

CITY OF TORRANCE, CALIFORNIA

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

DEPARTMENT OF FINANCE • FISCAL YEAR ENDED JUNE 30, 2022

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**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

Fiscal Year Ended June 30, 2022

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





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# CITY OF TORRANCE

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December 19, 2022

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, 2022.

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 144,433 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 continues to rebound from the COVID-19 pandemic and has recognized some economic development accomplishments throughout the year.

Activity at the Del Amo Fashion Center continues with three new restaurant spaces either being open or currently undergoing major renovations before opening. This includes North Italia, MB Grille, and Sweet Greens. 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.

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. Ultimately, over \$250,000 was invested directly into local businesses in an effort to support them during this challenging time. The remaining balance has been re-purposed and deployed as a commercial property rehabilitation program to help improve businesses throughout the community.

Finally, several developments are underway through the City. At 19501 Prairie Avenue two office warehouse building are under construction and scheduled to be completed in early spring 2023. At the site of the Gable House Bowl a proposed mixed-use project, which would have retail and 218 residential units, has a tentative start of construction in early 2023. At Del Amo Boulevard and Van Ness Avenue two office warehouse buildings are under construction with scheduled completion in early 2023. This highlights just a few of the major developments underway or nearing completion shortly.

## **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.

As the City emerges from the impacts of the COVID-19 pandemic, its financial status continues to improve. From Fiscal Year 2019-20 to Fiscal Year 2021-22, the City's unassigned fund balance for the General Fund has increased from \$581,449 to \$44,649,368. This is the result of decisive actions taken in Fiscal Year 2020-21 and Fiscal Year 2021-22. Through a combination of one-time sources and recurring budget solutions, the City has structurally balanced its budget as of Fiscal Year 2022-23. Further, with the passage of Measure SST (½ cent sales tax) the City has been able to restore \$10.4 million in police and fire department reductions, commit

approximately \$5 million to further reserve building and invest \$3 million in cyber security, homelessness, and public capital improvements each year. The current fiscal year marks the first year the City is not relying on one-time sources to assist in balancing since the start of the pandemic.

Staff continue to monitor the fiscal health of the City through multi-year projections conducted twice per year. In these projections, as a result of the CalPERS loss sustained in Fiscal Year 2021-22, it is anticipated the General Fund will experience a deficit beginning in Fiscal Year 2029-30. In preparation for this projected outcome revenue opportunities and expenditure savings is being explored as part of the Fiscal Year 2023-26 Two-Year Operating Budget.

The City continues to make progress in balancing the City's Fleet Services Fund having addressed the structural deficit in Fiscal Year 2022-23. It is anticipated by the Mid-Year Budget Review Report staff will be able to recommend the second step to solving this Area of Focus and truing up the balances in this fund. Progress also continues to be made in the City's Self-Insurance fund with contributions continuing to increase each year in an effort to structurally balance this fund and reduce the reliance on one-time transfers to mitigate the expenditure increases. The enterprise funds continue to function well overall with rate increases being anticipated in the near future for Sanitation, Sewer, and Water Funds, which are currently undergoing or about to undergo the Proposition 218 public hearing process. The City's Transit Fund is being closely monitored for its long-term budget performance as it has relied on one-time COVID-19 grants for Fiscal Year 2020-21, 2021-22, and 2022-23.

## **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 Distinguished Budget Presentation Award to the City for the Fiscal Year 2022-23 Adopted Operating Budget and Capital Improvement Plan for the first time in the City's history. Included with this designation was a special recognition for Special Long Range Financial Plans. The award is valid for one year only.

In order to be awarded a Distinguished Budget Presentation Award an entity must meet the highest principles of governmental budgeting. The City had to satisfy nationally recognized guidelines for effective budget presentation. The guidelines assess how well a budget serves as a policy document, financial plan, operations guide and a communications device.

The GFOA also 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, 2021. 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, 2022. This section also provides an overview of the City's financial activities during the fiscal year.

Respectfully submitted,

A handwritten signature in black ink that reads "Sheila Poisson". The signature is written in a cursive, flowing style.

Sheila Poisson  
Finance Director

# **CITY OF TORRANCE**

## **DIRECTORY OF CITY OFFICIALS**

**June 30, 2022**

### **CITY COUNCIL**

**Patrick J. Furey, Mayor**

**Heidi Ann Ashcraft  
George K. Chen  
Mike Griffiths**

**Sharon Kalani  
Aurelio Mattucci  
Jack Walser**

### **CITY CLERK**

**Rebecca Poirier**

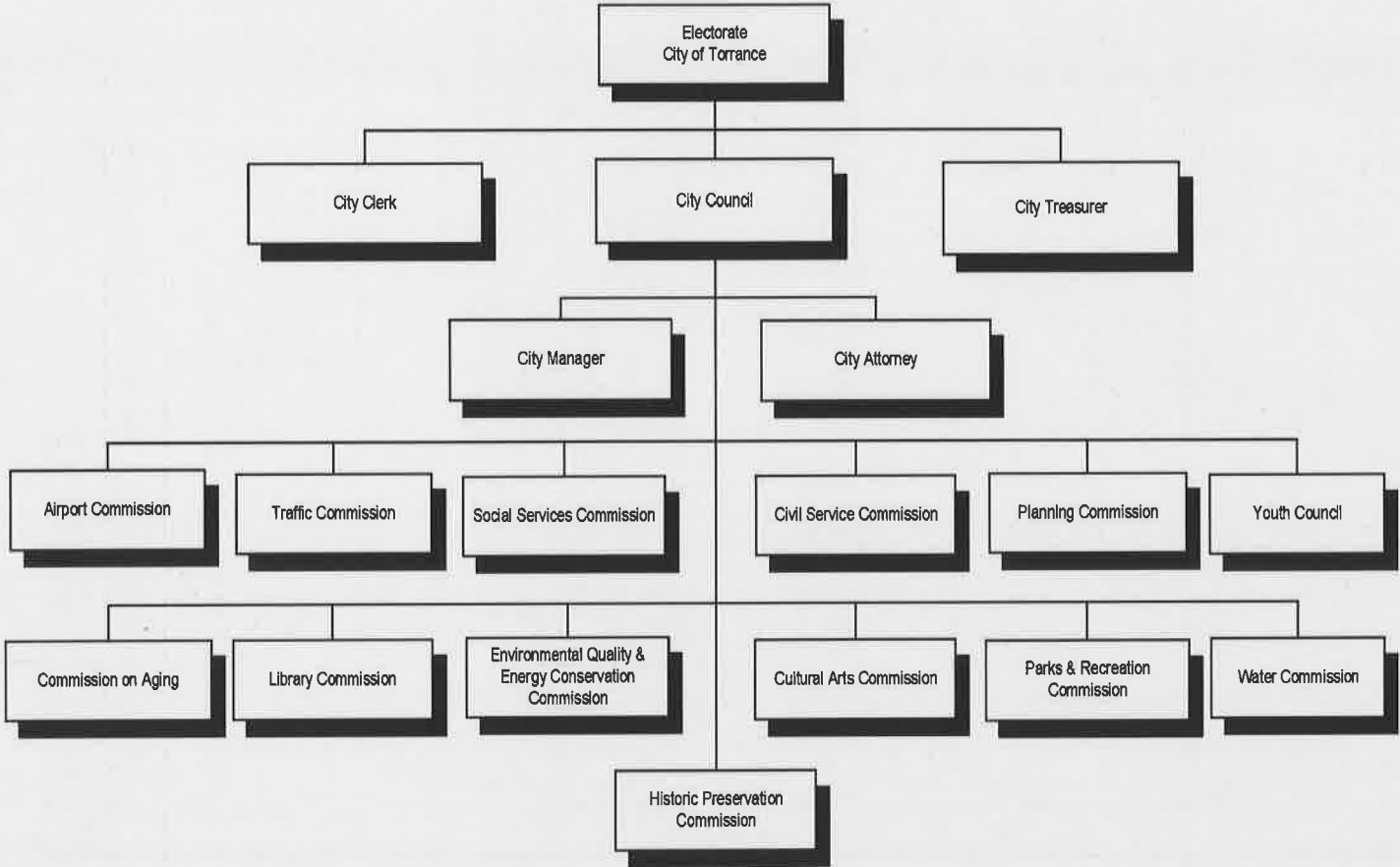
### **CITY TREASURER**

**Dana Cortez**

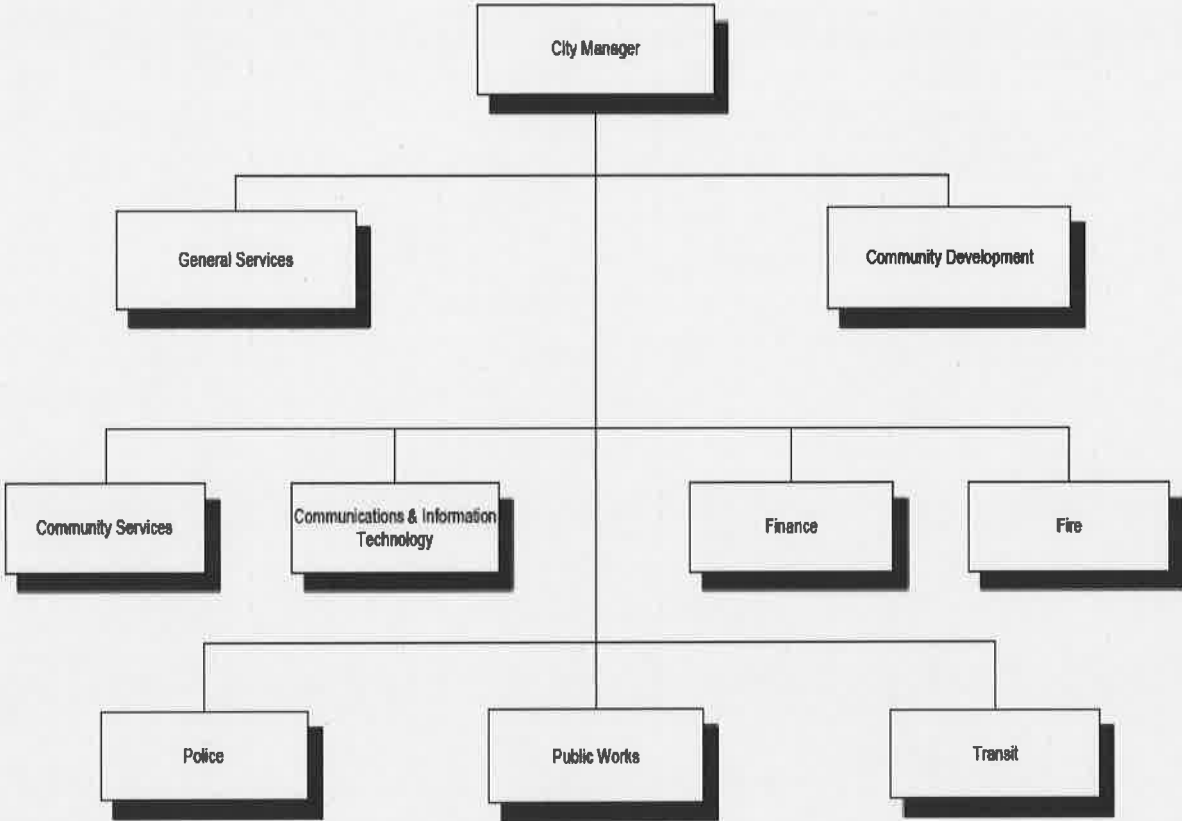
### **ADMINISTRATION**

**Aram Chaparyan, City Manager  
Danny Santana, Assistant City Manager  
Sheila Poisson, Finance Director  
Patrick Q. Sullivan, City Attorney  
Michelle Ramirez, Community Development Director  
John La Rock, Community Services Director  
David Dumais, Interim Fire Chief  
Shant Megerdichian, General Services Director  
Andrei Yermakov, 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, 2021**

*Christopher P. Morill*

**Executive Director/CEO**

# FINANCIAL SECTION





## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the 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, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

As discussed in Notes 1 and 5, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, during the fiscal year ended June 30, 2022. Our opinion is not modified with respect to this matter.



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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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



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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 30, and the required supplementary information on pages 109 through 117 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary 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 combining and individual fund financial statements and budgetary comparison schedules as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2022 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over 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 financial reporting and compliance.

**Glendale, California  
December 19, 2022**

# MANAGEMENT DISCUSSION & ANALYSIS



## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

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, 2022. 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, 2022.

#### FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$169.9 million, as of June 30, 2022. Of this amount, \$469.1 million represents net investment in capital assets, \$74.5 million represents net position restricted for specific purposes, and (\$373.7) million represents unrestricted deficit in net position. (\$441.5) million represents unrestricted deficit in net position for governmental activities and \$67.8 million represents unrestricted net position for business-type activities.
- The City's total net position at fiscal year-end increased \$120.2 million, to \$169.9 million, which is primarily driven by an increase in pooled cash and investments by \$68.7 million, a decrease in net pension liability by \$496.0 million, an increase in net pension asset by \$80.0 million, partially offset by decrease in net deferred outflows of resources for pension (primarily CalPERS) by \$533.5 million.
- The City's net capital assets increased by \$15.1 million or 2.9% to \$530.0 million as of June 30, 2022 as the City continues to invest and complete capital projects.
- The City's outstanding debt (Table 4) decreased by \$3.0 million to \$410.7 million as of June 30, 2022. Within the City's governmental activities, outstanding debt decreased by \$2.4 million due to payments made on the 2020 Lease Revenue Bond and 2016 Refunding Certificates. Within the City's business-type activities, long-term debt decreased by \$0.6 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 flipped from a \$510.9 million liability in fiscal year 2020-21 to a \$65.1 million net pension asset (total pension liability minus fiduciary net position) in fiscal year 2021-22, a change of \$576.0 million. This change to a net pension asset was the result of the City paying a portion of its Unfunded Actuarial Liability in October 2020 as well as the investment returns realized during fiscal year 2020-21. 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). This was also the primary reason for the decrease in deferred outflows of resources for pension by \$368.2 million.

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

- The City's net other postemployment benefits (OPEB) liability decreased from \$44.6 million in fiscal year 2020-21 to \$38.8 million in fiscal year 2021-22, a decrease of \$5.8 million or 13%.
- At the end of the fiscal year, the City's governmental funds reported total year ending fund balances of \$118.7 million, compared to \$86.1 million (restated) at the end of the prior fiscal year, which is an increase of \$32.6 million.
- The General Fund reported an ending fund balance of \$56.9 million as of June 30, 2022, compared to \$31.5 million (restated) as of June 30, 2021, which represents an increase of \$25.4 million. This increase is the result of budget reduction actions taken in fiscal year 2020-21 and 2021-22 to begin aligning expenditures with revenues impacted by COVID-19 coupled with one-time revenue sources identified during the fiscal year. Additionally, General Fund revenues significantly increased by \$28.4 million, when comparing to the year prior, particularly in the taxes and charges for current services as a result of improved results sales and use tax, the strong housing market, the waning effects of pandemic and the return of economic activity overall. In fiscal year 2021-22, \$12.0 million was received in American Rescue Plan Act (ARPA) funding (second and final allocation).

## 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. In fiscal year 2021-22, the City implemented GASB No. 87 (GASB 87) which addresses the accounting and financial reporting for leases.

**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

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

these activities. Business-type activities include functions such as the City's airport, transit, water, sanitation, and sewer funds. In the year prior (fiscal year 2020-21), the Emergency Medical Services Fund, the Parks and Recreation Fund, and the Cultural Arts Center Fund have been consolidated into the General Fund under governmental activities, 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

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

reconciliation to the government-wide financial statements to facilitate comparison between governmental funds and governmental activities.

The City maintains 35 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 and the Measure R Local Return and Highway Fund, which are the only major funds this fiscal year. Data for the remaining 33 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 Municipal Airport funds, which are considered major funds of the City.

***Fiduciary Funds.*** Fiduciary funds consist of private-purpose trust funds and custodial 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 Net Position – Fiduciary Funds. 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 \$169.9 million at the close of this fiscal year.

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

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, \$469.1 million, is associated with net investment in 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, \$74.5 million, represents resources that have restrictions on how they may be used. The remaining balance of the City's net position, (\$373.7) 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 postemployment 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 UAL 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 2021-22 compared to 2020-21 is shown in Table 1:

**Table 1**  
**Statement of Net Position**  
**(In Millions)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current and other assets	\$263.8	\$142.8	\$298.2	\$85.7	\$562.0	\$228.5
Capital assets	366.9	350.2	163.1	164.7	530.0	514.9
<b>Total assets</b>	<b>630.7</b>	<b>493.0</b>	<b>461.3</b>	<b>250.4</b>	<b>1,092.0</b>	<b>743.4</b>
<b>Deferred outflows of resources</b>	<b>46.1</b>	<b>394.8</b>	<b>3.7</b>	<b>22.1</b>	<b>49.8</b>	<b>416.9</b>
Long-term debt	551.7	1,018.7	13.1	44.0	564.8	1,062.7
Current and other liabilities	34.3	26.1	15.6	15.2	49.9	41.3
<b>Total liabilities</b>	<b>586.0</b>	<b>1044.8</b>	<b>28.7</b>	<b>59.2</b>	<b>614.7</b>	<b>1,104.0</b>
Deferred inflows of resources	<b>168.4</b>	<b>5.6</b>	<b>188.8</b>	<b>1.0</b>	<b>357.2</b>	<b>6.6</b>
Net investment in capital assets	310.9	294.5	158.2	164.4	469.1	458.9
Restricted	53.0	41.9	21.5	-	74.5	41.9
Unrestricted	(441.5)	(499.0)	67.8	47.9	(373.7)	(451.1)
<b>Net Position</b>	<b>(\$77.6)</b>	<b>(\$162.6)</b>	<b>\$247.5</b>	<b>\$212.3</b>	<b>\$169.9</b>	<b>\$49.7</b>

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

Total assets increased \$348.6 million or 46.9% from the prior fiscal year. Governmental activities increased by \$137.7 million and business-type activities increased by \$210.9 million. The increase in both governmental and business-type 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. The easing of state and county COVID-19 restrictions facilitated this outcome. Additionally, a net pension asset was recognized as of June 30, 2022, primarily due to the \$373.6 million payment to pay down the CalPERS UAL in October 2020 and net investment income realized during FY2021, which was the measurement period for the latest GASB 68 valuation report. Business-type activities assets also increased due to recognition of \$179.5 million of lease receivable as a result of GASB 87 implementation in fiscal year 2021-22.

Total deferred outflows of resources decreased by \$367.1 million from the prior fiscal year. Governmental activities decreased \$348.7 million and business-type activities decreased \$18.4 million. Per GASB 68, deferred outflows of resources represent a consumption of net assets that applies to future reporting periods. The \$373.6 million payment to pay down the CalPERS UAL during the prior fiscal year was included in the prior year end balance, which then has been reduced in the current year end balance. The decrease in the deferred outflows of resources due to this prepayment was one of the major factors that caused the net pension asset balance at current fiscal year end, as mentioned above.

Total liabilities decreased \$489.3 million or 44.3% from the prior fiscal year. Governmental activities decreased by \$458.8 million and business-type activities decreased by \$30.5 million. The decrease in both governmental activities and business-type activities is primarily driven by the decrease in net pension liability by \$466.4 million and \$29.6 million, respectively, as stated above.

Overall, as a result of the above changes, the City's total net position increased a total of \$120.2 million. There were three prior period adjustments for the City this past year. The first prior period adjustment affected both the City's governmental activities and business-type activities as a result of the implementation of GASB 87 on Lease Accounting, and it increased the City's governmental activities by \$0.1 million and increased the business-type activities by \$4.4 million. The second prior period adjustment, affecting the City's governmental activities, was a \$0.6 million reduction to correct the distribution of loan repayments from the Former Redevelopment Agency by applying to principal first then interest. The third prior period adjustment was to correct classification of the Special Deposits Fund, the Environmental Fund and the Torrance Tourism Business Improvement District Fund from Custodial Funds to Special Revenue Funds due to the implementation of GASB84.

Net position of the City's governmental activities amounted to (\$77.6) million. \$310.9 million is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other capital improvements, net of related debt; \$53.0 million is restricted for streets and highways, capital projects, community development, public

## **CITY OF TORRANCE, CALIFORNIA**

### **Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022**

safety and debt service; and (\$441.5) million is unrestricted. The net position of the City's governmental activities increased by \$85.3 million (FY2021-22 is (\$77.6) million compared to FY2020-21 is (\$162.9) million (as restated)). Net position of the City's business-type activities amounted to \$247.5 million. \$158.2 million is invested in capital assets, net, \$21.5 million is restricted for Transit System Fund, and \$67.8 million is unrestricted. The net position of the City's business-type activities increased by \$30.8 million (FY2021-22 is \$247.5 million compared to FY2020-21 is \$216.7 million (as restated)). This is discussed in more detail in the Change in Net Position section below.

# CITY OF TORRANCE, CALIFORNIA

## Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

### Changes in net position

The City's total revenues are \$428.9 million and total costs of all programs and services are \$312.7 million which resulted in a change in net position of \$116.2 million during the year (See Table 2).

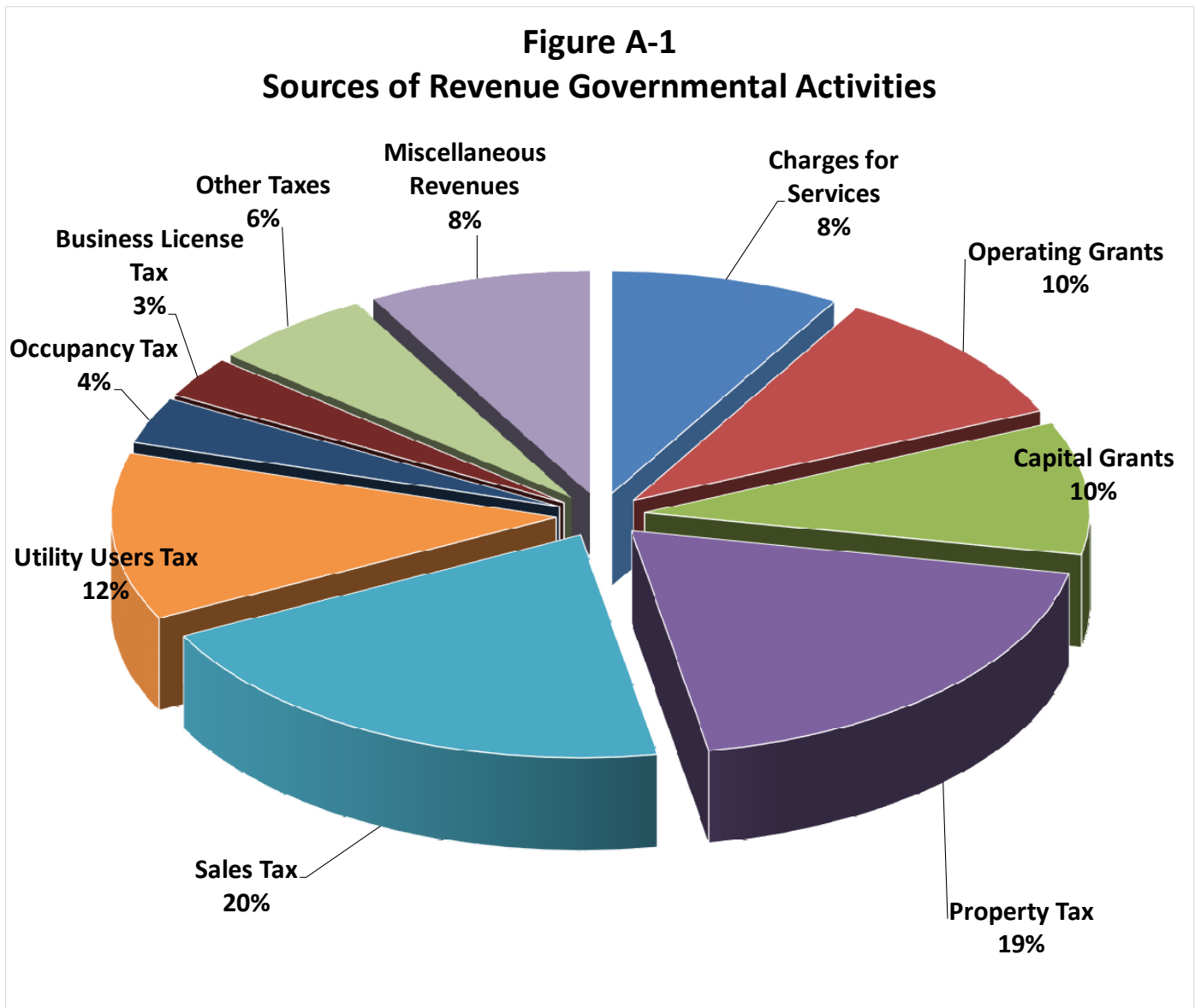
**Table 2**  
**Summary of Changes in Net Position**  
**(In Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$25.3	\$15.7	\$87.8	\$83.7	\$113.1	\$99.4
Operating grants/contributions	30.5	29.1	32.9	32.3	63.4	61.4
Capital grants/contributions	29.2	23.2	1.0	2.0	30.2	25.2
General revenues:						
Property taxes	58.2	55.0	-	-	58.2	55.0
Sales taxes	61.6	53.0	-	-	61.6	53.0
Utility users tax	36.8	31.6	-	-	36.8	31.6
Occupancy tax	10.3	6.0	-	-	10.3	6.0
Business license tax	9.2	8.9	-	-	9.2	8.9
Other taxes	17.6	15.2	-	-	17.6	15.2
Investment earnings	19.2	4.4	3.9	0.3	23.1	4.7
Motor vehicle tax (unrestricted)	0.2	0.1	-	-	0.2	0.1
Miscellaneous	5.2	4.3	0.0	0.1	5.2	4.4
<b>Total revenues</b>	<b>303.3</b>	<b>246.5</b>	<b>125.6</b>	<b>118.4</b>	<b>428.9</b>	<b>364.9</b>
<b>Expenses</b>						
General government	28.4	27.6	-	-	28.4	27.6
Public safety	124.5	156.3	-	-	124.5	156.3
Public works	24.2	27.9	-	-	24.2	27.9
Culture and recreation	19.8	26.1	-	-	19.8	26.1
Community development	13.5	11.1	-	-	13.5	11.1
Interest on long-term debt	15.6	10.6	-	-	15.6	10.6
Airport	-	-	2.6	3.2	2.6	3.2
Transit	-	-	26.7	25.6	26.7	25.6
Water	-	-	41.3	41.5	41.3	41.5
Sewer	-	-	4.5	5.7	4.5	5.7
Sanitation	-	-	11.6	13.0	11.6	13.0
<b>Total expenses</b>	<b>226.0</b>	<b>259.6</b>	<b>86.7</b>	<b>89.0</b>	<b>312.7</b>	<b>348.6</b>
Excess of revenues over expenses before transfers	77.3	(13.1)	38.9	29.4	116.2	16.3
Transfers	8.0	(4.7)	(8.0)	4.7	0.0	0.0
<b>Increase (decrease) in net position</b>	<b>\$85.3</b>	<b>(\$17.8)</b>	<b>\$30.9</b>	<b>\$34.1</b>	<b>\$116.2</b>	<b>\$16.3</b>
Net Position-beginning	(162.6)	(103.3)	212.3	137.0	49.7	33.7
Prior Period adjustment	(0.3)	(41.5)	4.3	41.2	4.0	(0.3)
<b>Net Position-ending</b>	<b>(\$77.6)</b>	<b>(\$162.6)</b>	<b>\$247.5</b>	<b>\$212.3</b>	<b>\$169.9</b>	<b>\$49.7</b>

# CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2022

**Governmental Activities: Revenues.** The City's governmental activities total revenues of \$303.3 million, by category, are shown below in Figure A-1.



Overall, revenues for the City's governmental activities increased by \$56.8 million, or 23.0%. The largest category of revenue for governmental activities is sales tax, which represents 20.3% of total governmental activities revenues. This category totaled \$61.6 million in fiscal year 2021-22, compared to \$53.0 million in fiscal year 2020-21, which is an increase of \$8.6 million or 16.3%. The second largest category is property tax (including all rolls and VLF Swap), which represents 19.2% of total governmental activities revenues. This category totaled \$58.2 million in fiscal year 2021-22, compared to \$55.0 million in fiscal year 2020-21, which is an increase of \$3.2 million or 5.8%. The third largest category is utility user's tax, which represents 12.1% of total governmental activities revenue. This category totaled \$36.8 million in fiscal year 2021-22, compared to \$31.6 million in fiscal year 2020-21, which is an

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

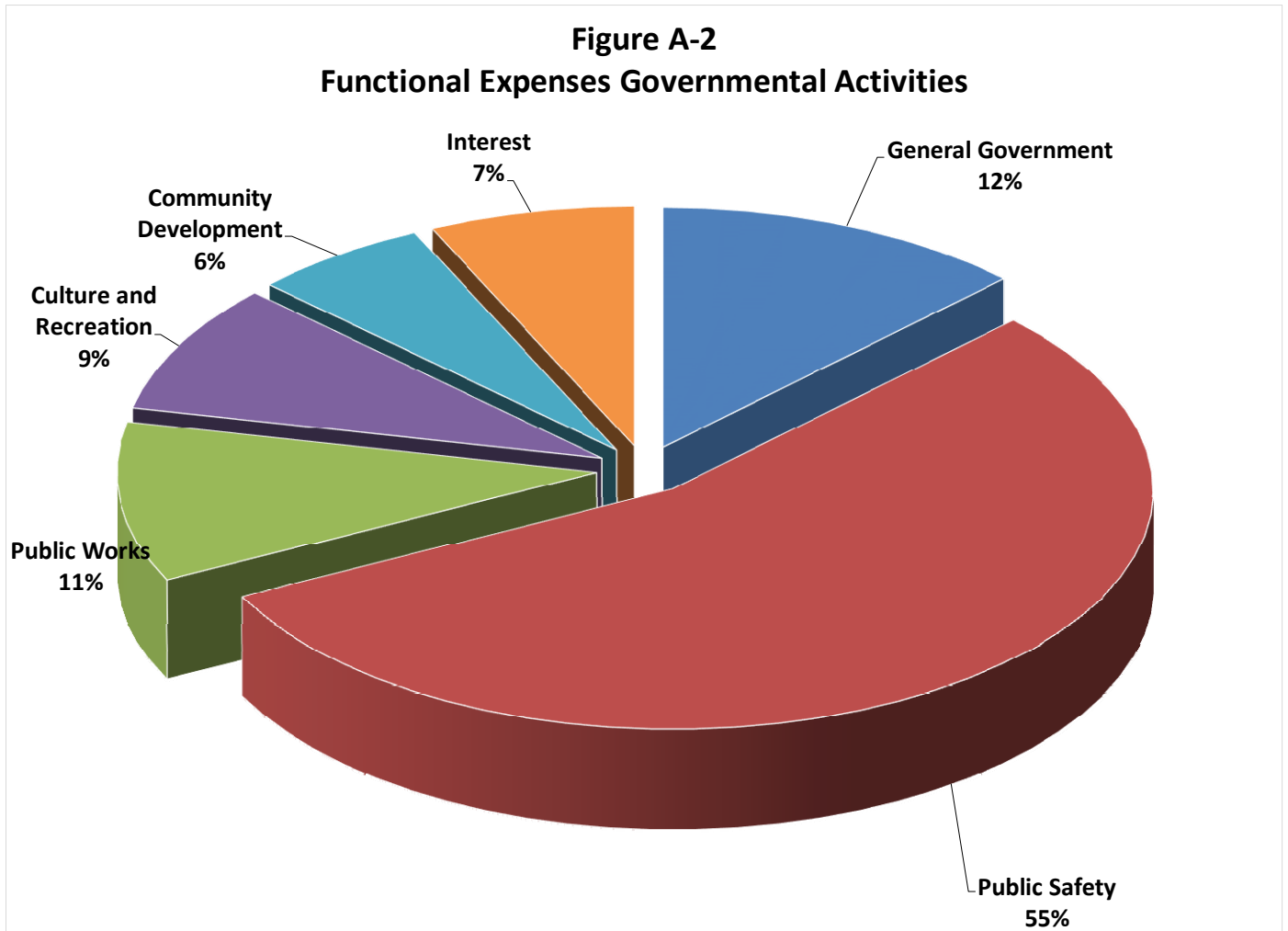
increase of \$5.2 million or 16.5%. These three largest categories of revenue for governmental activities improved compared to the prior fiscal year as a result of the current housing market, the waning effects of pandemic and the return of economic activity overall. In addition to these three main revenue streams, all revenue categories in the governmental activities showed increases compared with the prior year. The Charges for Services classification increase was driven by these same factors, along with the first full year of the City's Emergency Medical Transport program in the Fire Department, and it represents 8.3% of total governmental activities revenues. This category totaled \$25.3 million in fiscal year 2021-22, compared to \$15.7 million in fiscal year 2020-21, which is a \$9.6 million or 61.2% increase.

