$ 8,663,640
Contributions – Employee	4,742,292	4,681,095	4,804,470	4,751,970	4,489,879	4,427,144	4,631,916
Investment Income	26,295,191	33,414,583	40,668,268	49,956,056	2,292,263	10,203,028	70,021,160
Administrative Expense	(748,123)	(364,288)	(755,023)	(660,060)	(277,649)	(512,710)	(583,338)
Plan to Plan Resource Movement	-	-	(1,188)	(572)	(1,138)	(1,092)	-
Benefit Payments, Including Refunds of Employee Contributions	(32,690,913)	(31,127,723)	(28,939,991)	(26,989,306)	(25,708,633)	(24,976,500)	(23,765,315)
Other Changes in Net Fiduciary Position	-	1,188	(1,433,802)	-	-	-	-
Net Change in Fiduciary Net Position	13,182,819	20,197,877	25,953,411	37,460,708	(8,509,836)	(2,193,517)	58,968,063
Plan Fiduciary Net Position – Beginning	530,676,259	510,478,382	484,524,971	447,064,263	455,574,099	457,767,616	398,799,553
Plan Fiduciary Net Position – Ending (b)	\$ 543,859,078	\$ 530,676,259	\$ 510,478,382	\$ 484,524,971	\$ 447,064,263	\$ 455,574,099	\$ 457,767,616
Plan Net Pension Liability – Ending (a) - (b)	\$ 135,335,688	\$ 128,181,577	\$ 125,578,921	\$ 138,068,548	\$ 119,893,731	\$ 88,951,449	\$ 80,150,449
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.07%	80.54%	80.26%	77.82%	78.85%	83.66%	85.10%
Covered Payroll	\$ 75,648,179	\$ 77,403,884	\$ 74,413,027	\$ 72,998,617	\$ 70,886,923	\$ 69,039,875	\$ 66,675,430
Plan Net Pension Liability as a Percentage of Covered Payroll	178.90%	165.60%	168.76%	189.14%	169.13%	128.84%	120.21%

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

SAFETY - POLICE

Fiscal Year	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Measurement Period	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 *
TOTAL PENSION LIABILITY							
Service Cost	\$ 10,266,470	\$ 10,135,377	\$ 9,617,998	\$ 9,591,564	\$ 8,469,089	\$ 8,309,481	\$ 8,460,366
Interest	41,172,526	39,814,196	38,480,738	37,507,939	36,797,609	35,673,874	34,278,788
Changes of Benefit Terms	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	332,145	240,434	(2,314,059)	(5,427,144)	(2,637,099)	589,439	-
Changes of Assumptions	-	-	(2,610,368)	30,873,205	-	(8,606,841)	-
Benefit Payments, Including Refunds of Employee Contributions	(32,002,431)	(30,696,816)	(29,199,389)	(27,966,047)	(27,437,806)	(26,035,590)	(24,707,746)
Net Change in Total Pension Liability	19,768,710	19,493,191	13,974,920	44,579,517	15,191,793	9,930,363	18,031,408
Total Pension Liability – Beginning	586,375,374	566,882,183	552,907,263	508,327,746	493,135,953	483,205,590	465,174,182
Total Pension Liability – Ending (a)	\$ 606,144,084	\$ 586,375,374	\$ 566,882,183	\$ 552,907,263	\$ 508,327,746	\$ 493,135,953	\$ 483,205,590
PLAN FIDUCIARY NET POSITION							
Contributions – Employer	\$ 21,054,557	\$ 18,925,078	\$ 16,961,372	\$ 15,646,286	\$ 15,412,320	\$ 13,719,737	\$ 12,985,781
Contributions – Employee	2,993,505	2,983,799	2,728,055	2,554,857	2,841,688	2,724,184	3,740,084
Investment Income	18,488,022	23,344,017	28,673,867	35,441,336	1,582,749	7,263,861	50,235,622
Administrative Expense	(523,005)	(254,540)	(528,343)	(463,367)	(196,022)	(361,983)	(416,670)
Plan to Plan Resource Movement	-	-	(832)	572	404	1,092	-
Benefit Payments, Including Refunds of Employee Contributions	(32,002,431)	(30,696,816)	(29,199,389)	(27,966,047)	(27,437,806)	(26,035,590)	(24,707,746)
Other Changes in Net Fiduciary Position	-	832	(1,003,332)	-	-	-	-
Net Change in Fiduciary Net Position	10,010,648	14,302,370	17,631,398	25,213,637	(7,796,667)	(2,688,699)	41,837,071
Plan Fiduciary Net Position – Beginning	370,990,020	356,687,650	339,056,252	313,842,615	321,639,282	324,327,981	282,490,910
Plan Fiduciary Net Position – Ending (b)	\$ 381,000,668	\$ 370,990,020	\$ 356,687,650	\$ 339,056,252	\$ 313,842,615	\$ 321,639,282	\$ 324,327,981
Plan Net Pension Liability – Ending (a) - (b)	\$ 225,143,416	\$ 215,385,354	\$ 210,194,533	\$ 213,851,011	\$ 194,485,131	\$ 171,496,671	\$ 158,877,609
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.86%	63.27%	62.92%	61.32%	61.74%	65.22%	67.12%
Covered Payroll	\$ 36,495,812	\$ 37,037,648	\$ 36,159,856	\$ 35,008,338	\$ 34,532,099	\$ 33,611,327	\$ 32,875,017
Plan Net Pension Liability as a Percentage of Covered Payroll	616.90%	581.53%	581.29%	610.86%	563.20%	510.23%	483.28%

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

SAFETY - FIRE							
Fiscal Year	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Measurement Period	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 *
TOTAL PENSION LIABILITY							
Service Cost	\$ 5,373,553	\$ 5,227,948	\$ 5,388,369	\$ 5,477,299	\$ 4,792,460	\$ 4,548,904	\$ 4,835,576
Interest	26,342,771	25,640,581	24,647,319	24,038,253	23,824,477	23,092,358	22,588,535
Changes of Benefit Terms	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	(275,824)	3,732,401	(308,957)	(5,110,618)	(643,989)	(4,479,829)	-
Changes of Assumptions	-	-	(1,978,419)	18,706,825	-	(5,267,980)	-
Benefit Payments, Including Refunds of Employee							
Contributions	(21,456,735)	(20,232,644)	(19,359,553)	(17,971,061)	(17,603,550)	(17,494,135)	(16,210,971)
Net Change in Total Pension Liability	9,983,765	14,368,286	8,388,759	25,140,698	10,369,398	399,318	11,213,140
Total Pension Liability – Beginning	376,747,760	362,379,474	353,990,715	328,850,017	318,480,619	318,081,301	306,868,161
Total Pension Liability – Ending (a)	\$ 386,731,525	\$ 376,747,760	\$ 362,379,474	\$ 353,990,715	\$ 328,850,017	\$ 318,480,619	\$ 318,081,301
PLAN FIDUCIARY NET POSITION							
Contributions – Employer	\$ 11,622,060	\$ 10,531,151	\$ 9,397,067	\$ 8,711,092	\$ 9,381,268	\$ 7,929,158	\$ 7,969,925
Contributions – Employee	1,711,907	1,802,278	1,715,776	1,759,306	1,645,230	1,582,829	1,677,069
Investment Income	12,375,436	15,731,227	19,484,911	24,165,084	1,103,442	4,937,128	34,621,145
Administrative Expense	(351,198)	(172,311)	(360,377)	(317,314)	(134,400)	(248,172)	(277,780)
Plan to Plan Resource Movement	-	-	(564)	-	735	13,412	-
Benefit Payments, Including Refunds of Employee							
Contributions	(21,456,735)	(20,232,644)	(19,359,553)	(17,971,061)	(17,603,550)	(17,494,135)	(16,210,971)
Other Changes in Net Fiduciary Position	-	564	(684,363)	-	-	-	-
Net Change in Fiduciary Net Position	3,901,470	7,660,265	10,192,897	16,347,107	(5,607,275)	(3,279,780)	27,779,388
Plan Fiduciary Net Position – Beginning	249,119,933	241,459,668	231,266,771	214,919,664	220,526,939	223,806,719	196,027,331
Plan Fiduciary Net Position – Ending (b)	\$ 253,021,403	\$ 249,119,933	\$ 241,459,668	\$ 231,266,771	\$ 214,919,664	\$ 220,526,939	\$ 223,806,719
Plan Net Pension Liability – Ending (a) - (b)	\$ 133,710,122	\$ 127,627,827	\$ 120,919,806	\$ 122,723,944	\$ 113,930,353	\$ 97,953,680	\$ 94,274,582
Plan Fiduciary Net Position as a Percentage of the							
Total Pension Liability	65.43%	66.12%	66.63%	65.33%	65.35%	69.24%	70.36%
Covered Payroll	\$ 25,179,302	\$ 25,674,381	\$ 25,623,573	\$ 24,462,329	\$ 23,651,743	\$ 22,790,050	\$ 22,209,834
Plan Net Pension Liability as a Percentage of Covered Payroll	531.03%	497.10%	471.91%	501.69%	481.70%	429.81%	424.47%

Notes to Schedule:

Benefit Changes - The figures above include any liability impact that may have resulted from voluntary benefit changes which occurred after the June 30, 2019 valuation.

Changes in Assumptions:

Fiscal year 2015-16 – the discount rate changed from 7.5% (net of administrative expense) to 7.65% (without a reduction for administrative expense).

Fiscal year 2017-18 – the discount rate changed from 7.65% to 7.15%.

Fiscal year 2018-19 – demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017.

Fiscal year 2019-20 – there were no significant changes in assumption.

Fiscal year 2020-21 – there were no significant changes in assumption.

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

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

Schedule of Plan Contributions

Miscellaneous	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Actuarially Determined Contribution	\$ 93,526,273	\$ 15,530,157	\$ 13,582,986	\$ 11,408,482	\$ 10,408,505	\$ 9,699,067	\$ 8,658,540
Contributions in Relation to the							
Actuarially Determined Contribution	(93,526,273)	(15,530,157)	(13,582,986)	(11,408,482)	(10,408,505)	(9,699,067)	(8,658,540)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 74,945,198	\$ 75,648,179	\$ 77,403,884	\$ 74,413,027	\$ 72,998,617	\$ 70,886,923	\$ 69,039,875
Contributions as a Percentage of							
Covered Payroll	124.79%	20.53%	17.55%	15.33%	14.26%	13.68%	12.54%
Safety - Police	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Actuarially Determined Contribution	\$ 189,103,194	\$ 20,999,595	\$ 18,933,276	\$ 16,730,140	\$ 15,640,401	\$ 14,412,320	\$ 13,719,737
Contributions in Relation to the							
Actuarially Determined Contribution	(189,103,194)	(20,999,595)	(18,933,276)	(16,730,140)	(15,640,401)	(14,412,320)	(13,719,737)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 36,949,943	\$ 36,495,812	\$ 37,037,648	\$ 36,159,856	\$ 35,008,338	\$ 34,532,099	\$ 33,611,327
Contributions as a Percentage of							
Covered Payroll	511.78%	57.54%	51.12%	46.27%	44.68%	41.74%	40.82%
Safety - Fire	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Actuarially Determined Contribution	\$ 109,115,882	\$ 11,610,002	\$ 10,524,771	\$ 9,272,712	\$ 8,711,092	\$ 8,381,268	\$ 7,929,158
Contributions in Relation to the							
Actuarially Determined Contribution	(109,115,882)	(11,610,002)	(10,524,771)	(9,272,712)	(8,711,092)	(8,381,268)	(7,929,158)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 27,089,986	\$ 25,179,302	\$ 25,674,381	\$ 25,623,573	\$ 24,462,329	\$ 23,651,743	\$ 22,790,050
Contributions as a Percentage of							
Covered Payroll	402.79%	46.11%	40.99%	36.19%	35.61%	35.44%	34.79%

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:							
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.625%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll Growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.25% (2)	7.25% (2)	7.375% (2)	7.50% (2)	7.50% (2)	7.50% (2)	7.50% (2)
Retirement age	(5)	(4)	(4)	(4)	(3)	(3)	(3)
Mortality	(8)	(7)	(7)	(7)	(6)	(6)	(5)

- (1) Level percentage of payroll, closed
- (2) Net of pension plan investment expense, including inflation
- (3) The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
- (4) The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
- (5) The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
- (6) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.
- (7) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.
- (8) The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* - Fiscal year 2014-15 was the first year of GASB implementation, therefore only seven years are shown.

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

2) PARS Enhanced Retirement Defined Benefit Pension Plan

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

Fiscal Year	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Measurement Period	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 *
TOTAL PENSION LIABILITY							
Service Cost	\$ 441,715	\$ 493,000	\$ 518,000	\$ 480,000	\$ 504,000	\$ 504,000	\$ 557,000
Interest	1,836,979	1,785,000	1,721,000	1,741,000	1,664,000	1,581,000	1,499,000
Changes of Benefit Terms	-	-	-	-	-	-	-
Difference between Expected and Actual	-	(280,000)	-	(118,000)	-	(772,000)	-
Changes of Assumptions	-	144,000	-	950,000	-	821,000	-
Benefit Payments, Including Refunds	(1,240,507)	(1,144,000)	(1,068,000)	(945,000)	(844,000)	(756,000)	(673,000)
Net Change in Total Pension Liability	1,038,187	998,000	1,171,000	2,108,000	1,324,000	1,378,000	1,383,000
Total Pension Liability – Beginning	32,126,000	31,128,000	29,957,000	27,849,000	26,525,000	25,147,000	23,764,000
Total Pension Liability – Ending (a)	\$ 33,164,187	\$ 32,126,000	\$ 31,128,000	\$ 29,957,000	\$ 27,849,000	\$ 26,525,000	\$ 25,147,000
PLAN FIDUCIARY NET POSITION							
Contributions – Employer	\$ 1,509,800	\$ 1,510,000	\$ 1,508,000	\$ 1,522,000	\$ 1,349,000	\$ 1,347,000	\$ 1,302,000
Contributions – Employee	-	-	-	-	-	-	-
Investment Income	545,042	913,000	857,000	1,190,000	77,000	235,000	1,139,000
Administrative Expense	(31,969)	(33,000)	(45,000)	(31,000)	(48,000)	(28,000)	(45,000)
Benefit Payments, Including Refunds	(1,240,507)	(1,144,000)	(1,068,000)	(945,000)	(844,000)	(756,000)	(673,000)
Other Changes in Net Fiduciary Position	-	-	-	-	-	-	-
Net Change in Fiduciary Net Position	782,366	1,246,000	1,252,000	1,736,000	534,000	798,000	1,723,000
Plan Fiduciary Net Position – Beginning	15,672,000	14,426,000	13,174,000	11,438,000	10,904,000	10,106,000	8,383,000
Plan Fiduciary Net Position – Ending (b)	\$ 16,454,366	\$ 15,672,000	\$ 14,426,000	\$ 13,174,000	\$ 11,438,000	\$ 10,904,000	\$ 10,106,000
Plan Net Pension Liability – Ending (a) - (b)	\$ 16,709,821	\$ 16,454,000	\$ 16,702,000	\$ 16,783,000	\$ 16,411,000	\$ 15,621,000	\$ 15,041,000
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	49.61%	48.78%	46.34%	43.98%	41.07%	41.11%	40.19%
Covered Payroll	\$ 10,286,106	\$ 11,318,533	\$ 11,518,508	\$ 13,423,893	\$ 14,409,690	\$ 15,372,000	\$ 15,758,000
Plan Net Pension Liability as a Percentage of Covered Payroll	162.45%	145.37%	145.00%	125.02%	113.89%	101.62%	95.45%

Notes to Schedule:

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

Changes of Assumptions:

Fiscal year 2015-16 - the CalPERS experience study was changed from 1997-2007 to 1997-2011 and the mortality improvement projection was changed from scale AA to MP-14.

