

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

BASIC FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2020



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WESTSIDE CITIES COUNCIL OF GOVERNMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Westside Cities Council of Governments
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity and the major fund of the Westside Cities Council of Governments (the Authority) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and the major fund of the Westside Cities Council of Governments as of June 30, 2020 and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Authority'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 Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
March 19, 2021

Our discussion and analysis of the Westside Cities Council of Governments (the "Authority") financial performance presents an overview of the Authority's financial activities during the fiscal year ended June 30, 2020. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 9). The financial statements, notes and this discussion and analysis were prepared by management and are the responsibility of management.

Background

The Authority was created on December 20, 2005 by a Joint Exercise of Power Agreement (the agreement) between the City of Santa Monica, City of Beverly Hills (the City), City of Culver City, City of Los Angeles, City of West Hollywood and the County of Los Angeles, all in California (collectively, Members). The Authority was formed to enable the Members to voluntarily engage in regional and cooperative planning and coordination of government services and responsibilities to assist the Members in the conduct of their affairs. The goal and intent of the Authority is one of voluntary cooperation among cities for the collective benefit of cities in the Westside areas of Los Angeles.

The Authority's mission is to be the regional voice that extends the leverage of its member agencies at the State and Federal level for the benefit of the region. The Authority is charged with preserving and enhancing the respective local and regional quality of life by building relationships, maximizing resources, advocating for mutual interests and promoting policy for the benefit of the residents, businesses and visitors.

The Board of Directors is comprised of a Delegate and Alternate from each of the local government entities, appointed by their respective jurisdictions. These members have partnered in a voluntary cooperative endeavor to forge consensus on policies and programs of regional significance that enhance the quality of life, sustain the environment and enrich the future of Westside residents, businesses and visitors.

The Authority provides a forum for discussion and communication as well as formalized representation and advocacy with governmental agencies at all levels. The organization also monitors legislation as well as regional, state and federal funding and other collaborative opportunities to maximize services to the public at minimum cost. Priority issues established by the Board are sub regional economic health, transportation and improved mobility, environmental issues and sustainability and land use, housing, social services and homeland security and safety.

The Board of Directors convenes a total of six (6) regular meetings annually, including special meetings to discuss important subregional issues. The Board of Directors is also in charge of designating representatives to serve on behalf of the subregion on local public agency committees. The Authority staff includes an Executive Director who is charged with the following tasks, assisting and guiding the Board of Directors, developing and leading the annual work program and budget, providing administrative support to the Board of Directors, serving as a liaison to public agencies, serving as the filing officer for the Fair Political Practice Commission Statement of Economic Interests, and organizing advocacy efforts to further the annual work program.

Financial Highlights

At June 30, 2020, the Authority's assets of \$178,862 exceeded its liability of \$61,653, resulting in a net position of \$117,209, which consisted of unrestricted net position.

The Authority's net position increased from \$116,759 at June 30, 2019 to \$117,209 at June 30, 2020, which is an increase of \$450.

Overview of Financial Statements

The Authority's basic financial statements consist of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements and (3) Notes to the Basic Financial Statements.

Government-wide Financial Statements

The government-wide financial statements found on pages 9 and 10 are designed to give readers a broad overview of the Authority's financial position. These include all of the Authority's assets and liabilities, revenues and expenses. The accounting basis is full accrual (similar to private sector companies) where revenues are recorded as earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows.

The *Statement of Net Position* presents all of the Authority's assets and liabilities with the difference reported as net position (or equity in the private sector). Over time, increases or decreases in net position serve as useful indicator of whether the financial position of the Authority is improving or declining.

The *Statement of Activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund Financial Statements

The fund financial statements can be found on pages 11 through 14 of this report. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Differences between the two sets of financial statements are normally determined by the complexity of the reporting agency and usually revolve around different treatments for capital assets and debt issuance and repayment. Since the Authority has no capital assets and no long-term debts, the Government-wide and the Fund Financial Statements are similar.

Notes to the Basic Financial Statements

This report includes notes to the basic financial statements. They provide additional information that is important to a complete understanding of the data contained in the government-wide and fund financial statements. The notes can be found on pages 15 through 20 of this report.