Operating grants and contributions represent 10.0% of total governmental activities revenue. This category totaled \$30.5 million in fiscal year 2021-22, compared to \$29.1 million. Capital grants and contributions represents 9.6% of total governmental activities revenue. This category totaled \$29.2 million in fiscal year 2021-22, compared to \$23.2 million in fiscal year 2020-21. The increase in capital grants is mainly due to the increase in Measure R Local Return and Highway Fund grants by \$6.0 million when compared to the year prior. Additionally, Miscellaneous Revenues classification increased by \$15.7 million from the year prior, mainly due to the increase in investment earnings. This increase relates to revenues received by the City's Debt Service Fund to fund debt service payments. This is mainly attributable to the 2020 Lease Revenue Bonds.

## CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2022

**Governmental Activities: Functional Expenses.** The City's governmental activities total expenditures of \$226.0 million as shown below in Figure A-2.

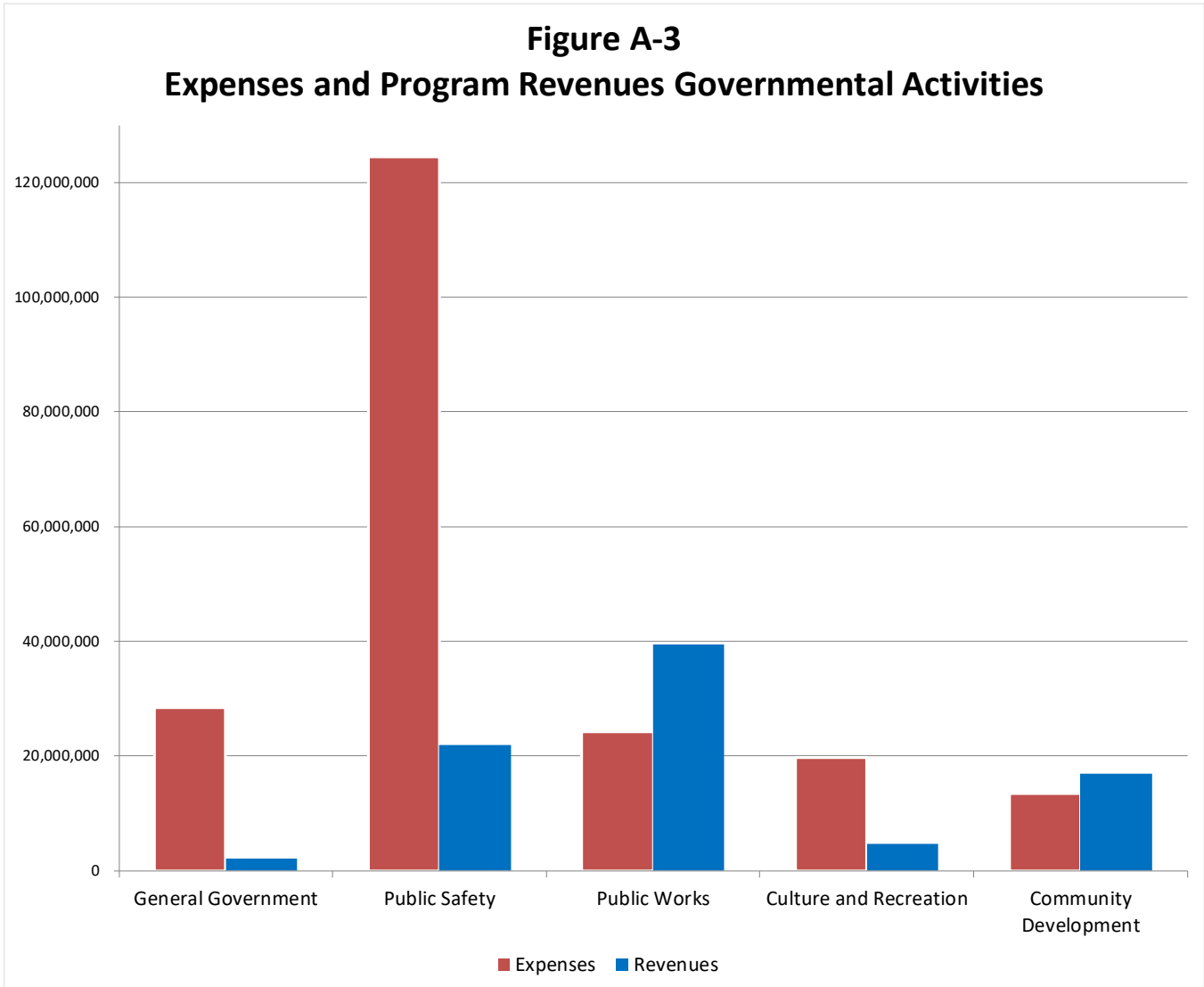


The City's governmental activities expenditures decreased by \$33.6 million or by 12.9%, when comparing fiscal year 2021-22 with fiscal year 2020-21. The largest category of expense for governmental activities is public safety, which represents 55.1% of total governmental activities expenses. This category totaled \$124.5 million in fiscal year 2021-22, compared to \$156.3 million in fiscal year 2020-21, which is a decrease of \$31.8 million or 20.3%. The second largest category is general government, which represents 12.6% of total governmental activities expenses. This category totaled \$28.4 million in fiscal year 2021-22, compared to \$27.6 million in fiscal year 2020-21, which is an increase of \$0.8 million or 2.9%. The third largest category is public works, which represents 10.7% of total governmental activities expenses. This category totaled \$24.2 million in fiscal year 2021-22, compared to \$27.9 million in fiscal year 2020-21, which is a decrease of \$3.7 million or 13.3%.

# 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 2021-22 is Public Works. Public Works had expenses of \$24.2 million and program revenues of \$39.4 million, which is a ratio of 162.7%. The second highest is Community Development. Community Development had expenses of \$13.5 million and program revenues of \$16.9 million, which is a ratio of 125.3%. The higher

## **CITY OF TORRANCE, CALIFORNIA**

### **Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022**

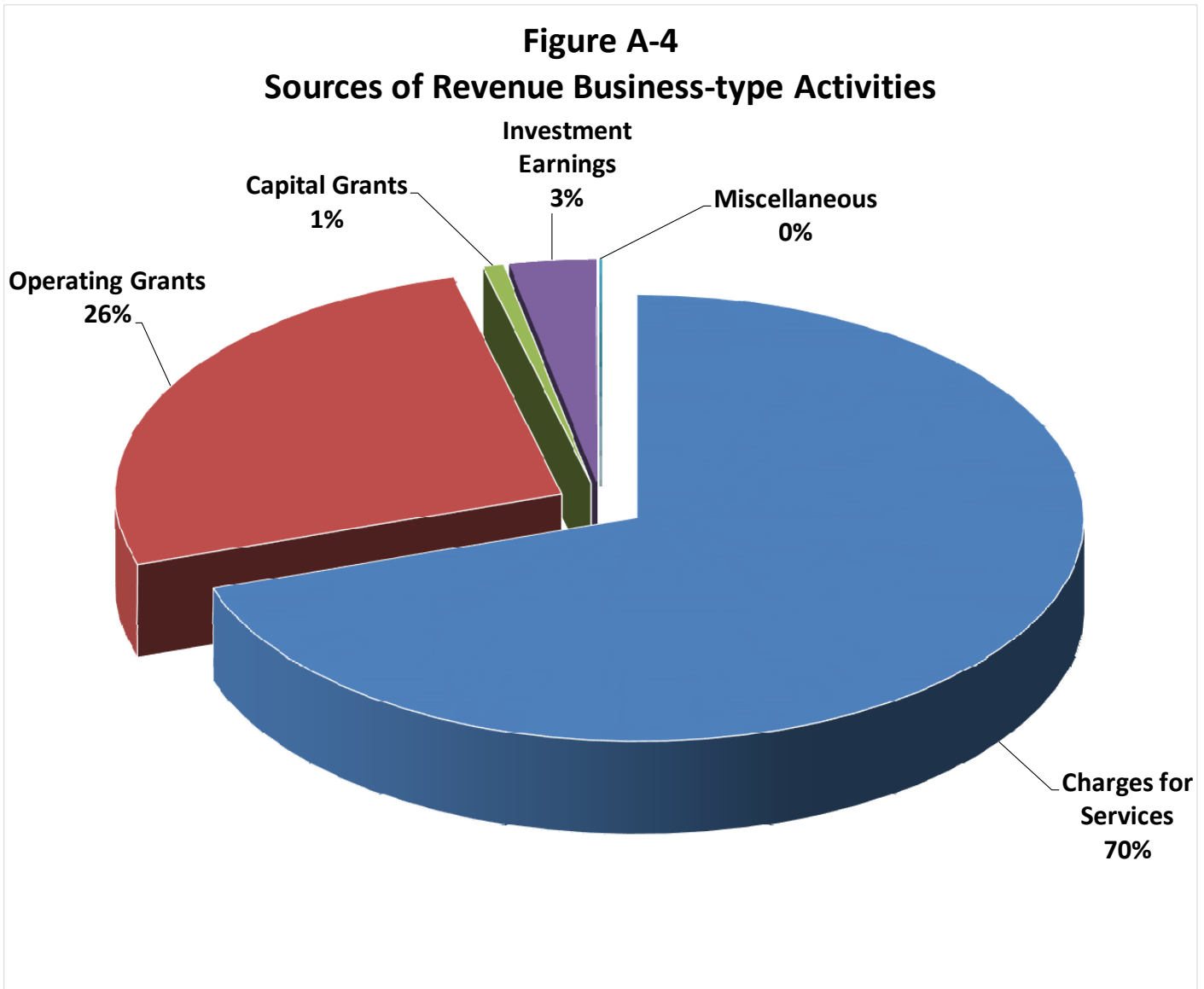
percentage indicates the extent to which program expenses in this category are financed by revenues generated within the function categories.

The function with the lowest percentage of program revenues to direct expenses in fiscal year 2021-22 is General Government. General Government had expenses of \$28.4 million and program revenues of \$2.1 million, which is a ratio of 7.4%. The second lowest is Public Safety. Public Safety had expenses of \$124.5 million and program revenues of \$21.8 million, which is a ratio of 17.5%. The third lowest is Culture and Recreation. Culture and Recreation had expenses of \$19.8 million and program revenues of \$4.8 million, which is a ratio of 24.1%.

**CITY OF TORRANCE, CALIFORNIA**

Management's Discussion and Analysis  
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**Business-type Activities: Revenues.** The City's business-type activities total revenues of \$125.6 million, by category, are shown below in Figure A-4.



Overall, revenues for the City's business-type activities increased by \$7.2 million, or 6.1%. The largest category of revenue for business-type activities is charges for services, which represents 70.0% of total business-type activities revenues. This category totaled \$87.8 million in fiscal year 2021-22, compared to \$83.7 million in fiscal year 2020-21, which is an increase of \$4.1 million or 4.9%. The second largest category is operating grants, which represents 26.0% of total business-type activities revenues. This category totaled \$32.9 million in fiscal year 2021-22, compared to \$32.3 million in fiscal year 2020-21, which is an increase of \$0.6 million or 1.9%. The third largest category for business-type activities revenue is Investment Earnings, which showed increase of \$3.6 million to \$3.9 million in fiscal year 2021-22,

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

compared to \$0.3 million in fiscal year 2020-21. This is attributable to interest income from the implementation of GASB 87 in the City's Airport Fund.

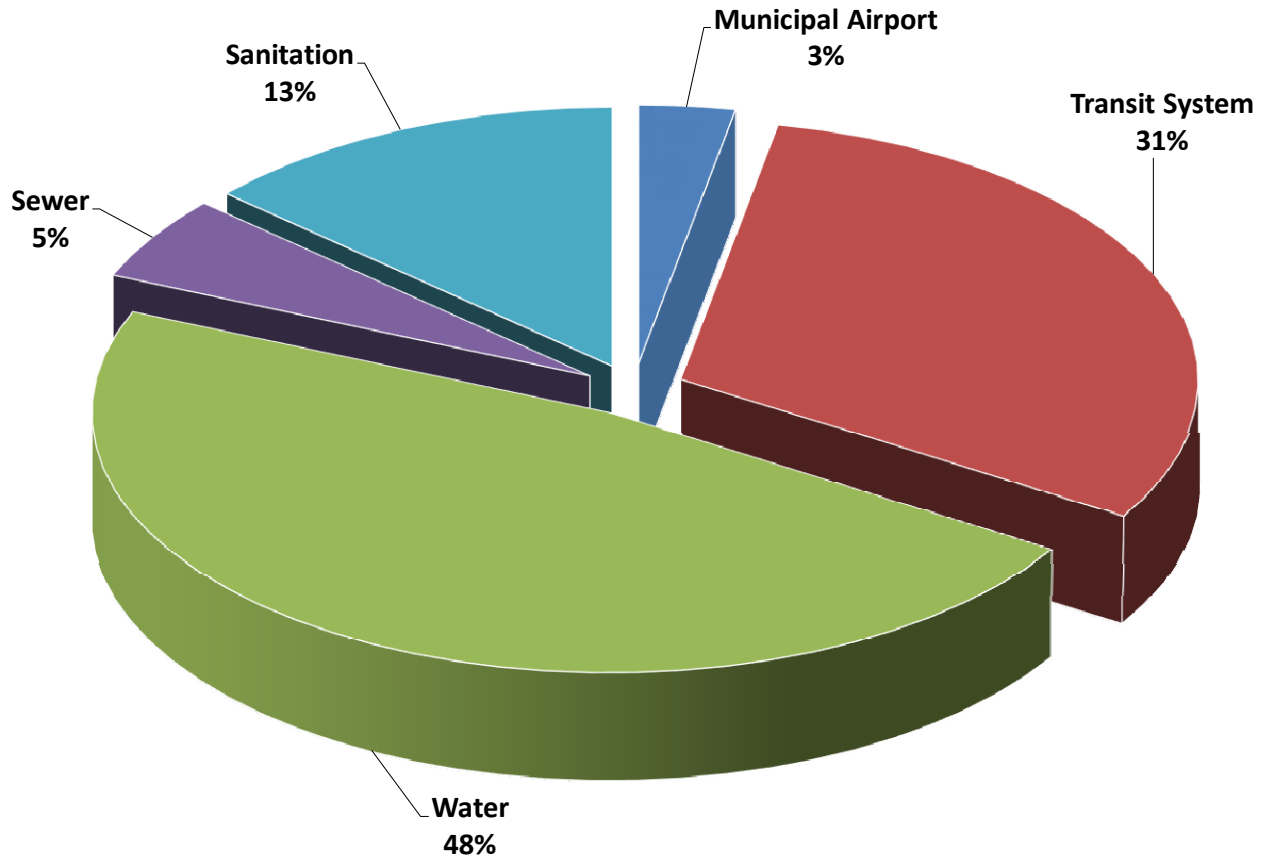
***Business-type Activities: Expenses.*** The City's business-type activities total expenses of \$86.7 million, by category, are shown below in Figure A-5.

The City's business-type activities expenditures decreased by \$2.3 million, or 2.6%, when comparing fiscal year 2021-22 with fiscal year 2020-21. The largest category of expense for business-type activities is the City's Water Fund, which represents 47.6% of total business-type activities expenses. This category totaled \$41.3 million in fiscal year 2021-22, compared to \$41.5 million in fiscal year 2020-21, which is a decrease of \$0.2 million or 0.5%. While the salaries showed decrease of \$2.0 million, it was substantially offset by the increase in cost of water by \$2.0 million. The second largest category is the City's Transit System Fund, which represents 30.8% of total business-type activities expenses. This category totaled \$26.7 million in fiscal year 2021-22, compared to \$25.6 million in fiscal year 2020-21, which is an increase of \$1.1 million or 4.1%. This increase is mainly due to increase in contribution to the Self Insurance Fund for liability and workers compensation claims. The third largest category is the City's Sanitation fund, which represents 13.4% of total business-type activities expenses. This category totaled \$11.6 million in fiscal year 2021-22, compared to \$13.0 million in fiscal year 2020-21, a decrease of \$1.4 million or 10.8%. This decrease is mainly due to decrease in the salaries by \$1.4 million from the year prior.

**CITY OF TORRANCE, CALIFORNIA**

Management's Discussion and Analysis  
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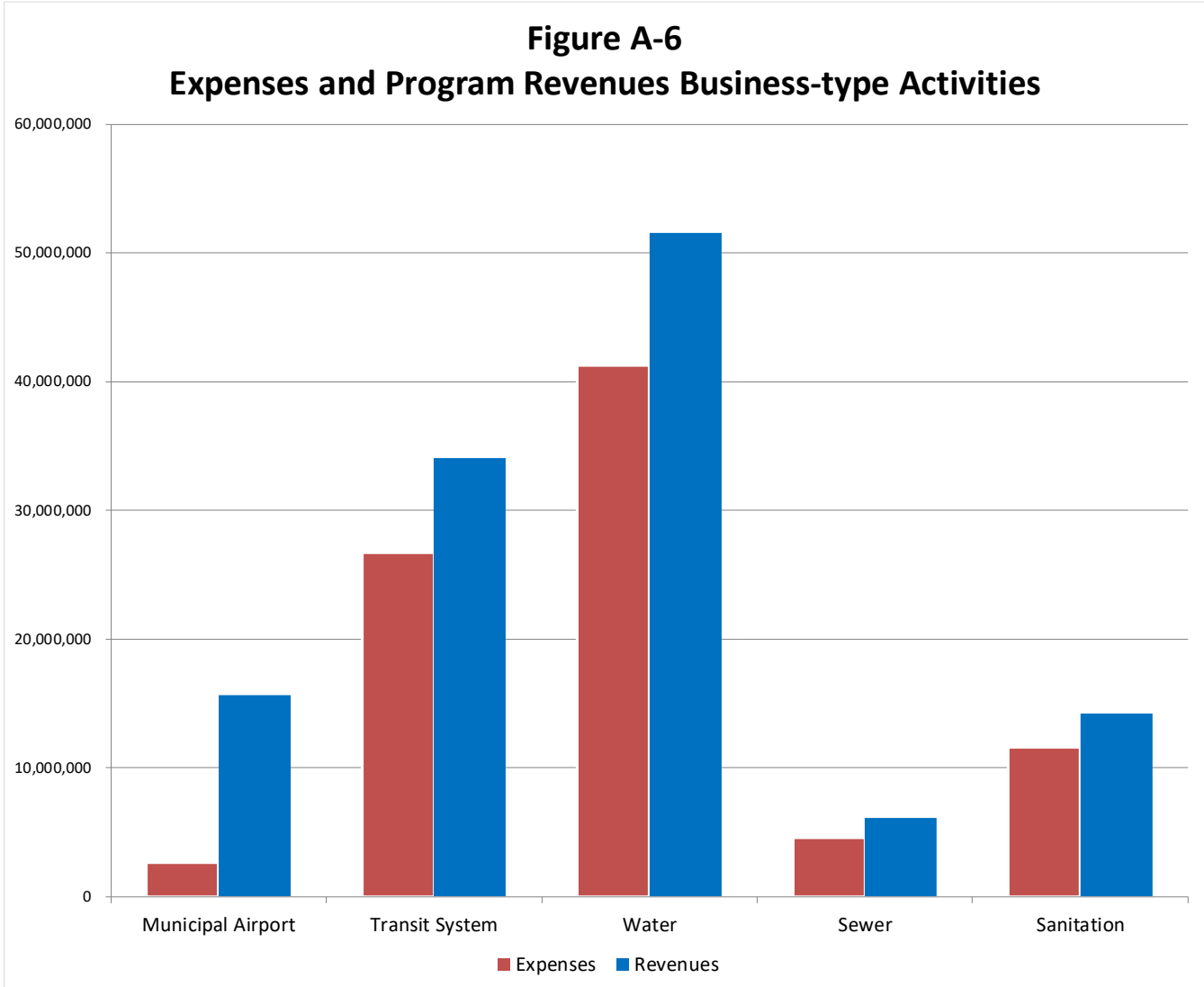
**Figure A-5  
Business-type Activities Expenses**



# CITY OF TORRANCE, CALIFORNIA

Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2022

**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.

## CITY OF TORRANCE, CALIFORNIA

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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 \$118.7 million. The General Fund is the main operating fund of the City and is accompanied by the Measure R Local Return and Highway Fund, as these two funds are considered major funds this year.

#### *General Fund*

General Fund revenues increased \$28.4 million or 14.0% 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 2021-22. The largest revenues source in the General Fund is taxes, which increased \$21.4 million or 12.5%. This is primarily driven by the increase in Sales Tax, Utility Users Tax, Property Tax and Occupancy Tax as a result of the current housing market, the waning effects of pandemic and the return of economic activity overall. The second largest revenue source in the General Fund is charges for current services, which increased \$8.4 million or 78.5%. This is mainly attributable to the City's first full year operating its Emergency Medical Transport program, coupled with programming activity increases in Community Services and General Services. The third largest revenue source in the General Fund is intergovernmental, which increased \$0.2 million to \$12.6 million in fiscal year 2021-22, compared to \$12.4 million in fiscal year 2020-21. This figure is larger than typical the last two years, mainly driven by a \$12.0 million payment in Fiscal Year 2020-21 and another (second and final) \$12.0 million payment in Fiscal Year 2021-22 from the American Rescue Plan Act. In addition to these three main revenue streams, another revenue source has had notable increase, which is licenses, fees and permits. 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.

General Fund expenditures decreased \$313.6 million from \$520.9 million in fiscal year 2020-21 to \$207.3 million in fiscal year 2021-22. 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, incurring total expenditures of \$319.4 million in the General Fund in fiscal year 2020-21. After controlling for the impact of the Lease Revenue Bond related expenses, General Fund expenditures increased \$5.8 million or 2.9% from the prior fiscal year. This increase was mainly driven by an increase in general government expenditures of \$7.4 million or 37.4% and an increase in public works of \$1.1 million or 9.5% due to reduced allocations of Communications and Information Technology and General Services departments to other areas.

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

The fund balance increase of \$25.4 million in General Fund this year is the result of budget reduction actions taken in fiscal year 2020-21 and 2021-22, coupled with one-time revenue sources identified during the fiscal year, and increases in recurring revenues, particularly in taxes and charges for current services categories.

#### ***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 2021-22. In fiscal year 2021-22 the Measure R Local Return and Highway Fund revenues increased by \$6.0 million from \$8.9 million in fiscal year 2020-21 to \$14.9 million in fiscal year 2021-22. The expenditures increased by \$9.3 million from \$10.6 million in fiscal year 2020-21 to \$19.9 million in fiscal year 2021-22. This increase is attributable to project activities related to FEAP764 (Torrance Transit Park and Ride Regional Transit Terminal), T-131 (Intersection Improvements-Pacific Coast Hwy/Hawthorne Blvd), and T-157 (Crenshaw Blvd Intersection Improvements & 208th St Extension).

#### **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 Municipal Airport Fund.

The Transit Fund has an increase in fund equity of \$9.8 million mainly due to one-time CRRSAA Federal grant of \$7.2 million and Capital Maintenance Revenues of \$4.5 million.

The Water Fund had an increase in fund equity of \$10.0 million. The Water Fund's revenue increased \$2.3 million when compared to the year prior, mainly due to the CPI increase effective January 2022 and increase in sales to refinery, partially offset by the decrease in residential sales due to conservation efforts. The overall expenditures remained consistent from the year prior, while the salaries showed decrease of \$2.0 million, offset by the increase in cost of water by \$2.0 million.

The Sewer Fund had an increase in fund equity of \$1.5 million, primarily due to decrease in salary and employee benefit expenditures.

The Municipal Airport Fund had an increase in fund equity of \$6.7 million. This Fund improved over the prior year's change in net position of \$2.2 million, primarily due to the implementation of GASB 87 Lease Accounting and recognizing interest earnings of \$4.4 million in current year.

#### ***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:

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

- 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 modifications were approved:

- Convert 1.0 Operations Assistant to 1.0 TCTV Supervisor in the City Manager's Office (General Fund)
- Reinstate Administrative Assistant in the Community Services Department Library Division (General Fund)
- Convert 2.0 Intern to 1.0 Administrative Assistant in the Finance Department (General Fund)
- Convert 1.0 Fire Prevention Specialist to 1.0 Sr. Fire Prevention Specialist in the Fire Department (General Fund)
- Delete Administrative Assistant and upgrade Sr. Administrative Analyst to Policy & Resources Specialist in the Fire Department (General Fund)
- Convert 1.0 Human Resources Analyst to 1.0 HR Sr. Management Associate in the Transit Department (Enterprise Fund)

## **CITY OF TORRANCE, CALIFORNIA**

### **Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022**

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

- Approve reorganization of the City Manager's Office, Communications and Information Technology Department, Finance Department, and Human Resources Division (General Fund and Self Insurance Fund)
- Approve addition of 7.0 Ambulance Operators, Staff Assistant position upgrade to Business Manager, and ES Coordinator salary grid modifications in the Fire Department (General Fund)
- Approve deletion of 1.0 Staff Assistant and salary grid modifications in the Finance Department (General Fund)
- Adjust Water Fund Budget in the Public Works Department (Enterprise Fund)

Although the City amended its expenditure budget, actual charges to appropriations were \$0.3 million below the final adopted budget amounts. The budgetary fund balance for July 1, 2022 exceeded the final budgeted values primarily due to revenues that outperformed the budget, especially in the sales and use tax, utility users tax, occupancy tax and charges for current services classifications as a result of the waning effects of pandemic and the return of economic activity overall.

The City's General Fund fund balance of \$57.0 million differs from the General Fund's budgetary fund balance of \$55.3 million because \$1.7 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, 2022 amounts to \$530.0 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, 2022

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$83.2	\$81.7	\$8.8	\$8.8	\$92.0	\$90.5
Right-of-Way	20.0	19.9	-	-	20.0	19.9
Construction in progress	40.1	20.4	13.2	10.7	53.3	31.1
Infrastructure	157.3	160.3	113.2	113.0	270.5	273.3
Buildings and improvements	43.4	44.6	6.0	6.1	49.4	50.7
Equipment, furniture and fixtures	22.9	23.3	20.7	24.9	43.6	48.2
Easement	-	-	1.2	1.2	1.2	1.2
<b>Total</b>	<b>\$366.9</b>	<b>\$350.2</b>	<b>\$163.1</b>	<b>\$164.7</b>	<b>\$530.0</b>	<b>\$514.9</b>

The total capital assets in the governmental activities increased by \$16.7 million (\$366.9 million in fiscal year 2021-22, compared to \$350.2 million in 2020-21) and the business-type activities decreased by \$1.6 million (\$163.1 million in fiscal year 2021-22, compared to \$164.7 million in 2020-21). 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 \$410.7 million as shown in Table 4.

**Table 4**  
**Outstanding Debt**  
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 407.3	\$ 409.7	\$ 3.4	\$ 4.0	\$ 410.7	\$ 413.7

For governmental activities, the City currently has \$407.3 million of outstanding debt. During fiscal year 2021-22 the total debt of the City decreased by \$2.4 million due to the annual payments on the City's current outstanding certificates of participation and 2020 Lease Revenue Bonds.

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

The City's General Fund secured a "AA-stable" updated 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 \$3.4 million due to the installment sale agreement to fund the North Torrance Well Field Project.

More detailed information about the City's long-term liabilities is presented in Notes 6 and 7 of the Notes to Basic Financial Statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

#### **Key Highlights of the 2022-23 Budget (Reference the 2022-23 Adopted Budget and Capital Improvement Plan along with the Fiscal Year 2022-23 First Quarter Budget Review Report)**

The City Council adopted in May 2022, the second year (2022-23 fiscal year) of the Two Year Operating budget. Entering the May budget workshops, staff projected a structurally balanced General Fund Operating Fund budget if a reduction of 58.06 full-time equivalent (FTE) positions were eliminated when adopting the budget. Fiscal Year 2022-23 marked the first year the City was not relying on a one-time source to help balance the General Fund Operating Fund's budget. The City was in the process of placing a ½ cent sales tax measure, named Measure SST, on the June 2022 ballot for voter consideration. Since the outcome of this election was unknown at the time, reductions in the Police and Fire Departments were necessary to structurally balance the General Fund Operating Fund budget. The City's Self-Insurance Fund budget continues to have a structural imbalance with a proposed budget deficit of \$5.3 million. This continues to be an area of focus with contributions increasing each year across the City to restore structural balance to this budget. All other funds remain in balance. Staff continue to monitor the City's budget trends in the future using multi-year projections to ensure structural balance is held over time. The Fiscal Year 2022-23 Budget marks the first year that the City applied for, and was awarded, the Government Finance Officers Association's Distinguished Budget Presentation Award Program.

With the passage of Measure SST, Council approved an item to rescind reductions in the public safety departments using \$10.4 million of funding from Measure SST. The remaining \$3.1 million was committed to rebuilding the fund balance of the General Fund. Since Measure SST was passed in the June 2022 election, the effective date of the additional ½ cent sales tax was October 1, 2022, which pro-rated the estimated receipts for the first year. These were the identified priorities that are able to be addressed in Fiscal Year 2022-23. Beginning in Fiscal Year 2023-24, additional areas will be addressed utilizing Measure SST including capital investments, homelessness, and cyber security. A Citizen Oversight Committee will be formed to support and oversee the implementation and annual use of this new source.

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

Staff provided a First Quarter Budget Review Report in December 2022 for fiscal year 2022-23, which indicated that the General Fund Operating Fund revenues were projected to exceed budget by \$11.4 million as the City recovered from the impacts of the COVID-19 pandemic. It is anticipated that staff will return at the Mid-Year Budget Review Report to appropriate a portion of this additional revenue to transfer to the City's Fleet Services Fund and resolve the underfunded status here (approx. \$8.1 million), which has been an area of focus during the last three budget cycles. Also included in this report, staff projected an additional \$10.0 million was needed as a contribution from the General Fund Operating Fund to offset projected activity and settlements occurring during the remainder of the year in the Self-Insurance Fund. The Self-Insurance Fund and its deficit net position continue to 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 highlighted other Areas of Focus that will be monitored for years to come. This includes:

- **Fleet Services Fund:** While the City has addressed the structural deficit substantially for the Operating and Vehicle Replacement Funds, the balance in these two funds is still approximately \$8.1 million underfunded. The Budget Review Report noted anticipating addressing this funding shortfall during the Mid-Year Budget Review Report.
- **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 continue to see a spike in voluntary resignations for employees seeking other positions. This spike began in fiscal year 2021-22 and continues to hold strong through the first 4 months of fiscal year 2022-23. Staff will be monitoring this closely to ensure the City remains attractive and competitive and retains a talented workforce.
- **Expiring Labor Agreements:** The City's miscellaneous groups expired in June 2020, however are currently under negotiations. Two of the groups have recently settled with an expiration date of June 2024, while the others remain active and in progress. The City's safety groups are currently under active agreements with expiration dates of December 2023.
- **Aging Infrastructure and City Facilities/Parks:** The City of Torrance operates over \$500 million worth of buildings, public facilities, and infrastructure. The City Council approved an item on November 15, 2022, which provides General Services with the necessary funding to complete a comprehensive study to index and assess each facility. This work will help inform and prioritize the City's Capital Improvement Program. Additionally, the passage of Measure SST originally included a plan to invest \$1 million annually into city facilities, public spaces, and recreational programs.

## CITY OF TORRANCE, CALIFORNIA

### Management's Discussion and Analysis For the Fiscal Year ended June 30, 2022

- **Pension/OPEB Liability Management:** The City recently added this to the listing due to the significant impact it can have on the City's financials from year to year. In Fiscal Year 2021-22, CalPERS investments returns were approximately a loss of 6.1%. With the CalPERS discount rate currently set at 6.8%, this translates to significant payment increases amortized over the next 20 years to address the newly created unfunded actuarial liability (UAL). Staff have incorporated these results into its latest interim 10-year financial forecast and anticipate approximately a \$21 million per year impact by Fiscal Year 2031-32.

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 and further improvements in the City's ranking on the State Auditor's High Risk Dashboard.