Fiscal year 2017-18 – the CalPERS experience study was changed from 1997-2011 to 1997-2015. The discount rate and expected long-term rate of return on plan investments changed from 6.25% to 5.75% and the inflation rate changed from 3.00% to 2.75%.

Fiscal year 2019-20 – the mortality improvement projection was changed from scale MP-14 to MP-19.

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

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

Schedule of Plan Contributions

	Fiscal Year 2020-21	Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15 *
Actuarially Determined Contribution	\$ 1,512,000	\$ 1,509,800	\$ 1,510,000	\$ 1,466,000	\$ 1,522,134	\$ 1,348,502	\$ 1,347,000
Contributions in Relation to the Actuarially Determined Contribution	(1,512,000)	(1,509,800)	(1,510,000)	(1,466,000)	(1,522,134)	(1,348,502)	(1,347,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 9,235,008	\$ 10,286,106	\$ 11,318,533	\$ 11,518,508	\$ 13,423,893	\$ 14,409,690	\$ 15,372,000
Contributions as a Percentage of Covered Payroll	16.4%	14.7%	13.3%	12.7%	11.3%	9.4%	8.8%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)
Amortization period	17 yrs	16 yrs	16 yrs	17 yrs	18 yrs	19 yrs	19 yrs
Asset valuation method	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Inflation	2.75%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%
Cost of living adjustment	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment rate of return	5.75%	6.75%	5.75%	6.25%	6.25%	6.25%	6.25%
Retirement age	(5)	(5)	(5)	(4)	(4)	(4)	(3)
Mortality	(5)	(5)	(5)	(4)	(4)	(4)	(3)

(1) Minus normal cost

(2) Investment gains and losses spread over 5 year rolling period, not less than 80% nor more than 120% of market value.

(3) CalPERS 1997-2007 Experience Study

(4) CalPERS 1997-2011 Experience Study

(5) CalPERS 1997-2015 Experience Study

* - Fiscal year 2014-15 was the first year of GASB implementation, therefore only seven years are shown.

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

3) Other Postemployment Benefits

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

Fiscal Year	2020-21	2019-20	2018-19	2017-18 *
Measurement Period	2019-20	2018-19	2017-18	2016-17 *
TOTAL OPEB LIABILITY				
Service Cost	\$ 1,803,137	\$ 1,724,000	\$ 1,674,000	\$ 1,625,000
Interest	4,696,322	4,647,000	4,475,000	4,319,000
Difference between Expected and Actual Experience	-	(1,801,000)	-	-
Changes of Assumptions	-	(360,000)	-	-
Benefit Payments	(3,622,000)	(3,512,000)	(3,763,000)	(3,596,000)
Net Change in Total OPEB Liability	2,877,459	698,000	2,386,000	2,348,000
Total OPEB Liability – Beginning	69,583,000	68,885,000	66,499,000	64,151,000
Total OPEB Liability – Ending (a)	<u>\$ 72,460,459</u>	<u>\$ 69,583,000</u>	<u>\$ 68,885,000</u>	<u>\$ 66,499,000</u>
PLAN FIDUCIARY NET POSITION				
Contributions – Employer	\$ 5,297,000	\$ 5,908,000	\$ 5,908,000	\$ 11,617,000
Contributions – Employee	-	-	-	-
Investment Income	1,164,007	1,630,000	1,799,000	1,457,000
Administrative Expense	(29,753)	(19,000)	(35,000)	(8,000)
Benefit Payments, Including Refunds	(3,622,000)	(3,512,000)	(3,763,000)	(3,596,000)
Net Change in Fiduciary Net Position	2,809,254	4,007,000	3,909,000	9,470,000
Plan Fiduciary Net Position – Beginning	25,039,000	21,032,000	17,123,000	7,653,000
Plan Fiduciary Net Position – Ending (b)	<u>\$ 27,848,254</u>	<u>\$ 25,039,000</u>	<u>\$ 21,032,000</u>	<u>\$ 17,123,000</u>
Plan Net OPEB Liability – Ending (a) - (b)	<u>\$ 44,612,205</u>	<u>\$ 44,544,000</u>	<u>\$ 47,853,000</u>	<u>\$ 49,376,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.4%	36.0%	30.5%	25.7%
Covered Payrollx	\$ 131,469,000	\$ 133,561,000	\$ 140,096,000	\$ 141,378,000
Plan Net OPEB Liability as a Percentage of Covered Payroll	33.9%	33.4%	34.2%	34.9%

Notes to Schedule:

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

Changes of Assumptions:

Fiscal year 2019-20 – the mortality improvement projection was updated to scale MP-19.

Fiscal year 2020-21 – there were no significant changes in assumption.

* Fiscal year 2017-18 was the first year of GASB 75 implementation, therefore only four fiscal years are shown.

CITY OF TORRANCE, CALIFORNIA

Required Supplementary Information

Year ended June 30, 2021

Schedule of Plan Contributions

	Fiscal Year 2020-21	Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18 *
Actuarially Determined Contribution	\$ 5,781,000	\$ 5,297,000	\$ 5,908,000	\$ 6,105,000
Contributions in Relation to the Actuarially Determined Contribution	(5,781,000)	(5,297,000)	(5,908,000)	(5,908,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ 197,000
Covered Payroll	\$ 131,144,587	\$ 131,469,000	\$ 133,561,000	\$ 140,096,000
Contributions as a Percentage of Covered Payroll	4.4%	4.0%	4.4%	4.2%

Notes to Schedule:

Methods and assumptions used to determine contribution rates -

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	17 year fixed period starting 2020/21
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Inflation	2.75%
Discount Rate	6.75%
Retirement Age	CalPERS 1997-2015 Experience Study
Mortality	CalPERS 1997-2015 Experience Study

* Fiscal year 2017-18 was the first year of GASB 75 implementation, therefore only four fiscal years are shown.

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COMBINING FINANCIAL STATEMENTS & SCHEDULES



NON-MAJOR GOVERNMENTAL FUNDS



CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

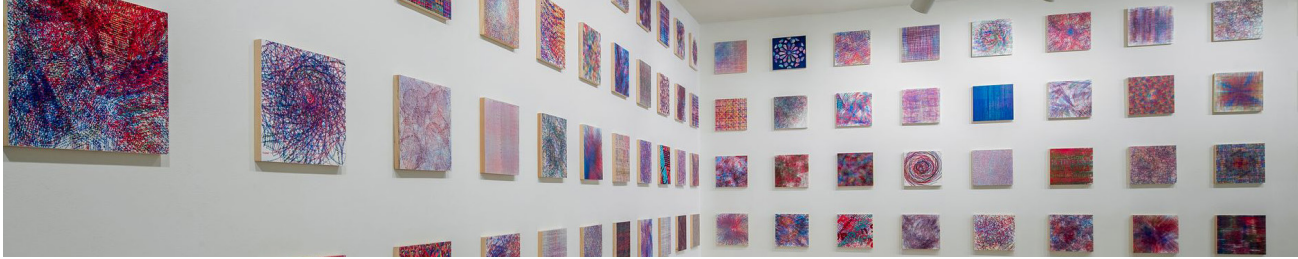
June 30, 2021

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Pooled cash and investments	\$ 42,685,066	\$ 10,719,544	\$ 53,404,610
Cash and cash equivalents with fiscal agents	-	4,684,095	4,684,095
Accounts receivable	85,006	-	85,006
Accrued interest receivable	41,765	-	41,765
Advance to successor agency	1,713,858	-	1,713,858
Due from other governments	1,716,800	-	1,716,800
Interfund advances receivable	600,000	-	600,000
Notes receivable	32,900	-	32,900
Prepays	80,316	-	80,316
Total Assets	\$ 46,955,711	\$ 15,403,639	\$ 62,359,350
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,517,917	\$ 231,856	\$ 2,749,773
Accounts payable-contract retention	173,477	40,149	213,626
Accrued liabilities	1,257,893	273,874	1,531,767
Due to other funds	2,641,825	13,860	2,655,685
Due to other governments	2,510	-	2,510
Unearned revenue	219,020	-	219,020
Deposits and guarantees	1,601,094	158,056	1,759,150
Total Liabilities	8,413,736	717,795	9,131,531
Deferred inflows of resources:			
Unavailable revenue	974,092	-	974,092
Total Deferred inflows of resources	974,092	-	974,092
Fund Balances:			
Nonspendable:			
Advances, net	-	-	-
Prepays	80,316	-	80,316
Restricted for:			
Public safety	3,353,045	-	3,353,045
Public works	28,085,712	-	28,085,712
Culture and recreation	1,548,296	-	1,548,296
Community development	4,500,514	-	4,500,514
Debt service	-	-	-
Assigned to:			
Capital projects	-	14,685,844	14,685,844
Culture and recreation	-	-	-
Public safety	-	-	-
Special project reserves	-	-	-
Unassigned	-	-	-
Total Fund Balances	37,567,883	14,685,844	52,253,727
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 46,955,711	\$ 15,403,639	\$ 62,359,350

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2021

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 1,268,245	\$ -	\$ 1,268,245
Licenses, fees and permits	1,393,117	-	1,393,117
Fines, forfeitures and penalties	19,483	-	19,483
Use of money and property	638,500	3,994	642,494
Intergovernmental	29,280,437	-	29,280,437
Other revenues	52,393	1,473,907	1,526,300
Total revenues	<u>32,652,175</u>	<u>1,477,901</u>	<u>34,130,076</u>
Expenditures:			
General government	213,079	1,235,014	1,448,093
Public safety	923,856	279,287	1,203,143
Public works	15,175,465	910,533	16,085,998
Culture and recreation	321,874	3,000	324,874
Community development	7,495,864	357,781	7,853,645
Total expenditures	<u>24,130,138</u>	<u>2,785,615</u>	<u>26,915,753</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,522,037</u>	<u>(1,307,714)</u>	<u>7,214,323</u>
Other financing sources (uses):			
Transfers in	1,659,834	1,626,544	3,286,378
Transfers out	(6,904,415)	(5,693,773)	(12,598,188)
Total other financing sources (uses)	<u>(5,244,581)</u>	<u>(4,067,229)</u>	<u>(9,311,810)</u>
Net change in fund balances	3,277,456	(5,374,943)	(2,097,487)
Fund balances, July 1, 2020	34,330,955	20,060,787	54,391,742
Prior period adjustment (note 17)	<u>(40,528)</u>	<u>-</u>	<u>(40,528)</u>
Fund balances, June 30, 2021	<u>\$ 37,567,883</u>	<u>\$ 14,685,844</u>	<u>\$ 52,253,727</u>

NON-MAJOR SPECIAL REVENUE FUNDS



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

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

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

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

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

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

The **PARKS, REHABILITATION AND OPEN SPACE, PARK EQUIPMENT REPLACEMENT, AND GREENWOOD PARK IMPROVEMENT REPLACEMENT FUNDS** are used to account for the resources generated by a fee imposed on new dwelling construction and certain remodeling of dwellings.

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

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

The **MEASURE M LOCAL RETURN AND GRANT FUND** is used for street and roads improvements, traffic control measures, bikeway and pedestrian improvements, and public transit services.

The **MEASURE W FUND** is used to increase water supply, improve water quality, and provide community enhancements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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CITY OF TORRANCE, CALIFORNIA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting District Assessment Fund	Drainage Improvement Fund	Parks, Rehabilitation and Open Space Fund
Assets						
Pooled cash and investments	\$ 165,009	\$ 662,106	\$ 168,683	\$ 278,649	\$ 20,587	\$ 518,116
Accounts receivable	2,750	-	-	10,539	-	15,672
Accrued interest receivable	218	-	222	-	27	683
Advance to successor agency	-	-	-	-	-	-
Due from other governments	-	-	-	10,296	-	-
Interfund advances receivable	600,000	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Prepays	-	-	-	-	-	-
Total assets	<u>\$ 767,977</u>	<u>\$ 662,106</u>	<u>\$ 168,905</u>	<u>\$ 299,484</u>	<u>\$ 20,614</u>	<u>\$ 534,471</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 101,730	\$ 6,336	\$ -	\$ -
Accounts payable-contract retention	480	-	-	-	-	-
Accrued liabilities	-	9,713	-	289,960	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	2,510	-	-	-	-
Unearned revenue	-	219,020	-	-	-	-
Deposits and guarantees	-	-	-	-	-	-
Total liabilities	<u>480</u>	<u>231,243</u>	<u>101,730</u>	<u>296,296</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable:						
Advances, net	-	-	-	-	-	-
Prepays	-	-	-	-	-	-
Restricted for:						
Public safety	-	-	-	-	-	-
Public works	-	-	-	3,188	20,614	-
Culture and recreation	767,497	-	-	-	-	534,471
Community development	-	430,863	67,175	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>767,497</u>	<u>430,863</u>	<u>67,175</u>	<u>3,188</u>	<u>20,614</u>	<u>534,471</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 767,977</u>	<u>\$ 662,106</u>	<u>\$ 168,905</u>	<u>\$ 299,484</u>	<u>\$ 20,614</u>	<u>\$ 534,471</u>

Park Equipment Replacement Fund	Greenwood Park Improvement Replacement Fund	Proposition A Fund	Proposition C Fund	Measure M Local Return and Grant Fund	Measure W Fund	Grants and Donations Fund	Vanpool Rideshare Fund	Bicycle Transportation Fund
\$ 236,412	\$ 9,592	\$ 2,520,676	\$ 4,601,569	\$ 6,291,330	\$ 2,773,711	\$ 1,755,024	\$ 6,250	\$ 5,390
-	-	-	28,325	-	-	23,951	-	-
311	13	3,322	5,917	11,946	-	38	155	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	497,550	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	80,316	-	-
<u>\$ 236,723</u>	<u>\$ 9,605</u>	<u>\$ 2,523,998</u>	<u>\$ 4,635,811</u>	<u>\$ 6,303,276</u>	<u>\$ 2,773,711</u>	<u>\$ 2,356,879</u>	<u>\$ 6,405</u>	<u>\$ 5,390</u>
\$ -	\$ -	\$ -	\$ 650,257	\$ 530,012	\$ -	\$ 129,033	\$ 5,795	\$ -
-	-	987	34,224	27,462	-	-	-	5,390
-	-	-	172,293	111,952	-	94,986	610	-
-	-	-	-	2,572	-	2,011,169	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	999	-	-
<u>-</u>	<u>-</u>	<u>987</u>	<u>856,774</u>	<u>671,998</u>	<u>-</u>	<u>2,236,187</u>	<u>6,405</u>	<u>5,390</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	80,316	-	-
-	-	-	-	-	-	-	-	-
-	-	2,523,011	3,779,037	5,631,278	2,773,711	40,376	-	-
236,723	9,605	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>236,723</u>	<u>9,605</u>	<u>2,523,011</u>	<u>3,779,037</u>	<u>5,631,278</u>	<u>2,773,711</u>	<u>120,692</u>	<u>-</u>	<u>-</u>
<u>\$ 236,723</u>	<u>\$ 9,605</u>	<u>\$ 2,523,998</u>	<u>\$ 4,635,811</u>	<u>\$ 6,303,276</u>	<u>\$ 2,773,711</u>	<u>\$ 2,356,879</u>	<u>\$ 6,405</u>	<u>\$ 5,390</u>