**Westside Cities Council of Governments
Management's Discussion and Analysis
Year ended June 30, 2020**

Financial Analysis

Statements of Net Position

The following table summarizes the assets, liabilities, and net position of the Authority's primary government as of June 30, 2020 and 2019:

| | Statement of Net Position | |
|---------------------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| Current assets | \$ 178,862 | \$ 129,347 |
| Total assets | 178,862 | 129,347 |
| Current liabilities | 61,653 | 12,588 |
| Total liabilities | 61,653 | 12,588 |
| Net position | | |
| Unrestricted | 117,209 | 116,759 |
| Total net position | \$ 117,209 | \$ 116,759 |

Current assets increased by \$49,515, or 38%, primarily due to an increase in cash and an increase in grants receivable, related to additional funding awarded to the Authority from Los Angeles County for the homeless coordination grant related to the COVID-19 pandemic, offset by a decrease in accounts receivable for an outstanding member contribution.

Current liabilities increased by \$49,065 or 390%, primarily due to additional invoices outstanding at year-end related to the additional funding for the homeless coordination grant.

As previously discussed, net position can serve as an indicator of financial health. The Authority's assets exceeded liabilities by \$117,209 and \$116,759 as of June 30, 2020 and 2019, respectively.

**Westside Cities Council of Governments
Management's Discussion and Analysis
Year ended June 30, 2020**

Statements of Activities

The following table presents the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> | <u>Variance</u> | |
|--|-------------------|-------------------|-----------------|-------------|
| | | | <u>Amount</u> | <u>%</u> |
| Revenues | | | | |
| Program Revenues: | | | | |
| Operating Contributions and Grants | \$ 189,556 | \$ 163,042 | \$ 26,514 | 16% |
| Total Revenues | <u>189,556</u> | <u>163,042</u> | <u>26,514</u> | <u>16%</u> |
| Expenses | | | | |
| General Government | 189,106 | 152,671 | 36,435 | 24% |
| Total Expenses | <u>189,106</u> | <u>152,671</u> | <u>36,435</u> | <u>24%</u> |
| Increase (decrease) in Net Position | 450 | 10,371 | (9,921) | -96% |
| Net Position at July 1 | <u>116,759</u> | <u>106,388</u> | <u>10,371</u> | <u>10%</u> |
| Net Position at June 30 | <u>\$ 117,209</u> | <u>\$ 116,759</u> | <u>\$ 450</u> | <u>0%</u> |

Program revenues for the Authority consist of dues from six members comprised of five cities and one county totaling \$138,000 and grant revenues totaling \$51,556. Revenues increased by \$26,514 or 16%, which is due to increased grant funding for the homeless coordination grant.

General government expenses totaled \$189,106 in FY 2020 compared to \$152,671 in FY 2019, which is an increase of \$36,435, or 24%. The increase is primarily due to an increase in expenses of \$26,514 for the homeless coordination grant. Additionally, audit service expense increase from \$0 for FY 2019 to \$12,100 for FY 2020, due to the completion of two financial statement audits during FY 2020.

**Westside Cities Council of Governments
Management's Discussion and Analysis
Year ended June 30, 2020**

Financial Analysis of Fund Statements

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Authority's governmental fund is to provide information on the sources, uses and balances of spendable resources. Such information is useful in assessing the Authority's short-term financial requirements. The General Fund is the only fund for the Authority.

The following table presents the summarized Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund, including comparative amounts from the preceding year:

| | 2020 | 2019 | Variance | |
|-----------------------------------|------------------|-------------------|--------------------|--------------|
| | | | Amount | % |
| Revenues | | | | |
| Intergovernmental | \$ 138,000 | \$ 138,000 | \$ - | 0% |
| Grant revenues | 20,250 | 25,042 | (4,792) | -19% |
| Total Revenues | 158,250 | 163,042 | (4,792) | -3% |
| Expenditures | | | | |
| General Government | 189,106 | 152,671 | 36,435 | 24% |
| Total Expenditures | 189,106 | 152,671 | 36,435 | 24% |
| Net change in Fund Balance | (30,856) | 10,371 | (41,227) | -398% |
| Fund Balance at July 1 | 116,759 | 106,388 | 10,371 | 10% |
| Fund Balance at June 30 | \$ 85,903 | \$ 116,759 | \$ (30,856) | -26% |

Total fund balance decreased from \$116,759 at June 30, 2019 to \$85,903 at June 30, 2020, which is a decrease of \$30,856 or 26%. The overall decrease in fund balance is primarily due to an increase in homeless coordination grant expenditures from \$25,042 for FY 2019 to \$51,556 for FY 2020, which is an increase of \$26,514 or 106%. Another factor contributing to the decrease in fund balance is \$31,306 of deferred inflows of resources related to grant revenue as of June 30, 2020. Since grant funding of \$31,306 was not received within 60 days after year-end, the revenue is not recorded in FY 2020 and will instead be recorded as revenue in FY 2021.