#### ***Employee Pensions and Related Debt:***

- The City is primarily a service organization with 79% 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 19.3% (CalPERS cost is 12.2% and LRB cost 7.1%).
  - Based on CalPERS 6.1% estimated investment loss in fiscal year 2021-22 and the corresponding reduction in discount rate to 6.8%, the City projects its CalPERS unfunded liabilities and the amortized repayment to significantly increase over the next 20 years, beginning in Fiscal Year 2024-25.
- 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 state level and implemented by the City 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 \$149 a month for Miscellaneous employees and up to an additional \$130 to \$332 a month for Fire and Police retirees.

## **CITY OF TORRANCE, CALIFORNIA**

Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2022

### ***Workforce:***

The City is experiencing an increase in employee retirements and staff turnover. In fiscal year 2021-22 and continuing into fiscal year 2022-23, the City has sustained a significant spike in retirements and voluntary resignations, 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):***

Police and Fire MOUs are currently set to expire in December 2023, with others expired June 2020. Two of the miscellaneous groups (TPSA and TFEA) have settled with an expiration date of June 2024, and others are currently under negotiations.

### **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.

# BASIC FINANCIAL STATEMENTS



# GOVERNMENT - WIDE FINANCIAL STATEMENTS



**CITY OF TORRANCE, CALIFORNIA**  
Statement of Net Position  
June 30, 2022

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Pooled cash and investments (note 2)	\$ 141,322,150	\$ 81,453,582	\$ 222,775,732
Cash and cash equivalents with fiscal agents (note 2)	6,415,213	-	6,415,213
Accounts receivable	13,114,474	15,141,534	28,256,008
Accrued interest receivable	102,349	777,416	879,765
Due from other governments (note 15)	18,465,987	6,219,192	24,685,179
Lease receivable - current (note 5)	592,459	5,678,357	6,270,816
Notes receivable (note 4)	32,900	-	32,900
Inventories, at cost	1,456,967	4,971,032	6,427,999
Prepays and other assets	361,119	-	361,119
Long term assets:			
Advance to successor agency (note 21)	6,796,507	1,184,138	7,980,645
Capital assets (note 3):			
Land	83,188,658	8,833,133	92,021,791
Right-of-way	19,950,273	-	19,950,273
Construction in progress	40,080,873	13,225,403	53,306,276
Infrastructure, net of accumulated depreciation	157,359,411	113,212,007	270,571,418
Building and improvements net of accumulated depreciation	43,393,362	6,040,838	49,434,200
Machinery, equipment, furniture and fixtures, net of accumulated depreciation	22,949,620	20,654,195	43,603,815
Easement, net of accumulated depreciation	-	1,172,006	1,172,006
Lease receivable - long term (note 5)	3,944,078	173,864,236	177,808,314
Net pension asset (notes 8 and 9)	71,159,895	8,857,000	80,016,895
Total Assets	<u>630,686,295</u>	<u>461,284,069</u>	<u>1,091,970,364</u>
<b>Deferred Outflows of Resources</b>			
Deferred refunding charge	6,053,876	-	6,053,876
Deferred pension amounts (notes 8 and 9)	33,196,384	2,890,777	36,087,161
Deferred OPEB amounts (note 10)	6,864,549	779,714	7,644,263
Total Deferred Outflows of Resources	<u>46,114,809</u>	<u>3,670,491</u>	<u>49,785,300</u>
<b>Liabilities</b>			
Accounts payable	6,037,244	6,702,406	12,739,650
Accounts payable - contract retention	901,865	341,457	1,243,322
Accrued liabilities	15,546,715	2,355,370	17,902,085
Due to other governments	938	-	938
Notes payable (note 7)	1,351,696	-	1,351,696
Unearned revenue (note 16)	525,330	5,971,052	6,496,382
Deposits and guarantees	6,971,070	229,157	7,200,227
Interest payable	2,967,942	22,921	2,990,863
Long term liabilities - portion due or payable within one year (notes 6, 7 and 14)	29,397,660	1,178,349	30,576,009
Long term liabilities:			
Long term liabilities - portion due or payable after one year (notes 6, 7 and 14)	474,932,931	5,524,576	480,457,507
Net pension liability - due in more than one year (notes 8 and 9)	12,517,648	2,366,596	14,884,244
Net OPEB liability - due in more than one year (note 10)	34,854,825	3,959,012	38,813,837
Total Liabilities	<u>586,005,864</u>	<u>28,650,896</u>	<u>614,656,760</u>
<b>Deferred Inflows of Resources</b>			
Deferred leases (note 5)	4,413,097	171,876,336	176,289,433
Deferred pension amounts (notes 8 and 9)	154,707,502	15,847,518	170,555,020
Deferred OPEB amounts (note 10)	9,283,354	1,054,456	10,337,810
Total Deferred Inflows of Resources	<u>168,403,953</u>	<u>188,778,310</u>	<u>357,182,263</u>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	310,908,744	158,219,955	469,128,699
Restricted	52,987,584	21,482,341	74,469,925
Unrestricted	(441,505,041)	67,823,058	(373,681,983)
Total Net Position (Deficit)	<u>\$ (77,608,713)</u>	<u>\$ 247,525,354</u>	<u>\$ 169,916,641</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, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 28,428,070	\$ 1,867,490	\$ 62,250	\$ 174,046
Public safety	124,494,774	8,624,815	13,160,686	53,183
Public works	24,239,615	425,507	10,024,378	28,981,721
Culture and recreation	19,754,209	4,364,241	398,102	-
Community development	13,508,842	10,040,337	6,837,527	46,536
Interest on long-term debt	15,614,992	-	-	-
Total Governmental Activities	226,040,502	25,322,390	30,482,943	29,255,486
<b>Business-Type Activities:</b>				
Municipal airport	2,612,242	15,663,439	-	-
Transit system	26,684,425	539,507	32,612,888	941,622
Water	41,263,045	51,521,369	-	-
Sewer	4,542,652	6,105,373	-	-
Sanitation	11,610,468	13,940,798	274,321	-
Total Business-Type Activities	86,712,832	87,770,486	32,887,209	941,622
Total Primary Government	\$ 312,753,334	\$ 113,092,876	\$ 63,370,152	\$ 30,197,108

**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 18)**

**Net Position (Deficit) - ending**

See accompanying notes to the basic financial statements.

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (26,324,284)	\$ -	\$ (26,324,284)
(102,656,090)	-	(102,656,090)
15,191,991	-	15,191,991
(14,991,866)	-	(14,991,866)
3,415,558	-	3,415,558
(15,614,992)	-	(15,614,992)
(140,979,683)	-	(140,979,683)
-	13,051,197	13,051,197
-	7,409,592	7,409,592
-	10,258,324	10,258,324
-	1,562,721	1,562,721
-	2,604,651	2,604,651
-	34,886,485	34,886,485
(140,979,683)	34,886,485	(106,093,198)
58,218,914	-	58,218,914
61,556,444	-	61,556,444
36,797,855	-	36,797,855
10,275,248	-	10,275,248
9,164,201	-	9,164,201
17,659,309	-	17,659,309
19,298,992	3,910,852	23,209,844
168,018	-	168,018
5,170,113	39,688	5,209,801
7,982,342	(7,982,342)	-
226,291,436	(4,031,802)	222,259,634
85,311,753	30,854,683	116,166,436
(162,575,679)	212,298,471	49,722,792
(344,787)	4,372,200	4,027,413
\$ (77,608,713)	\$ 247,525,354	\$ 169,916,641

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS



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CITY OF TORRANCE, CALIFORNIA  
Balance Sheet  
Governmental Funds  
June 30, 2022

	General Fund	Measure R Local Return and Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Pooled cash and investments (note 2)	\$ 32,149,903	\$ 5,715,689	\$ 69,729,242	\$ 107,594,834
Cash and cash equivalents with fiscal agents (note 2)	1,587,334	-	4,674,071	6,261,405
Accounts receivable	8,714,821	-	64,061	8,778,882
Accrued interest receivable	53,341	3,806	28,122	85,269
Due from other funds (note 12)	9,178,359	-	-	9,178,359
Due from other governments (note 15)	13,631,076	3,304,983	1,529,928	18,465,987
Advance to successor agency (note 12)	5,200,379	-	1,596,128	6,796,507
Interfund advances receivable (note 12)	-	-	600,000	600,000
Notes receivable (note 4)	-	-	32,900	32,900
Lease receivable (note 5)	3,712,243	-	824,294	4,536,537
Prepays	334,456	-	26,663	361,119
<b>Total Assets</b>	<b>\$ 74,561,912</b>	<b>\$ 9,024,478</b>	<b>\$ 79,105,409</b>	<b>\$ 162,691,799</b>
<b>Liabilities</b>				
Accounts payable	\$ 3,529,736	\$ 607,529	\$ 1,395,541	\$ 5,532,806
Accounts payable - contract retention	-	776,320	125,546	901,866
Accrued liabilities	5,593,611	4,605,171	1,169,634	11,368,416
Due to other funds (note 12)	-	6,912,420	2,265,939	9,178,359
Interfund advances payable (note 12)	600,000	-	-	600,000
Due to other governments	-	-	938	938
Unearned revenue (note 16)	496,231	-	29,099	525,330
Deposits and guarantees	325,204	-	6,645,866	6,971,070
<b>Total Liabilities</b>	<b>10,544,782</b>	<b>12,901,440</b>	<b>11,632,563</b>	<b>35,078,785</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	3,440,379	-	1,016,128	4,456,507
Deferred leases (note 5)	3,634,369	-	778,728	4,413,097
<b>Total Deferred Inflows of Resources</b>	<b>7,074,748</b>	<b>-</b>	<b>1,794,856</b>	<b>8,869,604</b>
<b>Fund Balances</b>				
Nonspendable	2,094,456	-	606,663	2,701,119
Restricted	4,637,642	(3,876,962)	51,609,054	52,369,734
Assigned	5,483,042	-	13,462,273	18,945,315
Unassigned	44,727,242	-	-	44,727,242
<b>Total Fund Balances</b>	<b>56,942,382</b>	<b>(3,876,962)</b>	<b>65,677,990</b>	<b>118,743,410</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 74,561,912</b>	<b>\$ 9,024,478</b>	<b>\$ 79,105,409</b>	<b>\$ 162,691,799</b>

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, 2022

Total fund balances of governmental funds \$ 118,743,410

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Land	\$	83,188,658	
Right-of-way		19,950,273	
Construction in progress		40,080,873	
Infrastructure, net of \$202,918,691 accumulated depreciation		157,359,411	
Buildings and improvements, net of \$68,030,085 accumulated depreciation		43,393,362	
Machinery and equipment, net of \$36,829,844 accumulated depreciation		<u>17,064,310</u>	
			361,036,887

Long-term assets are not current financial resources and therefore they are not reported in the Governmental Funds Balance Sheet.

Net pension asset		<u>69,608,900</u>	69,608,900
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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.

Compensated absences		(13,650,822)	
Notes payable		(1,351,696)	
Joint Powers Financing Authority lease revenue bonds		(387,225,000)	
Public Property Financing Corporation refunding certificates of participation		(20,030,000)	
Certificates of participation premium		(1,410,465)	
Deferred refunding charge		6,053,876	
Net pension liability		(12,264,616)	
Net OPEB liability		<u>(34,311,431)</u>	
			(464,190,154)

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.

Accrued interest payable on bonded debt		<u>(2,963,562)</u>	(2,963,562)
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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.

Deferred inflows of resources - unavailable revenue		<u>4,456,507</u>	4,456,507
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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.

Deferred outflows of resources - pension		32,721,434	
Deferred outflows of resources - OPEB		6,757,530	
Deferred inflows of resources - pension		(151,960,972)	
Deferred inflows of resources - OPEB		<u>(9,138,624)</u>	
			(121,620,632)

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.

(42,680,069)

**Net Position of Governmental Activities**

\$ (77,608,713)

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, 2022

	<b>General Fund</b>	<b>Measure R Local Return and Highway Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Taxes	\$ 192,391,520	\$ -	\$ 1,280,451	\$ 193,671,971
Licenses, fees and permits	5,299,398	-	1,463,729	6,763,127
Fines, forfeitures and penalties	740,948	-	406,387	1,147,335
Use of money and property	1,103,798	31,336	19,590,478	20,725,612
Intergovernmental	12,635,896	14,897,320	32,479,335	60,012,551
Charges for current services	19,058,438	-	-	19,058,438
Other revenues	702,444	-	1,095,059	1,797,503
Total revenues	<u>231,932,442</u>	<u>14,928,656</u>	<u>56,315,439</u>	<u>303,176,537</u>
<b>Expenditures:</b>				
<b>Current expenditures:</b>				
General government	27,149,937	-	1,197,674	28,347,611
Nondepartmental	2,151,305	-	-	2,151,305
Public safety	137,297,402	-	1,630,445	138,927,847
Public works	12,705,696	19,859,512	8,328,529	40,893,737
Culture and recreation	20,521,617	-	1,290,965	21,812,582
Community development	7,438,325	-	8,273,542	15,711,867
<b>Debt service:</b>				
Principal retirement (note 7)	-	-	2,465,000	2,465,000
Interest and fiscal charges	-	-	17,838,542	17,838,542
Total expenditures	<u>207,264,282</u>	<u>19,859,512</u>	<u>41,024,697</u>	<u>268,148,491</u>
Excess of revenues over (under) expenditures	<u>24,668,160</u>	<u>(4,930,856)</u>	<u>15,290,742</u>	<u>35,028,046</u>
<b>Other financing sources (uses):</b>				
Transfers in (note 13)	13,115,849	-	2,978,324	16,094,173
Transfers out (note 13)	(13,953,985)	-	(6,120,384)	(20,074,369)
Issuance of debt	1,560,528	-	-	1,560,528
Total other financing sources (uses)	<u>722,392</u>	<u>-</u>	<u>(3,142,060)</u>	<u>(2,419,668)</u>
Net change in fund balances	25,390,552	(4,930,856)	12,148,682	32,608,378
Fund balances, July 1, 2021	31,960,640	1,053,894	53,465,285	86,479,819
Prior period adjustment (note 18)	(408,810)	-	64,023	(344,787)
Fund balances, June 30, 2022	<u>\$ 56,942,382</u>	<u>\$ (3,876,962)</u>	<u>\$ 65,677,990</u>	<u>\$ 118,743,410</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, 2022

Net change in fund balances - total governmental funds \$ 32,608,378

The change in net position reported for governmental activities in the Statement of Activities and Changes in Net Position is different because:

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.

Depreciation expense (excluding internal service funds)	(13,686,432)	
Asset additions funded by Governmental Funds	31,157,751	
		17,471,319

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.

Loan payment	208,832	
Bond principal payment	2,465,000	
Amortization of bond premium	57,570	
Amortization of deferred refunding charge	(293,980)	
Loan proceeds	(1,560,528)	
		876,894

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.

Accrued interest payable on bonded debt	2,459,960	
		2,459,960

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).

Compensated absences (excluding internal service funds)	891,940	
Interest receivable on advance to Successor Agency	193,378	
		1,085,318

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.

36,759,101

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.

(1,628,428)

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.

(4,320,789)

<b>Change in net position of governmental activities</b>		<b>\$ 85,311,753</b>
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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, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (see Note A)	Final Budget positive (negative)
<b>Budgetary fund balance, July 1, 2021 (as restated)</b>	\$ 31,551,830	\$ 31,551,830	\$ 31,551,830	\$ -
<b>Resources (inflows):</b>				
Taxes:				
Property Taxes:				
Current secured taxes	39,156,358	39,156,358	38,512,570	(643,788)
Current unsecured taxes	1,536,550	1,536,550	1,299,823	(236,727)
Prior years secured taxes	21,313	21,313	-	(21,313)
Prior years unsecured taxes	104,689	104,689	89,749	(14,940)
VLF swap and repayment taxes	16,130,707	16,130,707	16,131,699	992
Penalties and interest	140,546	140,546	163,309	22,763
Supplemental current secured	1,126,496	1,126,496	1,239,283	112,787
Redemption	428,751	428,751	652,029	223,278
Aircraft assessment tax	186,361	186,361	130,452	(55,909)
	<u>58,831,771</u>	<u>58,831,771</u>	<u>58,218,914</u>	<u>(612,857)</u>
Taxes other than property:				
Sales and use tax	53,316,565	53,316,565	61,556,444	8,239,879
Prop 172 sales tax	1,945,270	1,945,270	2,078,139	132,869
Business license tax	8,847,828	8,847,828	9,164,201	316,373
Business permit tax	187,233	187,233	209,721	22,488
Utility users tax	32,372,992	32,372,992	36,797,855	4,424,863
Construction tax	1,857,400	1,857,400	2,401,910	544,510
Real property transfer tax	1,000,000	1,000,000	1,412,032	412,032
Franchise tax-all other	8,930,800	8,930,800	9,226,855	296,055
Public education government fees	350,000	350,000	319,903	(30,097)
Occupancy tax	7,119,224	7,119,224	10,275,248	3,156,024
Oil severance tax	7,500	7,500	8,203	703
Cogeneration tax	553,259	553,259	581,580	28,321
Alarm permit fees	144,316	144,316	140,515	(3,801)
	<u>116,632,387</u>	<u>116,632,387</u>	<u>134,172,606</u>	<u>17,540,219</u>
Total taxes	<u>175,464,158</u>	<u>175,464,158</u>	<u>192,391,520</u>	<u>16,927,362</u>
Licenses, fees and permits:				
Fire permits	26,383	26,383	247,954	221,571
Animal permits	270,110	257,360	151,162	(106,198)
Construction/excavation permits	166,858	166,858	290,217	123,359
Grading permits	84,034	84,034	94,347	10,313
Building permits	2,507,706	2,507,706	2,620,651	112,945
Plumbing permits	107,000	107,000	-	(107,000)
Electrical permits	193,033	193,033	342,941	149,908
Mechanical permits	104,833	104,833	172,917	68,084
Special energy inspection fees	672,962	672,962	866,167	193,205
Sign permits and filing fees	42,317	42,317	36,314	(6,003)
Other licenses and permits	-	-	1,303	1,303
NPDES building permit fees	383,900	383,900	445,766	61,866
Building TEQECC filing fees	22,530	22,530	23,744	1,214
Oversized vehicle permit fees	5,920	5,920	5,915	(5)
Total licenses, fees, and permits	<u>4,587,586</u>	<u>4,574,836</u>	<u>5,299,398</u>	<u>724,562</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (see Note A)	Final Budget positive (negative)
Fines, forfeitures and penalties:				
Parking citations	\$ 556,833	\$ 556,833	\$ 581,429	\$ 24,596
Traffic fines	106,470	106,470	65,084	(41,386)
General fines	78,700	78,700	94,435	15,735
Total fines, forfeitures and penalties	<u>742,003</u>	<u>742,003</u>	<u>740,948</u>	<u>(1,055)</u>
Use of money and property:				
Investment earnings	894,800	894,800	(1,580,081)	(2,474,881)
Rents and concessions	1,123,183	1,244,089	2,665,374	1,421,285
Royalties	-	-	18,505	18,505
Total use of money and property	<u>2,017,983</u>	<u>2,138,889</u>	<u>1,103,798</u>	<u>(1,035,091)</u>
Intergovernmental:				
Emergency relief grants	12,037,139	12,037,139	12,037,139	-
State motor vehicle licenses	118,024	181,524	238,018	56,494
State homeowners property tax relief	156,270	156,270	177,656	21,386
Other state grants	133,550	133,550	183,083	49,533
Total Intergovernmental	<u>12,444,983</u>	<u>12,508,483</u>	<u>12,635,896</u>	<u>127,413</u>
Charges for current services:				
TUSD collection fees	14,836	14,836	45,089	30,253
Planning and zoning fees	534,101	534,101	693,066	158,965
Traffic signal maintenance	231,930	231,930	225,507	(6,423)
Vacation processing fees	5,000	5,000	-	(5,000)
State encroachment collection fees	4,350	4,350	6,176	1,826
Grading	73,590	73,590	60,260	(13,330)
Plan check fees-building	1,579,031	1,579,031	1,924,514	345,483
Plan check fees-engineering	156,930	156,930	205,177	48,247
Green building code fees	640,660	640,660	824,463	183,803
Oil related inspection fees	4,860	4,860	1,088	(3,772)
Appeal fees	27,046	27,046	8,375	(18,671)
Other inspection fees	553,755	553,755	428,395	(125,360)
Engineering mapping fees	25,362	25,362	39,853	14,491
Engineering inspection fees	235,732	235,732	542,327	306,595
General government service charges	2,049	2,049	1,015	(1,034)
Advertising on shelters	130,000	130,000	225,894	95,894
Microfilming fees	324,648	324,648	339,510	14,862
Police charges-copies and photos	14,276	14,276	30,583	16,307
Police charges-fingerprinting and other	248,812	248,812	250,503	1,691
Fire department fees	6,549,954	6,549,954	6,827,450	277,496
Fire department fees-hazardous materials fees	991,395	991,395	975,889	(15,506)
Cultural arts center fees	635,896	635,896	874,461	238,565
Parks and recreational fees	3,397,635	3,397,635	4,445,407	1,047,772
Miscellaneous	43,437	68,437	79,038	10,601
Library revenues	3,921	3,921	4,398	477
Total charges for current services	<u>16,429,206</u>	<u>16,454,206</u>	<u>19,058,438</u>	<u>2,604,232</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (see Note A)	Final Budget positive (negative)
Other revenues:				
Donations-private sources	\$ 33,094	\$ 72,674	\$ 436,620	\$ 363,946
Miscellaneous	413,477	413,477	265,824	(147,653)
Premium Tax Revenue Anticipation Notes	-	-	-	-
Total other revenues	<u>446,571</u>	<u>486,151</u>	<u>702,444</u>	<u>216,293</u>
Issuance of debt	-	1,560,528	1,560,528	-
Transfers in	<u>12,133,888</u>	<u>12,138,570</u>	<u>13,115,849</u>	<u>977,279</u>
Amounts available for appropriation	<u>255,818,208</u>	<u>256,059,126</u>	<u>278,160,649</u>	<u>20,540,995</u>
<b>Charges to appropriation (outflows)</b>				
General government:				
City Council	334,462	324,946	324,923	23
Commissions and committees:				
Parks and recreation	8,600	7,700	2,398	5,302
Planning	20,594	21,794	21,706	88
Environmental quality	3,800	1,600	1,379	221
Cultural arts	4,552	4,552	1,652	2,900
Traffic	4,800	4,800	1,683	3,117
Youth council	8,748	11,048	9,954	1,094
Historic preservation	7,900	4,800	3,138	1,662
Commission on aging	4,600	2,492	2,492	-
Library	5,323	5,323	4,101	1,222
Social services	16,000	11,608	11,608	-
City manager	5,463,032	5,258,929	5,258,678	251
City attorney	2,685,673	2,545,384	2,543,623	1,761
City clerk	1,415,986	1,672,721	1,669,770	2,951
City treasurer	352,613	302,795	301,563	1,232
Finance	6,071,862	5,312,511	5,306,139	6,372
Human resources	2,034,935	1,836,416	1,828,330	8,086
Civil service	601,864	538,205	536,527	1,678
Communications & Info Tech	8,944,960	8,185,999	8,185,100	899
General services	9,911,695	8,749,246	8,741,293	7,953
Less indirect cost allocation, other funds	<u>(7,947,803)</u>	<u>(7,947,803)</u>	<u>(7,114,694)</u>	<u>(833,109)</u>
Total general government	<u>29,954,196</u>	<u>26,855,066</u>	<u>27,641,363</u>	<u>(786,297)</u>
Nondepartmental				
Insurance, net	25,000	-	-	-
Community promotion	332,900	291,222	281,576	9,646
Other	1,458,955	668,064	664,023	4,041
Leaseback payments	<u>1,274,644</u>	<u>1,249,644</u>	<u>1,249,028</u>	<u>616</u>
Total nondepartmental	<u>3,091,499</u>	<u>2,208,930</u>	<u>2,194,627</u>	<u>14,303</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, 2022

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis (see Note A)</b>	<b>Variance with Final Budget positive (negative)</b>
	<b>Original</b>	<b>Final</b>		
Community Development	\$ 8,595,725	\$ 7,479,368	\$ 7,475,183	\$ 4,185
Public safety:				
Police	87,309,789	84,990,801	84,949,245	41,556
Fire	49,937,912	52,508,594	52,506,307	2,287
Total public safety	<u>137,247,701</u>	<u>137,499,395</u>	<u>137,455,552</u>	<u>43,843</u>
Public works	<u>13,088,010</u>	<u>13,080,450</u>	<u>13,062,350</u>	<u>18,100</u>
Culture and recreation	<u>23,541,155</u>	<u>21,118,358</u>	<u>21,106,351</u>	<u>12,007</u>
Transfers out	<u>3,565,991</u>	<u>14,995,779</u>	<u>13,953,985</u>	<u>1,041,794</u>
Total Charges to appropriations	<u>219,084,277</u>	<u>223,237,346</u>	<u>222,889,411</u>	<u>347,935</u>
Budgetary Fund Balance, July 1, 2022	<u>36,733,931</u>	<u>32,821,780</u>	<u>55,271,238</u>	<u>22,449,458</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	\$	278,160,649
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		(31,551,830)
Issuance of debt are inflows of budgetary resources, but are not revenues for financial reporting purposes		(1,560,528)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes		<u>(13,115,849)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u><u>231,932,442</u></u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$	222,889,411
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		(1,671,144)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(13,953,985)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u><u>207,264,282</u></u>

# PROPRIETARY FUND FINANCIAL STATEMENTS



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**CITY OF TORRANCE, CALIFORNIA**  
Statement of Net Position  
Proprietary Funds  
June 30, 2022

	Business-type Activities					Total	Governmental
	Enterprise Funds						Activity
	Transit System Fund	Water Fund	Sewer Fund	Municipal Airport Fund	Nonmajor Enterprise Fund		Internal Service Funds
<b>Assets and Deferred Outflows of Resources</b>							
Current assets:							
Pooled cash and investments (note 2)	\$ 26,052,623	\$ 34,030,486	\$ 7,734,559	\$ 8,151,252	\$ 5,484,662	\$ 81,453,582	\$ 33,727,314
Cash and cash equivalents with fiscal agents (note 2)	-	-	-	-	-	-	153,808
Accounts receivable	595,780	7,715,235	1,392,391	1,392,087	4,046,041	15,141,534	4,335,593
Accrued interest receivable	17,519	22,884	5,201	718,236	13,576	777,416	17,079
Lease receivable - current (note 5)	-	-	-	5,678,357	-	5,678,357	-
Inventory	1,273,732	3,697,300	-	-	-	4,971,032	1,456,967
Due from other governments (note 15)	6,219,192	-	-	-	-	6,219,192	-
Total current assets	<u>34,158,846</u>	<u>45,465,905</u>	<u>9,132,151</u>	<u>15,939,932</u>	<u>9,544,279</u>	<u>114,241,113</u>	<u>39,690,761</u>
Noncurrent assets:							
Advance to successor agency (note 12)	-	1,184,138	-	-	-	1,184,138	-
Capital assets, net (note 3)	20,022,223	91,880,915	38,701,972	7,978,938	4,553,534	163,137,582	5,885,310
Lease receivable - long term (note 5)	-	-	-	173,864,236	-	173,864,236	-
Net pension asset	3,550,963	2,204,046	897,945	489,788	1,714,258	8,857,000	1,550,995
Total noncurrent assets	<u>23,573,186</u>	<u>95,269,099</u>	<u>39,599,917</u>	<u>182,332,962</u>	<u>6,267,792</u>	<u>347,042,956</u>	<u>7,436,305</u>
Deferred outflows of resources:							
Deferred pension amounts	1,136,636	789,823	301,380	143,154	519,784	2,890,777	474,950
Deferred OPEB amounts	420,434	152,885	61,154	30,577	114,664	779,714	107,019
Total deferred outflows of resources	<u>1,557,070</u>	<u>942,708</u>	<u>362,534</u>	<u>173,731</u>	<u>634,448</u>	<u>3,670,491</u>	<u>581,969</u>
Total Assets and Deferred Outflows of Resources	<u>59,289,102</u>	<u>141,677,712</u>	<u>49,094,602</u>	<u>198,446,625</u>	<u>16,446,519</u>	<u>464,954,560</u>	<u>47,709,035</u>
<b>Liabilities and Deferred Inflows of Resources</b>							
Current liabilities:							
Accounts payable	381,931	5,696,462	55,567	150,415	418,031	6,702,406	504,687
Contract retainage payable	208,633	91,918	-	40,906	-	341,457	-
Deposits payable	-	44,570	-	184,587	-	229,157	-
Accrued interest payable	-	13,428	-	-	9,493	22,921	4,380
Accrued liabilities	801,773	1,225,761	99,633	86,370	141,833	2,355,370	4,178,048
Due to other funds (note 12)	-	-	-	-	-	-	-
Compensated absences payable-current	282,501	85,675	33,367	56,306	95,107	552,956	9,000,306
Current installment sale loan payable - principal (notes 6 and 7)	-	567,277	-	-	-	567,277	-
Easement payable - current	-	58,116	-	-	-	58,116	-
Accrued liabilities for self-insurance claims - current (note 14)	-	-	-	-	-	-	14,178,366
Unearned revenues (note 16)	5,644,261	-	-	326,791	-	5,971,052	-
Total current liabilities	<u>7,319,099</u>	<u>7,783,207</u>	<u>188,567</u>	<u>845,375</u>	<u>664,464</u>	<u>16,800,712</u>	<u>27,865,787</u>
Noncurrent liabilities:							
Compensated absences payable - long term	804,041	243,845	94,969	160,256	270,688	1,573,799	-
Long-term obligations (notes 6 and 7)	-	3,950,777	-	-	-	3,950,777	-
Accrued liability for self-insurance claims long-term (note 14)	-	-	-	-	-	-	58,835,631
Net pension liability	833,518	952,592	282,801	44,653	253,032	2,366,596	253,032
Net OPEB liability	2,134,761	776,277	310,511	155,255	582,208	3,959,012	543,394
Total noncurrent liabilities	<u>3,772,320</u>	<u>5,923,491</u>	<u>688,281</u>	<u>360,164</u>	<u>1,105,928</u>	<u>11,850,184</u>	<u>59,632,057</u>
Deferred inflows of resources:							
Deferred leases (note 5)	-	-	-	171,876,336	-	171,876,336	-
Deferred pension amounts	6,333,173	4,008,092	1,614,260	861,076	3,030,917	15,847,518	2,746,530
Deferred OPEB amounts	568,579	206,756	82,702	41,351	155,068	1,054,456	144,730
Total deferred inflows of resources	<u>6,901,752</u>	<u>4,214,848</u>	<u>1,696,962</u>	<u>172,778,763</u>	<u>3,185,985</u>	<u>188,778,310</u>	<u>2,891,260</u>
Total Liabilities and Deferred Inflows of Resources	<u>17,993,171</u>	<u>17,921,546</u>	<u>2,573,810</u>	<u>173,984,302</u>	<u>4,956,377</u>	<u>217,429,206</u>	<u>90,389,104</u>
<b>Net Position</b>							
Net investment in capital assets	19,813,590	87,212,827	38,701,972	7,938,032	4,553,534	158,219,955	5,885,310
Restricted	21,482,341	-	-	-	-	21,482,341	-
Unrestricted	-	36,543,339	7,818,820	16,524,291	6,936,608	67,823,058	(48,565,379)
Total Net Position	<u>\$ 41,295,931</u>	<u>\$ 123,756,166</u>	<u>\$ 46,520,792</u>	<u>\$ 24,462,323</u>	<u>\$ 11,490,142</u>	<u>\$ 247,525,354</u>	<u>\$ (42,680,069)</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, 2022