(continued)

CITY OF TORRANCE, CALIFORNIA
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2021
 (continued)

	Animal Control Fund	Low Mod Housing Fund	Development Impact Fund	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund
Assets						
Pooled cash and investments	\$ -	\$ 1,958,419	\$ 2,879,641	\$ 14,317	\$ 13,242,618	\$ 363,726
Accounts receivable	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	18,516	364
Advance to successor agency	-	1,713,858	-	-	-	-
Due from other governments	-	-	-	-	491,692	48,325
Interfund advances receivable	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Prepays	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 3,672,277</u>	<u>\$ 2,879,641</u>	<u>\$ 14,317</u>	<u>\$ 13,752,826</u>	<u>\$ 412,415</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 332	\$ -	\$ 1,075,385	\$ 5,649
Accounts payable-contract retention	-	-	355	-	65,256	-
Accrued liabilities	-	915	236,180	-	340,522	762
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Deposits and guarantees	-	-	1,600,095	-	-	-
Total liabilities	<u>-</u>	<u>915</u>	<u>1,836,962</u>	<u>-</u>	<u>1,481,163</u>	<u>6,411</u>
Deferred inflows of resources:						
Unavailable revenue	-	974,092	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>974,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable:						
Advances, net	-	-	-	-	-	-
Prepays	-	-	-	-	-	-
Restricted for:						
Public safety	-	-	-	-	-	-
Public works	-	-	1,042,679	-	12,271,663	-
Culture and recreation	-	-	-	-	-	-
Community development	-	2,697,270	-	14,317	-	406,004
Unassigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>2,697,270</u>	<u>1,042,679</u>	<u>14,317</u>	<u>12,271,663</u>	<u>406,004</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 3,672,277</u>	<u>\$ 2,879,641</u>	<u>\$ 14,317</u>	<u>\$ 13,752,826</u>	<u>\$ 412,415</u>

Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund	Community Development Block Grant Fund	Federal Housing and Rehabilitation Fund	Asset Forfeiture Fund	Proposition 1B Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Funds
\$ 104,631	\$ 25,172	\$ -	\$ 744,656	\$ 3,278,259	\$ 155	\$ 60,368	\$ 42,685,066
3,000	769	-	-	-	-	-	85,006
-	33	-	-	-	-	-	41,765
-	-	-	-	-	-	-	1,713,858
-	-	667,407	-	-	-	1,530	1,716,800
-	-	-	-	-	-	-	600,000
-	-	-	32,900	-	-	-	32,900
-	-	-	-	-	-	-	80,316
<u>\$ 107,631</u>	<u>\$ 25,974</u>	<u>\$ 667,407</u>	<u>\$ 777,556</u>	<u>\$ 3,278,259</u>	<u>\$ 155</u>	<u>\$ 61,898</u>	<u>\$ 46,955,711</u>
\$ 302	\$ -	\$ -	\$ -	\$ 13,086	\$ -	\$ -	\$ 2,517,917
-	-	39,323	-	-	-	-	173,477
-	-	-	-	-	-	-	1,257,893
-	-	628,084	-	-	-	-	2,641,825
-	-	-	-	-	-	-	2,510
-	-	-	-	-	-	-	219,020
-	-	-	-	-	-	-	1,601,094
<u>302</u>	<u>-</u>	<u>667,407</u>	<u>-</u>	<u>13,086</u>	<u>-</u>	<u>-</u>	<u>8,413,736</u>
-	-	-	-	-	-	-	974,092
-	-	-	-	-	-	-	974,092
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	80,316
-	25,974	-	-	3,265,173	-	61,898	3,353,045
-	-	-	-	-	155	-	28,085,712
-	-	-	-	-	-	-	1,548,296
107,329	-	-	777,556	-	-	-	4,500,514
-	-	-	-	-	-	-	-
<u>107,329</u>	<u>25,974</u>	<u>-</u>	<u>777,556</u>	<u>3,265,173</u>	<u>155</u>	<u>61,898</u>	<u>37,567,883</u>
<u>\$ 107,631</u>	<u>\$ 25,974</u>	<u>\$ 667,407</u>	<u>\$ 777,556</u>	<u>\$ 3,278,259</u>	<u>\$ 155</u>	<u>\$ 61,898</u>	<u>\$ 46,955,711</u>

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special revenue funds
 Year ended June 30, 2021

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting District Assessment Fund	Drainage Improvement Fund	Parks, Rehabilitation and Open Space Fund
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 1,268,245	\$ -	\$ -
Licenses, fees and permits	41,250	-	-	-	-	331,046
Fines, forfeitures and penalties	-	-	-	-	-	-
Revenue from use of money and property	2,093	7,213	2,197	-	293	5,535
Revenue from other intergovernmental agencies	-	6,941,580	-	-	-	-
Other revenues	-	34,464	2,276	-	-	-
Total revenues	<u>43,343</u>	<u>6,983,257</u>	<u>4,473</u>	<u>1,268,245</u>	<u>293</u>	<u>336,581</u>
Expenditures:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	2,786,210	-	-
Culture and recreation	7,163	-	-	-	-	20,074
Community development	-	6,800,150	-	-	-	-
Total expenditures	<u>7,163</u>	<u>6,800,150</u>	<u>-</u>	<u>2,786,210</u>	<u>-</u>	<u>20,074</u>
Excess (deficiency) of revenues over expenditures	36,180	183,107	4,473	(1,517,965)	293	316,507
Other financing sources (uses):						
Transfers in	-	-	-	1,463,749	-	-
Transfers out	-	-	-	-	-	(16,500)
Net change in fund balances	<u>36,180</u>	<u>183,107</u>	<u>4,473</u>	<u>(54,216)</u>	<u>293</u>	<u>300,007</u>
Fund balances, July 1, 2020	731,317	247,756	62,702	57,404	20,321	234,464
Prior period adjustment (note 17)	-	-	-	-	-	-
Fund balances, June 30, 2021	<u>\$ 767,497</u>	<u>\$ 430,863</u>	<u>\$ 67,175</u>	<u>\$ 3,188</u>	<u>\$ 20,614</u>	<u>\$ 534,471</u>

Park Equipment Replacement Fund	Greenwood Park Improvement Replacement Fund	Proposition A Fund	Proposition C Fund	Measure M Local Return and Grant Fund	Measure W Fund	Grants and Donations Fund	Vanpool Rideshare Fund	Bicycle Transportation Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
75,690	136	33,874	78,574	83,933	2,774	16,502	954	234
-	-	2,978,863	2,470,860	2,151,470	3,120,434	4,324,469	19,982	107,797
-	-	-	-	-	-	1,278	5,811	-
<u>75,690</u>	<u>136</u>	<u>3,012,737</u>	<u>2,549,434</u>	<u>2,235,403</u>	<u>3,123,208</u>	<u>4,342,249</u>	<u>26,747</u>	<u>108,031</u>
-	-	-	-	-	-	213,079	-	-
-	-	-	-	-	-	646,191	-	-
-	-	19,737	4,141,718	1,610,603	-	248,530	-	108,031
14,830	-	-	-	-	-	279,807	-	-
-	-	-	-	-	-	114,108	123,030	-
<u>14,830</u>	<u>-</u>	<u>19,737</u>	<u>4,141,718</u>	<u>1,610,603</u>	<u>-</u>	<u>1,501,715</u>	<u>123,030</u>	<u>108,031</u>
60,860	136	2,993,000	(1,592,284)	624,800	3,123,208	2,840,534	(96,283)	-
-	-	-	-	-	-	-	96,283	-
-	-	(2,674,323)	(254,558)	-	(349,497)	(565)	-	-
<u>60,860</u>	<u>136</u>	<u>318,677</u>	<u>(1,846,842)</u>	<u>624,800</u>	<u>2,773,711</u>	<u>2,839,969</u>	<u>-</u>	<u>-</u>
175,863	9,469	2,204,334	5,625,879	5,006,478	-	(2,719,277)	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 236,723</u>	<u>\$ 9,605</u>	<u>\$ 2,523,011</u>	<u>\$ 3,779,037</u>	<u>\$ 5,631,278</u>	<u>\$ 2,773,711</u>	<u>\$ 120,692</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special revenue funds
 Year ended June 30, 2021
 (continued)

	<u>Animal Control Fund</u>	<u>Low Mod Housing Fund</u>	<u>Development Impact Fund</u>	<u>Geologic Hazard Abatement Fund</u>	<u>State Gas Tax Street Improvement Fund</u>	<u>Air Quality Management District Fund</u>
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	1,020,821	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-
Revenue from use of money and property agencies	-	42,760	27,627	-	199,719	3,382
Other revenues	-	-	-	-	5,844,607	236,387
Total revenues	<u>-</u>	<u>42,760</u>	<u>1,048,448</u>	<u>-</u>	<u>6,044,326</u>	<u>239,769</u>
Expenditures:						
General government	-	-	-	-	-	-
Public safety	-	-	6,457	-	-	-
Public works	-	-	389,222	-	4,886,208	226,443
Culture and recreation	-	-	-	-	-	-
Community development	-	145,478	-	-	-	-
Total expenditures	<u>-</u>	<u>145,478</u>	<u>395,679</u>	<u>-</u>	<u>4,886,208</u>	<u>226,443</u>
Excess (deficiency) of revenues over expenditures	-	(102,718)	652,769	-	1,158,118	13,326
Other financing sources (uses):						
Transfers in	-	54,491	-	-	-	16,450
Transfers out	(13,917)	-	-	-	(3,584,648)	-
Net change in fund balances	<u>(13,917)</u>	<u>(48,227)</u>	<u>652,769</u>	<u>-</u>	<u>(2,426,530)</u>	<u>29,776</u>
Fund balances, July 1, 2020	13,917	2,786,025	389,910	14,317	14,698,193	376,228
Prior period adjustment (note 17)	<u>-</u>	<u>(40,528)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2021	<u>\$ -</u>	<u>\$ 2,697,270</u>	<u>\$ 1,042,679</u>	<u>\$ 14,317</u>	<u>\$ 12,271,663</u>	<u>\$ 406,004</u>

Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund	Community Development Block Grant Fund	Federal Housing and Rehabilitation Fund	Asset Forfeiture Fund	Proposition 1B Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,268,245
-	-	-	-	-	-	-	1,393,117
-	-	-	-	19,483	-	-	19,483
4,500	334	-	-	50,176	-	-	638,500
-	-	1,083,988	-	-	-	-	29,280,437
-	3,374	-	-	90	-	5,100	52,393
<u>4,500</u>	<u>3,708</u>	<u>1,083,988</u>	<u>-</u>	<u>69,749</u>	<u>-</u>	<u>5,100</u>	<u>32,652,175</u>
-	-	-	-	-	-	-	213,079
-	-	-	-	271,208	-	-	923,856
-	-	758,519	-	-	244	-	15,175,465
-	-	-	-	-	-	-	321,874
15,552	-	297,546	-	-	-	-	7,495,864
<u>15,552</u>	<u>-</u>	<u>1,056,065</u>	<u>-</u>	<u>271,208</u>	<u>244</u>	<u>-</u>	<u>24,130,138</u>
(11,052)	3,708	27,923	-	(201,459)	(244)	5,100	8,522,037
28,861	-	-	-	-	-	-	1,659,834
(10,407)	-	-	-	-	-	-	(6,904,415)
<u>7,402</u>	<u>3,708</u>	<u>27,923</u>	<u>-</u>	<u>(201,459)</u>	<u>(244)</u>	<u>5,100</u>	<u>3,277,456</u>
99,927	22,266	(27,923)	777,556	3,466,632	399	56,798	34,330,955
-	-	-	-	-	-	-	(40,528)
<u>\$ 107,329</u>	<u>\$ 25,974</u>	<u>\$ -</u>	<u>\$ 777,556</u>	<u>\$ 3,265,173</u>	<u>\$ 155</u>	<u>\$ 61,898</u>	<u>\$ 37,567,883</u>

CITY OF TORRANCE, CALIFORNIA
Rental Assistance Program Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Revenue from other intergovernmental agencies	\$ 6,575,000	\$ 7,416,375	\$ 6,941,580	\$ (474,795)
Revenue from use of money and property	5,000	5,000	7,213	2,213
Other	9,000	9,000	34,464	25,464
Total revenues	<u>6,589,000</u>	<u>7,430,375</u>	<u>6,983,257</u>	<u>(447,118)</u>
EXPENDITURES				
Current:				
Community development	6,774,143	7,615,518	6,800,150	815,368
Total expenditures	<u>6,774,143</u>	<u>7,615,518</u>	<u>6,800,150</u>	<u>815,368</u>
Excess (deficiency) of revenues over expenditures	<u>(185,143)</u>	<u>(185,143)</u>	<u>183,107</u>	<u>368,250</u>
Net change in fund balances	(185,143)	(185,143)	183,107	368,250
Fund balances - beginning	247,756	247,756	247,756	-
Fund balances - ending	<u>\$ 62,613</u>	<u>\$ 62,613</u>	<u>\$ 430,863</u>	<u>\$ 368,250</u>

CITY OF TORRANCE, CALIFORNIA
Street Lighting District Assessment Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,372,915	\$ 1,372,915	\$ 1,268,245	\$ (104,670)
Total revenues	<u>1,372,915</u>	<u>1,372,915</u>	<u>1,268,245</u>	<u>(104,670)</u>
EXPENDITURES				
Current:				
Public works	2,999,843	2,999,843	2,786,210	213,633
Total expenditures	<u>2,999,843</u>	<u>2,999,843</u>	<u>2,786,210</u>	<u>213,633</u>
Excess (deficiency) of revenues over expenditures	<u>(1,626,928)</u>	<u>(1,626,928)</u>	<u>(1,517,965)</u>	<u>108,963</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,610,388	1,610,388	1,463,749	(146,639)
Total other financing sources (uses)	<u>1,610,388</u>	<u>1,610,388</u>	<u>1,463,749</u>	<u>(146,639)</u>
Net change in fund balances	(16,540)	(16,540)	(54,216)	(37,676)
Fund balances - beginning	57,404	57,404	57,404	-
Fund balances - ending	<u>\$ 40,864</u>	<u>\$ 40,864</u>	<u>\$ 3,188</u>	<u>\$ (37,676)</u>

