



City of Torrance
Audited Financial Statements
Measure W Fund
of the City of Torrance, California
As of and for the Year Ended June 30, 2021
With Independent Auditor's Report

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure W Special Revenue Fund (Measure W) of the City of Torrance, California (the City), which comprise the balance sheet as of June 30, 2021, the statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, which collectively comprise the Measure W's basic financial statements.

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 an opinion 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the Measure W's 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 opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure W Special Revenue Fund of the City of Torrance, California as of June 30, 2021 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure W Special Revenue Fund and do not purport to, and do not present fairly the financial position of the City of Torrance, California, as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022 on our consideration of the City's internal control over the Measure W's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over Measure W's financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Measure W's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Measure W's financial reporting and compliance.

**Glendale, California
February 15, 2022**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure W Special Revenue Fund (Measure W) 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 Measure W's financial statements, and have issued our report thereon dated February 15, 2022.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure W Special Revenue Fund of the City of Torrance, California's financial statements are free from material misstatements, we performed tests of its compliance with applicable provisions of Los Angeles County Flood Control District Code, Chapters 16 and 18, and certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Measure W's financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
February 15, 2022**

City of Torrance
Measure W Fund
Balance Sheet
June 30, 2021

ASSETS		
Pooled cash and investments		\$ <u>2,773,711</u>
	Total assets	\$ <u><u>2,773,711</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable		\$ <u>-</u>
	Total liabilities	<u>-</u>
Fund Balance		
Restricted for public works		<u>2,773,711</u>
	Total fund balance	<u>2,773,711</u>
	Total liabilities and fund balance	\$ <u><u>2,773,711</u></u>

See notes to financial statements

City of Torrance
Measure W Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2021

REVENUES

Revenue from other governmental agencies	\$	3,120,434
Revenue from use of money and property		<u>2,774</u>
Total revenues		<u>3,123,208</u>

OTHER FINANCING USES

Transfers out		<u>(349,497)</u>
Total other financing uses		<u>(349,497)</u>

CHANGE IN FUND BALANCE

2,773,711

FUND BALANCE

Beginning of year		-
End of year	\$	<u>2,773,711</u>

See notes to financial statements

NOTE 1 GENERAL

In November 2018, the Los Angeles County (LA County) voters approved Measure W, the Safe Clean Water Program, which is a parcel tax of 2.5 cents per square foot of impermeable areas within the LA County. This would raise approximately \$300 million in tax revenues annually. The Measure W would increase the LA County's local water supply, improve water quality, and invest in making the communities greener and more livable.

The Los Angeles County Flood Control District (District), pursuant to the Los Angeles Region Safe, Clean Water (SCW) Program Ordinance (Chapter 16 of the District Code) and the SCW Program Implementation Ordinance (Chapter 18 of the District Code), administers the SCW Program for the purpose of funding projects and programs to increase stormwater and urban runoff capture and reduce stormwater and urban runoff pollution in the District.

Pursuant to Section 16.04.A.2 of the District Code, forty percent (40%) of annual SCW program tax revenues shall be allocated to municipalities within the District, in the same proportion as the amount of revenues collected within each municipality, to be expended by those cities within the cities' respective jurisdictions and by the County within the unincorporated areas that are within the boundaries of the District, for implementation, operation and maintenance, and administration of projects and programs, in accordance with the criteria and procedures established in Chapters 16 and 18 of the District Code.

The City of Torrance is located within the LA County and receives its share of the Measure W fund.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying fund financial statements for the Measure W Fund of the City of Torrance, California, have been prepared on the modified-accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual," that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Measurement Focus

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

The accounts of the City of Torrance are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under Measure W are recorded in a Special Revenue Fund, the Measure W Fund, that is used to account for the proceeds of revenue to be used for the purpose of implementing the Safe Clean Water Program. The accompanying financial statements are not intended to present the financial position and results of the operations of the City nor the City as a whole in conformity with accounting principles generally accepted in the United States of America.

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 various City departments. Budget for the Measure W, as a Special Revenue Capital Project Fund, is long-term in nature. Therefore, no budgetary comparison is presented in the accompanying financial statements.

NOTE 3 CASH AND INVESTMENTS

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

NOTE 4 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows from *unavailable revenues* arises only under a modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 5 SUBSEQUENT EVENTS

The City and Measure W Fund has evaluated and determined that no subsequent events occurred through February 15, 2022, the date on which the financial statements were available to be issued, that require recognition or disclosure in the financial statements.



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