	<b>Business-type Activities</b>					<b>Total</b>	<b>Governmental</b>
	<b>Enterprise Funds</b>						<b>Activity</b>
	<b>Transit System Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Municipal Airport Fund</b>	<b>Nonmajor Enterprise Fund</b>		<b>Internal Service Funds</b>
Operating revenues:							
Charges for services	\$ 469,011	\$ 48,882,111	\$ 6,004,945	\$ 15,663,439	\$ 13,798,273	\$ 84,817,779	\$ 14,201,703
Other	70,496	2,639,258	100,428	-	142,525	2,952,707	3,612,640
Total operating revenues	<u>539,507</u>	<u>51,521,369</u>	<u>6,105,373</u>	<u>15,663,439</u>	<u>13,940,798</u>	<u>87,770,486</u>	<u>17,814,343</u>
Operating expenses:							
Salaries and employee benefits	13,676,030	4,977,252	1,684,472	1,145,624	3,505,310	24,988,688	3,313,484
Services and supplies	2,086,626	1,984,859	256,842	166,392	2,879,014	7,373,733	42,142
Other professional services	1,737,935	768,766	524,757	688,536	2,684,188	6,404,182	131,762
Depreciation and amortization	3,897,646	2,126,469	1,237,678	213,461	978,757	8,454,011	1,332,982
Insurance and claims	239,741	160,868	3,667	12,392	15,355	432,023	28,973,736
City charges	4,969,689	2,390,117	734,590	349,367	1,504,161	9,947,924	138,337
Cost of water	-	28,323,919	-	-	-	28,323,919	-
Other	76,758	530,795	100,646	36,470	43,683	788,352	56,700
Total operating expenses	<u>26,684,425</u>	<u>41,263,045</u>	<u>4,542,652</u>	<u>2,612,242</u>	<u>11,610,468</u>	<u>86,712,832</u>	<u>33,989,143</u>
Operating income (loss)	<u>(26,144,918)</u>	<u>10,258,324</u>	<u>1,562,721</u>	<u>13,051,197</u>	<u>2,330,330</u>	<u>1,057,654</u>	<u>(16,174,800)</u>
Nonoperating revenues (expenses)							
Investment earnings	-	-	-	4,444,534	31,586	4,476,120	-
Gain on sale of capital assets	16,650	10,638	-	-	12,400	39,688	67,798
Assistance from other governments	32,612,888	-	-	-	-	32,612,888	-
Interest expense	(218,857)	(277,370)	(69,041)	-	-	(565,268)	(176,323)
Grants	-	-	-	-	274,321	274,321	-
Total nonoperating revenues (expenses) net	<u>32,410,681</u>	<u>(266,732)</u>	<u>(69,041)</u>	<u>4,444,534</u>	<u>318,307</u>	<u>36,837,749</u>	<u>(108,525)</u>
Income (loss) before contributions and operating transfers	6,265,763	9,991,592	1,493,680	17,495,731	2,648,637	37,895,403	(16,283,325)
Capital grants	941,622	-	-	-	-	941,622	-
Transfers in (note 13)	2,674,323	13,096	8,513	-	255,867	2,951,799	12,000,000
Transfers out (note 13)	(63,482)	(15,668)	-	(10,839,219)	(15,772)	(10,934,141)	(37,464)
Change in net position	9,818,226	9,989,020	1,502,193	6,656,512	2,888,732	30,854,683	(4,320,789)
Total net position - July 1, 2021	31,477,705	113,767,146	45,018,599	13,433,611	8,601,410	212,298,471	(38,359,280)
Prior period adjustment (note 18)	-	-	-	4,372,200	-	4,372,200	-
Total net position - June 30, 2022	<u>\$ 41,295,931</u>	<u>\$ 123,756,166</u>	<u>\$ 46,520,792</u>	<u>\$ 24,462,323</u>	<u>\$ 11,490,142</u>	<u>\$ 247,525,354</u>	<u>\$ (42,680,069)</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, 2022

	Business-type Activities					Governmental Activity	
	Enterprise Funds						
	Transit System Fund	Water Fund	Sewer Fund	Municipal Airport Fund	Nonmajor Enterprise Fund	Total	Internal Service Funds
<b>Cash flows from operating activities:</b>							
Receipts from customers	\$ 469,011	\$ 49,059,070	\$ 6,028,422	\$ 15,248,335	\$ 13,283,644	\$ 84,088,482	\$ 14,155,416
Cash payments to suppliers for goods and services	(9,337,797)	(34,182,046)	(1,775,289)	(1,089,832)	(7,027,657)	(53,412,621)	(20,722,963)
Cash payments to employees for services	(15,831,867)	(6,074,244)	(2,300,821)	(1,366,738)	(4,303,378)	(29,877,048)	(4,341,741)
Other receipts	70,496	2,639,258	100,428	-	142,525	2,952,707	3,612,640
Net cash provided by (used in) operating activities	<u>(24,630,157)</u>	<u>11,442,038</u>	<u>2,052,740</u>	<u>12,791,765</u>	<u>2,095,134</u>	<u>3,751,520</u>	<u>(7,296,648)</u>
<b>Cash flows from noncapital financing activities:</b>							
Cash received from noncapital grants and subsidies	36,589,323	-	-	-	274,321	36,863,644	-
Cash received from other funds	2,674,323	13,096	8,513	-	255,867	2,951,799	12,000,000
Cash transfers paid to other funds	(63,482)	(15,668)	-	(10,839,219)	(15,772)	(10,934,141)	(37,464)
Net cash provided by (used in) noncapital financing activities	<u>39,200,164</u>	<u>(2,572)</u>	<u>8,513</u>	<u>(10,839,219)</u>	<u>514,416</u>	<u>28,881,302</u>	<u>11,962,536</u>
<b>Cash flows from capital financing activities:</b>							
Cash received from capital grants and subsidies	941,622	-	-	-	-	941,622	-
Cash payments for capital additions	(1,199,373)	(3,459,116)	(740,565)	(38,395)	(823,876)	(6,261,325)	(512,266)
Proceeds from sale of capital assets	16,650	10,638	-	-	12,400	39,688	67,798
Payments for long-term obligations - principal & interest	-	(614,417)	-	-	-	(614,417)	-
Net cash provided by (used in) capital financing activities	<u>(241,101)</u>	<u>(4,062,895)</u>	<u>(740,565)</u>	<u>(38,395)</u>	<u>(811,476)</u>	<u>(5,894,432)</u>	<u>(444,468)</u>
<b>Cash flows from investing activities:</b>							
Cash received from interest on investments	-	-	-	67,207	32,398	99,605	-
Cash paid for interest on investments	(216,979)	(264,772)	(65,722)	-	-	(547,473)	(166,248)
Cash provided by (used in) investing activities	<u>(216,979)</u>	<u>(264,772)</u>	<u>(65,722)</u>	<u>67,207</u>	<u>32,398</u>	<u>(447,868)</u>	<u>(166,248)</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	14,111,927	7,111,799	1,254,966	1,981,358	1,830,472	26,290,522	4,055,172
Cash and cash equivalents, July 1, 2021	11,940,696	26,918,687	6,479,593	6,169,894	3,654,190	55,163,060	29,825,950
Cash and cash equivalents, June 30, 2022	<u>\$ 26,052,623</u>	<u>\$ 34,030,486</u>	<u>\$ 7,734,559</u>	<u>\$ 8,151,252</u>	<u>\$ 5,484,662</u>	<u>\$ 81,453,582</u>	<u>\$ 33,881,122</u>
<b>Reconciliation of cash and cash equivalents:</b>							
Pooled cash and investments	26,052,623	34,030,486	7,734,559	8,151,252	5,484,662	81,453,582	33,727,314
Cash and cash equivalents with fiscal agents	-	-	-	-	-	-	153,808
Total cash and cash equivalents	<u>\$ 26,052,623</u>	<u>\$ 34,030,486</u>	<u>\$ 7,734,559</u>	<u>\$ 8,151,252</u>	<u>\$ 5,484,662</u>	<u>\$ 81,453,582</u>	<u>\$ 33,881,122</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>							
Operating income (loss)	\$ (26,144,918)	\$ 10,258,324	\$ 1,562,721	\$ 13,051,197	\$ 2,330,330	\$ 1,057,654	\$ (16,174,800)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>							
Depreciation and amortization	3,897,646	2,126,469	1,237,678	213,461	978,757	8,454,011	1,332,982
Bad debt expense	-	522,623	98,937	35,419	43,081	700,060	-
<b>Changes in assets and liabilities:</b>							
Accounts receivable	(506,587)	176,959	23,477	(404,533)	(514,629)	(1,225,313)	(235,549)
Prepays and other assets	-	-	-	-	-	-	3,600
Inventory	(126,775)	(494,186)	-	-	-	(620,961)	(207,702)
Accounts payable	(11,414)	622,344	(255,327)	100,454	48,268	504,325	(173,388)
Accrued salaries and benefits	(273,639)	104,849	(129,122)	42,517	125,272	(130,123)	(193,030)
Other accrued liabilities	411,977	(673,503)	1,603	27,452	7,395	(225,076)	9,186,466
Net pension asset	(2,717,445)	(1,251,454)	(615,144)	(445,135)	(1,461,226)	(6,490,404)	(1,297,963)
Deferred outflows related to pensions	7,459,649	4,598,346	1,881,088	1,034,052	3,612,115	18,585,250	3,266,345
Deferred outflows related to OPEB	(72,617)	(26,406)	(10,563)	(5,281)	(19,805)	(134,672)	(18,484)
Net pension liability	(12,709,955)	(8,377,556)	(3,294,872)	(1,674,157)	(5,968,166)	(32,024,706)	(5,426,823)
Net OPEB liability	(318,910)	(115,967)	(46,387)	(23,194)	(86,975)	(591,433)	(81,177)
Deferred inflows related to pensions	5,989,987	3,791,980	1,526,965	814,241	2,866,304	14,989,477	2,597,423
Deferred inflows related to OPEB	492,844	179,216	71,686	35,843	134,413	914,002	125,452
Deposits and guarantees	-	-	-	25,711	-	25,711	-
Unearned revenues	-	-	-	(36,282)	-	(36,282)	-
Net cash provided by (used in) operating activities	<u>\$ (24,630,157)</u>	<u>\$ 11,442,038</u>	<u>\$ 2,052,740</u>	<u>\$ 12,791,765</u>	<u>\$ 2,095,134</u>	<u>\$ 3,751,520</u>	<u>\$ (7,296,648)</u>

Noncash, investing, capital and financing activities:  
During fiscal year 2021-22, 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 - Fiduciary Funds  
June 30, 2022

	<b>Private- Purpose Trust Fund</b>	<b>Total Custodial Funds</b>
<b>Assets</b>		
Pooled cash and investments (note 2)	\$ 2,679,021	\$ 2,817,285
Cash and cash equivalents with fiscal agents (note 2)	2	-
Accrued interest receivable	-	412
Capital assets, net	-	561,302
Total assets	2,679,023	3,378,999
<b>Liabilities</b>		
Accounts payable	-	88,314
Deposits payable	-	397,045
Interest payable	186,000	-
Advances from City (note 12)	7,980,645	-
Unearned revenue	-	40,479
Long-term debt:		
Due within one year (note 21)	2,161,080	-
Due in more than one year (note 21)	37,992,332	-
Total Liabilities	48,320,057	525,838
<b>Net Position (Deficit)</b>		
Net investment in capital assets	-	561,302
Held in trust	(45,641,034)	2,291,859
Total Net Position (Deficit)	\$ (45,641,034)	\$ 2,853,161

See accompanying notes to basic financial statements.

**CITY OF TORRANCE, CALIFORNIA**  
Statement of Changes in Net Position - Fiduciary Funds  
Year Ended June 30, 2022

	<b>Private- Purpose Trust Fund</b>	<b>Total Custodial Funds</b>
<b>Additions</b>		
Property taxes	\$ 4,058,695	\$ -
Contributions	-	401,338
Fees	-	37,935
Use of money and property	255	4,013
Other	-	118,307
Total additions	4,058,950	561,593
<b>Deductions</b>		
Residual commitments of former redevelopment agency	297,374	-
Salaries and employee benefits	-	114,890
Services and supplies	-	105,900
Other professional services	-	5,139
Insurance and claims	-	28,897
Depreciation and amortization	-	144,633
Membership fees	-	70,000
Payments to others	-	135,696
Debt service		
Interest and fiscal charges of former redevelopment agency	1,355,412	-
Other	4,000	-
Total deductions	1,656,786	605,155
Change in net position	2,402,164	(43,562)
Net position (deficit) - beginning, as previously reported	(48,065,949)	-
Prior period adjustment (notes 18 and 21)	22,751	2,896,723
Net position (deficit) - ending	\$ (45,641,034)	\$ 2,853,161

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, 2022

### (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, and its component units, entities for which the government is considered to be financially accountable. A description of the component units and the method of incorporating their financial information into the financial statements are summarized as follows:

The Torrance Joint Powers Financing Authority (the Authority) was created in 2020 by the City and the Industrial Development Authority of the City to assist the City with its financing programs. The City is obligated to make certain payments to California Public Employees' Retirement System (CalPERS) in respect of current and retired public safety employees and miscellaneous employees under the pension programs of CalPERS. The Authority issued revenue bonds for the purpose of refunding all or a portion of the City's obligations under the CalPERS contract. In addition, the Authority issued revenue bonds to refund all or a portion of the City's obligations with respect to its Certificates of Participation, Series 2014, and to finance the North Torrance Well Field Project. The financial activity of the Authority has been blended into the City's financial statements within the Governmental Activities in the financial statements.

Separate financial statements for the Torrance Joint Powers Financing Authority can be obtained from the City's Finance Director.

#### *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,

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

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.

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 custodial funds and private-purpose trust funds. Custodial funds are used to account for situations where the government's role is purely custodial. Private-purpose trust funds and custodial funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

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.

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 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 *Municipal Airport Fund* is used to account for the airfield operations of the City and leasing of commercial property outside of the airfield.

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.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by proprietary funds.

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 Custodial Funds* are used to account for the resources held by the City in a fiduciary capacity. The City's fiduciary funds include custodial funds, which are custodial in nature (assets equal liabilities) and a private-purpose trust fund which does include measurement of results of operations. The custodial funds are included in the Statement of Net Position and in the Statement of Changes in Net Position – Fiduciary Funds and are accounted for on an accrual basis of accounting. The City uses a custodial (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, the Area G Citizen Corps Program Fund to account for Area G cities' contributions to finance the community emergency response teams, and the Interoperability Network of 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 21).

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 Revenues, Expenses and Changes in Fund 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.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

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 the United States of America generally accepted accounting principles (U.S. GAAP). 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:

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

Buildings – 40 years

Improvements – 40 years

Equipment – 5 to 7 years

Infrastructure – 25 to 80 years

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 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, 2020
Measurement date (MD)	June 30, 2021
Measurement period (MP)	June 30, 2020 to June 30, 2021

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

PARS pension:

Valuation date (VD)	June 30, 2021
Measurement date (MD)	June 30, 2021
Measurement period (MP)	July 1, 2020 to 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, 2021
Measurement date (MD)	June 30, 2021
Measurement period (MP)	July 1, 2020 to June 30, 2021

#### ***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 assets 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

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

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.
- 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 assets 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.
- Deferred inflows related to certain leases which are measured at the present value of lease payments expected to be received during the lease term, plus any payments received at or before the commencement of the lease term that relate to future periods.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

#### ***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*

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.

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

#### ***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”.

#### ***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 Measure R Local Return and Highway Fund, 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, Municipal Airport Fund, and Sanitation 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,

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

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.

#### ***New Accounting Pronouncements***

##### *Current Year Standards*

GASB 87, “*Leases*”, effective for periods beginning after June 15, 2021. During the fiscal year ended June 30, 2022, the City implemented GASB Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The implementation of this new accounting standards resulted in the recognition of lease receivable and deferred inflows of resources in the City’s June 30, 2022 financial statements. See also Note 5.

GASB 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*”, effective for periods beginning after December 15, 2020. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The implementation of this standard did not have an impact on the City’s financial statements.

GASB 98, “*The Annual Comprehensive Financial Report*”, effective for fiscal years ending after December 15, 2021. This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*, and replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

*Pending Accounting Standards*

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

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.

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

GASB 100, "*Accounting Changes and Error Corrections*", effective for fiscal years beginning after June 15, 2023.

GASB 101, "*Compensated Absences*", effective for fiscal years beginning after December 15, 2023.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

*Use of Estimates*

The preparation of financial statements in accordance with U.S. GAAP 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, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$	222,775,732
Cash and investments held by bond trustee		6,415,213
Fiduciary funds:		
Cash and investments		5,496,306
Cash and investments held by bond trustee		<u>2</u>
Total cash and investments	\$	<u><u>234,687,253</u></u>

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$	5,610
Cash with fiscal agent		161,062
Deposits with financial institutions		89,896,156
Investments		<u>144,624,425</u>
Total cash and investments	\$	<u><u>234,687,253</u></u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

**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</u> <u>Authorized by State Law</u>	<u>Authorized</u> <u>By Investment</u> <u>Policy</u>	<u>*Maximum</u> <u>*Maximum</u> <u>Maturity</u>	<u>*Maximum</u> <u>Percentage</u> <u>Of Portfolio</u>	<u>*Maximum</u> <u>Investment</u> <u>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, 2022

**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
LAIF	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, 2022

The City has the following recurring fair value measurements as of June 30, 2022:

Investment Type		Exempt from Disclosure	Fair Value Measurement		
			Level 1 Inputs (not applicable)	Level 2 Inputs (observable inputs)	Level 3 Inputs (not applicable)
U.S. treasury notes	\$ 14,318,820	\$ -	\$ -	\$ 14,318,820	\$ -
Local municipal bonds	517,623	-	-	517,623	-
Federal agency securities	20,932,415	-	-	20,932,415	-
Corporate medium term notes	11,023,297	-	-	11,023,297	-
Negotiable Certificate of deposit	7,745,258	-	-	7,745,258	-
Subtotal	54,537,413	-	-	54,537,413	-
Money market mutual funds	10,511,839	10,511,839	-	-	-
State investment pool	74,906,388	74,906,388	-	-	-
	139,955,640	85,418,227	-	54,537,413	-
<u>Held by bond trustee:</u>					
Money market mutual funds	4,668,985	4,668,985	-	-	-
	4,668,985	4,668,985	-	-	-
Total	<u>\$ 144,624,625</u>	<u>\$ 90,087,212</u>	<u>\$ -</u>	<u>\$ 54,537,413</u>	<u>\$ -</u>

**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.

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:

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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	\$ 14,318,820	\$ -	\$ -	\$ 14,318,820	\$ -
Local municipal bonds	517,623	-	246,348	271,275	-
Federal agency securities	20,932,415	-	-	20,932,415	-
Corporate medium term notes	11,023,297	4,975,175	-	6,048,122	-
Negotiable certificate of deposit	7,745,258	6,379,717	241,859	1,123,682	-
Money market mutual funds	10,511,839	10,511,839	-	-	-
State investment pool	74,906,388	74,906,388	-	-	-
	139,955,640	96,773,119	488,207	42,694,314	-
<u>Held by bond trustee:</u>					
Money market mutual funds	4,668,985	4,668,985	-	-	-
	4,668,985	4,668,985	-	-	-
<b>Total</b>	<b>\$ 144,624,625</b>	<b>\$ 101,442,104</b>	<b>\$ 488,207</b>	<b>\$ 42,694,314</b>	<b>\$ -</b>

**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, 2022

Investment Type		Minimum		Rating as of Year End			
		Legal	Exempt from				
		Rating	Disclosure	AAA	AA	A	Not Rated
U.S. treasury notes	\$ 14,318,820	N/A	\$ -	\$ -	\$ -	\$ -	\$ 14,318,820
Local municipal bonds	517,623	N/A	-	-	-	-	517,623
Federal agency securities	20,932,415	N/A	-	-	20,932,415	-	-
Corporate medium term notes	11,023,297	A	-	-	11,023,297	-	-
Negotiable certificate of deposit	7,745,258	N/A	-	-	-	-	7,745,258
Money market mutual funds	10,511,839	N/A	-	-	-	10,511,839	-
State investment pool	74,906,388	N/A	-	-	-	-	74,906,388
	139,955,640		-	-	31,955,712	10,511,839	97,488,089
Held by bond trustee							
Money market mutual funds	4,668,985	A	-	4,668,985	-	-	-
	4,668,985		-	4,668,985	-	-	-
<b>TOTAL</b>	<b>\$ 144,624,625</b>		<b>\$ -</b>	<b>\$ 4,668,985</b>	<b>\$ 31,955,712</b>	<b>\$ 10,511,839</b>	<b>\$ 97,488,089</b>

**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	\$ 18,989,635

**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 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

# CITY OF TORRANCE, CALIFORNIA

## Notes to the Basic Financial Statements

Year ended June 30, 2022

deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2022, \$89,215,731 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 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, 2022 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$ 327,521	\$ (192,020)	\$ 135,501
Storm drain system	29,642	(10,794)	18,848
Sewer lines	77,407	(41,336)	36,071
Water system	129,140	(48,989)	80,151
	<u>\$ 563,710</u>	<u>\$ (293,139)</u>	<u>\$ 270,571</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

Capital Asset activity for the year ended June 30, 2022 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 81,743	\$ 1,446	\$ -	\$ -	\$ 83,189
Right-of-way	19,950	-	-	-	19,950
Construction in progress	20,440	22,619	(2,978)	-	40,081
Total capital assets not being depreciated	<u>122,133</u>	<u>24,065</u>	<u>(2,978)</u>	<u>-</u>	<u>143,220</u>
Capital assets being depreciated:					
Land improvements and buildings	109,901	1,522	-	-	111,423
Machinery and equipment	69,177	4,705	(676)	-	73,206
Infrastructure	355,858	4,420	-	-	360,278
Total capital assets being depreciated	<u>534,936</u>	<u>10,647</u>	<u>(676)</u>	<u>-</u>	<u>544,907</u>
Less accumulated depreciation for:					
Land improvements and buildings	(65,309)	(2,721)	-	-	(68,030)
Machinery and equipment	(45,884)	(5,048)	676	-	(50,256)
Infrastructure	(195,604)	(7,315)	-	-	(202,919)
Total accumulated depreciation	<u>(306,797)</u>	<u>(15,084)</u>	<u>676</u>	<u>-</u>	<u>(321,205)</u>
Total capital assets being depreciated, net	<u>228,139</u>	<u>(4,437)</u>	<u>-</u>	<u>-</u>	<u>223,702</u>
Governmental activities capital assets, net	<u>\$ 350,272</u>	<u>\$ 19,628</u>	<u>\$ (2,978)</u>	<u>\$ -</u>	<u>\$ 366,922</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 8,833	\$ -	\$ -	\$ -	\$ 8,833
Construction in progress	10,156	5,429	(2,850)	-	12,735
Capitalized construction interest	491	-	-	-	491
Total capital assets not being depreciated	<u>19,480</u>	<u>5,429</u>	<u>(2,850)</u>	<u>-</u>	<u>22,059</u>
Capital assets being depreciated:					
Infrastructure	200,296	3,136	-	-	203,432
Easement	1,743	-	-	-	1,743
Land improvements and buildings	19,641	157	-	-	19,798
Machinery and equipment	77,231	1,078	(1,649)	-	76,660
Furniture and fixtures	2,011	-	-	-	2,011
Total capital assets being depreciated	<u>300,922</u>	<u>4,371</u>	<u>(1,649)</u>	<u>-</u>	<u>303,644</u>
Less accumulated depreciation for:					
Infrastructure	(87,336)	(2,884)	-	-	(90,220)
Easement	(513)	(58)	-	-	(571)
Land improvements and buildings	(13,529)	(228)	-	-	(13,757)
Machinery and equipment	(52,581)	(5,151)	1,649	-	(56,083)
Furniture and fixtures	(1,801)	(133)	-	-	(1,934)
Total accumulated depreciation	<u>(155,760)</u>	<u>(8,454)</u>	<u>1,649</u>	<u>-</u>	<u>(162,565)</u>
Total capital assets being depreciated, net	<u>145,162</u>	<u>(4,083)</u>	<u>-</u>	<u>-</u>	<u>141,079</u>
Business-type activities capital assets, net	<u>\$ 164,642</u>	<u>\$ 1,346</u>	<u>\$ (2,850)</u>	<u>\$ -</u>	<u>\$ 163,138</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 \$538,770 and asset deductions amounted to \$637,757.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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

Governmental Activities:	
General government	\$ 4,991
Public safety	1,518
Public works	7,646
Community Development	99
Culture and recreation	830
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 15,084</u>
Business-type activities:	
Water	\$ 2,126
Sewer	1,238
Sanitation	979
Municipal Airport	213
Transit System	3,898
	<hr/>
Total depreciation expense - business-type activities	<u>\$ 8,454</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 \$1,332,982, and retirements of \$641,379. The result is a net deduction to accumulated depreciation in the amount of \$721,729.

**(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, 2022 is \$32,900.

**(5) Lease Receivables**

The City leases land and commercial spaces to multiple entities with agreements ranging from 7 to 88 years with interest rates between 2.24% and 2.53%. The City recognized \$804,496 of lease revenue during the fiscal year ended June 30, 2022, and reported \$184,079,130 and \$176,289,433 of lease receivables and deferred inflows of resources, respectively, as of June 30, 2022.

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are calculated as a percentage of the lessee's revenues. During the year ended June 30, 2022, the City received variable payments in the amount of \$2,635,419, which are recorded as revenue in the period the payment is received.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

A deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

The future lease receipts are as follows (in thousands):

	Principal	Interest	Total
Year ending June 30:			
2023	\$ 6,270	\$ 4,355	\$ 10,625
2024	6,569	4,247	10,816
2025	6,031	4,121	10,152
2026	4,730	4,033	8,763
2027	4,964	3,956	8,920
2028 to 2032	23,980	18,296	42,276
2033 to 2037	19,674	15,566	35,240
2038 to 2042	18,924	13,164	32,088
2043 to 2047	17,668	10,673	28,341
2048 to 2052	20,092	8,272	28,364
2053 to 2057	11,368	6,203	17,571
2058 to 2062	12,009	4,830	16,839
2063 to 2067	15,319	3,119	18,438
2068 to 2072	16,481	1,022	17,503
	\$ 184,079	\$ 101,857	\$ 285,936

**(6) Long-term Debt**

**a) Certificates of Participation**

***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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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.

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, 2022.

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 \$20,030,000 remains outstanding as of June 30, 2022.

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2023	\$ 470	\$ 787	\$ 1,257
2024	490	768	1,258
2025	510	748	1,258
2026	530	727	1,257
2027	550	705	1,255
2028 to 2032	3,205	3,086	6,291
2033 to 2037	3,905	2,382	6,287
2038 to 2042	4,665	1,621	6,286
2043 to 2047	5,705	590	6,295
	<u>\$ 20,030</u>	<u>\$ 11,414</u>	<u>\$ 31,444</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 was 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).

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

There is no reserve requirement for the 2021 Lease Revenue Bonds. Pledged rental payments equaled debt service payment during fiscal year ended June 30, 2022.

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 \$347,500,000 remains outstanding as of June 30, 2022.

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
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	10,050	10,348	20,398
2028 to 2032	62,950	47,604	110,554
2033 to 2037	89,620	36,682	126,302
2038 to 2042	117,140	17,475	134,615
2043 to 2044	34,335	1,219	35,554
	<u>\$ 347,500</u>	<u>\$ 156,298</u>	<u>\$ 503,798</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, 2022.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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, 2022.

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
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	1,495	1,006	2,501
2028 to 2032	7,955	4,574	12,529
2033 to 2037	9,055	3,464	12,519
2038 to 2042	10,625	1,898	12,523
2043 to 2044	4,755	242	4,997
	<u>\$ 39,725</u>	<u>\$ 15,365</u>	<u>\$ 55,090</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, 2022 is \$1,162,320. The related debt is considered to be capital debt.

The future easement obligations at June 30, 2022 are as follows (in thousands):

	Water Enterprise Fund
Year ending June 30:	
2023	\$ 58
2024	58
2025	58
2026	58
2027	58
2028 to 2032	291
2033 to 2037	291
2038 to 2042	290
	<u>\$ 1,162</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

***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 \$3,413,851 remains outstanding as of June 30, 2022.

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

	Water Fund Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2023	\$ 567	\$ 77	\$ 644
2024	581	64	645
2025	595	50	645
2026	609	36	645
2027	623	21	644
2028	439	7	446
	\$ 3,414	\$ 255	\$ 3,669

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

**(7) 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, 2022 (in thousands):

<b>Governmental Activities:</b>	Balance June 30, 2021	Incurred or Issued	Satisfied or Matured	Balance June 30, 2022	Amounts due within One Year	Amounts Due in more than One Year
Other Long-term Liabilities						
Compensated absences payable	\$ 23,738	5,400	6,487	\$ 22,651	5,889	16,762
Notes payable	-	1,561	209	1,352	213	1,139
Claims & judgments (note 14)	64,863	21,405	13,254	73,014	14,178	58,836
Other Debt						
Certificates of Participation:						
2016 refunding certificates	20,480	-	450	20,030	470	19,560
2016 premium	1,468	-	58	1,410	-	1,410
Lease Revenue Bonds:						
2020 lease revenue bonds	349,515	-	2,015	347,500	7,415	340,085
2021 lease revenue bonds	39,725	-	-	39,725	1,445	38,280
<b>Total Governmental     Activities</b>	<b>\$499,789</b>	<b>28,366</b>	<b>22,473</b>	<b>\$ 505,682</b>	<b>29,610</b>	<b>476,072</b>
<b>Business-Type Activities:</b>						
Other Long-term Liabilities						
Compensated absences payable	\$ 2,259	564	696	\$ 2,127	553	1,574
Direct Borrowings						
Easement payable - Water Fund	1,221	-	59	1,162	58	1,104
Installment Sale Agreement - Water Fund	3,968	-	554	3,414	567	2,847
<b>Total Business-Type Activities</b>	<b>\$ 7,448</b>	<b>564</b>	<b>1,309</b>	<b>\$ 6,703</b>	<b>1,178</b>	<b>5,525</b>

***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 \$9,000,306 and \$2,126,755 respectively. The unfunded portion, amounting to \$13,650,823 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.

***Notes Payable***

The City entered into a 7-year municipal lease-to-own financing with Republic First National to purchase eight ambulances from Southwest Ambulance Sales LLC in the amount of \$1,560,528, with a total interest cost of \$138,391 at an annual rate of 2.17%. The annual payment is payable on March 15, and at the end of the term, the City will own the ambulances. As of June 30, 2022, \$1,351,696 of principal remains outstanding.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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

**(8) Pension Plan**

The following is a summary of pension related items for the year ended June 30, 2022:

	<b>Pension Asset</b>	<b>Pension Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Pension Expense / (Income)</b>
CalPERS Miscellaneous	\$ (40,815,664)	\$ -	\$ 11,208,576	\$ (71,096,658)	\$ (11,255,719)
CalPERS Safety – Police	(24,471,391)	-	13,409,903	(59,132,381)	(96,767)
CalPERS Safety – Fire	(14,729,840)	-	8,584,927	(37,687,340)	(1,072,439)
PARS (see Note 9)	-	14,884,244	2,883,755	(2,638,641)	1,183,204
<b>Total</b>	<b>\$ (80,016,895)</b>	<b>\$ 14,884,244</b>	<b>\$ 36,087,161</b>	<b>\$ (170,555,020)</b>	<b>\$ (11,241,721)</b>

***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

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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, 2022, are summarized as follows:

	<b>Miscellaneous</b>	
	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	9.532%	12.479%
Payment of unfunded liability	\$ 10,820,953	\$ -

	<b>Safety - Police</b>	
	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	27.269%	26.221% or 22.529%
Payment of unfunded liability	\$ 15,398,854	\$ -

	<b>Safety – Fire</b>	
	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	20.48%	20.822% or 22.549%
Payment of unfunded liability	\$ 9,810,412	\$ -

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

***Employees Covered***

At June 30, 2021 measurement date, the following employees were covered by the benefit terms for each Plan:

	<b>Miscellaneous</b>	<b>Safety - Police</b>	<b>Safety - Fire</b>
Inactive employees or beneficiaries currently receiving benefits	1,173	391	220
Inactive employees entitled to but not yet receiving benefits	1,191	105	39
Active employees	974	197	134
<b>Total</b>	<b>3,338</b>	<b>693</b>	<b>393</b>

***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, 2021 (the measurement date), the average active employee contribution rate is 6.92 percent for Miscellaneous, 9.47 percent for Safety – Police and 9.40 percent for Safety – Fire, of annual pay, and the employer’s contribution rate is 17.66 percent for Miscellaneous, 43.29 percent for Safety – Police and 37.58 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, 2022

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The June 30, 2020 valuation was rolled forward to determine the June 30, 2021 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	7.00% 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, 2022

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

<b>Asset Class <sup>1</sup></b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 – 10<sup>2</sup></b>	<b>Real Return Years 11+<sup>3</sup></b>
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)
<b>Total</b>	<b>100.00%</b>		

<sup>1</sup>In the CalPERS ACFR, 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

<sup>2</sup>An expected inflation of 2.0% used for this period

<sup>3</sup>An expected inflation of 2.92% used for this period

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

***Changes in Net Pension Liability***

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

	<b>Miscellaneous</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (c) = (a) - (b)</b>
<b>Balance at: 6/30/2020</b>	<b>\$ 679,194,766</b>	<b>\$ 543,859,078</b>	<b>\$ 135,335,688</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	10,755,852	-	10,755,852
Interest on the Total Pension Liability	47,495,199	-	47,495,199
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	(2,912,611)	-	(2,912,611)
Changes of Assumptions	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	93,550,447	(93,550,447)
Contributions from Employees	-	4,684,750	(4,684,750)
Net Investment Income	-	133,797,877	(133,797,877)
Administrative Expense	-	(543,282)	543,282
Benefit Payments, including Refunds of Employee Contributions	(34,783,119)	(34,783,119)	-
Other Miscellaneous Income/(Expense)	-	-	-
<b>Net Changes during 2020-21</b>	<b>20,555,321</b>	<b>196,706,673</b>	<b>(176,151,352)</b>
<b>Balance at: 6/30/2021</b>	<b>\$ 699,750,087</b>	<b>\$ 740,565,751</b>	<b>\$ (40,815,664)</b>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

	<b>Safety - Police</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (c) = (a) - (b)</b>
<b>Balance at: 6/30/2020</b>	<b>\$ 606,144,084</b>	<b>\$ 381,000,668</b>	<b>\$ 225,143,416</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	10,297,994	-	10,297,994
Interest on the Total Pension Liability	42,612,265	-	42,612,265
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	1,634,984	-	1,634,984
Changes of Assumptions	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	189,129,627	(189,129,627)
Contributions from Employees	-	3,136,916	(3,136,916)
Net Investment Income	-	112,274,103	(112,274,103)
Administrative Expense	-	(380,596)	380,596
Benefit Payments, including Refunds of Employee Contributions	(33,904,651)	(33,904,651)	-
Other Miscellaneous Income/(Expense)	-	-	-
<b>Net Changes during 2020-21</b>	<b>20,640,592</b>	<b>270,255,399</b>	<b>(249,614,807)</b>
<b>Balance at: 6/30/2021</b>	<b>\$ 626,784,676</b>	<b>\$ 651,256,067</b>	<b>\$ (24,471,391)</b>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

	<b>Safety - Fire</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (c) = (a) - (b)</b>
<b>Balance at: 6/30/2020</b>	<b>\$ 386,731,525</b>	<b>\$ 253,021,403</b>	<b>\$ 133,710,122</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	5,145,012	-	5,145,012
Interest on the Total Pension Liability	27,147,256	-	27,147,256
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	1,655,408	-	1,655,408
Changes of Assumptions	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	109,127,284	(109,127,284)
Contributions from Employees	-	1,785,080	(1,785,080)
Net Investment Income	-	71,728,027	(71,728,027)
Administrative Expense	-	(252,753)	252,753
Benefit Payments, including Refunds of Employee Contributions	(22,555,084)	(22,555,084)	-
Other Miscellaneous Income/(Expense)	-	-	-
<b>Net Changes during 2020-21</b>	<b>11,392,592</b>	<b>159,832,554</b>	<b>(148,439,962)</b>
<b>Balance at: 6/30/2021</b>	<b>\$ 398,124,117</b>	<b>\$ 412,853,957</b>	<b>\$ (14,729,840)</b>

***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:

	<b>Discount Rate – 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Plan’s Net Pension Liability – Miscellaneous	\$ 46,760,458	\$ (40,815,664)	\$ (113,717,386)
Plan’s Net Pension Liability – Safety-Police	\$ 56,450,417	\$ (24,471,391)	\$ (91,243,088)
Plan’s Net Pension Liability – Safety-Fire	\$ 33,544,958	\$ (14,729,840)	\$ (54,929,543)

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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

For the measurement period ending June 30, 2021, the City recognized a pension income of \$11,255,719 for the Miscellaneous Plan, \$96,767 for the Safety-Police Plan and \$1,072,439 for the Safety-Fire Plan.