CITY OF TORRANCE, CALIFORNIA
 Vanpool Rideshare Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Revenue from other intergovernmental agencies	\$ 37,000	\$ 37,000	\$ 19,982	\$ (17,018)
Revenue from use of money and property	500	500	954	454
Other revenues	54,000	54,000	5,811	(48,189)
Total revenues	<u>91,500</u>	<u>91,500</u>	<u>26,747</u>	<u>(64,753)</u>
EXPENDITURES				
Current:				
Community development	286,463	308,188	123,030	185,158
Total expenditures	<u>286,463</u>	<u>308,188</u>	<u>123,030</u>	<u>185,158</u>
Excess (deficiency) of revenues over expenditures	<u>(194,963)</u>	<u>(216,688)</u>	<u>(96,283)</u>	<u>120,405</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	202,186	223,911	96,283	(127,628)
Total other financing sources (uses)	<u>202,186</u>	<u>223,911</u>	<u>96,283</u>	<u>(127,628)</u>
Net change in fund balances	7,223	7,223	-	(7,223)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ 7,223</u>	<u>\$ 7,223</u>	<u>\$ -</u>	<u>\$ (7,223)</u>

CITY OF TORRANCE, CALIFORNIA
 Low Mod Housing Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Revenue from use of money and property	8,940	8,940	42,760	33,820
Total revenues	<u>28,940</u>	<u>28,940</u>	<u>42,760</u>	<u>13,820</u>
EXPENDITURES				
Current:				
Community development	277,460	277,460	145,478	131,982
Total expenditures	<u>277,460</u>	<u>277,460</u>	<u>145,478</u>	<u>131,982</u>
Excess (deficiency) of revenues over expenditures	<u>(248,520)</u>	<u>(248,520)</u>	<u>(102,718)</u>	<u>145,802</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	197,000	251,491	54,491	(197,000)
Total other financing sources (uses)	<u>197,000</u>	<u>251,491</u>	<u>54,491</u>	<u>(197,000)</u>
Net change in fund balances	(51,520)	2,971	(48,227)	(51,198)
Fund balances - beginning (as restated)	2,786,025	2,745,497	2,745,497	-
Fund balances - ending	<u>\$ 2,734,505</u>	<u>\$ 2,748,468</u>	<u>\$ 2,697,270</u>	<u>\$ (51,198)</u>

CITY OF TORRANCE, CALIFORNIA
Meadow Park Parking Lot District Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from use of money and property	\$ 38,145	\$ 28,861	\$ 4,500	\$ (24,361)
Total revenues	<u>38,145</u>	<u>28,861</u>	<u>4,500</u>	<u>(24,361)</u>
EXPENDITURES				
Current:				
Community development	27,145	17,861	15,552	2,309
Total expenditures	<u>27,145</u>	<u>17,861</u>	<u>15,552</u>	<u>2,309</u>
Excess (deficiency) of revenues over expenditures	<u>11,000</u>	<u>11,000</u>	<u>(11,052)</u>	<u>(22,052)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,861	28,861
Transfers out	(11,000)	(11,000)	(10,407)	593
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	<u>18,454</u>	<u>29,454</u>
Net change in fund balances	-	-	7,402	7,402
Fund balances - beginning	99,927	99,927	99,927	-
Fund balances - ending	<u>\$ 99,927</u>	<u>\$ 99,927</u>	<u>\$ 107,329</u>	<u>\$ 7,402</u>

CITY OF TORRANCE, CALIFORNIA
Torrance Public Property Financing Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 2,088,791	\$ 2,088,791	\$ 2,033,716	\$ (55,075)
Total revenues	<u>2,088,791</u>	<u>2,088,791</u>	<u>2,033,716</u>	<u>(55,075)</u>
EXPENDITURES				
Debt service:				
Principal retirement	435,000	435,000	435,000	-
Interest and fiscal charges	1,606,215	1,606,215	1,606,215	-
Bond issuance costs	-	2,073,325	2,063,827	9,498
Payment to refunded bond escrow agent	-	2,611,940	2,611,940	-
Total expenditures	<u>2,041,215</u>	<u>6,726,480</u>	<u>6,716,982</u>	<u>9,498</u>
Excess (deficiency) of revenues over expenditures	<u>47,576</u>	<u>(4,637,689)</u>	<u>(4,683,266)</u>	<u>(45,577)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(347,933,066)	(347,933,066)	-
Payment to refunded bond escrow agent	-	(38,032,286)	(38,032,286)	-
Issuance of debt	-	389,240,000	389,240,000	-
Total other financing sources (uses)	<u>-</u>	<u>3,274,648</u>	<u>3,274,648</u>	<u>-</u>
Net change in fund balances	47,576	(1,363,041)	(1,408,618)	(45,577)
Fund balances - beginning	2,620,176	2,620,176	2,620,176	-
Fund balances - ending	<u>\$ 2,667,752</u>	<u>\$ 1,257,135</u>	<u>\$ 1,211,558</u>	<u>\$ (45,577)</u>

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NON-MAJOR CAPITAL PROJECT FUNDS



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

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

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

CITY OF TORRANCE, CALIFORNIA
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2021

	Capital Improvement Fund	Torrance Public Property Financing Capital Project Fund	Total Nonmajor Capital Projects Funds
Assets			
Pooled cash and investments	\$ 10,719,544	\$ -	\$ 10,719,544
Cash and cash equivalents with fiscal agents	-	4,684,095	4,684,095
Total assets	\$ 10,719,544	\$ 4,684,095	\$ 15,403,639
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 226,816	\$ 5,040	\$ 231,856
Accounts payable-contract retention	40,149	-	40,149
Accrued liabilities	273,874	-	273,874
Due to other funds	-	13,860	13,860
Deposits and guarantees	158,056	-	158,056
Total liabilities	698,895	18,900	717,795
Fund balances:			
Assigned to capital projects	10,020,649	4,665,195	14,685,844
Unassigned	-	-	-
Total fund balances	10,020,649	4,665,195	14,685,844
Total liabilities and fund balances	\$ 10,719,544	\$ 4,684,095	\$ 15,403,639

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year ended June 30, 2021

	Capital Improvement Fund	Torrance Public Property Financing Capital Project Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Use of money and property	\$ 3,250	\$ 744	\$ 3,994
Other	1,473,907	-	1,473,907
Total revenues	<u>1,477,157</u>	<u>744</u>	<u>1,477,901</u>
Expenditures:			
General government	1,216,114	18,900	1,235,014
Public safety	279,287	-	279,287
Public works	910,533	-	910,533
Culture and recreation	3,000	-	3,000
Community development	357,781	-	357,781
Total expenditures	<u>2,766,715</u>	<u>18,900</u>	<u>2,785,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,289,558)</u>	<u>(18,156)</u>	<u>(1,307,714)</u>
Other financing sources:			
Transfers in	1,626,544	-	1,626,544
Transfers out	<u>(5,693,773)</u>	<u>-</u>	<u>(5,693,773)</u>
Total other financing sources	<u>(4,067,229)</u>	<u>-</u>	<u>(4,067,229)</u>
Net change in fund balances	(5,356,787)	(18,156)	(5,374,943)
Fund balances, July 1, 2020	<u>15,377,436</u>	<u>4,683,351</u>	<u>20,060,787</u>
Fund balances, June 30, 2021	<u>\$ 10,020,649</u>	<u>\$ 4,665,195</u>	<u>\$ 14,685,844</u>

NON-MAJOR ENTERPRISE FUNDS



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CITY OF TORRANCE, CALIFORNIA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2021

	Emergency Medical Services Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Enterprise Funds
Assets and Deferred Outflows of Resources					
Current assets:					
Pooled cash and investments	\$ -	\$ 6,169,894	\$ -	\$ -	\$ 6,169,894
Accounts receivable	-	987,554	-	-	987,554
Accrued interest receivable	-	8,082	-	-	8,082
Total current assets	<u>-</u>	<u>7,165,530</u>	<u>-</u>	<u>-</u>	<u>7,165,530</u>
Noncurrent assets:					
Capital assets, net	-	7,798,673	-	-	7,798,673
Total noncurrent assets	<u>-</u>	<u>7,798,673</u>	<u>-</u>	<u>-</u>	<u>7,798,673</u>
Deferred outflows of resources:					
Deferred pension amounts	-	1,177,206	-	-	1,177,206
Deferred OPEB amounts	-	25,296	-	-	25,296
Total deferred outflows of resources	<u>-</u>	<u>1,202,502</u>	<u>-</u>	<u>-</u>	<u>1,202,502</u>
Total Assets and Deferred Outflows of Resources	<u>-</u>	<u>16,166,705</u>	<u>-</u>	<u>-</u>	<u>16,166,705</u>
Liabilities and Deferred Inflows of Resources					
Current liabilities:					
Accounts payable	-	49,960	-	-	49,960
Contract retainage payable	-	23,271	-	-	23,271
Deposits payable	-	158,876	-	-	158,876
Accrued liabilities	-	51,923	-	-	51,923
Compensated absences payable - current	-	47,071	-	-	47,071
Unearned revenues	-	363,073	-	-	363,073
Total current liabilities	<u>-</u>	<u>694,174</u>	<u>-</u>	<u>-</u>	<u>694,174</u>
Noncurrent liabilities:					
Compensated absences payable - long term	-	133,971	-	-	133,971
Net pension liability	-	1,674,157	-	-	1,674,157
Net OPEB liability	-	178,449	-	-	178,449
Total noncurrent liabilities	<u>-</u>	<u>1,986,577</u>	<u>-</u>	<u>-</u>	<u>1,986,577</u>
Deferred inflows of resources:					
Deferred pension amounts	-	46,835	-	-	46,835
Deferred OPEB amounts	-	5,508	-	-	5,508
Total deferred inflows of resources	<u>-</u>	<u>52,343</u>	<u>-</u>	<u>-</u>	<u>52,343</u>
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>2,733,094</u>	<u>-</u>	<u>-</u>	<u>2,733,094</u>
Net Position					
Net investment in capital assets	-	7,775,402	-	-	7,775,402
Unrestricted	-	5,658,209	-	-	5,658,209
Total Net Position	<u>\$ -</u>	<u>\$ 13,433,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,433,611</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year ended June 30, 2021

	Emergency Medical Services Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Enterprise Funds
Operating revenues:					
Charges for services	\$ -	\$ 15,027,751	\$ -	\$ -	\$ 15,027,751
Other	-	469,720	-	-	469,720
Total operating revenues	<u>-</u>	<u>15,497,471</u>	<u>-</u>	<u>-</u>	<u>15,497,471</u>
Operating expenses:					
Salaries and employee benefits	-	1,887,889	-	-	1,887,889
Services and supplies	-	82,489	-	-	82,489
Other professional services	-	546,613	-	-	546,613
Depreciation and amortization	-	221,988	-	-	221,988
Insurance and claims	-	16,280	-	-	16,280
City charges	-	467,034	-	-	467,034
Other	-	1,041	-	-	1,041
Total operating expenses	<u>-</u>	<u>3,223,334</u>	<u>-</u>	<u>-</u>	<u>3,223,334</u>
Operating income	<u>-</u>	<u>12,274,137</u>	<u>-</u>	<u>-</u>	<u>12,274,137</u>
Nonoperating revenues:					
Investment earnings	-	60,644	-	-	60,644
Total nonoperating revenues	<u>-</u>	<u>60,644</u>	<u>-</u>	<u>-</u>	<u>60,644</u>
Income before transfers	-	12,334,781	-	-	12,334,781
Transfers in	88,460	973,068	1,318,590	466,676	2,846,794
Transfers out	-	(11,144,125)	-	(52,993)	(11,197,118)
Change in net position	<u>88,460</u>	<u>2,163,724</u>	<u>1,318,590</u>	<u>413,683</u>	<u>3,984,457</u>
Total net position - July 1, 2020	(35,894,151)	11,269,887	(4,782,774)	(2,340,162)	(31,747,200)
Prior period adjustment (note 17)	<u>35,805,691</u>	<u>-</u>	<u>3,464,184</u>	<u>1,926,479</u>	<u>41,196,354</u>
Total net position - June 30, 2021	<u>\$ -</u>	<u>\$ 13,433,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,433,611</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended June 30, 2021

	Emergency Medical Services Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:					
Receipts from customers	\$ 304,763	\$ 14,883,676	\$ (20,523)	\$ (126,460)	\$ 15,041,456
Cash payments to suppliers for goods and services	(18,170)	(1,118,686)	(55,126)	(29,820)	(1,221,802)
Cash payments to employees for services	(35,981,650)	(2,452,274)	(3,534,709)	(2,339,270)	(44,307,903)
Cash payments to other funds	(212,450)	-	(1,197,499)	(165,554)	(1,575,503)
Other receipts	-	469,720	-	-	469,720
Net cash provided by (used in) operating activities	<u>(35,907,507)</u>	<u>11,782,436</u>	<u>(4,807,857)</u>	<u>(2,661,104)</u>	<u>(31,594,032)</u>
Cash flows from noncapital financing activities:					
Cash transfer due to reorganization	35,819,047	-	3,489,267	2,247,421	41,555,735
Cash received from other funds	88,460	973,068	1,318,590	466,676	2,846,794
Cash paid to other funds	-	(11,144,125)	-	(52,993)	(11,197,118)
Net cash provided by (used in) noncapital financing activities	<u>35,907,507</u>	<u>(10,171,057)</u>	<u>4,807,857</u>	<u>2,661,104</u>	<u>33,205,411</u>
Cash flows from capital financing activities:					
Cash payments for capital additions	-	(66,855)	-	-	(66,855)
Cash used in capital financing activities	<u>-</u>	<u>(66,855)</u>	<u>-</u>	<u>-</u>	<u>(66,855)</u>
Cash flows from investing activities:					
Cash received from interest on investments	-	60,269	-	-	60,269
Cash provided by investing activities	<u>-</u>	<u>60,269</u>	<u>-</u>	<u>-</u>	<u>60,269</u>
Net increase in cash, restricted cash and cash equivalents	-	1,604,793	-	-	1,604,793
Cash and cash equivalents, July 1, 2020	<u>-</u>	<u>4,565,101</u>	<u>-</u>	<u>-</u>	<u>4,565,101</u>
Cash and cash equivalents, June 30, 2021	<u>\$ -</u>	<u>\$ 6,169,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,169,894</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	\$ -	\$ 12,274,137	\$ -	\$ -	\$ 12,274,137
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	-	221,988	-	-	221,988
Bad debt expense	-	190	-	-	190
Changes in assets and liabilities:					
Accounts receivable	304,763	(329,272)	7,547	13,356	(3,606)
Accounts payable	(18,169)	(41,462)	(55,126)	(29,820)	(144,577)
Due to other funds	(212,451)	-	(1,197,499)	(165,554)	(1,575,504)
Accrued salaries and benefits	(170,386)	(6,225)	(45,466)	(91,854)	(313,931)
Other accrued liabilities	-	36,043	-	-	36,043
Deferred outflows related to pensions	5,657,514	(1,025,548)	449,296	282,892	5,364,154
Deferred outflows related to OPEB	317,820	(4,108)	31,782	26,485	371,979
Net pension liability	(37,811,299)	504,068	(3,460,900)	(2,179,087)	(42,947,218)
Net OPEB liability	(2,672,640)	273	(267,261)	(222,723)	(3,162,351)
Deferred inflows related to pensions	(1,179,359)	(30,132)	(229,830)	(144,707)	(1,584,028)
Deferred inflows related to OPEB	(123,300)	(2,713)	(12,330)	(10,276)	(148,619)
Deposits and guarantees	-	11,780	-	(139,816)	(128,036)
Unearned revenues	-	173,417	(28,070)	-	145,347
Net cash provided by (used in) operating activities	<u>\$ (35,907,507)</u>	<u>\$ 11,782,436</u>	<u>\$ (4,807,857)</u>	<u>\$ (2,661,104)</u>	<u>\$ (31,594,032)</u>

INTERNAL SERVICE FUNDS



The Internal Service funds are used to account for financing of goods or services provided by one City department to other departments of the City and to other governmental units on a cost-reimbursement basis.