Intergovernmental revenues for the Authority consist of dues from six members comprised of five cities and one county, totaling \$138,000 for both FY 2019 and FY 2020.

Grant revenues decreased from \$25,042 for FY 2019 to \$20,250 for FY 2020, which is a decrease of \$4,792 or 19%. As described earlier, the decrease in grant revenue in the General Fund is due to the \$31,306 deferred inflows of resources as of June 30, 2020.

Governmental Funds (Continued)

General government expenditures totaled \$189,106 in FY 2020 compared to \$152,671 in FY 2019, which is an increase of \$36,435, or 24%. The increase is primarily due to an increase in expenses of \$26,514 for the homeless coordination grant. Additionally, audit service expenditures increase from \$0 for FY 2019 to \$12,100 for FY 2020, due to the completion of two financial statement audits during FY 2020.

General Fund Budgetary Highlights

The original budget was increased by \$42,946 during FY 2020 to account for additional funding received from Los Angeles County for the homeless coordination grant. The largest variance between the final budget and actual expenditures was for the Metro multi-year subregional program, which had a final budget of \$75,000 and actual expenditures of \$0. The variance is due to timing and the program was started during FY 2021. The Authority finished under budget in a number of categories, including travel, miscellaneous printing and bidding, and meeting setup and logistics, due to pandemic-related costs savings from holding virtual meetings instead of in-person meetings. Overall, the final budget showed a net increase to fund balance of \$2,768, compared to an actual decrease to fund balance of \$30,856, which is a variance of 33,624. As described earlier, the General Fund had \$31,306 of grant funding shown as deferred inflows of resources as of June 30, 2020, since the funding was not received with 60 days after year-end. This amount will be recorded as revenue in FY 2021.

Economic Factors and Next Year's Budget

On July 25, 2016, the Authority's board approved an annual work plan that reflects continued efforts for the Transportation Strategic Initiative, as well as examines homelessness as an issue of regional significance. The work plan also includes working with Southern California Association of Governments (SCAG) on the grant project for the Plug-in Electric Vehicle Charging Station Siting Study.

The budget for FY 2021 assumes that the net position as of June 30, 2020 will be required and available to fulfill the program and administrative expense requirements. One significant increase in the FY2021 budget is \$715,827 for homeless coordination services, which will be financed by additional grant funding received from Los Angeles County. There is no change in the annual dues charged to each member. There is also no change in the contract for Executive Director Services.

Further Information

This report has been designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in the June 30, 2020 report or requests for additional information should be addressed to James Bernier, Principal Accountant, at 455 N. Rexford Drive, #350, Beverly Hills, California, 90210.

BASIC FINANCIAL STATEMENTS

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

June 30, 2020

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Current Assets: | |
| Cash | \$ 145,724 |
| Due from other governments | 31,306 |
| Prepaid items | <u>1,832</u> |
| Total Assets | <u>178,862</u> |
| Liabilities: | |
| Accounts payable and other liabilities | <u>\$ 61,653</u> |
| Total Liabilities | <u>61,653</u> |
| Net Position: | |
| Unrestricted | <u>117,209</u> |
| Total Net Position | <u><u>\$ 117,209</u></u> |

See accompanying notes to the basic financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Change in Net Position |
|-----------------------------------|-------------------|----------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | | |
| General government | \$ 189,106 | \$ - | \$ 189,556 | \$ - | \$ 450 |
| Total Governmental Activities | <u>\$ 189,106</u> | <u>\$ -</u> | <u>\$ 189,556</u> | <u>\$ -</u> | 450 |
| Net Position at Beginning of Year | | | | | <u>116,759</u> |
| Net Position at End of Year | | | | | <u>\$ 117,209</u> |