As of June 30, 2022, the City has deferred outflows and deferred inflows of resources related to the Plans as follows:

<b>Miscellaneous</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension Contributions Subsequent to Measurement Date	\$ 11,208,576	\$ -
Differences between Expected and Actual Experience	-	(3,336,878)
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(67,759,780)
<b>Total</b>	\$ 11,208,576	\$ (71,096,658)

<b>Safety - Police</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension Contributions Subsequent to Measurement Date	\$ 12,143,202	\$ -
Differences between Expected and Actual Experience	1,266,701	-
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(59,132,381)
<b>Total</b>	\$ 13,409,903	\$ (59,132,381)

<b>Safety - Fire</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension Contributions Subsequent to Measurement Date	\$ 6,341,996	\$ -
Differences between Expected and Actual Experience	2,242,931	(155,071)
Changes of Assumptions	-	(48,255)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(37,484,014)
<b>Total</b>	\$ 8,584,927	\$ (37,687,340)

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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 \$11,208,576, \$12,143,202 and \$6,341,996, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<b>Deferred Outflows/(Inflows) of Resources</b>	<b>Deferred Outflows/(Inflows) of Resources</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
<b>Measurement Period Ending June 30</b>	<b>Miscellaneous</b>	<b>Safety - Police</b>	<b>Safety - Fire</b>
2023	\$ (19,427,742)	\$ (14,287,657)	\$ (8,280,586)
2024	(16,820,052)	(13,415,839)	(8,385,826)
2025	(16,309,862)	(14,283,014)	(8,679,127)
2026	(18,539,002)	(15,879,170)	(10,098,870)
2027	-	-	-
Thereafter	-	-	-

**(9) 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, 2022

Employees covered – At June 30, 2021 (measurement date), the following employees were covered by the benefit term for the Plan:

Retirees	142
Vested terminations	46
Active employees	<u>77</u>
Total	<u>265</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, 2022, is based on an actuarial valuation as of June 30, 2020. For the fiscal year ended June 30, 2022, the City’s annual pension cost is \$1,183,204. The City contributed \$1,563,000 to the plan.

Measurement Date:	June 30, 2021
Actuarial Valuation Date:	June 30, 2021
Asset Valuation Method:	Investment gains and losses over 5 year period, not less than 80% nor more than 120% of market value
Discount rate:	5.25%
Mortality:	CalPERS’ 2000-2019 Experience Study
General Inflation:	2.5%
Cost of Living Adjustment:	2%
Termination:	CalPERS’ 2000-2019 Experience Study
Salary Increases:	Varies by entry age and service
Retirement Age:	CalPERS’ 2000-2019 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, 2022

***Discount Rate***

The discount rate used to measure the total pension liability was 5.25 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 5.25 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)
<b>Balance at: 6/30/2020</b>	<b>\$ 33,164,187</b>	<b>\$ 16,454,366</b>	<b>\$ 16,709,821</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	418,495	-	418,495
Interest on the total pension liability	1,891,988	-	1,891,988
Differences between actual and expected experience	(1,006,503)	-	(1,006,503)
Change of assumptions	2,088,141	-	2,088,141
Contributions from the employer	-	1,512,000	(1,512,000)
Investment income	-	3,753,615	(3,753,615)
Administrative expense	-	(47,917)	47,917
Benefit payments, including refunds	(1,357,066)	(1,357,066)	-
<b>Net Changes</b>	<b>2,035,055</b>	<b>3,860,632</b>	<b>(1,825,577)</b>
<b>Balance at: 6/30/2021</b>	<b>\$ 35,199,242</b>	<b>\$ 20,314,998</b>	<b>\$ 14,884,244</b>

***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 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.25%) or 1 percentage-point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability	\$ 19,597,392	\$ 14,884,244	\$ 10,967,404

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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

For the measurement period ending June 30, 2021 (the measurement date), the City recognized a pension expense of \$1,183,204 for the Plan.

As of June 30, 2022, the City has deferred outflows and deferred inflows of resources related to the Plan as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 643,724
Changes of assumptions	1,320,755	-
Net difference between projected and actual earnings on plan investments	-	1,994,917
Employer contributions made subsequent to the measurement date	1,563,000	-
<b>Total</b>	\$ 2,883,755	\$ 2,638,641

As of June 30, 2022, deferred outflows of resources related to employer contributions subsequent to the measurement date in the amount of \$1,563,000 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:

<b>Measurement Period Ending June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2023	\$ (93,316)
2024	(198,499)
2025	(472,924)
2026	(553,147)
2027	-
Thereafter	-

**(10) 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 are

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefits	807
Inactive employees entitled to but not yet receiving benefits	453
Active employees	<u>1,261</u>
Total	<u><u>2,521</u></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, 2021, the City’s cash contributions were \$5,957,000 in payments to the Trust.

***Net Other Postemployment Benefit (OPEB) Liability***

The City’s net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021.

***Actuarial Methods and Assumptions***

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions:

Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021
Actuarial Cost Method	Entry age normal, level percentage of payroll
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.5%
Salary Increases	Aggregate – 2.75%, Merit - CalPERS 2000-2019 assumptions
Investment Rate of Return	6.75%
Medical Trend	Non-Medicare – 6.50%, Medicare – 5.65%, decreasing to 3.75%
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

The target allocation shown below was adopted by CERBT effective March 2022.

<b>Asset Class</b>	<b>Strategic Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	59%	4.56%
Fixed Income	25	0.78
TIPS	5	(0.08)
Commodities	3	1.22
REITs	8	4.06
Total	100%	

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.25%. 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.

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Year ended June 30, 2022

***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 (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
<b>Balance at: 6/30/2020</b>	<b>\$ 72,460,459</b>	<b>\$ 27,848,254</b>	<b>\$ 44,612,205</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	1,857,231	-	1,857,231
Interest on the Total OPEB Liability	4,879,287	-	4,879,287
Changes of Benefit Terms	5,549,078	-	5,549,078
Differences between Expected and Actual Experience	(5,078,087)	-	(5,078,087)
Changes of Assumptions	2,011,737	-	2,011,737
Contributions from the Employer	-	5,781,000	(5,781,000)
Contributions from Employees	-	-	-
Net Investment Income	-	9,263,758	(9,263,758)
Administrative Expense	-	(27,144)	27,144
Benefit Payments	(4,063,915)	(4,063,915)	-
<b>Net Changes during 2020-21</b>	<b>5,155,331</b>	<b>10,953,699</b>	<b>(5,798,368)</b>
<b>Balance at: 6/30/2021</b>	<b>\$ 77,615,790</b>	<b>\$ 38,801,953</b>	<b>\$ 38,813,837</b>

***Change of Assumptions***

The discount rate was updated based on newer capital market assumptions. The inflation changed from 2.75% to 2.50%, decreasing the discount rate, aggregate pay increases, and medical trend by 0.25%. The mortality improvement scale was updated to Scale MP-2021.

***Change of Benefit Terms***

The City contribution to Police Yearly Stipend increased from 1.5% to 2.0% of payroll effective July 1, 2020.

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Notes to the Basic Financial Statements

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***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 6.25%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1 percentage-point higher (7.25%) than the current rate:

	<b>Discount Rate – 1% (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>Discount Rate + 1% (7.25%)</b>
Net OPEB Liability	\$ 48,989,531	\$ 38,813,837	\$ 30,425,590

***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 – 6.50% and Medicare – 5.65%, 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 – 5.50%, Medicare – 4.65%) or 1 percentage-point higher (Non-Medicare – 7.50%, Medicare – 6.65%) than the current rates:

	<b>Medical Trend Rates – 1% (5.50% and 4.65%)</b>	<b>Current Medical Trend Rates (6.50% and 5.65%)</b>	<b>Medical Trend Rates + 1% (7.50% and 6.65%)</b>
Net OPEB Liability	\$ 33,175,240	\$ 38,813,837	\$ 45,804,184

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

For the measurement period ending June 30, 2021, the City recognized OPEB expense of \$7,799,116.

As of June 30, 2022, the City has deferred outflows and deferred inflows of resources related to OPEB as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB Contributions Subsequent to Measurement Date	\$ 5,957,000	\$ -
Differences between Expected and Actual Experience	-	5,079,041
Changes of Assumptions	1,687,263	165,000
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	5,093,769
<b>Total</b>	<b>\$ 7,644,263</b>	<b>\$ 10,337,810</b>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

Deferred outflows of resources related to contributions subsequent to the measurement date reported above in the amounts of \$5,957,000, 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:

	<b>Deferred Outflows/(Inflows) of Resources</b>
<b>Year Ending June 30</b>	<b>Miscellaneous</b>
2023	\$ (2,139,394)
2024	(2,088,394)
2025	(1,930,393)
2026	(1,898,876)
2027	(494,572)
Thereafter	(98,918)

**(11) 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, 2022

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

**(12) Other Required Individual Fund Disclosures**

***Interfund Transactions – Due to/Due from Other Funds***

Interfund receivable and payable balances at June 30, 2022 were as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Measure R Local Return and Highway Fund	\$ 6,912
General Fund	Nonmajor Governmental Funds	2,266
		\$ 9,178

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, 2022 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, 2022 were as follows (in thousands):

Receivable Fund	Amount
General Fund	\$ 5,200
Nonmajor Governmental Funds	1,596
Water Enterprise Fund	1,184
	\$ 7,981

The advances to the Successor Agency Trust represents loans to fund infrastructure improvements and Supplemental Educational Revenue Augmentation Fund (SERAF) payments. As required by

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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 21.

**(13) Transfers In and Out**

The balances of transfers between funds for the year ended June 30, 2022 were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Water Enterprise Fund	\$ 13
	Sewer Enterprise Fund	8
	Nonmajor Enterprise Fund	199
	Internal Service Funds	12,000
	Nonmajor Governmental Funds	<u>1,734</u>
		<u>13,954</u>
Transit System Enterprise Fund	General Fund	56
	Nonmajor Enterprise Fund	<u>7</u>
		<u>63</u>
Water Enterprise Fund	General Fund	13
	Nonmajor Enterprise Fund	<u>3</u>
		<u>16</u>
Municipal Airport Enterprise Fund	General Fund	10,742
	Nonmajor Governmental Funds	67
	Nonmajor Enterprise Fund	<u>30</u>
		<u>10,839</u>
Internal Service Funds	General Fund	20
	Nonmajor Enterprise Fund	<u>17</u>
		<u>37</u>
Nonmajor Enterprise Fund	General Fund	<u>16</u>
Nonmajor Governmental Funds	General Fund	2,269
	Transit System Enterprise Fund	2,674
	Nonmajor Governmental Funds	<u>1,177</u>
		<u>6,120</u>
Total		\$ <u><u>31,045</u></u>

## CITY OF TORRANCE, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2022

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 Capital Improvement Fund (a nonmajor governmental fund) represents contributions to fund various capital projects;
- 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;
- Transfers to the General Fund from the Gas Tax Fund (a nonmajor governmental fund) represent transfers to fund various street-related operations.

#### **(14) 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.

**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.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

As of June 30, 2022, \$50,673,774 and \$22,340,223 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>
2020-21	\$ 59,312	11,411	(5,860)	\$ 64,863
2021-22	\$ 64,863	21,903	(13,752)	\$ 73,014

**(15) Due from Other Governments**

Amounts due from other governments consisted of the following at June 30, 2022 (in thousands):

	<u>State of California</u>	<u>Federal Agencies</u>	<u>County of Los Angeles</u>	<u>Total</u>
Governmental Funds:				
General Fund	\$ 10,797	\$ -	\$ 2,834	\$ 13,631
Measure R Highway Fund	-	-	3,305	3,305
Other Governmental Funds:				
DNA Sampling Fund	-	-	2	2
State Gas Tax Improvement Fund	783	-	-	783
Grants and Donation Fund	-	-	183	183
CDBG Fund	-	-	208	208
Measure M Grant Fund	-	-	312	312
Street Lighting Assessment Fund	-	-	42	42
Enterprise Funds:				
Transit System Fund	-	5,564	655	6,219
<b>Total</b>	<u>\$ 11,580</u>	<u>\$ 5,564</u>	<u>\$ 7,541</u>	<u>\$ 24,685</u>

**(16) Unearned Revenue**

The table that follows shows activity for the City's unearned revenue accounts as of June 30, 2022. 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 2022. In May and June of 2022, the Parks and Recreation program of the General Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July 2022.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

**Unearned Revenue Activity for Fiscal Year Ended June 30, 2022  
(in thousands)**

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2022</u>
Governmental Funds:				
Parks and Recreation revenues received				
in May and June for July classes	\$ 391	\$ 496	\$ 391	\$ 496
Section 8 Housing - Emergency				
Housing Voucher	58	-	29	29
Section 8 Housing CARES Grant	161	-	161	-
Total governmental funds	<u>610</u>	<u>496</u>	<u>581</u>	<u>525</u>
Enterprise Funds:				
Transit Security Reserve	1,189	120	-	1,309
Transit Prop 1B	2,054	14	350	1,718
Transit Prop C (MOSIP)	2,241	-	5	2,236
Transit Measure R Capital	137	-	137	-
Transit Cap and Trade Capital	378	3	-	381
Airport rents received for July	363	2,925	2,961	327
Total Enterprise Funds	<u>6,362</u>	<u>3,062</u>	<u>3,453</u>	<u>5,971</u>
Total	<u>\$ 6,972</u>	<u>\$ 3,558</u>	<u>\$ 4,034</u>	<u>\$ 6,496</u>

**(17) Deficit Fund Equity (Accumulated Deficit)**

The Community Development Block Grant Fund, a special revenue fund, has an accumulated deficit of \$18,230 at June 30, 2022. Such deficit is attributed to a retention withheld by the City from a construction contract that will be released upon project completion and will then be submitted to the grantor for reimbursement. The grantor also withholds 5% retention on funding reimbursements.

The Self-Insurance Fund, an internal service fund, has an accumulated deficit of \$62,166,388 at June 30, 2022. 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, 2022. These deficits are primarily due to implementation of GASB

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

Statement No. 68, Accounting and Financial Reporting for Pensions and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

**(18) Prior Period Adjustment**

During the year ended June 30, 2022, 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 loan principal and interest balance from the Former Redevelopment Agency.

The City adjusted the beginning fund balance of the Special Revenue Funds and the beginning net position of the Custodial Funds due to the implementation of GASB 84 on Fiduciary Activities. Upon evaluation of previously classified Custodial Funds, the City has determined that the Special Deposits Fund, the Environmental Fund and the Torrance Tourism Business Improvement District Fund should be reported as Special Revenue Funds due to the nature of their transactions. Only the Environmental Fund has a beginning fund balance.

The City also adjusted the beginning net position in the Governmental Activities and the Municipal Airport Enterprise Fund as a result of the implementation of GASB87 on Lease Accounting.

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Low Mod Housing Fund</u>	<u>Environmental Fund</u>	<u>Park Equipment Replacement Fund</u>
Fund balance/Net position, beginning	\$ (162,575,679)	\$ 31,960,640	\$ 2,697,270	\$ -	\$ 236,723
Adjustment to loan balance	(554,824)	(408,810)	(110,965)	-	-
Adjustment to funds reclassified as Special Revenue Funds per GASB84	150,329	-	-	150,329	-
Adjustment to GASB87 lease revenues	59,708	-	-	-	24,659
Fund balance/Net position, beginning, as restated	<u>\$ (162,920,466)</u>	<u>\$ 31,551,830</u>	<u>\$ 2,586,305</u>	<u>\$ 150,329</u>	<u>\$ 261,382</u>

	<u>Business Type Activities</u>	<u>Municipal Airport Fund</u>
Fund balance/Net position, beginning	\$ 212,298,471	\$ 13,433,611
Adjustment to GASB87 lease revenues	4,372,200	4,372,200
Fund balance/Net position, beginning, as restated	<u>\$ 216,670,671</u>	<u>\$ 17,805,811</u>

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

	<u>Custodial Funds</u>	<u>Area G Citizen Corps Prog Fund</u>	<u>Property Room Evidence Fund</u>	<u>Interoperability Network of the South Bay Fund</u>
Fund balance/Net position, beginning	\$ -	\$ -	\$ -	\$ -
Adjustment for GASB84	2,896,723	358,977	1,397,651	1,140,095
Fund balance/Net position, beginning, as restated	<u>\$ 2,896,723</u>	<u>\$ 358,977</u>	<u>\$ 1,397,651</u>	<u>\$ 1,140,095</u>

**(19) 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 \$30,038,372 at June 30, 2022.

The balances of encumbrances and other commitments by funds at June 30, 2022 were as follows (in thousands):

Governmental Funds:

General Fund	\$ 1,671
Capital improvement funds	28,320
Nonmajor governmental funds	47
Total governmental funds	<u>\$ 30,038</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.

**(20) Fund Balance Policies of the General Fund**

The City will strive to maintain at the end of each fiscal year a General Fund Unassigned fund balance at a level that is equal to at least 20% of the fiscal year's General Fund Operating Fund budget appropriation, as amended. In a year in which the City falls short, a plan shall be identified to return to meet the 20% policy. Within this amount, City Council may set a portion aside under an Economic Anomaly Reserve. As of June 30, 2022, the unassigned fund balance of the General Fund includes an Economic Anomaly Reserve of \$8,081,449. Council approval will be required before expending funds from the Economic Anomaly Reserve.

## CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2022

### (21) 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 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.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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

	<b>Annual Debt Service Requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2023	\$ 1,370	\$ 524	\$ 1,894
2024	1,435	454	1,889
2025	1,515	380	1,889
2026	1,590	302	1,892
2027	1,665	221	1,886
2028 to 2029	3,585	181	3,766
	\$ 11,160	\$ 2,062	\$ 13,216

*Advances and Notes Payable*

At June 30, 2022, 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, 2022, the principal balance outstanding is \$12,733,970 and accrued interest is \$15,060,019.

*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 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.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

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)	\$2,665,678	\$1,904,400	71.4%

***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, 2022 (in thousands):

<b>Trust Activities:</b>	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	\$ 27,487	\$ 891	\$ 584	\$ 27,794	\$ 791	\$ 27,003
Other debt:						
Tax Allocation Bonds						
Downtown '18 project refunding	3,015	-	320	2,695	330	2,365
Downtown '18 project refunding - premium	336	-	46	290	-	290
Industrial '18 project refunding	9,465	-	1,000	8,465	1,040	7,425
Industrial '18 project refunding - premium	1,053	-	144	909	-	909
<b>Total Trust Activities</b>	<b>\$ 41,356</b>	<b>\$ 891</b>	<b>\$ 2,094</b>	<b>\$ 40,153</b>	<b>\$ 2,161</b>	<b>\$ 37,992</b>

***c) Advances from City – Successor Agency Advances***

The advances from the City to the Successor Agency Trust of \$7,980,645 represent loans to fund infrastructure improvements including debt related interest and SERAF payments.

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

The Successor Agency Trust has an accumulated deficit of \$45,641,034 as of June 30, 2022, which represents the inclusion of long-term advances and bond debt in excess of cash with fiscal agents including related interest.

**CITY OF TORRANCE, CALIFORNIA**

Notes to the Basic Financial Statements

Year ended June 30, 2022

*e) Prior Period Adjustment – Successor Agency Adjustment*

During the year ended June 30, 2022, the Successor Agency Trust adjusted the beginning net position as follows:

Net position, beginning as previously reported	\$(48,065,949)
Adjustment to correct loan receivable balance	<u>22,751</u>
Net position, beginning as restated	<u>\$(48,043,198)</u>

**(22) Subsequent Event**

On the June 7, 2022 Statewide Direct Primary Election ballot, the City residents voted in favor of Measure SST which would enact a transactions and use tax (TUT) of ½ cent on goods and merchandise sold in the City. With the passage of the measure, the City is estimated to collect an additional \$18 million in sales tax revenue annually. The change in sales tax rate has become effective on October 1, 2022, and the City is anticipated to collect \$13.5 million in the fiscal year ending June 30, 2023.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 19, 2022, 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, 2022

**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	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 *
<b>TOTAL PENSION LIABILITY</b>								
Service Cost	\$ 10,755,852	\$ 10,706,256	\$ 10,949,536	\$ 10,957,510	\$ 10,776,016	\$ 9,326,290	\$ 9,144,087	\$ 9,490,054
Interest	47,495,199	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	(2,912,611)	(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	(34,783,119)	(32,690,913)	(31,127,723)	(28,939,991)	(26,989,306)	(25,708,633)	(24,976,500)	(23,765,315)
<b>Net Change in Total Pension Liability</b>	<b>20,555,321</b>	<b>20,336,930</b>	<b>22,800,533</b>	<b>13,463,784</b>	<b>55,635,525</b>	<b>22,432,446</b>	<b>6,607,483</b>	<b>23,751,881</b>
<b>Total Pension Liability – Beginning</b>	<b>679,194,766</b>	<b>658,857,836</b>	<b>636,057,303</b>	<b>622,593,519</b>	<b>566,957,994</b>	<b>544,525,548</b>	<b>537,918,065</b>	<b>514,166,184</b>
<b>Total Pension Liability – Ending (a)</b>	<b>\$ 699,750,087</b>	<b>\$ 679,194,766</b>	<b>\$ 658,857,836</b>	<b>\$ 636,057,303</b>	<b>\$ 622,593,519</b>	<b>\$ 566,957,994</b>	<b>\$ 544,525,548</b>	<b>\$ 537,918,065</b>
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions – Employer	\$ 93,550,447	\$ 15,584,372	\$ 13,593,022	\$ 11,610,677	\$ 10,402,620	\$ 10,695,442	\$ 8,666,613	\$ 8,663,640
Contributions – Employee	4,684,750	4,742,292	4,681,095	4,804,470	4,751,970	4,489,879	4,427,144	4,631,916
Investment Income	133,797,877	26,295,191	33,414,583	40,668,268	49,956,056	2,292,263	10,203,028	70,021,160
Administrative Expense	(543,282)	(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	(34,783,119)	(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)	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>196,706,673</b>	<b>13,182,819</b>	<b>20,197,877</b>	<b>25,953,411</b>	<b>37,460,708</b>	<b>(8,509,836)</b>	<b>(2,193,517)</b>	<b>58,968,063</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>543,859,078</b>	<b>530,676,259</b>	<b>510,478,382</b>	<b>484,524,971</b>	<b>447,064,263</b>	<b>455,574,099</b>	<b>457,767,616</b>	<b>398,799,553</b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>\$ 740,565,751</b>	<b>\$ 543,859,078</b>	<b>\$ 530,676,259</b>	<b>\$ 510,478,382</b>	<b>\$ 484,524,971</b>	<b>\$ 447,064,263</b>	<b>\$ 455,574,099</b>	<b>\$ 457,767,616</b>
<b>Plan Net Pension Liability – Ending (a) - (b)</b>	<b>\$ (40,815,664)</b>	<b>\$ 135,335,688</b>	<b>\$ 128,181,577</b>	<b>\$ 125,578,921</b>	<b>\$ 138,068,548</b>	<b>\$ 119,893,731</b>	<b>\$ 88,951,449</b>	<b>\$ 80,150,449</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>105.83%</b>	<b>80.07%</b>	<b>80.54%</b>	<b>80.26%</b>	<b>77.82%</b>	<b>78.85%</b>	<b>83.66%</b>	<b>85.10%</b>
<b>Covered Payroll</b>	<b>\$ 74,945,198</b>	<b>\$ 75,648,179</b>	<b>\$ 77,403,884</b>	<b>\$ 74,413,027</b>	<b>\$ 72,998,617</b>	<b>\$ 70,886,923</b>	<b>\$ 69,039,875</b>	<b>\$ 66,675,430</b>
<b>Plan Net Pension Liability as a Percentage of Covered Payroll</b>	<b>-54.46%</b>	<b>178.90%</b>	<b>165.60%</b>	<b>168.76%</b>	<b>189.14%</b>	<b>169.13%</b>	<b>128.84%</b>	<b>120.21%</b>

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2022

**SAFETY - POLICE**

Fiscal Year	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 *
<b>TOTAL PENSION LIABILITY</b>								
Service Cost	\$ 10,297,994	\$ 10,266,470	\$ 10,135,377	\$ 9,617,998	\$ 9,591,564	\$ 8,469,089	\$ 8,309,481	\$ 8,460,366
Interest	42,612,265	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	1,634,984	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	(33,904,651)	(32,002,431)	(30,696,816)	(29,199,389)	(27,966,047)	(27,437,806)	(26,035,590)	(24,707,746)
<b>Net Change in Total Pension Liability</b>	<b>20,640,592</b>	<b>19,768,710</b>	<b>19,493,191</b>	<b>13,974,920</b>	<b>44,579,517</b>	<b>15,191,793</b>	<b>9,930,363</b>	<b>18,031,408</b>
<b>Total Pension Liability – Beginning</b>	<b>606,144,084</b>	<b>586,375,374</b>	<b>566,882,183</b>	<b>552,907,263</b>	<b>508,327,746</b>	<b>493,135,953</b>	<b>483,205,590</b>	<b>465,174,182</b>
<b>Total Pension Liability – Ending (a)</b>	<b>\$ 626,784,676</b>	<b>\$ 606,144,084</b>	<b>\$ 586,375,374</b>	<b>\$ 566,882,183</b>	<b>\$ 552,907,263</b>	<b>\$ 508,327,746</b>	<b>\$ 493,135,953</b>	<b>\$ 483,205,590</b>
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions – Employer	\$ 189,129,627	\$ 21,054,557	\$ 18,925,078	\$ 16,961,372	\$ 15,646,286	\$ 15,412,320	\$ 13,719,737	\$ 12,985,781
Contributions – Employee	3,136,916	2,993,505	2,983,799	2,728,055	2,554,857	2,841,688	2,724,184	3,740,084
Investment Income	112,274,103	18,488,022	23,344,017	28,673,867	35,441,336	1,582,749	7,263,861	50,235,622
Administrative Expense	(380,596)	(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	(33,904,651)	(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)	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>270,255,399</b>	<b>10,010,648</b>	<b>14,302,370</b>	<b>17,631,398</b>	<b>25,213,637</b>	<b>(7,796,667)</b>	<b>(2,688,699)</b>	<b>41,837,071</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>381,000,668</b>	<b>370,990,020</b>	<b>356,687,650</b>	<b>339,056,252</b>	<b>313,842,615</b>	<b>321,639,282</b>	<b>324,327,981</b>	<b>282,490,910</b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>\$ 651,256,067</b>	<b>\$ 381,000,668</b>	<b>\$ 370,990,020</b>	<b>\$ 356,687,650</b>	<b>\$ 339,056,252</b>	<b>\$ 313,842,615</b>	<b>\$ 321,639,282</b>	<b>\$ 324,327,981</b>
<b>Plan Net Pension Liability – Ending (a) - (b)</b>	<b>\$ (24,471,391)</b>	<b>\$ 225,143,416</b>	<b>\$ 215,385,354</b>	<b>\$ 210,194,533</b>	<b>\$ 213,851,011</b>	<b>\$ 194,485,131</b>	<b>\$ 171,496,671</b>	<b>\$ 158,877,609</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>103.90%</b>	<b>62.86%</b>	<b>63.27%</b>	<b>62.92%</b>	<b>61.32%</b>	<b>61.74%</b>	<b>65.22%</b>	<b>67.12%</b>
<b>Covered Payroll</b>	<b>\$ 36,949,943</b>	<b>\$ 36,495,812</b>	<b>\$ 37,037,648</b>	<b>\$ 36,159,856</b>	<b>\$ 35,008,338</b>	<b>\$ 34,532,099</b>	<b>\$ 33,611,327</b>	<b>\$ 32,875,017</b>
<b>Plan Net Pension Liability as a Percentage of Covered Payroll</b>	<b>-66.23%</b>	<b>616.90%</b>	<b>581.53%</b>	<b>581.29%</b>	<b>610.86%</b>	<b>563.20%</b>	<b>510.23%</b>	<b>483.28%</b>

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2022

SAFETY - FIRE								
Fiscal Year	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 *
<b>TOTAL PENSION LIABILITY</b>								
Service Cost	\$ 5,145,012	\$ 5,373,553	\$ 5,227,948	\$ 5,388,369	\$ 5,477,299	\$ 4,792,460	\$ 4,548,904	\$ 4,835,576
Interest	27,147,256	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	1,655,408	(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	(22,555,084)	(21,456,735)	(20,232,644)	(19,359,553)	(17,971,061)	(17,603,550)	(17,494,135)	(16,210,971)
<b>Net Change in Total Pension Liability</b>	<b>11,392,592</b>	<b>9,983,765</b>	<b>14,368,286</b>	<b>8,388,759</b>	<b>25,140,698</b>	<b>10,369,398</b>	<b>399,318</b>	<b>11,213,140</b>
<b>Total Pension Liability – Beginning</b>	<b>386,731,525</b>	<b>376,747,760</b>	<b>362,379,474</b>	<b>353,990,715</b>	<b>328,850,017</b>	<b>318,480,619</b>	<b>318,081,301</b>	<b>306,868,161</b>
<b>Total Pension Liability – Ending (a)</b>	<b>\$ 398,124,117</b>	<b>\$ 386,731,525</b>	<b>\$ 376,747,760</b>	<b>\$ 362,379,474</b>	<b>\$ 353,990,715</b>	<b>\$ 328,850,017</b>	<b>\$ 318,480,619</b>	<b>\$ 318,081,301</b>
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions – Employer	\$ 109,127,284	\$ 11,622,060	\$ 10,531,151	\$ 9,397,067	\$ 8,711,092	\$ 9,381,268	\$ 7,929,158	\$ 7,969,925
Contributions – Employee	1,785,080	1,711,907	1,802,278	1,715,776	1,759,306	1,645,230	1,582,829	1,677,069
Investment Income	71,728,027	12,375,436	15,731,227	19,484,911	24,165,084	1,103,442	4,937,128	34,621,145
Administrative Expense	(252,753)	(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	(22,555,084)	(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)	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>159,832,554</b>	<b>3,901,470</b>	<b>7,660,265</b>	<b>10,192,897</b>	<b>16,347,107</b>	<b>(5,607,275)</b>	<b>(3,279,780)</b>	<b>27,779,388</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>253,021,403</b>	<b>249,119,933</b>	<b>241,459,668</b>	<b>231,266,771</b>	<b>214,919,664</b>	<b>220,526,939</b>	<b>223,806,719</b>	<b>196,027,331</b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>\$ 412,853,957</b>	<b>\$ 253,021,403</b>	<b>\$ 249,119,933</b>	<b>\$ 241,459,668</b>	<b>\$ 231,266,771</b>	<b>\$ 214,919,664</b>	<b>\$ 220,526,939</b>	<b>\$ 223,806,719</b>
<b>Plan Net Pension Liability – Ending (a) - (b)</b>	<b>\$ (14,729,840)</b>	<b>\$ 133,710,122</b>	<b>\$ 127,627,827</b>	<b>\$ 120,919,806</b>	<b>\$ 122,723,944</b>	<b>\$ 113,930,353</b>	<b>\$ 97,953,680</b>	<b>\$ 94,274,582</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>103.70%</b>	<b>65.43%</b>	<b>66.12%</b>	<b>66.63%</b>	<b>65.33%</b>	<b>65.35%</b>	<b>69.24%</b>	<b>70.36%</b>
<b>Covered Payroll</b>	<b>\$ 27,089,986</b>	<b>\$ 25,179,302</b>	<b>\$ 25,674,381</b>	<b>\$ 25,623,573</b>	<b>\$ 24,462,329</b>	<b>\$ 23,651,743</b>	<b>\$ 22,790,050</b>	<b>\$ 22,209,834</b>
<b>Plan Net Pension Liability as a Percentage of Covered Payroll</b>	<b>-54.37%</b>	<b>531.03%</b>	<b>497.10%</b>	<b>471.91%</b>	<b>501.69%</b>	<b>481.70%</b>	<b>429.81%</b>	<b>424.47%</b>

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 years 2019-20 thru 2021-22 – there were no significant changes in assumption.