The **SELF-INSURANCE FUND** is used to finance and account for the City's risk management and self-insurance programs.

The **FLEET SERVICES FUND** is used to finance and account for the City's vehicular equipment.

The **POSTEMPLOYMENT/COMP ABSENCES FUND** is used to account for interfund charges to the City's departments for postemployment benefits and compensated absences.

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CITY OF TORRANCE, CALIFORNIA
Combining Statement of Net Position
Internal Service Funds
June 30, 2021

	<u>Self Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Postemployment/ Comp Absences Fund</u>	<u>Total</u>
Assets and Deferred Outflows of Resources				
Current assets:				
Pooled cash and investments	\$ 12,218,569	\$ 12,119,912	\$ 5,265,815	\$ 29,604,296
Cash and cash equivalents with fiscal agents (note 2)	221,654	-	-	221,654
Accounts receivable	-	21,709	4,078,335	4,100,044
Accrued interest receivable	-	22,705	6,898	29,603
Prepays	3,600	-	-	3,600
Inventories	-	1,249,265	-	1,249,265
Total current assets	<u>12,443,823</u>	<u>13,413,591</u>	<u>9,351,048</u>	<u>35,208,462</u>
Noncurrent assets:				
Capital assets, net	-	6,706,026	-	6,706,026
Total noncurrent assets	<u>-</u>	<u>6,706,026</u>	<u>-</u>	<u>6,706,026</u>
Deferred outflows of resources:				
Deferred pension amounts	292,954	3,455,399	-	3,748,353
Deferred OPEB amounts	6,324	75,153	-	81,477
Total deferred outflows of resources	<u>299,278</u>	<u>3,530,552</u>	<u>-</u>	<u>3,829,830</u>
Total Assets and Deferred Outflows of Resources	<u>12,743,101</u>	<u>23,650,169</u>	<u>9,351,048</u>	<u>45,744,318</u>
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	152,309	525,765	-	678,074
Compensated absences payable	-	322,124	8,873,490	9,195,614
Accrued interest payable	-	6,829	-	6,829
Accrued liabilities	3,090,983	48,987	-	3,139,970
Accrued liability for self-insurance claims - current	8,033,477	-	-	8,033,477
Total current liabilities	<u>11,276,769</u>	<u>903,705</u>	<u>8,873,490</u>	<u>21,053,964</u>
Noncurrent liabilities:				
Accrued liability for self-insurance claims - long-term	56,829,855	-	-	56,829,855
Net pension liability	406,007	5,020,816	-	5,426,823
Net OPEB liability	44,612	579,959	-	624,571
Total noncurrent liabilities	<u>57,280,474</u>	<u>5,600,775</u>	<u>-</u>	<u>62,881,249</u>
Deferred inflows of resources:				
Deferred pension amounts	11,629	137,478	-	149,107
Deferred OPEB amounts	1,377	17,901	-	19,278
Total deferred inflows of resources	<u>13,006</u>	<u>155,379</u>	<u>-</u>	<u>168,385</u>
Total Liabilities and Deferred Inflows of Resources	<u>68,570,249</u>	<u>6,659,859</u>	<u>8,873,490</u>	<u>84,103,598</u>
Net Position				
Net position:				
Net investment in capital assets	-	6,706,026	-	6,706,026
Unrestricted	(55,827,148)	10,284,284	477,558	(45,065,306)
Total Net Position	<u>\$ (55,827,148)</u>	<u>\$ 16,990,310</u>	<u>\$ 477,558</u>	<u>\$ (38,359,280)</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year ended June 30, 2021

	Self Insurance Fund	Fleet Services Fund	Postemployment/ Comp Absences Fund	Total
Operating revenues:				
Charges for services	\$ 2,739,843	\$ 5,724,813	\$ -	\$ 8,464,656
Other	9,267	180,183	-	189,450
Total operating revenues	<u>2,749,110</u>	<u>5,904,996</u>	<u>-</u>	<u>8,654,106</u>
Operating expenses:				
Salaries and benefits	1,005,902	3,918,032	-	4,923,934
Services and supplies	12,906	53,258	-	66,164
Other professional services	130,047	53,166	-	183,213
Insurance and claims	13,716,103	7,555	-	13,723,658
Depreciation and amortization	-	1,493,160	-	1,493,160
City charges	27,276	116,809	-	144,085
Other	1,324	14,911	-	16,235
Total operating expenses	<u>14,893,558</u>	<u>5,656,891</u>	<u>-</u>	<u>20,550,449</u>
Operating income (loss)	<u>(12,144,448)</u>	<u>248,105</u>	<u>-</u>	<u>(11,896,343)</u>
Nonoperating revenues (expenses):				
Investment earnings	-	56,421	12,926	69,347
Gain on sale of capital assets	-	150,850	-	150,850
Total nonoperating revenues (expenses)	<u>-</u>	<u>207,271</u>	<u>12,926</u>	<u>220,197</u>
Net income (loss) before transfers	<u>(12,144,448)</u>	<u>455,376</u>	<u>12,926</u>	<u>(11,676,146)</u>
Transfers in	11,319,045	2,757,333	-	14,076,378
Transfers out	<u>(8,985)</u>	<u>(239,435)</u>	<u>-</u>	<u>(248,420)</u>
Change in net position	<u>(834,388)</u>	<u>2,973,274</u>	<u>12,926</u>	<u>2,151,812</u>
Net position, July 1, 2020	<u>(54,992,760)</u>	<u>14,017,036</u>	<u>464,632</u>	<u>(40,511,092)</u>
Net position, June 30, 2021	<u>\$ (55,827,148)</u>	<u>\$ 16,990,310</u>	<u>\$ 477,558</u>	<u>\$ (38,359,280)</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
Year ended June 30, 2021

	Self Insurance Fund	Fleet Services Fund	Postemployment/ Comp Absences Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 2,771,251	\$ 5,883,349	\$ -	\$ 8,654,600
Cash payments to suppliers for goods and services	(8,715,501)	(211,163)	-	(8,926,664)
Cash payments to employees for services	2,278,271	(6,264,543)	731,176	(3,255,096)
Net cash provided by (used in) operating activities	<u>(3,665,979)</u>	<u>(592,357)</u>	<u>731,176</u>	<u>(3,527,160)</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	11,319,045	12,757,333	-	24,076,378
Cash transfers paid to other funds	(8,985)	(239,436)	-	(248,421)
Net cash provided by (used in) noncapital financing activities	<u>11,310,060</u>	<u>12,517,897</u>	<u>-</u>	<u>23,827,957</u>
Cash flows from capital financing activities:				
Cash payments for capital additions	-	(1,906,904)	-	(1,906,904)
Proceeds from sale of capital assets	-	150,850	-	150,850
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(1,756,054)</u>	<u>-</u>	<u>(1,756,054)</u>
Cash flows from investing activities:				
Cash received from interest on investments	-	56,421	13,517	69,938
Cash provided by investing activities	<u>-</u>	<u>56,421</u>	<u>13,517</u>	<u>69,938</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	7,644,081	10,225,907	744,693	18,614,681
Cash and cash equivalents, July 1, 2020	4,796,142	1,894,005	4,521,122	11,211,269
Cash and cash equivalents, June 30, 2021	<u>\$ 12,440,223</u>	<u>\$ 12,119,912</u>	<u>\$ 5,265,815</u>	<u>\$ 29,825,950</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (12,144,448)	\$ 248,105	\$ -	\$ (11,896,343)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	1,493,160	-	1,493,160
Changes in assets and liabilities:				
Accounts receivable	22,141	(21,648)	(441,047)	(440,554)
Inventory	-	(229,397)	-	(229,397)
Accounts payable	(40,520)	264,247	(23,664)	200,063
Accrued salaries and benefits	6,554	11,923	1,195,887	1,214,364
Other accrued liabilities	8,325,947	(313)	-	8,325,634
Deferred outflows related to pension	(292,954)	(2,902,083)	-	(3,195,037)
Deferred outflows related to OPEB	(6,324)	(995)	-	(7,319)
Net pension liability	406,007	738,009	-	1,144,016
Net OPEB liability	44,612	(43,657)	-	955
Deferred inflows related to pension	11,629	(138,840)	-	(127,211)
Deferred inflows related to OPEB	1,377	(10,868)	-	(9,491)
Net cash provided by (used in) operating activities	<u>\$ (3,665,979)</u>	<u>\$ (592,357)</u>	<u>\$ 731,176</u>	<u>\$ (3,527,160)</u>

AGENCY FUNDS



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

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

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

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

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

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

The **INTEROPERABILITY NETWORK OF THE SOUTH BAY FUND** is used to account for funds contributed by Network member cities to enhance the public safety and general government land mobile radio capabilities of its members by developing and managing a wide-area interoperable government communications network.

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Fiduciary Fund Assets and Liabilities - Agency Funds
 June 30, 2021

	Special Deposits Fund	Flexible Benefits Fund	Environmental Trust Fund	Property Room Evidence Fund	Torrance Tourism Business Improvement District Fund	Interoperability Network of the South Bay Fund	Total Agency Funds
Assets							
Pooled cash and investments	\$ 2,680,646	\$ 364,692	\$ 150,131	\$ 1,397,776	\$ 29,797	\$ 457,840	\$ 5,080,882
Accounts receivable	1,658	-	-	-	-	42,528	44,186
Accrued interest receivable	-	-	198	-	-	603	801
Capital assets, net	-	-	-	-	-	705,935	705,935
Total assets	<u>\$ 2,682,304</u>	<u>\$ 364,692</u>	<u>\$ 150,329</u>	<u>\$ 1,397,776</u>	<u>\$ 29,797</u>	<u>\$ 1,206,906</u>	<u>\$ 5,831,804</u>
Liabilities							
Deposits payable	\$ 2,682,304	\$ 364,692	\$ 150,329	\$ 1,397,776	\$ 29,797	\$ 1,206,906	\$ 5,831,804
Total liabilities	<u>\$ 2,682,304</u>	<u>\$ 364,692</u>	<u>\$ 150,329</u>	<u>\$ 1,397,776</u>	<u>\$ 29,797</u>	<u>\$ 1,206,906</u>	<u>\$ 5,831,804</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2021

	<u>Balance for fiscal year ended June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2021</u>
Special Deposits Fund				
ASSETS				
Pooled cash and investments	\$ 2,483,525	\$ 1,536,403	\$ (1,339,282)	\$ 2,680,646
Accounts receivable	-	1,658	-	1,658
Total assets	<u>\$ 2,483,525</u>	<u>\$ 1,538,061</u>	<u>\$ (1,339,282)</u>	<u>\$ 2,682,304</u>
LIABILITIES				
Deposits payable	\$ 2,483,525	\$ 1,538,061	\$ (1,339,282)	\$ 2,682,304
Total liabilities	<u>\$ 2,483,525</u>	<u>\$ 1,538,061</u>	<u>\$ (1,339,282)</u>	<u>\$ 2,682,304</u>
Flexible Benefits Fund				
ASSETS				
Pooled cash and investments	\$ 336,726	\$ 27,966	\$ -	\$ 364,692
Total assets	<u>\$ 336,726</u>	<u>\$ 27,966</u>	<u>\$ -</u>	<u>\$ 364,692</u>
LIABILITIES				
Deposits payable	\$ 336,726	\$ 27,966	\$ -	\$ 364,692
Total liabilities	<u>\$ 336,726</u>	<u>\$ 27,966</u>	<u>\$ -</u>	<u>\$ 364,692</u>
Environmental Trust Fund				
ASSETS				
Pooled cash and investments	\$ 147,945	\$ 2,186	\$ -	\$ 150,131
Accrued interest receivable	253	198	(253)	198
Total assets	<u>\$ 148,198</u>	<u>\$ 2,384</u>	<u>\$ (253)</u>	<u>\$ 150,329</u>
LIABILITIES				
Deposits payable	\$ 148,198	\$ 2,384	\$ (253)	\$ 150,329
Total liabilities	<u>\$ 148,198</u>	<u>\$ 2,384</u>	<u>\$ (253)</u>	<u>\$ 150,329</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2021
(continued)

	<u>Balance for fiscal year ended June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2021</u>
Property Room Evidence Fund				
ASSETS				
Pooled cash and investments	\$ 1,048,237	\$ 421,441	\$ (71,902)	\$ 1,397,776
Total assets	<u>\$ 1,048,237</u>	<u>\$ 421,441</u>	<u>\$ (71,902)</u>	<u>\$ 1,397,776</u>
LIABILITIES				
Deposits payable	\$ 1,048,237	\$ 421,441	\$ (71,902)	\$ 1,397,776
Total liabilities	<u>\$ 1,048,237</u>	<u>\$ 421,441</u>	<u>\$ (71,902)</u>	<u>\$ 1,397,776</u>
Torrance Tourism Business Improvement District Fund				
ASSETS				
Pooled cash and investments	\$ 21,734	\$ 377,672	\$ (369,609)	\$ 29,797
Total assets	<u>\$ 21,734</u>	<u>\$ 377,672</u>	<u>\$ (369,609)</u>	<u>\$ 29,797</u>
LIABILITIES				
Deposits payable	\$ 21,734	\$ 377,672	\$ (369,609)	\$ 29,797
Total liabilities	<u>\$ 21,734</u>	<u>\$ 377,672</u>	<u>\$ (369,609)</u>	<u>\$ 29,797</u>
Interoperability Network of the South Bay				
ASSETS				
Pooled cash and investments	\$ 352,397	\$ 277,872	\$ (172,429)	\$ 457,840
Accounts receivable	-	42,528	-	42,528
Accrued interest receivable	603	603	(603)	603
Capital assets, net	151,525	998,633	(444,223)	705,935
Total assets	<u>\$ 504,525</u>	<u>\$ 1,319,636</u>	<u>\$ (617,255)</u>	<u>\$ 1,206,906</u>
LIABILITIES				
Deposits payable	\$ 504,525	\$ 1,319,636	\$ (617,255)	\$ 1,206,906
Total liabilities	<u>\$ 504,525</u>	<u>\$ 1,319,636</u>	<u>\$ (617,255)</u>	<u>\$ 1,206,906</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2021