See accompanying notes to the basic financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2020

| | <u>General Fund</u> |
|--|--------------------------|
| Assets: | |
| Current Assets: | |
| Cash | \$ 145,724 |
| Due from other governments | 31,306 |
| Prepaid items | <u>1,832</u> |
| Total Assets | <u><u>\$ 178,862</u></u> |
| Liabilities: | |
| Accounts payable and other liabilities | <u>\$ 61,653</u> |
| Total Liabilities | <u>61,653</u> |
| Deferred Inflows of Resources: | |
| Unavailable revenue | <u>31,306</u> |
| Total Deferred Inflows of Resources | <u>31,306</u> |
| Fund Balance: | |
| Nonspendable | 1,832 |
| Unassigned | <u>84,071</u> |
| Total Fund Balance | <u>85,903</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u><u>\$ 178,862</u></u> |

See accompanying notes to the basic financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION**

June 30, 2020

| | |
|---|--------------------------|
| Fund balance of the governmental fund | \$ 85,903 |
| Certain revenues in the governmental funds are deferred inflows of resources because they are not collected within the prescribed time period after year-end. However, these revenues are included in the government-wide statements. | <u>31,306</u> |
| Net position of governmental activities | <u><u>\$ 117,209</u></u> |

See accompanying notes to the basic financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the fiscal year ended June 30, 2020

| | <u>General Fund</u> |
|------------------------------------|-------------------------|
| Revenues: | |
| Intergovernmental | \$ 138,000 |
| County homeless coordination grant | <u>20,250</u> |
| Total Revenues | <u>158,250</u> |
| Expenditures: | |
| General government | <u>189,106</u> |
| Total Expenditures | <u>189,106</u> |
| Net Change in Fund Balance | (30,856) |
| Fund Balance at Beginning of Year | <u>116,759</u> |
| Fund Balance at End of Year | <u><u>\$ 85,903</u></u> |

See accompanying notes to the basic financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

For the fiscal year ended June 30, 2020

| | |
|--|---------------|
| Net change in fund balance of the governmental fund | \$ (30,856) |
| Certain revenues in the governmental funds are unavailable revenues because they are not collected within the prescribed time period after year-end. However, the revenues are included in the government-wide statements. | <u>31,306</u> |
| Change in net position of governmental activities | <u>\$ 450</u> |

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Westside Cities Council of Governments (the Authority) was created on December 20, 2005 by a Joint Exercise of Power Agreement (the Agreement) between the City of Santa Monica, City of Beverly Hills, City of Culver City, City of Los Angeles, City of West Hollywood (the City) and the County of Los Angeles, all in California (collectively, Members). This Agreement shall continue in existence until the Agreement is terminated. This Agreement may not be terminated except by an affirmative vote of a majority of total voting membership of the Governing Board.

The Authority was formed to enable the Members to voluntarily engage in regional and cooperative planning and coordination of government services and responsibilities so as to assist the Members in the conduct of their affairs. The goal and intent of the Authority is one of voluntary cooperation among cities for the collective benefit of cities in the Westside area of Los Angeles County.

One elected official from each Member is appointed to the Authority as a governing board representative of the Authority (the Governing Board). The terms of office of the Chair and Vice Chair shall commence until July 1 of that fiscal year and expire on the following July 1. The positions of Chair and Vice Chair are alternated between the Members.

The Governing Board approves an annual budget based upon the costs of operating the Authority prior to July 1 of each fiscal year. The Governing Board may at any time amend the budget to incorporate additional income and disbursements that might become available to the Authority for its purposes during a fiscal year.

The books and records for the Authority for the fiscal year ended June 30, 2020 are located in the City of Beverly Hills, Finance Department at 455 N. Rexford Drive, #350, Beverly Hills, CA 90210.

B. Measurement Focus and Basis of Accounting

The *basic financial statements* of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Government-wide Financial Statements

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. Under the economic resources measurement focus, all (both current and long term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized on an accrual basis.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are deducted from program expenses in the statement of activities to present the net cost of each program. The grant revenues consist of a grant from the County of Los Angeles for Homeless Services.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an "other financing source". Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure. The Authority has no capital assets or long-term debt.

Fund Financial Statements

Fund financial statements for the Authority's governmental fund are presented after the government-wide financial statements.

In the fund financial statements, the governmental fund is presented using the modified-accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Authority uses a 60-day availability period. Expenditures are recorded when the liability is incurred.

The Authority reports the following as a major governmental fund:

The General Fund is the Authority's operating fund and is used to account for all financial resources.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Annual Budget

The Authority adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with accounting principles generally accepted in the United States of America.

In addition, a minimum reserve of 15% of operating revenues must be maintained according to the Authority's reserve policy.

Financial policies also provide for the Executive Director to transfer up to 50% of budget line items and to report such transfers in monthly financial reports.