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

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2022

***Schedule of Plan Contributions***

<b>Miscellaneous</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15 *</b>
Actuarially Determined Contribution	\$ 11,208,576	\$ 16,843,019	\$ 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	(11,208,576)	(93,526,273)	(15,530,157)	(13,582,986)	(11,408,482)	(10,408,505)	(9,699,067)	(8,658,540)
Contribution Deficiency (Excess)	\$ -	\$ (76,683,254)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 74,945,198	\$ 75,648,179	\$ 77,403,884	\$ 74,413,027	\$ 72,998,617	\$ 70,886,923	\$ 69,039,875	\$ 66,675,430
Contributions as a Percentage of Covered Payroll	14.96%	22.26%	20.06%	18.25%	15.63%	14.68%	14.05%	12.99%
<b>Safety - Police</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15 *</b>
Actuarially Determined Contribution	\$ 12,143,202	\$ 23,112,845	\$ 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	(12,143,202)	(189,103,194)	(20,999,595)	(18,933,276)	(16,730,140)	(15,640,401)	(14,412,320)	(13,719,737)
Contribution Deficiency (Excess)	\$ -	\$ (165,990,349)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 36,949,943	\$ 36,495,812	\$ 37,037,648	\$ 36,159,856	\$ 35,008,338	\$ 34,532,099	\$ 33,611,327	\$ 32,875,017
Contributions as a Percentage of Covered Payroll	32.86%	63.33%	56.70%	52.36%	47.79%	45.29%	42.88%	41.73%
<b>Safety - Fire</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15 *</b>
Actuarially Determined Contribution	\$ 6,341,996	\$ 13,356,419	\$ 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	(6,341,996)	(109,115,882)	(11,610,002)	(10,524,771)	(9,272,712)	(8,711,092)	(8,381,268)	(7,929,158)
Contribution Deficiency (Excess)	\$ -	\$ (95,759,463)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 27,089,986	\$ 25,179,302	\$ 25,674,381	\$ 25,623,573	\$ 24,462,329	\$ 23,651,743	\$ 22,790,050	\$ 22,209,833
Contributions as a Percentage of Covered Payroll	23.41%	53.05%	45.22%	41.07%	37.91%	36.83%	36.78%	35.70%

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2022

**Notes to Schedule:**

Valuation Date	6/30/2020	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>								
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.50%	2.625%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll Growth	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.00% (2)	7.25% (2)	7.25% (2)	7.375% (2)	7.50% (2)	7.50% (2)	7.50% (2)	7.50% (2)
Retirement age	(5)	(5)	(4)	(4)	(4)	(3)	(3)	(3)
Mortality	(8)	(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 eight years are shown.

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2022

**2) PARS Enhanced Retirement Defined Benefit Pension Plan**

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

Fiscal Year	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15 *
Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 *
<b>TOTAL PENSION LIABILITY</b>								
Service Cost	\$ 418,495	\$ 441,715	\$ 493,000	\$ 518,000	\$ 480,000	\$ 504,000	\$ 504,000	\$ 557,000
Interest	1,891,988	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 Experience	(1,006,503)	-	(280,000)	-	(118,000)	-	(772,000)	-
Changes of Assumptions	2,088,141	-	144,000	-	950,000	-	821,000	-
Benefit Payments, Including Refunds	(1,357,066)	(1,240,507)	(1,144,000)	(1,068,000)	(945,000)	(844,000)	(756,000)	(673,000)
Net Change in Total Pension Liability	<b>2,035,055</b>	<b>1,038,187</b>	<b>998,000</b>	<b>1,171,000</b>	<b>2,108,000</b>	<b>1,324,000</b>	<b>1,378,000</b>	<b>1,383,000</b>
Total Pension Liability – Beginning	<b>33,164,187</b>	<b>32,126,000</b>	<b>31,128,000</b>	<b>29,957,000</b>	<b>27,849,000</b>	<b>26,525,000</b>	<b>25,147,000</b>	<b>23,764,000</b>
Total Pension Liability – Ending (a)	<b>\$ 35,199,242</b>	<b>\$ 33,164,187</b>	<b>\$ 32,126,000</b>	<b>\$ 31,128,000</b>	<b>\$ 29,957,000</b>	<b>\$ 27,849,000</b>	<b>\$ 26,525,000</b>	<b>\$ 25,147,000</b>
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions – Employer	\$ 1,512,000	\$ 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	3,753,615	545,042	913,000	857,000	1,190,000	77,000	235,000	1,139,000
Administrative Expense	(47,917)	(31,969)	(33,000)	(45,000)	(31,000)	(48,000)	(28,000)	(45,000)
Benefit Payments, Including Refunds	(1,357,066)	(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	<b>3,860,632</b>	<b>782,366</b>	<b>1,246,000</b>	<b>1,252,000</b>	<b>1,736,000</b>	<b>534,000</b>	<b>798,000</b>	<b>1,723,000</b>
Plan Fiduciary Net Position – Beginning	<b>16,454,366</b>	<b>15,672,000</b>	<b>14,426,000</b>	<b>13,174,000</b>	<b>11,438,000</b>	<b>10,904,000</b>	<b>10,106,000</b>	<b>8,383,000</b>
Plan Fiduciary Net Position – Ending (b)	<b>\$ 20,314,998</b>	<b>\$ 16,454,366</b>	<b>\$ 15,672,000</b>	<b>\$ 14,426,000</b>	<b>\$ 13,174,000</b>	<b>\$ 11,438,000</b>	<b>\$ 10,904,000</b>	<b>\$ 10,106,000</b>
Plan Net Pension Liability – Ending (a) - (b)	<b>\$ 14,884,244</b>	<b>\$ 16,709,821</b>	<b>\$ 16,454,000</b>	<b>\$ 16,702,000</b>	<b>\$ 16,783,000</b>	<b>\$ 16,411,000</b>	<b>\$ 15,621,000</b>	<b>\$ 15,041,000</b>
Plan Fiduciary Net Position as a Percentage of the								
Total Pension Liability	57.71%	49.61%	48.78%	46.34%	43.98%	41.07%	41.11%	40.19%
Covered Payroll	\$ 9,235,008	\$ 10,286,106	\$ 11,318,533	\$ 11,518,508	\$ 13,423,893	\$ 14,409,690	\$ 15,371,654	\$ 15,757,979
Plan Net Pension Liability as a Percentage of								
Covered Payroll	161.17%	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 2021-22 – the mortality improvement projection was changed from scale MP-19 to MP-21.

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

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2022

***Schedule of Plan Contributions***

	Fiscal Year 2021-22	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	\$ 1,563,000	\$ 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	(1,563,000)	(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	\$ 15,371,654	\$ 15,757,979
Contributions as a Percentage of								
Covered Payroll	16.9%	14.7%	13.3%	13.1%	10.9%	10.6%	8.8%	8.5%

**Notes to Schedule:**

Valuation Date	6/30/2021	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:**

	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Actuarial cost method	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)	6.02% (1)
Amortization method	16 yrs	17 yrs	16 yrs	16 yrs	17 yrs	18 yrs	19 yrs	19 yrs
Amortization period	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Asset valuation method	2.50%	2.75%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%
Inflation	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Cost of living adjustment	5.75%	5.75%	6.75%	5.75%	6.25%	6.25%	6.25%	6.25%
Investment rate of return	(6)	(5)	(5)	(5)	(4)	(4)	(4)	(3)
Retirement age	(6)	(5)	(5)	(5)	(4)	(4)	(4)	(3)
Mortality	(6)	(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
- (6) CalPERS 2000-2019 Experience Study

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

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2022

**3) Other Postemployment Benefits**

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

Fiscal Year	2021-22	2020-21	2019-20	2018-19	2017-18 *
Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17 *
<b>TOTAL OPEB LIABILITY</b>					
Service Cost	\$ 1,857,231	\$ 1,803,137	\$ 1,724,000	\$ 1,674,000	\$ 1,625,000
Interest	4,879,287	4,696,322	4,647,000	4,475,000	4,319,000
Changes of Benefit Terms	5,549,078				
Difference between Expected and Actual Experience	(5,078,087)	-	(1,801,000)	-	-
Changes of Assumptions	2,011,737	-	(360,000)	-	-
Benefit Payments	(4,063,915)	(3,622,000)	(3,512,000)	(3,763,000)	(3,596,000)
Net Change in Total OPEB Liability	5,155,331	2,877,459	698,000	2,386,000	2,348,000
Total OPEB Liability – Beginning	72,460,459	69,583,000	68,885,000	66,499,000	64,151,000
Total OPEB Liability – Ending (a)	<u>\$ 77,615,790</u>	<u>\$ 72,460,459</u>	<u>\$ 69,583,000</u>	<u>\$ 68,885,000</u>	<u>\$ 66,499,000</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions – Employer	\$ 5,781,000	\$ 5,297,000	\$ 5,908,000	\$ 5,908,000	\$ 11,617,000
Contributions – Employee	-	-	-	-	-
Investment Income	9,263,758	1,164,007	1,630,000	1,799,000	1,457,000
Administrative Expense	(27,144)	(29,753)	(19,000)	(35,000)	(8,000)
Benefit Payments, Including Refunds	(4,063,915)	(3,622,000)	(3,512,000)	(3,763,000)	(3,596,000)
Net Change in Fiduciary Net Position	10,953,699	2,809,254	4,007,000	3,909,000	9,470,000
Plan Fiduciary Net Position – Beginning	27,848,254	25,039,000	21,032,000	17,123,000	7,653,000
Plan Fiduciary Net Position – Ending (b)	<u>38,801,953</u>	<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>\$ 38,813,837</u>	<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	50.0%	38.4%	36.0%	30.5%	25.7%
Covered Payroll	\$ 132,144,587	\$ 131,469,000	\$ 133,561,000	\$ 140,096,000	\$ 141,378,000
Plan Net OPEB Liability as a Percentage of Covered Payroll	29.4%	33.9%	33.4%	34.2%	34.9%

Notes to Schedule:

Benefit Changes:

Fiscal year 2021-22 – the City contribution to Police Yearly Stipend increased from 1.5% to 2.0% of payroll

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 2021-22 - the mortality improvement projection was updated to scale MP-21.

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

**CITY OF TORRANCE, CALIFORNIA**

Required Supplementary Information

Year ended June 30, 2022

***Schedule of Plan Contributions***

	<b>Fiscal Year 2021-22</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18 *</b>
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 5,957,000	\$ 5,781,000	\$ 5,297,000	\$ 5,908,000	\$ 6,105,000
Contribution Deficiency (Excess)	<u>(5,957,000)</u>	<u>(5,781,000)</u>	<u>(5,297,000)</u>	<u>(5,908,000)</u>	<u>(5,908,000)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,000</u>
Covered Payroll Contributions as a Percentage of Covered Payroll	\$ 135,000,968 4.4%	\$ 132,144,587 4.4%	\$ 131,469,000 4.0%	\$ 133,561,000 4.4%	\$ 140,096,000 4.2%

Notes to Schedule:

Methods and assumptions used to determine contribution rates -

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	16 year fixed period starting 2021/22
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Inflation	2.50%
Discount Rate	6.25%
Retirement Age	CalPERS 2000-2019 Experience Study
Mortality	CalPERS 2000-2019 Experience Study

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

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# COMBINING FINANCIAL STATEMENTS & SCHEDULES



# NON-MAJOR GOVERNMENTAL FUNDS



**TORRANCE  
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**CITY OF TORRANCE, CALIFORNIA**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Pooled cash and investments	\$ 60,497,916	\$ 9,231,326	\$ -	\$ 69,729,242
Cash and cash equivalents with fiscal agents	-	4,668,749	5,322	4,674,071
Accounts receivable	22,758	41,303	-	64,061
Accrued interest receivable	28,122	-	-	28,122
Advance to successor agency	1,596,128	-	-	1,596,128
Due from other governments	1,529,928	-	-	1,529,928
Interfund advances receivable	600,000	-	-	600,000
Notes receivable	32,900	-	-	32,900
Lease receivable	824,294	-	-	824,294
Prepays	26,663	-	-	26,663
<b>Total Assets</b>	<b>\$ 65,158,709</b>	<b>\$ 13,941,378</b>	<b>\$ 5,322</b>	<b>\$ 79,105,409</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,376,406	\$ 19,135	\$ -	\$ 1,395,541
Accounts payable - contract retention	64,967	60,579	-	125,546
Accrued liabilities	928,299	241,335	-	1,169,634
Due to other funds	2,265,939	-	-	2,265,939
Due to other governments	938	-	-	938
Unearned revenue	29,099	-	-	29,099
Deposits and guarantees	6,487,810	158,056	-	6,645,866
<b>Total Liabilities</b>	<b>11,153,458</b>	<b>479,105</b>	<b>-</b>	<b>11,632,563</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	1,016,128	-	-	1,016,128
Deferred leases	778,728	-	-	778,728
<b>Total Deferred inflows of resources</b>	<b>1,794,856</b>	<b>-</b>	<b>-</b>	<b>1,794,856</b>
<b>Fund Balances:</b>				
Nonspendable	606,663	-	-	606,663
Restricted	51,603,732	-	5,322	51,609,054
Assigned	-	13,462,273	-	13,462,273
<b>Total Fund Balances</b>	<b>52,210,395</b>	<b>13,462,273</b>	<b>5,322</b>	<b>65,677,990</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 65,158,709</b>	<b>\$ 13,941,378</b>	<b>\$ 5,322</b>	<b>\$ 79,105,409</b>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2022

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>				
Taxes	\$ 1,280,451	\$ -	\$ -	\$ 1,280,451
Licenses, fees and permits	1,463,729	-	-	1,463,729
Fines, forfeitures and penalties	406,387	-	-	406,387
Use of money and property	486,868	6,304	19,097,306	19,590,478
Intergovernmental	32,479,335	-	-	32,479,335
Other revenues	261,597	833,462	-	1,095,059
<b>Total revenues</b>	<b>36,378,367</b>	<b>839,766</b>	<b>19,097,306</b>	<b>56,315,439</b>
<b>Expenditures:</b>				
General government	167,342	1,030,332	-	1,197,674
Public safety	1,443,304	187,141	-	1,630,445
Public works	7,167,143	1,161,386	-	8,328,529
Culture and recreation	82,598	1,208,367	-	1,290,965
Community development	8,053,080	220,462	-	8,273,542
<b>Debt service:</b>				
Principal retirement	-	-	2,465,000	2,465,000
Interest and fiscal charges	-	-	17,838,542	17,838,542
<b>Total expenditures</b>	<b>16,913,467</b>	<b>3,807,688</b>	<b>20,303,542</b>	<b>41,024,697</b>
Excess (deficiency) of revenues over (under) expenditures	19,464,900	(2,967,922)	(1,206,236)	15,290,742
<b>Other financing sources (uses):</b>				
Transfers in	1,233,973	1,744,351	-	2,978,324
Transfers out	(6,120,384)	-	-	(6,120,384)
<b>Total other financing sources (uses)</b>	<b>(4,886,411)</b>	<b>1,744,351</b>	<b>-</b>	<b>(3,142,060)</b>
Net change in fund balances	14,578,489	(1,223,571)	(1,206,236)	12,148,682
Fund balances, July 1, 2021	37,567,883	14,685,844	1,211,558	53,465,285
Prior period adjustment (note 18)	64,023	-	-	64,023
Fund balances, June 30, 2022	<b>\$ 52,210,395</b>	<b>\$ 13,462,273</b>	<b>\$ 5,322</b>	<b>\$ 65,677,990</b>

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

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

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.

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.

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**CITY OF TORRANCE, CALIFORNIA**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2022

	<b>Parks and Recreation Facilities Fund</b>	<b>Rental Assistance Program Fund</b>	<b>Seismic Education Fund</b>	<b>Street Lighting District Assessment Fund</b>	<b>Drainage Improvement Fund</b>	<b>Parks, Rehabilitation and Open Space Fund</b>
<b>Assets</b>						
Pooled cash and investments	\$ 285,127	\$ 630,739	\$ 156,152	\$ 949,346	\$ 20,740	\$ 1,138,120
Accounts receivable	2,200	-	-	-	-	7,128
Accrued interest receivable	190	-	104	-	14	758
Advance to successor agency	-	-	-	-	-	-
Due from other governments	-	200	-	42,298	-	-
Interfund advances receivable	600,000	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Lease receivable	-	-	-	-	-	-
Prepays	-	-	-	-	-	-
Total assets	<u>\$ 887,517</u>	<u>\$ 630,939</u>	<u>\$ 156,256</u>	<u>\$ 991,644</u>	<u>\$ 20,754</u>	<u>\$ 1,146,006</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 301	\$ 1,377	\$ 85,383	\$ 309,800	\$ -	\$ -
Accounts payable - contract retention	480	-	-	-	-	-
Accrued liabilities	-	8,985	-	681,844	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	938	-	-	-	-
Unearned revenue	-	29,099	-	-	-	-
Deposits and guarantees	-	-	-	-	-	-
Total liabilities	<u>781</u>	<u>40,399</u>	<u>85,383</u>	<u>991,644</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Unavailable revenue	-	-	-	-	-	-
Deferred leases	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	886,736	590,540	70,873	-	20,754	1,146,006
Total fund balances	<u>886,736</u>	<u>590,540</u>	<u>70,873</u>	<u>-</u>	<u>20,754</u>	<u>1,146,006</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 887,517</u>	<u>\$ 630,939</u>	<u>\$ 156,256</u>	<u>\$ 991,644</u>	<u>\$ 20,754</u>	<u>\$ 1,146,006</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	Special Deposits Fund	Vanpool Rideshare Fund
\$ 241,419	\$ 9,663	\$ 3,542,839	\$ 6,163,916	\$ 7,710,097	\$ 9,226,189	\$ 2,313,257	\$ 3,693,660	\$ 8,426
13,077	-	-	-	-	-	15	-	256
161	6	2,359	4,104	11,276	-	19	-	5
-	-	-	-	-	-	-	-	-
-	-	-	-	312,129	-	183,007	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
824,294	-	-	-	-	-	-	-	-
-	-	-	-	-	-	26,663	-	-
<u>\$ 1,078,951</u>	<u>\$ 9,669</u>	<u>\$ 3,545,198</u>	<u>\$ 6,168,020</u>	<u>\$ 8,033,502</u>	<u>\$ 9,226,189</u>	<u>\$ 2,522,961</u>	<u>\$ 3,693,660</u>	<u>\$ 8,687</u>
\$ -	\$ -	\$ -	\$ 4,554	\$ 59,652	\$ 43,855	\$ 518,057	\$ 71,948	\$ 5,202
-	-	-	-	1,438	-	-	-	-
-	-	-	5,394	117,485	34,060	63,330	-	3,485
-	-	-	-	376,614	-	1,850,017	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	999	3,621,712	-
-	-	-	9,948	555,189	77,915	2,432,403	3,693,660	8,687
-	-	-	-	-	-	-	-	-
778,728	-	-	-	-	-	-	-	-
778,728	-	-	-	-	-	-	-	-
-	-	-	-	-	-	26,663	-	-
300,223	9,669	3,545,198	6,158,072	7,478,313	9,148,274	63,895	-	-
300,223	9,669	3,545,198	6,158,072	7,478,313	9,148,274	90,558	-	-
<u>\$ 1,078,951</u>	<u>\$ 9,669</u>	<u>\$ 3,545,198</u>	<u>\$ 6,168,020</u>	<u>\$ 8,033,502</u>	<u>\$ 9,226,189</u>	<u>\$ 2,522,961</u>	<u>\$ 3,693,660</u>	<u>\$ 8,687</u>

(continued)

**CITY OF TORRANCE, CALIFORNIA**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2022  
(continued)

	<b>Bicycle Transportation Fund</b>	<b>Low Mod Housing Fund</b>	<b>Development Impact Fund</b>	<b>Geologic Hazard Abatement Fund</b>	<b>State Gas Tax Street Improvement Fund</b>	<b>Environmental Fund</b>	<b>Air Quality Management District Fund</b>
<b>Assets</b>							
Pooled cash and investments	\$ 82,503	\$ 2,034,181	\$ 4,338,236	\$ 14,317	\$ 13,174,055	\$ 151,250	\$ 444,852
Accounts receivable	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	8,769	101	238
Advance to successor agency	-	1,596,128	-	-	-	-	-
Due from other governments	-	-	-	-	782,694	-	-
Interfund advances receivable	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Lease receivable	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-
Total assets	<u>\$ 82,503</u>	<u>\$ 3,630,309</u>	<u>\$ 4,338,236</u>	<u>\$ 14,317</u>	<u>\$ 13,965,518</u>	<u>\$ 151,351</u>	<u>\$ 445,090</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 78,378	\$ -	\$ -	\$ -	\$ 2,750	\$ -	\$ 5,561
Accounts payable - contract retention	4,125	-	-	-	49,574	-	-
Accrued liabilities	-	389	698	-	12,557	-	72
Due to other funds	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Deposits and guarantees	-	-	2,819,573	-	-	-	-
Total liabilities	<u>82,503</u>	<u>389</u>	<u>2,820,271</u>	<u>-</u>	<u>64,881</u>	<u>-</u>	<u>5,633</u>
Deferred inflows of resources:							
Unavailable revenue	-	1,016,128	-	-	-	-	-
Deferred leases	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>1,016,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Nonspendable	-	580,000	-	-	-	-	-
Restricted	-	2,033,792	1,517,965	14,317	13,900,637	151,351	439,457
Total fund balances	<u>-</u>	<u>2,613,792</u>	<u>1,517,965</u>	<u>14,317</u>	<u>13,900,637</u>	<u>151,351</u>	<u>439,457</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 82,503</u>	<u>\$ 3,630,309</u>	<u>\$ 4,338,236</u>	<u>\$ 14,317</u>	<u>\$ 13,965,518</u>	<u>\$ 151,351</u>	<u>\$ 445,090</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	Torrance Tourism Business Improvement District Fund	Total Nonmajor Special Revenue Funds
\$ 113,729	\$ 27,215	\$ -	\$ 744,656	\$ 3,172,328	\$ -	\$ 65,378	\$ 45,526	\$ 60,497,916
-	82	-	-	-	-	-	-	22,758
-	18	-	-	-	-	-	-	28,122
-	-	-	-	-	-	-	-	1,596,128
-	-	208,070	-	-	-	1,530	-	1,529,928
-	-	-	-	-	-	-	-	600,000
-	-	-	32,900	-	-	-	-	32,900
-	-	-	-	-	-	-	-	824,294
-	-	-	-	-	-	-	-	26,663
<u>\$ 113,729</u>	<u>\$ 27,315</u>	<u>\$ 208,070</u>	<u>\$ 777,556</u>	<u>\$ 3,172,328</u>	<u>\$ -</u>	<u>\$ 66,908</u>	<u>\$ 45,526</u>	<u>\$ 65,158,709</u>
\$ 2,062	\$ -	\$ 177,642	\$ -	\$ 9,884	\$ -	\$ -	\$ -	\$ 1,376,406
-	-	9,350	-	-	-	-	-	64,967
-	-	-	-	-	-	-	-	928,299
-	-	39,308	-	-	-	-	-	2,265,939
-	-	-	-	-	-	-	-	938
-	-	-	-	-	-	-	-	29,099
-	-	-	-	-	-	-	45,526	6,487,810
<u>2,062</u>	<u>-</u>	<u>226,300</u>	<u>-</u>	<u>9,884</u>	<u>-</u>	<u>-</u>	<u>45,526</u>	<u>11,153,458</u>
-	-	-	-	-	-	-	-	1,016,128
-	-	-	-	-	-	-	-	778,728
-	-	-	-	-	-	-	-	1,794,856
-	-	-	-	-	-	-	-	606,663
111,667	27,315	(18,230)	777,556	3,162,444	-	66,908	-	51,603,732
<u>111,667</u>	<u>27,315</u>	<u>(18,230)</u>	<u>777,556</u>	<u>3,162,444</u>	<u>-</u>	<u>66,908</u>	<u>-</u>	<u>52,210,395</u>
<u>\$ 113,729</u>	<u>\$ 27,315</u>	<u>\$ 208,070</u>	<u>\$ 777,556</u>	<u>\$ 3,172,328</u>	<u>\$ -</u>	<u>\$ 66,908</u>	<u>\$ 45,526</u>	<u>\$ 65,158,709</u>

**CITY OF TORRANCE, CALIFORNIA**  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special revenue funds  
 Year ended June 30, 2022

	<b>Parks and Recreation Facilities Fund</b>	<b>Rental Assistance Program Fund</b>	<b>Seismic Education Fund</b>	<b>Street Lighting District Assessment Fund</b>	<b>Drainage Improvement Fund</b>	<b>Parks, Rehabilitation and Open Space Fund</b>
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 1,280,451	\$ -	\$ -
Licenses, fees and permits	139,700	-	-	-	-	609,841
Fines, forfeitures and penalties	-	-	-	-	-	-
Use of money and property	1,492	4,053	1,053	-	140	5,414
Intergovernmental	-	6,844,157	-	-	-	-
Other revenues	-	19,481	2,645	-	-	-
Total revenues	<u>141,192</u>	<u>6,867,691</u>	<u>3,698</u>	<u>1,280,451</u>	<u>140</u>	<u>615,255</u>
<b>Expenditures:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	2,431,254	-	-
Culture and recreation	21,953	-	-	-	-	3,720
Community development	-	6,708,014	-	-	-	-
Total expenditures	<u>21,953</u>	<u>6,708,014</u>	<u>-</u>	<u>2,431,254</u>	<u>-</u>	<u>3,720</u>
Excess (deficiency) of revenues over expenditures	119,239	159,677	3,698	(1,150,803)	140	611,535
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	1,147,615	-	-
Transfers out	-	-	-	-	-	-
Net change in fund balances	<u>119,239</u>	<u>159,677</u>	<u>3,698</u>	<u>(3,188)</u>	<u>140</u>	<u>611,535</u>
Fund balances, July 1, 2021	767,497	430,863	67,175	3,188	20,614	534,471
Prior period adjustment (note 18)	-	-	-	-	-	-
Fund balances, June 30, 2022	<u>\$ 886,736</u>	<u>\$ 590,540</u>	<u>\$ 70,873</u>	<u>\$ -</u>	<u>\$ 20,754</u>	<u>\$ 1,146,006</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	Special Deposits Fund	Vanpool Rideshare Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
75,392	64	21,034	33,935	47,386	30,941	7,526	-	104
-	-	3,675,476	3,048,731	3,452,696	6,561,409	2,093,255	-	30,162
-	-	-	-	-	-	212,384	-	20,827
<u>75,392</u>	<u>64</u>	<u>3,696,510</u>	<u>3,082,666</u>	<u>3,500,082</u>	<u>6,592,350</u>	<u>2,313,165</u>	<u>-</u>	<u>51,093</u>
-	-	-	-	-	-	167,342	-	-
-	-	-	-	-	-	880,881	-	-
-	-	-	437,273	1,653,047	217,787	152,850	-	-
-	-	-	-	-	-	56,925	-	-
-	-	-	-	-	-	1,081,833	-	137,451
<u>-</u>	<u>-</u>	<u>-</u>	<u>437,273</u>	<u>1,653,047</u>	<u>217,787</u>	<u>2,339,831</u>	<u>-</u>	<u>137,451</u>
75,392	64	3,696,510	2,645,393	1,847,035	6,374,563	(26,666)	-	(86,358)
-	-	-	-	-	-	-	-	86,358
<u>(36,551)</u>	<u>-</u>	<u>(2,674,323)</u>	<u>(266,358)</u>	<u>-</u>	<u>-</u>	<u>(3,468)</u>	<u>-</u>	<u>-</u>
38,841	64	1,022,187	2,379,035	1,847,035	6,374,563	(30,134)	-	-
236,723	9,605	2,523,011	3,779,037	5,631,278	2,773,711	120,692	-	-
24,659	-	-	-	-	-	-	-	-
<u>\$ 300,223</u>	<u>\$ 9,669</u>	<u>\$ 3,545,198</u>	<u>\$ 6,158,072</u>	<u>\$ 7,478,313</u>	<u>\$ 9,148,274</u>	<u>\$ 90,558</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, 2022  
(continued)