Assets	Balance for fiscal year ended June 30, 2020	Additions	Deductions	Balance for fiscal year ended June 30, 2021
Pooled cash and investments	\$ 4,390,564	\$ 2,643,540	\$ (1,953,222)	\$ 5,080,882
Accounts receivable	-	44,186	-	44,186
Accrued interest receivable	856	801	(856)	801
Capital assets, net	151,525	998,633	(444,223)	705,935
Total assets	<u>\$ 4,542,945</u>	<u>\$ 3,687,160</u>	<u>\$ (2,398,301)</u>	<u>\$ 5,831,804</u>
 Liabilities				
Deposits payable	<u>\$ 4,542,945</u>	<u>\$ 3,687,160</u>	<u>\$ (2,398,301)</u>	<u>\$ 5,831,804</u>
Total liabilities	<u>\$ 4,542,945</u>	<u>\$ 3,687,160</u>	<u>\$ (2,398,301)</u>	<u>\$ 5,831,804</u>

STATISTICAL SECTION

(Not covered by Independent Auditors' Report)



Overview of Statistical information Presented in Five Categories

<u>Financial Trend Information:</u> Intended to assist users in understanding and assessing how a government's financial position has changed over time.	152
<u>Revenue Capacity Information:</u> Intended to assist users in understanding and assessing the factors affecting a government's ability to generate its own revenue.	157
<u>Debt Capacity Information:</u> Intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.	164
<u>Demographic and Economic Information:</u> Intended to assist users in understanding the socioeconomic environment within which a government operates and to provide information that facilitates comparison of financial statement information over time and among governments.	169
<u>Operating Information:</u> Intended to provide information about a government's operations and resources in order to assist readers in using financial statement information to understand and assess a government's economic condition.	171

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

Financial Trends
Exhibit 1

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
Net investment in capital assets	\$ 294,482	\$ 286,532	\$ 279,740	\$ 272,707	\$ 269,819	\$ 272,391	\$ 275,454	\$ 262,639	\$ 254,085	\$ 252,519
Restricted	41,942	42,561	46,401	45,389	45,987	49,306	41,882	43,310	41,153	40,321
Unrestricted	(498,999)	(432,413)	(372,163)	(354,180)	(280,023)	(295,513)	(299,768)	23,786	75,519	42,384
Total governmental activities net position	<u>\$ (162,575)</u>	<u>\$ (103,320)</u>	<u>\$ (46,022)</u>	<u>\$ (36,084)</u>	<u>\$ 35,783</u>	<u>\$ 26,184</u>	<u>\$ 17,568</u>	<u>\$ 329,735</u>	<u>\$ 370,757</u>	<u>\$ 335,224</u>
Business-type activities										
Net investment in capital assets	\$ 164,410	\$ 155,891	\$ 148,541	\$ 153,167	\$ 156,096	\$ 157,593	\$ 142,408	\$ 142,562	\$ 141,472	\$ 137,492
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	47,888	(18,914)	(24,541)	(21,247)	(7,868)	(8,181)	(19,433)	38,997	33,848	30,500
Total business-type activities net position	<u>\$ 212,298</u>	<u>\$ 136,977</u>	<u>\$ 124,000</u>	<u>\$ 131,920</u>	<u>\$ 148,228</u>	<u>\$ 149,412</u>	<u>\$ 122,975</u>	<u>\$ 181,559</u>	<u>\$ 175,320</u>	<u>\$ 167,992</u>
Primary government										
Net investment in capital assets	\$ 458,892	\$ 442,423	\$ 428,281	\$ 425,874	\$ 425,915	\$ 429,984	\$ 417,862	\$ 405,201	\$ 395,557	\$ 390,011
Restricted	41,942	42,561	46,401	45,389	45,987	49,306	41,882	43,310	41,153	40,321
Unrestricted	(451,111)	(451,327)	(396,704)	(375,427)	(287,891)	(303,694)	(319,201)	62,783	109,367	72,884
Total primary government net position	<u>\$ 49,723</u>	<u>\$ 33,657</u>	<u>\$ 77,978</u>	<u>\$ 95,836</u>	<u>\$ 184,011</u>	<u>\$ 175,596</u>	<u>\$ 140,543</u>	<u>\$ 511,294</u>	<u>\$ 546,077</u>	<u>\$ 503,216</u>

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

Financial Trends
Exhibit 2

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental activities:										
General government	\$ 27,553	\$ 37,573	\$ 35,459	\$ 34,122	\$ 27,838	\$ 31,259	\$ 28,474	\$ 25,545	\$ 25,608	\$ 24,064
Public safety	156,247	144,525	121,502	120,281	114,081	99,020	102,909	109,959	94,153	94,889
Public works	27,885	35,308	29,536	29,408	26,807	28,259	23,908	29,676	33,598	33,837
Culture and recreation	26,142	21,947	18,502	20,100	17,388	15,373	17,212	18,139	14,568	12,423
Community development	11,134	18,096	16,896	16,384	10,621	10,433	10,172	10,368	10,723	8,221
Interest on long term debt	10,633	2,533	2,579	2,619	2,826	2,664	2,867	1,499	3,035	4,596
Total governmental activities expenses	259,594	259,982	224,474	222,914	199,561	187,008	185,542	195,186	181,685	178,030
Business-type activities:										
Municipal Airport	3,223	3,386	3,374	3,542	3,425	3,433	3,301	5,530	5,331	5,405
Transit System	25,640	30,833	39,162	29,574	27,702	24,156	24,932	26,164	24,667	23,643
Water	41,465	39,090	43,294	38,323	35,447	31,843	34,414	35,416	32,915	31,355
Sewer	5,666	4,991	5,264	5,892	5,086	5,509	5,397	4,418	4,682	4,781
Sanitation	13,015	12,873	12,369	16,722	11,620	10,856	10,981	10,985	11,396	11,326
Cultural Arts Center	-	2,252	2,300	2,357	2,119	1,971	2,087	1,929	1,983	1,981
Parks and Recreation	-	7,099	7,602	7,456	7,080	6,864	6,638	6,464	7,309	7,697
Emergency Medical Services	-	16,854	13,824	14,154	12,422	11,141	11,060	10,698	10,318	10,140
Total business-type activities expenses	89,009	117,378	127,189	118,020	104,901	95,773	98,810	101,604	98,601	96,328
Total primary government expenses	\$ 348,603	\$ 377,360	\$ 351,663	\$ 340,934	\$ 304,462	\$ 282,781	\$ 284,352	\$ 296,790	\$ 280,286	\$ 274,358
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 890	\$ 1,000	\$ 1,303	\$ 495	\$ 414	\$ 464	\$ 450	\$ 2,978	\$ 2,890	\$ 2,880
Public safety	3,704	2,037	2,520	8,576	8,475	8,192	7,433	7,508	6,132	6,167
Public works	216	216	631	1,819	1,164	926	867	1,085	651	727
Culture and recreation	2,093	600	635	577	641	628	667	612	647	651
Community development	8,777	6,208	7,272	-	-	-	-	-	372	-
Operating grants and contributions	29,051	17,309	17,226	18,241	17,279	22,097	22,641	14,646	13,542	14,585
Capital grants and contributions	23,246	13,040	9,929	5,248	6,178	7,787	8,927	10,677	5,391	16,235
Total governmental activities program revenues	67,977	40,410	39,516	34,956	34,151	40,094	40,985	37,506	29,625	41,245
Business-type activities:										
Charges for services:										
Municipal Airport	15,497	14,175	14,173	13,469	12,836	12,754	12,407	12,139	11,726	11,895
Transit System	63	3,175	2,743	2,740	2,861	3,165	3,351	3,387	3,341	3,482
Water	49,198	45,553	42,544	41,439	36,848	33,447	35,983	40,670	36,156	34,011
Sewer	6,025	5,712	5,676	5,750	3,783	2,417	2,731	3,221	3,137	2,882
Sanitation	12,920	12,748	12,793	12,368	11,363	11,475	11,360	11,396	10,972	10,634
Cultural Arts Center	-	782	1,195	1,186	1,018	934	942	912	1,043	1,038
Parks and Recreation	-	3,600	4,977	4,731	4,635	4,586	4,521	3,950	3,994	4,279
Emergency Medical Services	-	1,493	1,602	1,477	1,093	1,244	901	2,230	2,186	2,022
Operating grants and contributions	32,285	24,588	22,648	18,376	18,809	18,462	19,091	21,061	19,952	19,339
Capital grants and contributions	2,031	2,457	1,608	293	1,081	14,708	2,703	1,104	5,689	10,298
Total business-type activities program revenues	118,019	114,283	109,959	101,829	94,327	103,192	93,990	100,070	98,196	99,880
Total primary government program revenues	\$ 185,996	\$ 154,693	\$ 149,475	\$ 136,785	\$ 128,478	\$ 143,286	\$ 134,975	\$ 137,576	\$ 127,821	\$ 141,125

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

Financial Trends
Exhibit 2

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net (expense)/revenue										
Governmental activities	\$ (191,617)	\$ (219,572)	\$ (184,958)	\$ (187,958)	\$ (165,410)	\$ (146,914)	\$ (144,557)	\$ (157,680)	\$ (152,060)	\$ (136,785)
Business-type activities	29,010	(3,095)	(17,230)	(16,191)	(10,574)	7,419	(4,820)	(1,534)	(405)	3,552
Total primary government net expense	\$ (162,607)	\$ (222,667)	\$ (202,188)	\$ (204,149)	\$ (175,984)	\$ (139,495)	\$ (149,377)	\$ (159,214)	\$ (152,465)	\$ (133,233)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 55,037	\$ 52,185	\$ 51,984	\$ 49,312	\$ 46,967	\$ 54,348	\$ 54,609	\$ 53,576	\$ 51,534	\$ 52,643
Sales taxes	52,938	48,332	49,217	47,178	50,133	39,378	33,185	31,963	31,805	30,163
Other taxes	61,753	58,515	65,747	64,371	63,485	60,932	62,481	61,442	56,261	56,815
Investment earnings	4,389	7,310	7,935	4,763	5,001	6,554	6,043	6,509	5,073	8,800
Gain on sale of property	-	-	-	-	1,552	-	-	-	-	-
Motor vehicle tax (unrestricted)	107	117	72	77	66	60	62	64	77	74
Other general revenues	4,298	4,845	7,651	5,394	4,560	4,898	15,617	4,849	5,623	4,621
Transfers	(4,710)	(9,113)	(7,586)	(7,477)	(7,848)	(17,996)	(6,855)	(5,961)	(7,169)	(6,493)
Total governmental activities	173,812	162,191	175,020	163,618	163,916	148,174	165,142	152,442	143,204	146,623
Business-type activities:										
Investment earnings	327	1,690	1,521	405	613	811	521	677	348	593
Other general revenues	78	303	204	294	247	212	83	546	216	-
Transfers	4,710	9,113	7,586	7,477	7,848	17,996	6,855	5,961	7,169	6,493
Total business-type activities	5,115	11,106	9,311	8,176	8,708	19,019	7,459	7,184	7,733	7,086
Total primary government general revenues	\$ 178,927	\$ 173,297	\$ 184,331	\$ 171,794	\$ 172,624	\$ 167,193	\$ 172,601	\$ 159,626	\$ 150,937	\$ 153,709
Extraordinary Gain (Loss) ¹										
Governmental activities	-	-	-	-	-	-	-	(35,439)	-	58,403
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government extraordinary gain (loss)	-	-	-	-	-	-	-	(35,439)	-	58,403
Change in Net Position										
Governmental activities	(17,805)	(57,381)	(9,938)	(24,340)	(1,494)	1,260	20,585	(40,677)	(8,856)	68,241
Business-type activities	34,125	8,011	(7,919)	(8,015)	(1,866)	26,438	2,639	5,650	7,328	10,638
Total primary government	\$ 16,320	\$ (49,370)	\$ (17,857)	\$ (32,355)	\$ (3,360)	\$ 27,698	\$ 23,224	\$ (35,027)	\$ (1,528)	\$ 78,879

Notes:

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

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

Financial Trends
Exhibit 3

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable ²	2,718	3,395	4,621	4,814	15,485	21,607	21,245	22,471	53,959	16,273
Restricted	2,842	1,333	1,166	788	465	688	580	479	1,253	1,128
Assigned to:										
Culture and recreation	-	2,389	2,817	4,112	4,763	4,688	4,484	4,897	3,706	3,183
Public safety	87	70	91	66	31	10	63	70	146	170
Special project reserves	-	-	-	3,434	3,542	4,094	4,204	4,353	9,389	9,943
Capital projects	3,681	3,039	4,704	7,197	6,495	7,103	6,719	7,655	6,956	6,500
Unassigned	22,633	581	16,725	16,501	24,079	21,101	29,439	21,200	15,466	15,500
Total general fund	\$ 31,961	\$ 10,807	\$ 30,124	\$ 36,912	\$ 54,860	\$ 59,291	\$ 66,734	\$ 61,125	\$ 90,875	\$ 52,697
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Nonspendable	80	946	4	-	-	-	-	-	682	634
Restricted ³	39,753	41,477	42,326	40,422	40,729	43,921	40,493	41,600	41,240	41,375
Assigned to:										
Capital projects	14,686	20,061	20,877	22,399	22,887	19,073	14,648	14,851	18,014	19,869
Unassigned ³	-	(2,747)	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 54,519	\$ 59,737	\$ 63,207	\$ 62,821	\$ 63,616	\$ 62,994	\$ 55,141	\$ 56,451	\$ 59,936	\$ 61,878

Notes:

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

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

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

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

Financial Trends
 Exhibit 4

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
Taxes	\$ 172,217	\$ 162,315	\$ 168,084	\$ 162,636	\$ 161,817	\$ 156,103	\$ 152,045	\$ 148,165	\$ 143,352	\$ 140,034
Licenses, fees and permits	5,655	4,150	5,290	4,106	4,544	3,814	3,140	3,797	2,767	1,919
Fine, forfeitures and penalties	668	1,339	1,677	1,019	1,534	1,906	1,608	1,804	1,665	1,464
Investment earnings	4,791	9,180	9,355	6,154	6,082	7,893	7,433	7,329	6,454	11,363
Intergovernmental	50,525	27,073	26,525	23,265	22,897	28,743	32,386	23,862	18,193	30,228
Charges for current services	10,745	5,959	6,304	6,736	5,750	5,392	5,095	7,904	6,907	6,728
Other	3,928	1,155	4,616	2,000	1,282	2,280	11,141	3,047	660	3,317
Total revenues	248,529	211,171	221,851	205,916	203,906	206,131	212,848	195,908	179,998	195,053
Expenditures										
General government	41,959	23,023	24,814	22,344	20,387	19,487	20,213	22,355	19,464	22,416
Public safety	413,044	121,693	116,066	109,485	112,160	105,319	103,043	99,376	97,331	92,934
Public works	44,779	32,749	30,526	29,129	30,859	31,958	36,532	23,134	22,062	27,726
Culture and recreation	31,869	17,996	17,657	17,830	17,066	17,115	17,131	15,523	14,033	13,565
Nondepartmental	2,927	5,601	7,619	5,642	6,423	8,656	5,445	5,478	5,598	6,428
Community development	23,765	16,011	15,334	14,725	10,619	10,501	10,459	10,312	10,723	6,908
Capital outlay ¹	-	-	-	-	-	-	-	-	-	4,428
Debt service										
Principal retirement ²	435	1,300	1,250	1,215	1,165	1,125	895	7,370	1,535	3,352
Interest and fiscal charges	1,606	2,431	2,477	2,516	2,522	2,599	2,835	959	3,042	4,603
Other	4,676	-	-	-	1,620	-	-	5,076	-	1,356
Total expenditures	565,060	220,804	215,743	202,886	202,821	196,760	196,553	189,583	173,788	183,716
Excess of revenues over (under) expenditures	(316,531)	(9,633)	6,108	3,030	1,085	9,371	16,295	6,325	6,210	11,337
Other financing sources (uses)										
Transfers in	356,749	17,249	15,665	20,649	22,980	22,017	16,033	30,007	12,535	14,686
Transfers out	(375,288)	(30,630)	(26,391)	(31,668)	(35,910)	(32,889)	(28,029)	(40,065)	(21,539)	(23,245)
Proceeds from sale of property	-	-	-	-	1,552	-	-	-	-	-
Proceeds from refunding bonds ³	-	-	-	-	22,135	-	-	40,445	-	-
Issuance of debt ³	389,240	-	-	-	-	-	-	-	-	-
Premium on refunding bonds ³	-	-	-	-	1,727	-	-	661	-	-
Bond escrow refunding ³	(38,032)	-	-	-	(17,378)	-	-	(31,540)	-	-
Total other financing sources (uses)	332,669	(13,381)	(10,726)	(11,019)	(4,894)	(10,872)	(11,996)	(492)	(9,004)	(8,559)
Extraordinary gain ⁵	-	-	-	-	-	-	-	-	-	6,664
Net change in fund balances	\$ 16,138	\$ (23,014)	\$ (4,618)	\$ (7,989)	\$ (3,809)	\$ (1,501)	\$ 4,299	\$ 5,833	\$ (2,794)	\$ 9,442
Debt service as a percentage of noncapital expenditures	0.4%	1.8%	1.9%	2.0%	2.0%	2.1%	2.2%	4.7%	2.7%	4.7%

Notes:

¹ Starting in 2013, capital outlay expenditures are reported in the relevant departmental category.