D. Cash

The Authority has a separate cash account that is maintained by the City of Beverly Hills and does not result in interest income. There are no investments.

E. Prepaid Items

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority does not have any applicable deferred outflows of resources.

In addition to liabilities, the governmental fund balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority has the following item that qualifies for reporting in this category:

- Deferred inflows from unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, which is grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Net Position

Net position is the excess of the Authority's asset and deferred outflows of resources, over all its liabilities and deferred inflows of resources and is divided into three captions:

Net investment in capital assets - describes the portion of net position that is represented by capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. The Authority has no such net position.

Restricted - describes the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws or regulations of other governments or through constitutional provisions or enabling legislation. The Authority has no restricted net position.

Unrestricted - describes the portion of net position that does not meet the definition of net investment in capital assets or restricted net position.

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

H. Fund Balance

In the fund financial statements, the governmental fund reports fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Authority is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance - amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance - amounts that are constrained by the Authority's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose.
- Unassigned fund balance - amounts not contained in the other classifications, which is the residual classification for the Authority's funds.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Balance (Continued)

At June 30, 2020, the Authority's fund balance included nonspendable fund balance of \$1,832 for prepaid items and \$84,071 within unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, followed by committed, assigned and unassigned resources as they are needed.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget amendments that occur throughout the fiscal year.

I. New Accounting Pronouncements

Current Year Standards

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

J. Classification of Revenues

Program revenues consist of charges to member agencies and grant revenues. *General revenues* consist of investment income and other income. There are no general revenues for the fiscal year ended June 30, 2020.

K. Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH

Cash as of June 30, 2020 is classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|------|-------------------|
| Cash | \$ <u>145,724</u> |
|------|-------------------|

Cash as of June 30, 2020 consist of the following:

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ <u>145,724</u> |
|--------------------------------------|-------------------|

The Authority has not adopted an investment policy separate from that of the City of Beverly Hills and does not have any investments as of June 30, 2020.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Authority 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 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2020, the Authority deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

NOTE 3 - COMMITMENTS

The Authority has a contract with an advisory firm to provide Executive Director services. Under this agreement, the Authority is to pay this firm \$10,000 per month through June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(REQUIRED SUPPLEMENTARY INFORMATION)**

For the fiscal year ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------|-------------------|------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ 138,000 | \$ 138,000 | \$ 138,000 | \$ - |
| Investment earnings | 800 | 800 | - | (800) |
| County homeless coordination grant | 30,000 | 72,946 | 20,250 | (52,696) |
| Metro multi-year subregional program planning | 75,000 | 75,000 | - | (75,000) |
| Total Revenues | 243,800 | 286,746 | 158,250 | (128,496) |
| Expenditures: | | | | |
| General Government: | | | | |
| Contract for Executive Director | 120,000 | 120,000 | 120,000 | - |
| Travel | 1,400 | 1,400 | 281 | 1,119 |
| Miscellaneous printing and binding | 1,700 | 1,700 | 858 | 842 |
| Meeting setup and logistics | 4,000 | 4,000 | 1,793 | 2,207 |
| IT services | 2,000 | 2,000 | 557 | 1,443 |
| Audit services | 5,100 | 5,100 | 12,100 | (7,000) |
| Metro deputy shared salary augmentation and travel expense | 1,832 | 1,832 | 1,832 | - |
| County homeless coordination project | 30,000 | 72,946 | 51,556 | 21,390 |
| Metro multi-year subregional program planning | 75,000 | 75,000 | - | 75,000 |
| Bank fees | - | - | 129 | (129) |
| Total Expenditures | 241,032 | 283,978 | 189,106 | 94,872 |
| Net Change in Fund Balance | 2,768 | 2,768 | (30,856) | (33,624) |
| Fund Balance at Beginning of Year | 116,759 | 116,759 | 116,759 | - |
| Fund Balance at End of Year | \$ 119,527 | \$ 119,527 | \$ 85,903 | \$ (33,624) |



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Westside Cities Council of Governments
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activity and the major fund of the Westside Cities Council of Governments (the Authority) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 19, 2021.

Internal Control over Financial Reporting

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

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

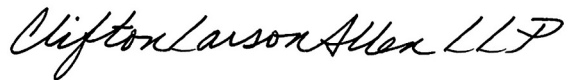
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



CliftonLarsonAllen LLP

Irvine, California

March 19, 2021