	<b>Bicycle Transportation Fund</b>	<b>Low Mod Housing Fund</b>	<b>Development Impact Fund</b>	<b>Geologic Hazard Abatement Fund</b>	<b>State Gas Tax Street Improvement Fund</b>	<b>Environmental Fund</b>	<b>Air Quality Management District Fund</b>
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	714,188	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-
Use of money and property	87	91,468	21,292	-	87,741	1,022	2,075
Intergovernmental	82,503	-	-	-	6,336,111	-	139,538
Other revenues	-	-	-	-	-	-	-
Total revenues	<u>82,590</u>	<u>91,468</u>	<u>735,480</u>	<u>-</u>	<u>6,423,852</u>	<u>1,022</u>	<u>141,613</u>
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	-	-	28,759	-	-	-	-
Public works	82,590	-	231,435	-	1,665,601	-	108,160
Culture and recreation	-	-	-	-	-	-	-
Community development	-	63,981	-	-	-	-	-
Total expenditures	<u>82,590</u>	<u>63,981</u>	<u>260,194</u>	<u>-</u>	<u>1,665,601</u>	<u>-</u>	<u>108,160</u>
Excess (deficiency) of revenues over expenditures	-	27,487	475,286	-	4,758,251	1,022	33,453
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(3,129,277)	-	-
Net change in fund balances	<u>-</u>	<u>27,487</u>	<u>475,286</u>	<u>-</u>	<u>1,628,974</u>	<u>1,022</u>	<u>33,453</u>
Fund balances, July 1, 2021	-	2,697,270	1,042,679	14,317	12,271,663	-	406,004
Prior period adjustment (note 18)	-	(110,965)	-	-	-	150,329	-
Fund balances, June 30, 2022	<u>\$ -</u>	<u>\$ 2,613,792</u>	<u>\$ 1,517,965</u>	<u>\$ 14,317</u>	<u>\$ 13,900,637</u>	<u>\$ 151,351</u>	<u>\$ 439,457</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	Torrance Tourism Business Improvement District Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,280,451
-	-	-	-	-	-	-	-	1,463,729
-	-	-	-	406,387	-	-	-	406,387
30,010	181	-	-	24,458	-	-	-	486,868
-	-	215,297	-	-	-	-	-	32,479,335
-	1,160	-	-	90	-	5,010	-	261,597
<u>30,010</u>	<u>1,341</u>	<u>215,297</u>	<u>-</u>	<u>430,935</u>	<u>-</u>	<u>5,010</u>	<u>-</u>	<u>36,378,367</u>
-	-	-	-	-	-	-	-	167,342
-	-	-	-	533,664	-	-	-	1,443,304
-	-	186,991	-	-	155	-	-	7,167,143
-	-	-	-	-	-	-	-	82,598
15,265	-	46,536	-	-	-	-	-	8,053,080
<u>15,265</u>	<u>-</u>	<u>233,527</u>	<u>-</u>	<u>533,664</u>	<u>155</u>	<u>-</u>	<u>-</u>	<u>16,913,467</u>
14,745	1,341	(18,230)	-	(102,729)	(155)	5,010	-	19,464,900
-	-	-	-	-	-	-	-	1,233,973
(10,407)	-	-	-	-	-	-	-	(6,120,384)
<u>4,338</u>	<u>1,341</u>	<u>(18,230)</u>	<u>-</u>	<u>(102,729)</u>	<u>(155)</u>	<u>5,010</u>	<u>-</u>	<u>14,578,489</u>
107,329	25,974	-	777,556	3,265,173	155	61,898	-	37,567,883
-	-	-	-	-	-	-	-	64,023
<u>\$ 111,667</u>	<u>\$ 27,315</u>	<u>\$ (18,230)</u>	<u>\$ 777,556</u>	<u>\$ 3,162,444</u>	<u>\$ -</u>	<u>\$ 66,908</u>	<u>\$ -</u>	<u>\$ 52,210,395</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, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 7,204,000	\$ 7,861,360	\$ 6,844,157	\$ (1,017,203)
Use of money and property	5,000	5,000	4,053	(947)
Other revenues	16,000	16,000	19,481	3,481
Total revenues	<u>7,225,000</u>	<u>7,882,360</u>	<u>6,867,691</u>	<u>(1,014,669)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	7,626,201	8,283,561	6,708,014	1,575,547
Total expenditures	<u>7,626,201</u>	<u>8,283,561</u>	<u>6,708,014</u>	<u>1,575,547</u>
Excess (deficiency) of revenues over expenditures	<u>(401,201)</u>	<u>(401,201)</u>	<u>159,677</u>	<u>560,878</u>
Net change in fund balances	(401,201)	(401,201)	159,677	560,878
Fund balances - beginning	430,863	430,863	430,863	-
Fund balances - ending	<u>\$ 29,662</u>	<u>\$ 29,662</u>	<u>\$ 590,540</u>	<u>\$ 560,878</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,290,062	\$ 1,290,062	\$ 1,280,451	\$ (9,611)
Total revenues	<u>1,290,062</u>	<u>1,290,062</u>	<u>1,280,451</u>	<u>(9,611)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,829,206	2,829,206	2,431,254	397,952
Total expenditures	<u>2,829,206</u>	<u>2,829,206</u>	<u>2,431,254</u>	<u>397,952</u>
Excess (deficiency) of revenues over expenditures	<u>(1,539,144)</u>	<u>(1,539,144)</u>	<u>(1,150,803)</u>	<u>388,341</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,515,487	1,515,487	1,147,615	(367,872)
Total other financing sources (uses)	<u>1,515,487</u>	<u>1,515,487</u>	<u>1,147,615</u>	<u>(367,872)</u>
Net change in fund balances	(23,657)	(23,657)	(3,188)	20,469
Fund balances - beginning	3,188	3,188	3,188	-
Fund balances - ending	<u>\$ (20,469)</u>	<u>\$ (20,469)</u>	<u>\$ -</u>	<u>\$ 20,469</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, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 37,000	\$ 37,000	\$ 30,162	\$ (6,838)
Use of money and property	500	500	104	(396)
Other revenues	54,000	54,000	20,827	(33,173)
Total revenues	<u>91,500</u>	<u>91,500</u>	<u>51,093</u>	<u>(40,407)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	247,611	315,653	137,451	178,202
Total expenditures	<u>247,611</u>	<u>315,653</u>	<u>137,451</u>	<u>178,202</u>
Excess (deficiency) of revenues over expenditures	<u>(156,111)</u>	<u>(224,153)</u>	<u>(86,358)</u>	<u>137,795</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	156,111	156,111	86,358	(69,753)
Total other financing sources (uses)	<u>156,111</u>	<u>156,111</u>	<u>86,358</u>	<u>(69,753)</u>
Net change in fund balances	-	(68,042)	-	68,042
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ (68,042)</u>	<u>\$ -</u>	<u>\$ 68,042</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, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Use of money and property	\$ 28,940	\$ 28,940	\$ 91,468	\$ 62,528
Total revenues	<u>28,940</u>	<u>28,940</u>	<u>91,468</u>	<u>62,528</u>
<b>EXPENDITURES</b>				
Current:				
Community development	87,483	87,483	63,981	23,502
Total expenditures	<u>87,483</u>	<u>87,483</u>	<u>63,981</u>	<u>23,502</u>
Excess (deficiency) of revenues over expenditures	<u>(58,543)</u>	<u>(58,543)</u>	<u>27,487</u>	<u>86,030</u>
Net change in fund balances	(58,543)	(58,543)	27,487	86,030
Fund balances - beginning (as restated)	2,586,305	2,586,305	2,586,305	-
Fund balances - ending	<u>\$ 2,527,762</u>	<u>\$ 2,527,762</u>	<u>\$ 2,613,792</u>	<u>\$ 86,030</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ 28,861	\$ 29,342	\$ 30,010	\$ 668
Total revenues	<u>28,861</u>	<u>29,342</u>	<u>30,010</u>	<u>668</u>
<b>EXPENDITURES</b>				
Current:				
Community development	27,145	18,342	15,265	3,077
Total expenditures	<u>27,145</u>	<u>18,342</u>	<u>15,265</u>	<u>3,077</u>
Excess (deficiency) of revenues over expenditures	<u>1,716</u>	<u>11,000</u>	<u>14,745</u>	<u>3,745</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(11,000)	(11,000)	(10,407)	593
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	<u>(10,407)</u>	<u>593</u>
Net change in fund balances	(9,284)	-	4,338	4,338
Fund balances - beginning	107,329	107,329	107,329	-
Fund balances - ending	<u>\$ 98,045</u>	<u>\$ 107,329</u>	<u>\$ 111,667</u>	<u>\$ 4,338</u>

# 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, 2022

	<b>Capital Improvement Fund</b>	<b>Torrance Public Property Financing Capital Project Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Assets</b>			
Pooled cash and investments	\$ 9,231,326	\$ -	\$ 9,231,326
Cash and cash equivalents with fiscal agents	-	4,668,749	4,668,749
Accounts receivable	41,303	-	41,303
Total assets	\$ 9,272,629	\$ 4,668,749	\$ 13,941,378
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 19,135	\$ -	\$ 19,135
Accounts payable - contract retention	60,579	-	60,579
Accrued liabilities	241,335	-	241,335
Deposits and guarantees	158,056	-	158,056
Total liabilities	479,105	-	479,105
Fund balances:			
Assigned	8,793,524	4,668,749	13,462,273
Total fund balances	8,793,524	4,668,749	13,462,273
Total liabilities and fund balances	\$ 9,272,629	\$ 4,668,749	\$ 13,941,378

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Capital Project Funds  
Year ended June 30, 2022

	<b>Capital Improvement Fund</b>	<b>Torrance Public Property Financing Capital Project Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>
Revenues:			
Use of money and property	\$ 2,750	\$ 3,554	\$ 6,304
Other	833,462	-	833,462
Total revenues	<u>836,212</u>	<u>3,554</u>	<u>839,766</u>
Expenditures:			
General government	1,030,332	-	1,030,332
Public safety	187,141	-	187,141
Public works	1,161,386	-	1,161,386
Culture and recreation	1,208,367	-	1,208,367
Community development	220,462	-	220,462
Total expenditures	<u>3,807,688</u>	<u>-</u>	<u>3,807,688</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,971,476)</u>	<u>3,554</u>	<u>(2,967,922)</u>
Other financing sources:			
Transfers in	1,744,351	-	1,744,351
Total other financing sources	<u>1,744,351</u>	<u>-</u>	<u>1,744,351</u>
Net change in fund balances	(1,227,125)	3,554	(1,223,571)
Fund balances, July 1, 2021	<u>10,020,649</u>	<u>4,665,195</u>	<u>14,685,844</u>
Fund balances, June 30, 2022	<u>\$ 8,793,524</u>	<u>\$ 4,668,749</u>	<u>\$ 13,462,273</u>

# NON-MAJOR DEBT SERVICE FUND



*The Debt Service funds are 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 **TORRANCE PUBLIC PROPERTY FINANCING DEBT SERVICE FUND** is used to account for debt service related to certificates of participation and lease revenue bonds issued to provide for the refinance of a lease obligation that financed certain facilities and capital improvements within the City and the acquisition of real property for a regional transit center, and for the refinance of a portion of the unfunded accrued liability of the City's pension plans with CalPERS.

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**CITY OF TORRANCE, CALIFORNIA**

Combining Balance Sheet  
Nonmajor Debt Service Fund  
June 30, 2022

	<b>Torrance Public Property Financing Debt Service Fund</b>	<b>Total Nonmajor Debt Service Fund</b>
<b>Assets</b>		
Cash and cash equivalents with fiscal agents	\$ 5,322	\$ 5,322
Total assets	<u>\$ 5,322</u>	<u>\$ 5,322</u>
<b>Liabilities and Fund Balances</b>		
Liabilities	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Fund balances:		
Restricted - debt service	<u>5,322</u>	<u>5,322</u>
Total fund balances	<u>5,322</u>	<u>5,322</u>
Total liabilities and fund balances	<u>\$ 5,322</u>	<u>\$ 5,322</u>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Debt Service Fund  
Year ended June 30, 2022

	<b>Torrance Public Property Financing Debt Service Fund</b>	<b>Total Nonmajor Debt Service Fund</b>
	<u>                    </u>	<u>                    </u>
Revenues:		
Use of money and property	\$ 19,097,306	\$ 19,097,306
Total revenues	<u>19,097,306</u>	<u>19,097,306</u>
Expenditures:		
Debt Service:		
Principal retirement	2,465,000	2,465,000
Interest and fiscal charges	17,838,542	17,838,542
Total expenditures	<u>20,303,542</u>	<u>20,303,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,206,236)</u>	<u>(1,206,236)</u>
Net change in fund balances	(1,206,236)	(1,206,236)
Fund balances, July 1, 2021	<u>1,211,558</u>	<u>1,211,558</u>
Fund balances, June 30, 2022	<u>\$ 5,322</u>	<u>\$ 5,322</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, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Use of money and property	\$ 19,109,605	\$ 19,109,605	\$ 19,097,306	\$ (12,299)
Total revenues	<u>19,109,605</u>	<u>19,109,605</u>	<u>19,097,306</u>	<u>(12,299)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	2,465,000	2,465,000	2,465,000	-
Interest and fiscal charges	17,838,542	17,838,542	17,838,542	-
Total expenditures	<u>20,303,542</u>	<u>20,303,542</u>	<u>20,303,542</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,193,937)</u>	<u>(1,193,937)</u>	<u>(1,206,236)</u>	<u>(12,299)</u>
Net change in fund balances	(1,193,937)	(1,193,937)	(1,206,236)	(12,299)
Fund balances - beginning	1,211,558	1,211,558	1,211,558	-
Fund balances - ending	<u>\$ 17,621</u>	<u>\$ 17,621</u>	<u>\$ 5,322</u>	<u>\$ (12,299)</u>

# NON-MAJOR ENTERPRISE FUND



*The Enterprise Funds are used to account for City operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing these services to the general public on a continuing basis are financed primarily through user charges.*

The **SANITATION FUND** is used to account for the City's refuse, recycling, and green waste programs.

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**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Net Position  
Nonmajor Enterprise Fund  
June 30, 2022

	<b>Sanitation Fund</b>	<b>Total Nonmajor Enterprise Fund</b>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Pooled cash and investments	\$ 5,484,662	\$ 5,484,662
Accounts receivable	4,046,041	4,046,041
Accrued interest receivable	13,576	13,576
Total current assets	9,544,279	9,544,279
Noncurrent assets:		
Capital assets, net	4,553,534	4,553,534
Net pension asset	1,714,258	1,714,258
Total noncurrent assets	6,267,792	6,267,792
Deferred outflows of resources:		
Deferred pension amounts	519,784	519,784
Deferred OPEB amounts	114,664	114,664
Total deferred outflows of resources	634,448	634,448
Total Assets and Deferred Outflows of Resources	16,446,519	16,446,519
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities:		
Accounts payable	418,031	418,031
Accrued interest payable	9,493	9,493
Accrued liabilities	141,833	141,833
Compensated absences payable - current	95,107	95,107
Total current liabilities	664,464	664,464
Noncurrent liabilities:		
Compensated absences payable - long term	270,688	270,688
Net pension liability	253,032	253,032
Net OPEB liability	582,208	582,208
Total noncurrent liabilities	1,105,928	1,105,928
Deferred inflows of resources:		
Deferred pension amounts	3,030,917	3,030,917
Deferred OPEB amounts	155,068	155,068
Total deferred inflows of resources	3,185,985	3,185,985
Total Liabilities and Deferred Inflows of Resources	4,956,377	4,956,377
<b>Net Position</b>		
Net investment in capital assets	4,553,534	4,553,534
Unrestricted	6,936,608	6,936,608
Total Net Position	\$ 11,490,142	\$ 11,490,142

**CITY OF TORRANCE, CALIFORNIA**

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

Nonmajor Enterprise Fund

Year ended June 30, 2022

	<b>Sanitation Fund</b>	<b>Total Nonmajor Enterprise Fund</b>
	<u>                    </u>	<u>                    </u>
Operating revenues:		
Charges for services	\$ 13,798,273	\$ 13,798,273
Other	142,525	142,525
Total operating revenues	<u>13,940,798</u>	<u>13,940,798</u>
 Operating expenses:		
Salaries and employee benefits	3,505,310	3,505,310
Services and supplies	2,879,014	2,879,014
Other professional services	2,684,188	2,684,188
Depreciation and amortization	978,757	978,757
Insurance and claims	15,355	15,355
City charges	1,504,161	1,504,161
Other	43,683	43,683
Total operating expenses	<u>11,610,468</u>	<u>11,610,468</u>
 Operating income	<u>2,330,330</u>	<u>2,330,330</u>
 Nonoperating revenues:		
Investment earnings	31,586	31,586
Gain (loss) on sale of capital assets	12,400	12,400
Grants	274,321	274,321
Total nonoperating revenues	<u>318,307</u>	<u>318,307</u>
 Income before transfers	2,648,637	2,648,637
 Transfers in	255,867	255,867
Transfers out	<u>(15,772)</u>	<u>(15,772)</u>
Change in net position	2,888,732	2,888,732
 Total net position - July 1, 2021	8,601,410	8,601,410
 Total net position - June 30, 2022	<u>\$ 11,490,142</u>	<u>\$ 11,490,142</u>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Fund  
Year ended June 30, 2022

	<b>Sanitation Fund</b>	<b>Total Nonmajor Enterprise Fund</b>
Cash flows from operating activities:		
Receipts from customers	\$ 13,283,644	\$ 13,283,644
Cash payments to suppliers for goods and services	(7,027,657)	(7,027,657)
Cash payments to employees for services	(4,303,378)	(4,303,378)
Other receipts	142,525	142,525
Net cash provided by operating activities	2,095,134	2,095,134
Cash flows from noncapital financing activities:		
Cash received from noncapital grants and subsidies	274,321	274,321
Cash received from other funds	255,867	255,867
Cash paid to other funds	(15,772)	(15,772)
Net cash provided by noncapital financing activities	514,416	514,416
Cash flows from capital financing activities:		
Cash payments for capital additions	(823,876)	(823,876)
Proceeds from sale of capital assets	12,400	12,400
Net cash used in capital financing activities	(811,476)	(811,476)
Cash flows from investing activities:		
Cash received from interest on investments	32,398	32,398
Cash provided by investing activities	32,398	32,398
Net increase in cash, restricted cash and cash equivalents	1,830,472	1,830,472
Cash and cash equivalents, July 1, 2021	3,654,190	3,654,190
Cash and cash equivalents, June 30, 2022	\$ 5,484,662	\$ 5,484,662
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,330,330	2,330,330
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	978,757	978,757
Bad debt expense	43,081	43,081
Changes in assets and liabilities:		
Accounts receivable	(514,629)	(514,629)
Accounts payable	48,268	48,268
Accrued salaries and benefits	125,272	125,272
Other accrued liabilities	7,395	7,395
Net pension asset	(1,461,226)	(1,461,226)
Deferred outflows related to pensions	3,612,115	3,612,115
Deferred outflows related to OPEB	(19,805)	(19,805)
Net pension liability	(5,968,166)	(5,968,166)
Net OPEB liability	(86,975)	(86,975)
Deferred inflows related to pensions	2,866,304	2,866,304
Deferred inflows related to OPEB	134,413	134,413
Net cash provided by operating activities	\$ 2,095,134	\$ 2,095,134

# 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, 2022

	<b>Self-Insurance Fund</b>	<b>Fleet Services Fund</b>	<b>Postemployment/ Comp Absences Fund</b>	<b>Total Internal Service Funds</b>
<b>Assets and Deferred Outflows of Resources</b>				
Current assets:				
Pooled cash and investments	\$ 14,841,895	\$ 14,040,160	\$ 4,845,259	\$ 33,727,314
Cash and cash equivalents with fiscal agents	153,808	-	-	153,808
Accounts receivable	65	67,931	4,267,597	4,335,593
Accrued interest receivable	-	13,821	3,258	17,079
Inventory	-	1,456,967	-	1,456,967
Total current assets	<u>14,995,768</u>	<u>15,578,879</u>	<u>9,116,114</u>	<u>39,690,761</u>
Noncurrent assets:				
Capital assets, net	-	5,885,310	-	5,885,310
Net pension asset	122,447	1,428,548	-	1,550,995
Total noncurrent assets	<u>122,447</u>	<u>7,313,858</u>	<u>-</u>	<u>7,436,305</u>
Deferred outflows of resources:				
Deferred pension amounts	33,626	441,324	-	474,950
Deferred OPEB amounts	7,644	99,375	-	107,019
Total deferred outflows of resources	<u>41,270</u>	<u>540,699</u>	<u>-</u>	<u>581,969</u>
Total Assets and Deferred Outflows of Resources	<u>15,159,485</u>	<u>23,433,436</u>	<u>9,116,114</u>	<u>47,709,035</u>
<b>Liabilities and Deferred Inflows of Resources</b>				
Current liabilities:				
Accounts payable	116,090	369,616	18,981	504,687
Compensated absences payable	-	332,214	8,668,092	9,000,306
Accrued interest payable	-	4,380	-	4,380
Accrued liabilities	3,933,344	244,704	-	4,178,048
Accrued liability for self-insurance claims - current	14,178,366	-	-	14,178,366
Total current liabilities	<u>18,227,800</u>	<u>950,914</u>	<u>8,687,073</u>	<u>27,865,787</u>
Noncurrent liabilities:				
Accrued liability for self-insurance claims - long-term	58,835,631	-	-	58,835,631
Net pension liability	-	253,032	-	253,032
Net OPEB liability	38,814	504,580	-	543,394
Total noncurrent liabilities	<u>58,874,445</u>	<u>757,612</u>	<u>-</u>	<u>59,632,057</u>
Deferred inflows of resources:				
Deferred pension amounts	213,290	2,533,240	-	2,746,530
Deferred OPEB amounts	10,338	134,392	-	144,730
Total deferred inflows of resources	<u>223,628</u>	<u>2,667,632</u>	<u>-</u>	<u>2,891,260</u>
Total Liabilities and Deferred Inflows of Resources	<u>77,325,873</u>	<u>4,376,158</u>	<u>8,687,073</u>	<u>90,389,104</u>
<b>Net Position</b>				
Net position:				
Net investment in capital assets	-	5,885,310	-	5,885,310
Unrestricted	(62,166,388)	13,171,968	429,041	(48,565,379)
Total Net Position	<u>\$ (62,166,388)</u>	<u>\$ 19,057,278</u>	<u>\$ 429,041</u>	<u>\$ (42,680,069)</u>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Funds  
Year ended June 30, 2022

	<b>Self-Insurance Fund</b>	<b>Fleet Services Fund</b>	<b>Postemployment/ Comp Absences Fund</b>	<b>Total Internal Service Funds</b>
Operating revenues:				
Charges for services	\$ 8,222,907	\$ 5,978,796	\$ -	\$ 14,201,703
Other	3,352,491	260,149	-	3,612,640
Total operating revenues	<u>11,575,398</u>	<u>6,238,945</u>	<u>-</u>	<u>17,814,343</u>
Operating expenses:				
Salaries and employee benefits	848,656	2,464,828	-	3,313,484
Services and supplies	16,929	25,213	-	42,142
Other professional services	61,511	70,251	-	131,762
Insurance and claims	28,973,736	-	-	28,973,736
Depreciation and amortization	-	1,332,982	-	1,332,982
City charges	-	138,337	-	138,337
Other	4,081	52,619	-	56,700
Total operating expenses	<u>29,904,913</u>	<u>4,084,230</u>	<u>-</u>	<u>33,989,143</u>
Operating income (loss)	<u>(18,329,515)</u>	<u>2,154,715</u>	<u>-</u>	<u>(16,174,800)</u>
Nonoperating revenues (expenses):				
Gain on sale of capital assets	-	67,798	-	67,798
Interest expense	-	(127,806)	(48,517)	(176,323)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(60,008)</u>	<u>(48,517)</u>	<u>(108,525)</u>
Net income (loss) before transfers	<u>(18,329,515)</u>	<u>2,094,707</u>	<u>(48,517)</u>	<u>(16,283,325)</u>
Transfers in	12,000,000	-	-	12,000,000
Transfers out	(9,725)	(27,739)	-	(37,464)
Change in net position	<u>(6,339,240)</u>	<u>2,066,968</u>	<u>(48,517)</u>	<u>(4,320,789)</u>
Net position, July 1, 2021	<u>(55,827,148)</u>	<u>16,990,310</u>	<u>477,558</u>	<u>(38,359,280)</u>
Net position, June 30, 2022	<u>\$ (62,166,388)</u>	<u>\$ 19,057,278</u>	<u>\$ 429,041</u>	<u>\$ (42,680,069)</u>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Cash Flows  
Internal Service Funds  
Year ended June 30, 2022

	Self Insurance Fund	Fleet Services Fund	Postemployment/ Comp Absences Fund	Total Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	\$ 8,222,842	\$ 5,932,574	\$ -	\$ 14,155,416
Cash payments to suppliers for goods and services	(20,097,340)	(455,342)	(170,281)	(20,722,963)
Cash payments to employees for services	(912,788)	(3,223,554)	(205,399)	(4,341,741)
Other receipts	3,352,491	260,149	-	3,612,640
Net cash provided by (used in) operating activities	<u>(9,434,795)</u>	<u>2,513,827</u>	<u>(375,680)</u>	<u>(7,296,648)</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	12,000,000	-	-	12,000,000
Cash transfers paid to other funds	(9,725)	(27,739)	-	(37,464)
Net cash provided by (used in) noncapital financing activities	<u>11,990,275</u>	<u>(27,739)</u>	<u>-</u>	<u>11,962,536</u>
Cash flows from capital financing activities:				
Cash payments for capital additions	-	(512,266)	-	(512,266)
Proceeds from sale of capital assets	-	67,798	-	67,798
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(444,468)</u>	<u>-</u>	<u>(444,468)</u>
Cash flows from investing activities:				
Cash paid for interest on investments	-	(121,372)	(44,876)	(166,248)
Net cash provided by (used in) investing activities	<u>-</u>	<u>(121,372)</u>	<u>(44,876)</u>	<u>(166,248)</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	2,555,480	1,920,248	(420,556)	4,055,172
Cash and cash equivalents, July 1, 2021	12,440,223	12,119,912	5,265,815	29,825,950
Cash and cash equivalents, June 30, 2022	<u>\$ 14,995,703</u>	<u>\$ 14,040,160</u>	<u>\$ 4,845,259</u>	<u>\$ 33,881,122</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (18,329,515)	\$ 2,154,715	\$ -	\$ (16,174,800)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	1,332,982	-	1,332,982
Changes in assets and liabilities:				
Accounts receivable	(65)	(46,222)	(189,262)	(235,549)
Prepays and other assets	3,600	-	-	3,600
Inventory	-	(207,702)	-	(207,702)
Accounts payable	(36,219)	(156,150)	18,981	(173,388)
Accrued salaries and benefits	1,490	10,879	(205,399)	(193,030)
Other accrued liabilities	8,991,536	194,930	-	9,186,466
Net pension asset	(122,447)	(1,175,516)	-	(1,297,963)
Deferred outflows related to pension	259,328	3,007,017	-	3,266,345
Deferred outflows related to OPEB	(1,320)	(17,164)	-	(18,484)
Net pension liability	(406,007)	(5,020,816)	-	(5,426,823)
Net OPEB liability	(5,798)	(75,379)	-	(81,177)
Deferred inflows related to pension	201,661	2,395,762	-	2,597,423
Deferred inflows related to OPEB	8,961	116,491	-	125,452
Net cash provided by (used in) operating activities	<u>\$ (9,434,795)</u>	<u>\$ 2,513,827</u>	<u>\$ (375,680)</u>	<u>\$ (7,296,648)</u>

# CUSTODIAL FUNDS



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

The **AREA G CITIZEN CORPS PROGRAM FUND** is used to account for Area G cities' contributions to finance the community emergency response teams.

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

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

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 Net Position - Custodial Funds  
June 30, 2022

	<b>Area G Citizen Corps Program Fund</b>	<b>Flexible Benefits Fund</b>	<b>Property Room Evidence Fund</b>	<b>Interoperability Network of the South Bay Fund</b>	<b>Total Custodial Funds</b>
<b>Assets</b>					
Pooled cash and investments	\$ 332,183	\$ 397,045	\$ 1,468,480	\$ 619,577	\$ 2,817,285
Accrued interest receivable	-	-	-	412	412
Capital assets, net	-	-	-	561,302	561,302
Total assets	<u>\$ 332,183</u>	<u>\$ 397,045</u>	<u>\$ 1,468,480</u>	<u>\$ 1,181,291</u>	<u>\$ 3,378,999</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 88,218	\$ 96	\$ 88,314
Deposits payable	-	397,045	-	-	397,045
Unearned revenue	-	-	-	40,479	40,479
Total liabilities	<u>\$ -</u>	<u>\$ 397,045</u>	<u>\$ 88,218</u>	<u>\$ 40,575</u>	<u>\$ 525,838</u>
<b>Net Position</b>					
Net investment in capital assets	-	-	-	561,302	\$ 561,302
Held in trust	332,183	-	1,380,262	579,414	2,291,859
Total net position	<u>\$ 332,183</u>	<u>\$ -</u>	<u>\$ 1,380,262</u>	<u>\$ 1,140,716</u>	<u>\$ 2,853,161</u>

**CITY OF TORRANCE, CALIFORNIA**  
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds  
Year ended June 30, 2022

	<b>Area G Citizen Corps Program Fund</b>	<b>Flexible Benefits Fund</b>	<b>Property Room Evidence Fund</b>	<b>Interoperability Network of the South Bay Fund</b>	<b>Total Custodial Funds</b>
<b>Additions</b>					
Contributions	\$ 171,338	\$ -	\$ -	\$ 230,000	\$ 401,338
Fees	-	-	-	37,935	37,935
Use of money and property	-	-	-	4,013	4,013
Other	-	-	118,307	-	118,307
Total additions	<u>171,338</u>	<u>-</u>	<u>118,307</u>	<u>271,948</u>	<u>561,593</u>
<b>Deductions</b>					
Salaries and employee benefits	114,890	-	-	-	114,890
Services and supplies	72,311	-	-	33,589	105,900
Other professional services	5,139	-	-	-	5,139
Insurance and claims	5,792	-	-	23,105	28,897
Depreciation and amortization	-	-	-	144,633	144,633
Membership fees	-	-	-	70,000	70,000
Payments to others	-	-	135,696	-	135,696
Total deductions	<u>198,132</u>	<u>-</u>	<u>135,696</u>	<u>271,327</u>	<u>605,155</u>
Change in net position	(26,794)	-	(17,389)	621	(43,562)
Net position, July 1, 2021	-	-	-	-	-
Prior period adjustment	358,977	-	1,397,651	1,140,095	2,896,723
Net position, June 30, 2022	<u>\$ 332,183</u>	<u>\$ -</u>	<u>\$ 1,380,262</u>	<u>\$ 1,140,716</u>	<u>\$ 2,853,161</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.	153
<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.	158
<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.	165
<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.	170
<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.	172

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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 I

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Governmental activities</b>										
Net investment in capital assets	\$ 310,909	\$ 294,482	\$ 286,532	\$ 279,740	\$ 272,707	\$ 269,819	\$ 272,391	\$ 275,454	\$ 262,639	\$ 254,085
Restricted	52,988	41,942	42,561	46,401	45,389	45,987	49,306	41,882	43,310	41,153
Unrestricted	(441,505)	(498,999)	(432,413)	(372,163)	(354,180)	(280,023)	(295,513)	(299,768)	23,786	75,519
<b>Total governmental activities net position</b>	<b>\$ (77,608)</b>	<b>\$ (162,575)</b>	<b>\$ (103,320)</b>	<b>\$ (46,022)</b>	<b>\$ (36,084)</b>	<b>\$ 35,783</b>	<b>\$ 26,184</b>	<b>\$ 17,568</b>	<b>\$ 329,735</b>	<b>\$ 370,757</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 158,220	\$ 164,410	\$ 155,891	\$ 148,541	\$ 153,167	\$ 156,096	\$ 157,593	\$ 142,408	\$ 142,562	\$ 141,472
Restricted	21,482	-	-	-	-	-	-	-	-	-
Unrestricted	67,823	47,888	(18,914)	(24,541)	(21,247)	(7,868)	(8,181)	(19,433)	38,997	33,848
<b>Total business-type activities net position</b>	<b>\$ 247,525</b>	<b>\$ 212,298</b>	<b>\$ 136,977</b>	<b>\$ 124,000</b>	<b>\$ 131,920</b>	<b>\$ 148,228</b>	<b>\$ 149,412</b>	<b>\$ 122,975</b>	<b>\$ 181,559</b>	<b>\$ 175,320</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 469,129	\$ 458,892	\$ 442,423	\$ 428,281	\$ 425,874	\$ 425,915	\$ 429,984	\$ 417,862	\$ 405,201	\$ 395,557
Restricted	74,470	41,942	42,561	46,401	45,389	45,987	49,306	41,882	43,310	41,153
Unrestricted	(373,682)	(451,111)	(451,327)	(396,704)	(375,427)	(287,891)	(303,694)	(319,201)	62,783	109,367
<b>Total primary government net position</b>	<b>\$ 169,917</b>	<b>\$ 49,723</b>	<b>\$ 33,657</b>	<b>\$ 77,978</b>	<b>\$ 95,836</b>	<b>\$ 184,011</b>	<b>\$ 175,596</b>	<b>\$ 140,543</b>	<b>\$ 511,294</b>	<b>\$ 546,077</b>