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

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

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

⁴ In 2010, the City issued Certificates of Participation for land acquisition.

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

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

Revenue Capacity
Exhibit 1

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
Real Property:							
2021	\$ 30,651,720	\$ 425,167	\$ 31,076,887	\$ -	\$ -	\$ -	
2020	29,823,983	444,207	30,268,190	-	-	-	
2019	28,206,700	419,422	28,626,122	-	-	-	
2018	26,679,039	368,075	27,047,114	-	-	-	
2017	24,972,616	355,712	25,328,328	-	-	-	
2016	24,432,661	358,694	24,791,355	-	-	-	
2015	23,512,947	366,569	23,879,516	-	-	-	
2014	22,611,717	347,846	22,959,563	-	-	-	
2013	21,608,163	332,873	21,941,036	-	-	-	
2012 ¹	21,447,810	323,995	21,771,805	-	-	-	
Personal Property:							
2021	\$ 250,413	\$ 693,780	\$ 944,193	\$ -	\$ -	\$ -	
2020	184,551	700,667	885,218	-	-	-	
2019	281,964	683,665	965,629	-	-	-	
2018	461,991	656,073	1,118,064	-	-	-	
2017	381,327	613,322	994,649	-	-	-	
2016	386,952	614,496	1,001,448	-	-	-	
2015	365,633	648,079	1,013,712	-	-	-	
2014	354,500	621,541	976,041	-	-	-	
2013	336,392	623,470	959,862	-	-	-	
2012 ¹	261,619	670,048	931,667	-	-	-	
Total:							
2021	\$ 30,902,133	\$ 1,118,947	\$ 32,021,080	\$ -	\$ -	\$ -	0.1528%
2020	30,008,534	1,144,874	31,153,408	-	-	-	0.1529%
2019	28,488,664	1,103,087	29,591,751	-	-	-	0.1518%
2018	27,141,030	1,024,148	28,165,178	-	-	-	0.1506%
2017	25,353,943	969,034	26,322,977	-	-	-	0.1507%
2016	24,819,613	973,190	25,792,803	-	-	-	0.1508%
2015	23,878,580	1,014,648	24,893,228	-	-	-	0.1507%
2014	22,966,217	969,387	23,935,604	-	-	-	0.1507%
2013	21,944,555	956,343	22,900,898	-	-	-	0.1504%
2012 ¹	21,709,429	994,043	22,703,472	-	-	-	0.1498%

Notes:

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity
Exhibit 2

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
City Direct Rates:										
City basic rate	0.1528	0.1529	0.1518	0.1506	0.1507	0.1508	0.1507	0.1507	0.1504	0.1498
Redevelopment Agency ¹	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total City Direct Rate	<u>0.1528</u>	<u>0.1529</u>	<u>0.1518</u>	<u>0.1506</u>	<u>0.1507</u>	<u>0.1508</u>	<u>0.1507</u>	<u>0.1507</u>	<u>0.1504</u>	<u>0.1498</u>
Overlapping Rates:										
Metropolitan Water District	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0037
Torrance Unified School District	0.4894	0.4989	0.5020	0.4940	0.4913	0.4903	0.4818	0.4754	0.4843	0.4925
Community College	0.0236	0.0216	0.0216	0.0222	0.0229	0.0174	0.0174	0.0175	0.0185	0.0169
County of Los Angeles	0.2401	0.2406	0.2403	0.2390	0.2394	0.2402	0.2407	0.2411	0.2415	0.2421
Successor Agency ¹	0.1396	0.1369	0.1344	0.1388	0.1356	0.1331	0.1306	0.1297	0.1279	0.1267
Special Districts	<u>0.0657</u>	<u>0.0663</u>	<u>0.0675</u>	<u>0.0676</u>	<u>0.0686</u>	<u>0.0691</u>	<u>0.0697</u>	<u>0.0698</u>	<u>0.0705</u>	<u>0.0711</u>
Total Direct Rate	<u>1.1147</u>	<u>1.1207</u>	<u>1.1211</u>	<u>1.1157</u>	<u>1.1120</u>	<u>1.1044</u>	<u>1.0944</u>	<u>1.0877</u>	<u>1.0966</u>	<u>1.1028</u>

Notes:

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

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

Source: Los Angeles County Auditor - Controller's Office

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

Revenue Capacity
Exhibit 3

Taxpayer	2021			2012		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Torrance Refining Company	\$ 1,267,751,450	1	3.96%	-		-
Del Amo Fashion Center Operating Company	889,581,120	2	2.78%	549,613,384	2	2.42%
American Honda Motor Company Inc.	347,633,313	3	1.09%	346,485,079	4	1.53%
TI Commerce Center	212,761,800	4	0.66%	-		-
Torrance FRM LLC	129,009,600	5	0.40%	-		-
CLPF Anza LP	126,200,700	6	0.39%	-		0.00%
Allied Signal Inc.	120,292,209	7	0.38%	102,684,446	5	0.45%
RREF II Pacific Center LLC	111,699,013	8	0.35%	-		-
CLPF Vista North LP	95,365,300	9	0.30%	-		-
CTC Group Inc	87,478,611	10	0.27%	-		0.00%
Exxon Mobil Oil Corporation Corp	-		-	1,510,252,372	1	6.65%
Toyota Motor Sales United States	-		-	468,792,223	3	2.06%
Torrance Memorial Medical Center	-		-	100,601,363	6	0.44%
Torrance Health Association	-		-	62,750,085	7	0.28%
RReef America Reit III Corporation	-		-	60,643,998	8	0.27%
Del Amo Financial Center LP	-		-	60,518,521	9	0.27%
Diamondrock Torrance Owner LLC	-		-	58,430,000	10	0.26%
	<u>\$ 3,387,773,116</u>		<u>10.58%</u>	<u>\$ 3,320,771,471</u>		<u>14.10%</u>

Notes:

The amounts shown above for 2012 include assessed value data for both the City and the Redevelopment Agency.

The amounts shown above for 2021 include assessed value data for both the City and the Successor Agency Trust. Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Remaining assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Agency Trust.

Source: Los Angeles County Assessor 2020/21 & 2011/12 Secured & Unsecured Tax Rolls

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

Revenue Capacity
Exhibit 4

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2021	\$ 39,739	\$ 38,896	97.88%	\$ -	\$ 38,896	97.88%
2020	38,683	37,614	97.24%	52	37,666	97.37%
2019	36,554	35,910	98.24%	44	35,954	98.36%
2018	34,820	34,254	98.37%	40	34,294	98.49%
2017	32,460	31,993	98.56%	31	32,024	98.66%
2016	31,843	31,296	98.28%	32	31,328	98.38%
2015	30,778	30,243	98.26%	23	30,266	98.34%
2014	29,533	28,995	98.18%	35	29,030	98.30%
2013	28,101	27,508	97.89%	25	27,533	97.98%
2012	27,920	27,283	97.72%	74	27,357	97.98%

Notes:

The amounts presented are for City property taxes only.

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

Source: Los Angeles County Auditor Controller's Office

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

Revenue Capacity
Exhibit 5

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Potable										
Type of Customer:										
Residential	424,835	370,278	382,206	396,034	381,521	371,531	431,201	467,408	457,444	456,784
Industrial	174,953	181,901	159,277	134,288	135,584	100,085	136,159	170,468	117,538	147,348
Commercial	160,497	158,787	164,730	154,406	164,215	158,623	193,565	197,237	198,152	179,642
Other	31,858	29,956	27,520	50,471	27,246	36,561	37,059	65,832	67,190	68,903
Total - Potable Water	792,143	740,922	733,733	735,199	708,566	666,800	797,984	900,945	840,324	852,677
Recycled/Reclaimed										
Type of Customer:										
Industrial	217,929	226,824	242,224	273,171	207,389	145,358	232,056	269,317	275,530	285,103
Other	14,671	11,694	14,218	17,944	13,553	15,905	15,154	15,072	11,755	13,598
Total - Recycled/Reclaimed Water	232,600	238,518	256,442	291,115	220,942	161,263	247,210	284,389	287,285	298,701
Total										
Type of Customer:										
Residential	424,835	370,278	382,206	396,034	381,521	371,531	431,201	467,408	457,444	456,784
Industrial	392,882	408,725	401,501	407,459	342,973	245,443	368,215	439,785	393,068	432,451
Commercial	160,497	158,787	164,730	154,506	164,215	158,623	193,565	197,237	198,152	179,642
Other	46,529	41,650	41,738	68,415	40,799	52,466	52,213	80,904	78,945	82,501
Total Water	1,024,743	979,440	990,175	1,026,414	929,508	828,063	1,045,194	1,185,334	1,127,609	1,151,378

Source: Minol USA Usage Report for June 2016 through June 2021, Global Water Usage Report for 2012 through May 2016

City of Torrance Water Fund
Water Rates
Last Ten Fiscal Years

Revenue Capacity
Exhibit 6

Monthly Base Rate						
Fiscal Year Ended June 30	Regular ¹	Low Income ¹	Torrance Refining/ Exxon Contract ²	Wholesale Contract ²	Other - Recycled Regular ³	
2021	\$ 7.10	\$ 7.10	\$1,898.00 †	\$ 590.39	\$ 27.22	
2020	7.05	7.05	147,008.00	564.51	27.04	
2019	6.83	6.83	142,273.00	547.01	26.20	
2018	6.43	6.43	119,711.00	540.68	24.67	
2017	5.84	5.84	89,657.00	398.31	19.24	
2016	5.84	5.84	94,611.00	398.31	19.24	
2015	5.84	5.84	92,960.00	394.37	19.24	
2014	5.76	5.76	89,692.00	388.85	18.97	
2013	5.76	5.76	81,167.00	388.73	18.97	
2012	5.59	5.59	79,128.00	377.00	18.41	

Rate Per 100 Cubic Feet						
Fiscal Year Ended June 30	Regular ⁴	Low Income ⁴	Torrance Refining/ Exxon Contract	Wholesale Contract	Other - Recycled Regular	
2021	\$ 4.94	\$3.48	\$ 5.27 †	\$ 2.84	\$ 3.83	
2020	4.58	3.44	2.76	2.79	3.56	
2019	4.26	3.33	2.68	2.71	3.55	
2018	3.86	3.01	2.59	2.62	3.21	
2017	3.93	3.53	2.48	2.52	2.79	
2016	3.93	3.53	2.50	2.52	2.79	
2015	3.93	3.53	2.40	2.42	2.79	
2014	3.79	3.40	2.29	2.37	2.65	
2013	3.56	3.16	2.20	2.22	2.49	
2012	3.41	3.02	2.08	2.10	2.39	

Notes:

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

²Base rate reflects monthly fixed charge stated in contracts.

³Base rate reflects monthly charge for 2 inch meter

⁴Reflects Average Rate

† Effective FY20-21 major portion of fixed component converted to Quantity Rate

Source: City of Torrance Public Works Department - Water Division

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

Revenue Capacity
Exhibit 7

Water Customer	2021			2012		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Torrance Refining Company	\$ 13,664,447	1	27.78%	\$ -	-	-
City of Torrance	1,296,527	2	2.64%	1,356,654	2	4.17%
California Water Service - Wholesale	821,882	3	1.67%	266,613	5	0.82%
Torrance Unified School District	764,155	4	1.55%	724,484	3	2.23%
Torrance Memorial Health System	494,911	5	1.01%	197,167	8	0.61%
American Honda Motor Company Inc.	356,171	6	0.74%	421,787	4	1.30%
New Horizons HOA	291,320	7	0.59%	-	-	-
Summerwind HOA	289,638	8	0.59%	-	-	-
Honeywell Aerospace/Equipment System	234,488	9	0.48%	206,193	7	0.63%
Don Wilson Builders	199,357	10	0.41%	-	-	-
Exxon Mobil Oil Corporation	-	-	-	7,671,900	1	23.58%
Toyota Motor Sales USA Inc.	-	-	-	242,206	6	0.74%
Don Wilson Builders	-	-	-	181,719	9	0.56%
Ball Metal	-	-	-	158,681	10	0.49%
Total	<u>\$ 18,412,896</u>		<u>37.46%</u>	<u>11,427,404</u>		<u>35.12%</u>

Source: Minol USA and Golden State Top Customer reports

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

Debt Capacity
Exhibit 1

Fiscal Year Ended June 30	Governmental Activities						Business-type Activities					Total Primary Government	Percent of Assessed Value ⁷	Debt Per Capita
	General Government Lease Revenue Bonds ¹	General Government Certificates of Participation ²	Tax Allocation Bonds ³	Notes Payable ³	Capital Lease Payable ⁴	Total Government Activities	Water Revenue Bonds ⁵	Easement Payable ⁴	Installment Sale Agreement ⁶	Total Business-type Activities				
2021	\$ 389,240	\$ 20,480	\$ -	\$ -	\$ -	\$ 409,720	-	\$ 1,221	\$ 3,968	\$ 5,189	\$ 414,909	1.33%	\$ 2,865	
2020	-	58,765	-	-	-	58,765	-	1,278	4,509	5,787	64,552	0.21%	444	
2019	-	60,145	-	-	-	60,145	-	1,337	5,038	6,375	66,520	0.24%	446	
2018	-	61,474	-	-	-	61,474	-	1,395	305	1,700	63,174	0.22%	424	
2017	-	62,740	-	-	-	62,740	-	1,453	-	1,453	64,193	0.24%	437	
2016	-	56,637	-	-	65	56,702	-	1,453	-	1,453	58,155	0.23%	396	
2015	-	57,784	-	-	155	57,939	-	1,453	-	1,453	59,392	0.24%	401	
2014	-	58,701	-	-	239	58,940	-	1,453	-	1,453	60,393	0.25%	409	
2013	-	59,160	-	-	310	59,470	620	1,453	-	2,073	61,543	0.27%	419	
2012	-	60,695	-	-	-	60,695	1,190	-	-	1,190	61,885	0.27%	424	

Notes:

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

¹ In 2021, the City issued \$40 million of new Lease Revenue Bonds and retired \$36 million of older Certificates of Participation. In 2020, the City issued \$350 million of new Lease Revenue Bonds for refinancing of the City's pension plans with CalPERS.

² In 2014 the City issued \$40 million of new Certificates of Participation and retired \$35 million of older Certificates of Participation generating \$6 million for capital projects. The City also retired an additional \$6 million from a separate 1998 Certificate of Participation issuance.

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

³ Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Agency Trust that is not part of the governmental activities of the City.

⁴ In 2013, the City entered a 5-year capital lease agreement for vehicles and the City's Public Works Department - Water Division entered a 30-year easement agreement for access to a land-locked parcel of City property.

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

⁶ In 2018 the City's Public Works Department - Water Division entered into an installment sale agreement to finance drilling and construction of a new water well.

⁷ Assessed Value has been used because Personal Income for the City of Torrance is unavailable.

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

Debt Capacity
Exhibit 2

Fiscal Year Ended June 30	Outstanding Net General Bonded Debt			Net General Bonded Debt	Percent of Assessed Value ²	Per Capita
	General Government Lease Revenue Bonds	General Government Certificates of Participation	Less Amounts Available in Debt Service Funds ¹			
2021	\$ 389,240	\$ 20,480	\$ 40,092	\$ 369,628	1.15%	\$2,552
2020	-	58,765	2,620	56,145	0.18%	386
2019	-	60,145	2,524	57,621	0.19%	389
2018	-	61,474	2,427	59,047	0.21%	396
2017	-	62,740	2,450	60,290	0.23%	410
2016	-	56,637	3,741	52,896	0.21%	360
2015	-	57,784	3,737	54,047	0.22%	365
2014	-	58,701	3,746	54,955	0.23%	372
2013	-	-	4,581	(4,581)	-0.02%	(31)
2012	-	-	4,583	(4,583)	-0.02%	(31)

Notes:

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

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

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

City of Torrance
Direct and Overlapping Debt
June 30, 2021
(in thousands of dollars)

Debt Capacity
Exhibit 3

City Assessed Valuation		\$ 32,021,080	
	<u>Percentage Applicable¹</u>	<u>Outstanding Debt 6/30/21</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt Repaid with Property Taxes:			
Metropolitan Water District	1.020%	\$ 26,863	\$ 274
El Camino Community College District	26.245%	448,889	117,811
Los Angeles Community College District	0.003%	4,400,000	132
Los Angeles Unified School District	0.004%	10,900,000	436
Palos Verdes Unified School District	0.012%	50,000	6
Torrance Unified School District	99.755%	460,150	459,023
Total overlapping debt to be repaid with property taxes		<u>16,285,902</u>	<u>577,682</u>
Overlapping Other Debt:			
Los Angeles County General Fund Obligations	1.952%	\$ 2,627,459	\$ 51,288
Los Angeles County Superintendent of Schools Certificates of Participation	1.952%	4,559	89
Los Angeles County Sanitation District No.5 Authority	25.433%	4,101	1,043
Los Angeles County Sanitation South Bay Cities Authority	4.649%	688	32
Los Angeles Unified School District Certificates of Participation	0.004%	150,000	6
Torrance Unified School District General Fund Obligations	99.755%	11,540	11,512
Total overlapping other debt		<u>2,798,347</u>	<u>63,970</u>
Total overlapping debt		<u>\$ 19,084,249</u>	641,652
City direct debt:			
Certificates of Participation (including premium)			<u>58,765</u>
Total City direct debt			58,765
Total direct and overlapping debt			<u>\$ 700,417</u>

Notes:

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

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

Source: California Municipal Statistics, Inc

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

Debt Capacity
 Exhibit 4

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Debt limit	\$ 1,200,791	\$ 1,200,791	\$ 1,109,691	\$ 1,056,194	\$ 987,112	\$ 967,230	\$ 933,496	\$ 897,585	\$ 858,784	\$ 851,380
Total net debt applicable to limit	<u>20,480</u>	<u>58,765</u>	<u>60,145</u>	<u>61,474</u>	<u>62,740</u>	<u>56,637</u>	<u>57,784</u>	<u>58,701</u>	<u>59,160</u>	<u>60,695</u>
Legal debt margin	<u>\$ 1,180,311</u>	<u>\$ 1,142,026</u>	<u>\$ 1,049,546</u>	<u>\$ 994,720</u>	<u>\$ 924,372</u>	<u>\$ 910,593</u>	<u>\$ 875,712</u>	<u>\$ 838,884</u>	<u>\$ 799,624</u>	<u>\$ 790,685</u>
Total net debt applicable to the limit as a percentage of debt limit	1.7%	4.9%	5.4%	5.8%	6.4%	5.9%	6.2%	6.5%	6.9%	7.1%

Legal Debt Margin Calculation for Fiscal Year 2020:

Assessed value	\$ 32,021,080
Debt limit (3.75% of assessed value)	\$ 1,200,791
Debt applicable to limit:	
General government Certificates of Participation	<u>20,480</u>
Legal debt margin	<u>\$ 1,180,311</u>

Notes:

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

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

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

Debt Capacity
Exhibit 5

Fiscal Year Ended June 30	Water Revenue Bonds/Installment Sale Agreement						Tax Allocation Bonds			
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Tax Increment	Debt Service		Coverage
				Principal	Interest			Principal	Interest	
2021	\$ 49,198	\$ 41,465	\$ 7,733	\$ 541	\$ 101	12.05	-	-	-	-
2020	45,557	38,974	6,583	529	116	10.21	-	-	-	-
2019	42,544	41,134	1,410	516	34	2.56	-	-	-	-
2018 ¹	41,445	35,991	5,454	195	7	27.00	-	-	-	-
2017	36,974	33,048	3,926	-	-	-	-	-	-	-
2016	33,473	29,641	3,832	-	-	-	-	-	-	-
2015	36,001	31,967	4,034	-	-	-	-	-	-	-
2014 ²	40,726	33,628	7,098	620	17	11.14	-	-	-	-
2013	36,156	31,375	4,781	570	44	7.79	-	-	-	-
2012 ³	34,011	29,558	4,453	540	71	7.29	-	-	-	-

Notes:

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

¹ The City's Public Works Department - Water Division entered into an installment sale agreement to finance drilling and construction of a new water well.

² The final Water Revenue Bonds debt service payment was made on March 1, 2014. There are no Water Revenue Bonds outstanding as of June 30, 2014.

³ Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Agency Trust that is not part of the governmental activities of the City.

City of Torrance
Demographic and Economic Indicators
Last Ten Calendar Years

Demographic and Economic
Exhibit 1

Calendar Year	Torrance Population ¹	Los Angeles County Population ¹	Personal Income (in thousands) ²	Per Capita Personal Income ²	Unemployment Rate ³
2020	144,832	10,044,458	\$ 653,482,910	65,059	7.6%
2019	145,546	10,172,951	628,808,732	61,812	13.3%
2018	148,054	10,253,716	593,741,110	57,905	3.6%
2017	149,245	10,283,729	563,907,868	54,835	3.3%
2016	147,101	10,241,278	544,324,900	53,150	3.6%
2015	147,175	10,241,335	499,767,889	48,799	4.7%
2014	148,427	10,136,559	466,098,988	45,982	5.8%
2013	147,706	10,041,797	443,088,010	44,124	4.9%
2012	146,860	9,958,091	420,913,463	42,268	5.4%
2011	146,115	9,884,632	410,674,615	41,547	6.2%

- Sources:
- ¹ State Department of Finance.
 - ² U.S. Department of Commerce - Bureau of Economic Analysis
The Personal Income data shown is for the previous calendar year. The calendar year 2021 data will be available in the spring of 2022.
The Personal Income for the City of Torrance is unavailable, the data shown is for Los Angeles County.
 - ³ Office of Economic Development

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

Demographic and Economic
Exhibit 2

Employer	2021			2012		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Torrance Memorial Health System	3,675	1	5.5%	-	-	-
Torrance Unified School District	2,581	2	3.8%	-	-	-
Providence Little Co of Mary Medical Center	2,345	3	3.5%	-	-	-
City of Torrance	1,450	4	2.2%	-	-	-
Yoshinoya America Inc.	1,300	5	1.9%	-	-	-
American Honda Motor Company	1,130	6	1.7%	1,884	2	2.5%
Robinson Helicopter Company	937	7	1.4%	994	4	1.3%
Honeywell International	730	8	1.1%	1,215	3	1.6%
Moog Aircraft Group	710	9	1.1%	-	-	-
Walmart	686	10	1.0%	-	-	-
Arconic	-	-	-	919	5	1.2%
Toyota Motor Sales USA Inc.	-	-	-	3,184	1	4.3%
Hi Shear Corporation	-	-	-	819	6	1.1%
Exxon Mobil Oil Corporation	-	-	-	709	7	1.0%
L-3 Communications Electron Tech, Inc.	-	-	-	610	8	0.8%
Pelican Products, Inc	-	-	-	518	9	0.7%
Adecco	-	-	-	438	10	0.6%

Notes:

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

Data for 2012 does not include government and non-profit employers.

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

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

Operating
 Exhibit 1

Function	Fiscal Year									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General government	239	254	277	281	275	275	277	272	269	274
Public safety	509	466	516	515	501	504	520	522	507	504
Public works	129	136	140	145	143	146	141	148	148	145
Culture and recreation	282	265	478	498	451	454	441	445	454	444
Community development	64	67	69	68	63	62	63	62	61	59
Municipal airport	9	9	10	10	10	10	10	9	10	10
Transit system	140	151	154	141	143	131	130	128	139	123
Water	26	25	25	31	30	30	29	31	28	33
Sewer	24	24	23	24	22	17	19	20	20	16
Cultural arts center	28	13	47	48	47	50	52	47	44	45
Total	<u>1,450</u>	<u>1,410</u>	<u>1,739</u>	<u>1,761</u>	<u>1,685</u>	<u>1,679</u>	<u>1,682</u>	<u>1,684</u>	<u>1,680</u>	<u>1,653</u>

Source: City of Torrance Finance Department - Payroll Section

City of Torrance
Operating Indicators by Function
Last Ten Fiscal Years

Operating
Exhibit 2

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police										
Arrests	2,098	2,809	2,839	3,023	3,265	3,739	4,217	4,546	4,480	5,424
Bookings	2,037	2,688	2,196	2,360	2,477	2,623	2,840	3,644	3,070	3,359
Parking violations	9,448	12,695	15,602	17,434	20,945	25,192	20,900	16,089	12,853	16,267
Traffic violations	1,550	2,980	2,657	2,046	26,988	16,987	19,776	12,831	16,837	16,913
Fire										
Number of calls answered	14,214	14,816	15,270	15,208	15,183	14,863	13,669	12,803	12,968	12,456
Inspections	7,400	4,820	8,647	8,448	8,047	9,229	9,424	7,264	9,493	8,977
Highways, streets and other transportation										
Potholes repaired	6,022	5,150	5,477	5,206	8,000	5,045	5,080	5,100	4,921	5,400
Number of tenant aircraft	500	500	500	500	500	500	500	500	500	500
Number of fixed bus routes	12	11	11	11	11	11	11	11	10	8
Sanitation										
Refuse collected (tons/day)	160	151	144	144	143	144	143	144	148	182
Recyclables collected (tons/day)	47	46	46	50	48	49	49	48	50	51
Green waste collected (tons/day)	69	72	63	63	64	59	66	63	67	31
Culture and recreation										
Number of registrants served	13,558	21,868	28,900	41,238	33,780	31,522	26,451	27,664	29,843	32,290
Registrant fees collected	\$ 720,189	\$ 2,294,747	\$ 3,150,985	\$ 3,103,074	\$ 3,282,886	\$ 2,931,701	\$ 2,952,473	\$ 2,919,262	\$ 3,162,396	\$ 3,145,548
Community center admissions	2,105	18,110	23,167	30,375	33,097	34,600	40,230	48,162	42,403	42,495
Water										
New connections	37	38	42	54	23	49	26	32	48	46
Water main emergency repairs (breaks)	66	35	75	69	70	53	36	67	46	41
Average daily consumption (thousands of gallons)	16,811	16,720	15,055	16,093	15,454	15,137	16,400	19,000	16,900	16,270

Sources: City of Torrance various departments

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

Operating
Exhibit 3

Function	Fiscal Year									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	55	68	64	64	56	56	56	56	56	53
Motorcycles	16	16	16	16	16	16	16	16	16	16
Fire										
Stations	6	6	6		6	6	6	6	6	6
In-service fire control vehicles	18	17	17	17	17	17	17	17	17	18
In-service paramedic vehicles	12	8	8	8	8	8	8	8	8	8
Sanitation										
Collection trucks	32	34	33	38	34	34	34	35	34	37
Highways, streets and airport										
Streets (centerline miles)-arterial	67	67	67	67	67	67	67	67	67	67
Streets (centerline miles)-collector	29	29	29	29	29	29	29	29	29	29
Streets (centerline miles)-residential	242	242	242	242	242	242	242	242	242	242
Streets (centerline miles)-alleys	19	19	19	19	19	19	19	19	19	19
Traffic signals	130	130	130	130	130	130	130	130	130	125
Street lights	10,560	10,560	10,560	10,492	10,492	10,877	10,877	10,877	10,878	10,879
Airport hangars	341	341	341	341	341	341	341	341	341	341
Culture and recreation										
Parks acreage	279	279	279	279	279	279	279	279	279	279
Parks	33	33	33	33	33	33	33	33	33	33
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	11	11	11	11	11	11	11	11	11	11
Community centers	3	3	3	3	3	3	3	3	3	3
Public libraries	6	6	6	6	6	6	6	6	6	6
Water										
Water mains (miles)	312	312	312	312	312	312	311	311	311	311
Fire hydrants	2,675	2,675	2,675	2,675	2,675	2,675	2,670	2,670	2,670	2,662
Maximum daily capacity (thousands of gallons)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Sewer										
Sanitary sewers (miles)	287	287	287	287	287	287	287	287	287	287
Storm sewers (miles)	59	59	59	59	59	59	59	59	59	59

Sources: City of Torrance various departments