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

Financial Trends  
Exhibit 2

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 28,428	\$ 27,553	\$ 37,573	\$ 35,459	\$ 34,122	\$ 27,838	\$ 31,259	\$ 28,474	\$ 25,545	\$ 25,608
Public safety	124,495	156,247	144,525	121,502	120,281	114,081	99,020	102,909	109,959	94,153
Public works	24,239	27,885	35,308	29,536	29,408	26,807	28,259	23,908	29,676	33,598
Culture and recreation	19,754	26,142	21,947	18,502	20,100	17,388	15,373	17,212	18,139	14,568
Community development	13,509	11,134	18,096	16,896	16,384	10,621	10,433	10,172	10,368	10,723
Interest on long-term debt	15,615	10,633	2,533	2,579	2,619	2,826	2,664	2,867	1,499	3,035
<b>Total governmental activities expenses</b>	<b>226,040</b>	<b>259,594</b>	<b>259,982</b>	<b>224,474</b>	<b>222,914</b>	<b>199,561</b>	<b>187,008</b>	<b>185,542</b>	<b>195,186</b>	<b>181,685</b>
<b>Business-type activities:</b>										
Municipal Airport	2,612	3,223	3,386	3,374	3,542	3,425	3,433	3,301	5,530	5,331
Transit System	26,684	25,640	30,833	39,162	29,574	27,702	24,156	24,932	26,164	24,667
Water	41,263	41,465	39,090	43,294	38,323	35,447	31,843	34,414	35,416	32,915
Sewer	4,543	5,666	4,991	5,264	5,892	5,086	5,509	5,397	4,418	4,682
Sanitation	11,611	13,015	12,873	12,369	16,722	11,620	10,856	10,981	10,985	11,396
Cultural Arts Center	-	-	2,252	2,300	2,357	2,119	1,971	2,087	1,929	1,933
Parks and Recreation	-	-	7,099	7,602	7,456	7,080	6,864	6,638	6,464	7,809
Emergency Medical Services	-	-	16,854	13,824	14,154	12,422	11,141	11,060	10,698	10,318
<b>Total business-type activities expenses</b>	<b>86,713</b>	<b>89,009</b>	<b>117,378</b>	<b>127,189</b>	<b>118,020</b>	<b>104,901</b>	<b>95,773</b>	<b>98,810</b>	<b>101,604</b>	<b>98,601</b>
<b>Total primary government expenses</b>	<b>\$ 312,753</b>	<b>\$ 348,603</b>	<b>\$ 377,360</b>	<b>\$ 351,663</b>	<b>\$ 340,934</b>	<b>\$ 304,462</b>	<b>\$ 282,781</b>	<b>\$ 284,352</b>	<b>\$ 296,790</b>	<b>\$ 280,286</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 1,867	\$ 890	\$ 1,000	\$ 1,303	\$ 495	\$ 414	\$ 464	\$ 450	\$ 2,978	\$ 2,890
Public safety	8,625	3,704	2,037	2,520	8,576	8,475	8,192	7,433	7,508	6,132
Public works	426	216	216	631	1,819	1,164	926	867	1,085	651
Culture and recreation	4,364	2,093	600	635	577	641	628	667	612	647
Community development	10,040	8,777	6,208	7,272	-	-	-	-	-	372
Operating grants and contributions	30,483	29,051	17,309	17,226	18,241	17,279	22,097	22,641	14,646	13,542
Capital grants and contributions	29,256	23,246	13,040	9,929	5,248	6,178	7,787	8,927	10,677	5,391
<b>Total governmental activities program revenues</b>	<b>85,061</b>	<b>67,977</b>	<b>40,410</b>	<b>39,516</b>	<b>34,956</b>	<b>34,151</b>	<b>40,094</b>	<b>40,985</b>	<b>37,506</b>	<b>29,625</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Municipal Airport	15,663	15,497	14,175	14,173	13,469	12,836	12,754	12,407	12,139	11,726
Transit System	540	63	3,175	2,743	2,740	2,861	3,165	3,351	3,387	3,341
Water	51,521	49,198	45,553	42,544	41,439	36,848	33,447	35,983	40,670	36,156
Sewer	6,105	6,025	5,712	5,676	5,750	3,783	2,417	2,731	3,221	3,137
Sanitation	13,941	12,920	12,748	12,793	12,368	11,363	11,475	11,360	11,396	10,972
Cultural Arts Center	-	-	782	1,195	1,186	1,018	934	942	912	1,043
Parks and Recreation	-	-	3,600	4,977	4,731	4,635	4,586	4,521	3,950	3,994
Emergency Medical Services	-	-	1,493	1,602	1,477	1,093	1,244	901	2,230	2,186
Operating grants and contributions	32,887	32,285	24,588	22,648	18,376	18,809	18,462	19,091	21,061	19,952
Capital grants and contributions	942	2,031	2,457	1,608	293	1,081	14,708	2,703	1,104	5,689
<b>Total business-type activities program revenues</b>	<b>121,599</b>	<b>118,019</b>	<b>114,283</b>	<b>109,959</b>	<b>101,829</b>	<b>94,327</b>	<b>103,192</b>	<b>93,990</b>	<b>100,070</b>	<b>98,196</b>
<b>Total primary government program revenues</b>	<b>\$ 206,660</b>	<b>\$ 185,996</b>	<b>\$ 154,693</b>	<b>\$ 149,475</b>	<b>\$ 136,785</b>	<b>\$ 128,478</b>	<b>\$ 143,286</b>	<b>\$ 134,975</b>	<b>\$ 137,576</b>	<b>\$ 127,821</b>

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

Financial Trends  
Exhibit 2

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net (expense)/revenue										
Governmental activities	\$ (140,979)	\$ (191,617)	\$ (219,572)	\$ (184,958)	\$ (187,958)	\$ (165,410)	\$ (146,914)	\$ (144,557)	\$ (157,680)	\$ (152,060)
Business-type activities	34,886	29,010	(3,095)	(17,230)	(16,191)	(10,574)	7,419	(4,820)	(1,534)	(405)
<b>Total primary government net expense</b>	<b>\$ (106,093)</b>	<b>\$ (162,607)</b>	<b>\$ (222,667)</b>	<b>\$ (202,188)</b>	<b>\$ (204,149)</b>	<b>\$ (175,984)</b>	<b>\$ (139,495)</b>	<b>\$ (149,377)</b>	<b>\$ (159,214)</b>	<b>\$ (152,465)</b>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 58,219	\$ 55,037	\$ 52,185	\$ 51,984	\$ 49,312	\$ 46,967	\$ 54,348	\$ 54,609	\$ 53,576	\$ 51,534
Sales taxes	61,556	52,938	48,332	49,217	47,178	50,133	39,378	33,185	31,963	31,805
Other taxes	73,897	61,753	58,515	65,747	64,371	63,485	60,932	62,481	61,442	56,261
Investment earnings	19,299	4,389	7,310	7,935	4,763	5,001	6,554	6,043	6,509	5,073
Gain on sale of property	-	-	-	-	-	1,552	-	-	-	-
Motor vehicle tax (unrestricted)	168	107	117	72	77	66	60	62	64	77
Other general revenues	5,170	4,298	4,845	7,651	5,394	4,560	4,898	15,617	4,849	5,623
Transfers	7,982	(4,710)	(9,113)	(7,586)	(7,477)	(7,848)	(17,996)	(6,855)	(5,961)	(7,169)
<b>Total governmental activities</b>	<b>226,291</b>	<b>173,812</b>	<b>162,191</b>	<b>175,020</b>	<b>163,618</b>	<b>163,916</b>	<b>148,174</b>	<b>165,142</b>	<b>152,442</b>	<b>143,204</b>
Business-type activities:										
Investment earnings	3,911	327	1,690	1,521	405	613	811	521	677	348
Other general revenues	40	78	303	204	294	247	212	83	546	216
Transfers	(7,982)	4,710	9,113	7,586	7,477	7,848	17,996	6,855	5,961	7,169
<b>Total business-type activities</b>	<b>(4,031)</b>	<b>5,115</b>	<b>11,106</b>	<b>9,311</b>	<b>8,176</b>	<b>8,708</b>	<b>19,019</b>	<b>7,459</b>	<b>7,184</b>	<b>7,733</b>
<b>Total primary government general revenues</b>	<b>\$ 222,260</b>	<b>\$ 178,927</b>	<b>\$ 173,297</b>	<b>\$ 184,331</b>	<b>\$ 171,794</b>	<b>\$ 172,624</b>	<b>\$ 167,193</b>	<b>\$ 172,601</b>	<b>\$ 159,626</b>	<b>\$ 150,937</b>
Extraordinary Gain (Loss) <sup>1</sup>										
Governmental activities	-	-	-	-	-	-	-	-	(35,439)	-
Business-type activities	-	-	-	-	-	-	-	-	-	-
<b>Total primary government extraordinary gain (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,439)</b>	<b>-</b>
Change in Net Position										
Governmental activities	85,312	(17,805)	(57,381)	(9,938)	(24,340)	(1,494)	1,260	20,585	(40,677)	(8,856)
Business-type activities	30,855	34,125	8,011	(7,919)	(8,015)	(1,866)	26,438	2,639	5,650	7,328
<b>Total primary government</b>	<b>\$ 116,167</b>	<b>\$ 16,320</b>	<b>\$ (49,370)</b>	<b>\$ (17,857)</b>	<b>\$ (32,355)</b>	<b>\$ (3,360)</b>	<b>\$ 27,698</b>	<b>\$ 23,224</b>	<b>\$ (35,027)</b>	<b>\$ (1,528)</b>

Notes:

<sup>1</sup> 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>General fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable <sup>2</sup>	2,094	2,718	3,395	4,621	4,814	15,485	21,607	21,245	22,471	53,959
Restricted	4,638	2,842	1,333	1,166	788	465	688	580	479	1,253
Assigned	5,483	3,768	5,498	7,612	14,809	14,831	15,895	15,470	16,975	20,197
Unassigned	44,727	22,633	581	16,725	16,501	24,079	21,101	29,439	21,200	15,466
<b>Total general fund</b>	<b>\$ 56,942</b>	<b>\$ 31,961</b>	<b>\$ 10,807</b>	<b>\$ 30,124</b>	<b>\$ 36,912</b>	<b>\$ 54,860</b>	<b>\$ 59,291</b>	<b>\$ 66,734</b>	<b>\$ 61,125</b>	<b>\$ 90,875</b>
<b>All other governmental funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Nonspendable	607	80	946	4	-	-	-	-	-	682
Restricted <sup>3</sup>	47,732	39,753	41,477	42,326	40,422	40,729	43,921	40,493	41,600	41,240
Assigned	13,462	14,686	20,061	20,877	22,399	22,887	19,073	14,648	14,851	18,014
Unassigned <sup>3</sup>	-	-	(2,747)	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 61,801</b>	<b>\$ 54,519</b>	<b>\$ 59,737</b>	<b>\$ 63,207</b>	<b>\$ 62,821</b>	<b>\$ 63,616</b>	<b>\$ 62,994</b>	<b>\$ 55,141</b>	<b>\$ 56,451</b>	<b>\$ 59,936</b>

Notes:

<sup>1</sup>The 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.

<sup>2</sup>The 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.

<sup>3</sup>The 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Revenues</b>										
Taxes	\$ 193,672	\$ 172,217	\$ 162,315	\$ 168,084	\$ 162,636	\$ 161,817	\$ 156,103	\$ 152,045	\$ 148,165	\$ 143,352
Licenses, fees and permits	6,763	5,655	4,150	5,290	4,106	4,544	3,814	3,140	3,797	2,767
Fine, forfeitures and penalties	1,147	668	1,339	1,677	1,019	1,534	1,906	1,608	1,804	1,665
Investment earnings	20,726	4,791	9,180	9,355	6,154	6,082	7,893	7,433	7,329	6,454
Intergovernmental	60,012	50,525	27,073	26,525	23,265	22,897	28,743	32,386	23,862	18,193
Charges for current services	19,058	10,745	5,959	6,304	6,736	5,750	5,392	5,095	7,904	6,907
Other	1,798	3,928	1,155	4,616	2,000	1,282	2,280	11,141	3,047	660
<b>Total revenues</b>	<b>303,176</b>	<b>248,529</b>	<b>211,171</b>	<b>221,851</b>	<b>205,916</b>	<b>203,906</b>	<b>206,131</b>	<b>212,848</b>	<b>195,908</b>	<b>179,998</b>
<b>Expenditures</b>										
General government	28,348	41,959	23,023	24,814	22,344	20,387	19,487	20,213	22,355	19,464
Public safety	138,928	413,044	121,693	116,066	109,485	112,160	105,319	103,043	99,376	97,331
Public works	40,894	44,779	32,749	30,526	29,129	30,859	31,958	36,532	23,134	22,062
Culture and recreation	21,812	31,869	17,996	17,657	17,830	17,066	17,115	17,131	15,523	14,033
Nondepartmental	2,151	2,927	5,601	7,619	5,642	6,423	8,656	5,445	5,478	5,598
Community development	15,712	23,765	16,011	15,334	14,725	10,619	10,501	10,459	10,312	10,723
Capital outlay <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal retirement <sup>2</sup>	2,465	435	1,300	1,250	1,215	1,165	1,125	895	7,370	1,535
Interest and fiscal charges	17,838	1,606	2,431	2,477	2,516	2,522	2,599	2,835	959	3,042
Other	-	4,676	-	-	-	1,620	-	-	5,076	-
<b>Total expenditures</b>	<b>268,148</b>	<b>565,060</b>	<b>220,804</b>	<b>215,743</b>	<b>202,886</b>	<b>202,821</b>	<b>196,760</b>	<b>196,553</b>	<b>189,583</b>	<b>173,788</b>
Excess of revenues over (under) expenditures	35,028	(316,531)	(9,633)	6,108	3,030	1,085	9,371	16,295	6,325	6,210
<b>Other financing sources (uses)</b>										
Transfers in	16,094	356,749	17,249	15,665	20,649	22,980	22,017	16,033	30,007	12,535
Transfers out	(20,074)	(375,288)	(30,630)	(26,391)	(31,668)	(35,910)	(32,889)	(28,029)	(40,065)	(21,539)
Proceeds from sale of property	-	-	-	-	-	1,552	-	-	-	-
Proceeds from refunding bonds <sup>3</sup>	-	-	-	-	-	22,135	-	-	40,445	-
Issuance of debt <sup>3</sup>	1,560	389,240	-	-	-	-	-	-	-	-
Premium on refunding bonds <sup>4</sup>	-	-	-	-	-	1,727	-	-	661	-
Bond escrow refunding <sup>4</sup>	-	(38,032)	-	-	-	(17,378)	-	-	(31,540)	-
<b>Total other financing sources (uses)</b>	<b>(2,420)</b>	<b>332,669</b>	<b>(13,381)</b>	<b>(10,726)</b>	<b>(11,019)</b>	<b>(4,894)</b>	<b>(10,872)</b>	<b>(11,996)</b>	<b>(492)</b>	<b>(9,004)</b>
Extraordinary gain <sup>5</sup>	-	-	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 32,608</b>	<b>\$ 16,138</b>	<b>\$ (23,014)</b>	<b>\$ (4,618)</b>	<b>\$ (7,989)</b>	<b>\$ (3,809)</b>	<b>\$ (1,501)</b>	<b>\$ 4,299</b>	<b>\$ 5,833</b>	<b>\$ (2,794)</b>
Debt service as a percentage of noncapital expenditures	8.6%	0.4%	1.8%	1.9%	2.0%	2.0%	2.1%	2.2%	4.7%	2.7%

Notes:

<sup>1</sup> Starting in 2013, capital outlay expenditures are reported in the relevant departmental category.

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

<sup>3</sup> In 2021, the City issued Lease Revenue Bonds to refinance their 2014 Certificates of Participation and generate additional monies for future capital projects.

<sup>4</sup> In 2017, the City issued refunding Certificates of Participation to refinance their 2009 Certificates of Participation and generate additional monies for future capital projects.

<sup>5</sup> In 2010, the City issued Certificates of Participation for land acquisition.

<sup>5</sup> 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 I

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
<b>Real Property:</b>							
2022	\$ 31,670,311	\$ 442,350	\$ 32,112,661	\$ -	\$ -	\$ -	
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	-	-	-	
<b>Personal Property:</b>							
2022	\$ 214,252	\$ 667,627	\$ 881,879	\$ -	\$ -	\$ -	
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	-	-	-	
<b>Total:</b>							
2022	\$ 31,884,563	\$ 1,109,977	\$ 32,994,540	\$ -	\$ -	\$ -	0.1531%
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%

**Notes:**

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>2022</u>	<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>
City Direct Rates:										
City basic rate	0.1531	0.1528	0.1529	0.1518	0.1506	0.1507	0.1508	0.1507	0.1507	0.1504
Redevelopment Agency <sup>1</sup>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total City Direct Rate	0.1531	0.1528	0.1529	0.1518	0.1506	0.1507	0.1508	0.1507	0.1507	0.1504
Overlapping Rates:										
Metropolitan Water District	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
Torrance Unified School District	0.4961	0.4894	0.4989	0.5020	0.4940	0.4913	0.4903	0.4818	0.4754	0.4843
Community College	0.0226	0.0236	0.0216	0.0216	0.0222	0.0229	0.0174	0.0174	0.0175	0.0185
County of Los Angeles	0.2406	0.2401	0.2406	0.2403	0.2390	0.2394	0.2402	0.2407	0.2411	0.2415
Successor Agency <sup>1</sup>	0.1389	0.1396	0.1369	0.1344	0.1388	0.1356	0.1331	0.1306	0.1297	0.1279
Special Districts	<u>0.0657</u>	<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>
Total Direct Rate	<u>1.1205</u>	<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>

Notes:

<sup>1</sup>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.

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	2022			2013		
	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	\$ 1,022,711,973	1	3.19%	-		-
Del Amo Fashion Center Operating Company	902,217,446	2	2.82%	475,663,088	2	2.10%
American Honda Motor Company Inc.	343,348,083	3	1.07%	276,183,278	4	1.22%
TI Commerce Center	288,722,285	4	0.90%			-
Torrance FRM LLC	130,346,139	5	0.41%			-
CLPF Anza LP	127,508,129	6	0.40%			0.00%
Allied Signal Inc.	121,538,433	7	0.38%	104,738,133	5	0.46%
RREF II Pacific Center LLC	112,873,075	8	0.35%			-
CLPF Vista North LP	96,352,608	9	0.30%			-
CTC Group Inc	87,781,465	10	0.27%			0.00%
Exxon Mobil Oil Corporation Corp			-	\$ 1,459,934,833	1	6.43%
Toyota Motor Sales United States			-	473,280,925	3	2.08%
RReef America Reit III Corporation			-	61,856,877	6	0.27%
Diamondrock Torrance Owner LLC			-	58,430,000	7	0.26%
Sears Roebuck and Company Etal			-	57,870,473	8	0.25%
Torrance Health Association			-	56,842,001	9	0.25%
Prologis Macquarie US LLC			-	56,400,000	10	0.25%
	<u>\$ 3,233,399,636</u>		<u>10.09%</u>	<u>\$ 3,024,799,608</u>		<u>12.82%</u>

Notes:

The amounts shown above for 2013 include assessed value data for both the City and the Redevelopment Agency.

The amounts shown above for 2022 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 2021/22 & 2012/13 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
2022	\$ 40,966	\$ 40,175	98.07%	\$ 90	40,265	98.29%
2021	39,739	38,896	97.88%	90	38,986	98.11%
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%

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Potable</b>										
Type of Customer:										
Residential	380,937	424,835	370,278	382,206	396,034	381,521	371,531	431,201	467,408	457,444
Industrial	209,392	174,953	181,901	159,277	134,288	135,584	100,085	136,159	170,468	117,538
Commercial	161,636	160,497	158,787	164,730	154,406	164,215	158,623	193,565	197,237	198,152
Other	33,353	31,858	29,956	27,520	50,471	27,246	36,561	37,059	65,832	67,190
<b>Total - Potable Water</b>	<b>785,318</b>	<b>792,143</b>	<b>740,922</b>	<b>733,733</b>	<b>735,199</b>	<b>708,566</b>	<b>666,800</b>	<b>797,984</b>	<b>900,945</b>	<b>840,324</b>
<b>Recycled/Reclaimed</b>										
Type of Customer:										
Industrial	206,675	217,929	226,824	242,224	273,171	207,389	145,358	232,056	269,317	275,530
Other	14,696	14,671	11,694	14,218	17,944	13,553	15,905	15,154	15,072	11,755
<b>Total - Recycled/Reclaimed Water</b>	<b>221,371</b>	<b>232,600</b>	<b>238,518</b>	<b>256,442</b>	<b>291,115</b>	<b>220,942</b>	<b>161,263</b>	<b>247,210</b>	<b>284,389</b>	<b>287,285</b>
<b>Total</b>										
Type of Customer:										
Residential	380,937	424,835	370,278	382,206	396,034	381,521	371,531	431,201	467,408	457,444
Industrial	416,067	392,882	408,725	401,501	407,459	342,973	245,443	368,215	439,785	393,068
Commercial	161,656	160,497	158,787	164,730	154,506	164,215	158,623	193,565	197,237	198,152
Other	48,049	46,529	41,650	41,738	68,415	40,799	52,466	52,213	80,904	78,945
<b>Total Water</b>	<b>626,153</b>	<b>1,024,743</b>	<b>979,440</b>	<b>990,175</b>	<b>1,026,414</b>	<b>929,508</b>	<b>828,063</b>	<b>1,045,194</b>	<b>1,185,334</b>	<b>1,127,609</b>

Source: Minol USA Usage Report for June 2016 through June 2022, Global Water Usage Report for 2013 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 <sup>1</sup>	Low Income <sup>1</sup>	Torrance Refining/ Exxon Contract <sup>2</sup>	Wholesale Contract <sup>2</sup>	Other - Recycled Regular <sup>3</sup>
2022	\$ 7.48	\$ 7.48	\$ 4,000.14	\$ 628.25	\$ 28.68
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

Rate Per 100 Cubic Feet					
Fiscal Year Ended June 30	Regular <sup>4</sup>	Low Income <sup>4</sup>	Torrance Refining/ Exxon Contract	Wholesale Contract	Other - Recycled Regular
2022	\$ 4.86	\$ 3.65	\$ 5.55	\$ 2.95	\$ 3.78
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

Notes:

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

<sup>2</sup>Base rate reflects monthly fixed charge stated in contracts.

<sup>3</sup>Base rate reflects monthly charge for 2 inch meter

<sup>4</sup>Reflects 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	2022			2013		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Torrance Refining Company	\$ 15,533,193	1	30.30%	\$ -		-
City of Torrance	1,241,990	2	2.40%	986,282	3	2.84%
California Water Service - Wholesale	848,785	3	1.70%	1,273,922	2	3.66%
Torrance Unified School District	834,523	4	1.60%	621,842	5	1.79%
Torrance Memorial Health System	466,289	5	0.90%	227,429	7	0.65%
New Horizons HOA	282,368	6	0.60%	210,766	8	0.61%
American Honda Motor Company Inc.	281,929	7	0.50%	818,552	4	2.35%
Summerwind HOA	258,129	8	0.50%	-		-
Honeywell Aerospace/Equipment System	192,745	9	0.40%	253,487	6	0.73%
Torrance HOA	192,407	10	0.40%	-		-
Exxon Mobil Oil Corporation	-		-	\$ 8,166,002	1	23.48%
Toyota Motor Sales USA Inc.	-		-	203,037	9	0.58%
Don Wilson Builders	-		-	192,259	10	0.55%
Total	<u>\$ 20,132,358</u>		<u>39.30%</u>	<u>12,953,578</u>		<u>37.25%</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 <sup>7</sup>	Debt Per Capita
	General Government Lease Revenue Bonds <sup>1</sup>	General Government Certificates of Participation <sup>2</sup>	Tax Allocation Bonds <sup>3</sup>	Notes Payable <sup>3</sup>	Capital Lease Payable <sup>4</sup>	Total Government Activities	Water Revenue Bonds <sup>5</sup>	Easement Payable <sup>4</sup>	Installment Sale Agreement <sup>6</sup>	Total Business-type Activities				
2022	\$ 387,225	\$ 21,440	\$ -	\$ 1,352	\$ -	\$ 410,017	-	\$ 1,162	\$ 3,414	\$ 4,576	\$ 414,593	1.26%	\$ 2,870	
2021	389,240	21,948	-	-	-	411,188	-	1,221	3,968	5,189	416,377	1.30%	2,875	
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	

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

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

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

<sup>6</sup> 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.

<sup>7</sup> 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 <sup>2</sup>	Per Capita
	General Government Lease Revenue Bonds	General Government Certificates of Participation	Less Amounts Available in Debt Service Funds <sup>1</sup>			
2022	\$ 387,225	\$ 21,440	\$ 5	\$ 408,660	1.24%	\$ 2,829
2021	389,240	21,948	1,212	409,976	1.28%	2,831
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)

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).

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

<sup>2</sup> 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		<u>\$ 32,994,540</u>	
	<u>Percentage Applicable<sup>1</sup></u>	<u>Outstanding Debt 6/30/21</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Overlapping Debt Repaid with Property Taxes:</b>			
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%	<u>460,150</u>	<u>459,023</u>
Total overlapping debt to be repaid with property taxes		<u>16,285,902</u>	<u>577,682</u>
<b>Overlapping Other Debt:</b>			
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%	<u>11,540</u>	<u>11,512</u>
Total overlapping other debt		<u>2,798,347</u>	<u>63,970</u>
Total overlapping debt		<u>\$ 19,084,249</u>	641,652
<b>City direct debt:</b>			
Certificates of Participation (including premium)			21,440
Lease Revenue Bonds			387,225
Notes Payable			<u>1,352</u>
Total City direct debt			410,017
Total direct and overlapping debt			<u>\$ 1,051,669</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.

<sup>1</sup>For 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

	2022	2021	2020	2019	Fiscal Year		2016	2015	2014	2013
					2018	2017				
Debt limit	\$ 1,237,295	\$ 1,200,791	\$ 1,200,791	\$ 1,109,691	\$ 1,056,194	\$ 987,112	\$ 967,230	\$ 933,496	\$ 897,585	\$ 858,784
Total net debt applicable to limit	21,440	20,480	58,765	60,145	61,474	62,740	56,637	57,784	58,701	59,160
Legal debt margin	<u>\$ 1,215,855</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	1.7%	1.7%	4.9%	5.4%	5.8%	6.4%	5.9%	6.2%	6.5%	6.9%

Legal Debt Margin Calculation for Fiscal Year 2020:

Assessed value	\$ 32,994,540
Debt limit (3.75% of assessed value)	\$ 1,237,295
Debt applicable to limit:	
General government Certificates of Participation	<u>21,440</u>
Legal debt margin	<u>\$ 1,215,855</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	
2022	\$ 51,521	\$ 41,236	\$ 10,285	\$ 554	\$ 90	15.97	-	-	-	-
2021	49,198	41,465	7,733	541	103	12.01	-	-	-	-
2020	45,557	38,974	6,583	529	116	10.21	-	-	-	-
2019	42,544	41,134	1,410	516	34	2.56	-	-	-	-
2018 <sup>1</sup>	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 <sup>2</sup>	40,726	33,628	7,098	620	17	11.14	-	-	-	-
2013	36,156	31,375	4,781	570	44	7.79	-	-	-	-

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.

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

<sup>2</sup> 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.

City of Torrance  
Demographic and Economic Indicators  
Last Ten Calendar Years

Demographic and Economic  
Exhibit 1

Calendar Year	Torrance Population <sup>1</sup>	Los Angeles County Population <sup>1</sup>	Personal Income (in thousands) <sup>2</sup>	Per Capita Personal Income <sup>2</sup>	Unemployment Rate <sup>3</sup>
2021	144,433	9,861,224	\$ 678,829,092	68,838	3.5%
2020	144,832	10,044,458	631,161,849	62,837	7.6%
2019	145,546	10,172,951	602,428,812	59,219	13.3%
2018	148,054	10,253,716	580,826,819	56,645	3.6%
2017	149,245	10,283,729	562,665,355	54,714	3.3%
2016	147,101	10,241,278	544,243,722	53,142	3.6%
2015	147,175	10,241,335	510,614,460	49,858	4.7%
2014	148,427	10,136,559	480,157,948	47,369	5.8%
2013	147,706	10,041,797	482,151,715	48,014	4.9%
2012	146,860	9,958,091	449,955,147	45,185	5.4%

Sources:

<sup>1</sup> State Department of Finance.

<sup>2</sup> 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.

<sup>3</sup> Office of Economic Development

<sup>4</sup> Per bea.gov, new statistics for 2020 and revised statistics for 1998-2019 on November 16, 2021

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

Demographic and Economic  
Exhibit 2

Employer	2022			2013		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Torrance Memorial Health System	3,887	1	5.4%	-	-	-
Torrance Unified School District	2,518	2	3.5%	-	-	-
Providence Little Co of Mary Medical Center (4 locations)	2,124	3	2.9%	-	-	-
City of Torrance	1,417	4	2.0%	-	-	-
Yoshinoya America Inc., Corporate Headquarters	1,335	5	1.9%	-	-	-
American Honda Motor Company	1,161	6	1.6%	1,602	2	2.1%
Robinson Helicopter Company	992	7	1.4%	1,268	4	1.7%
Walmart	694	8	1.0%	-	-	-
Honeywell International	681	9	0.9%	1,311	3	1.7%
Stellant Systems (Formerly known as L3Harris Technologies and L-3 Communications)	627	10	0.9%	499	9	0.7%
Toyota Motor Sales USA Inc.	-	-	-	3,837	1	5.1%
Hi Shear Corporation	-	-	-	921	5	1.2%
Exxon Mobil Oil Corporation	-	-	-	644	6	0.9%
Pelican Products, Inc	-	-	-	616	7	0.8%
Adecco	-	-	-	538	8	0.7%
Phnomex Inc.	-	-	-	401	10	0.5%

Notes:

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

Data for 2013 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>2022</u>	<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>
General government	210	239	254	277	281	275	275	277	272	269
Public safety	516	509	466	516	515	501	504	520	522	507
Public works	117	129	136	140	145	143	146	141	148	148
Culture and recreation	308	282	265	478	498	451	454	441	445	454
Community development	59	64	67	69	68	63	62	63	62	61
Municipal airport	10	9	9	10	10	10	10	10	9	10
Transit system	119	140	151	154	141	143	131	130	128	139
Water	24	26	25	25	31	30	30	29	31	28
Sewer	22	24	24	23	24	22	17	19	20	20
Cultural arts center	32	28	13	47	48	47	50	52	47	44
Total	<u>1,417</u>	<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>

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Police</b>										
Arrests	2,131	2,098	2,809	2,839	3,023	3,265	3,739	4,217	4,546	4,480
Bookings	2,082	2,037	2,688	2,196	2,360	2,477	2,623	2,840	3,644	3,070
Parking violations	9,632	9,448	12,695	15,602	17,434	20,945	25,192	20,900	16,089	12,853
Traffic violations	1,254	1,550	2,980	2,657	2,046	26,988	16,987	19,776	12,831	16,837
<b>Fire</b>										
Number of calls answered	16,135	14,214	14,816	15,270	15,208	15,183	14,863	13,669	12,803	12,968
Inspections	8,020	7,400	4,820	8,647	8,448	8,047	9,229	9,424	7,264	9,493
<b>Highways, streets and other transportation</b>										
Potholes repaired	6,417	6,022	5,150	5,477	5,206	8,000	5,045	5,080	5,100	4,921
Number of tenant aircraft	500	500	500	500	500	500	500	500	500	500
Number of fixed bus routes	12	12	11	11	11	11	11	11	11	10
<b>Sanitation</b>										
Refuse collected (tons/day)	143	160	151	144	144	143	144	143	144	148
Recyclables collected (tons/day)	43	47	46	46	50	48	49	49	48	50
Green waste collected (tons/day)	61	69	72	63	63	64	59	66	63	67
<b>Culture and recreation</b>										
Number of registrants served	16,462	13,558	21,868	28,900	41,238	33,780	31,522	26,451	27,664	29,843
Registrant fees collected	\$ 2,056,373	\$ 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
Community center admissions	12,387	2,105	18,110	23,167	30,375	33,097	34,600	40,230	48,162	42,403
<b>Water</b>										
New connections	57	37	38	42	54	23	49	26	32	48
Water main emergency repairs (breaks)	56	66	35	75	69	70	53	36	67	46
Average daily consumption (thousands of gallons)	17,189	16,811	16,720	15,055	16,093	15,454	15,137	16,400	19,000	16,900

Sources: City of Torrance various departments

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

Operating  
Exhibit 3

Function	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	55	55	68	64	64	56	56	56	56	56
Motorcycles	16	16	16	16	16	16	16	16	16	16
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
In-service fire control vehicles	18	18	17	17	17	17	17	17	17	17
In-service paramedic vehicles	20	12	8	8	8	8	8	8	8	8
Sanitation										
Collection trucks	32	32	34	33	38	34	34	34	35	34
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	130
Street lights	10,560	10,560	10,560	10,560	10,492	10,492	10,877	10,877	10,877	10,878
Airport hangars	341	341	341	341	341	341	341	341	341	341
Culture and recreation										
Parks acreage	276	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	312	311	311	311
Fire hydrants	2,675	2,675	2,675	2,675	2,675	2,675	2,675	2,670	2,670	2,670
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