

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
Beverly Hills, California

FINANCIAL STATEMENTS
June 30, 2018

WESTSIDE CITIES COUNCIL OF GENERMENTS

Beverly Hills, California

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Westside Cities Council of Governments
Beverly Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Westside Cities Council of Governments (the Authority), as of and for the year ended June 30, 2018, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 activities and the major fund of the Westside Cities Council of Governments, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matter

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 the 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 October 17, 2019, 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 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 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 Authority's internal control over financial reporting and compliance.


Crowe LLP

Costa Mesa, California
October 17, 2019

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Our discussion and analysis of the Westside Cities of Council of Governments (the "Authority") financial performance presents an overview of the Authority's financial activities during the fiscal year ended June 30, 2018. 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 sub-regional 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

- Total net position of the Authority was \$106,388 and consisted of unrestricted net position.
- At June 30, 2018, the Authority's assets of \$121,354 exceeded its liability of \$14,966 resulting in a net position of \$106,388.

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, 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 indicators 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 12 through 15 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 16 through 21 of this report.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018 and 2017:

	<u>Statement of Position</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 121,354	\$ 111,812
Total assets	<u>121,354</u>	<u>111,812</u>
Current liabilities	<u>14,966</u>	<u>22,443</u>
Total liabilities	<u>14,966</u>	<u>22,443</u>
Net position		
Unrestricted	<u>106,388</u>	<u>89,369</u>
Total net position	<u>\$ 106,388</u>	<u>\$ 89,369</u>

Current assets increased this year by \$9,542, or 9%, and current liabilities decreased by \$7,477 or 33%. The increase in current assets is primarily due to increase in cash and cash equivalents. The decrease in current liabilities is primarily due to a decrease in accounts payable for payments due to vendors at the end of the year.

As previously discussed, net position can serve as an indicator of financial health. The Authority's assets exceeded liabilities by \$106,388 and \$89,369 as of June 30, 2018 and 2017, respectively.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Statements of Activities

The following table presents the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
Revenues				
Program revenues				
Operating contributions and grants	\$ 153,000	\$ 138,000	\$ 15,000	11%
Total program revenues	<u>153,000</u>	<u>138,000</u>	<u>15,000</u>	<u>11%</u>
General revenues				
Use of money and property	1,390	783	607	78%
Total general revenues	<u>1,390</u>	<u>783</u>	<u>607</u>	<u>78%</u>
Total revenues	<u>154,390</u>	<u>138,783</u>	<u>15,607</u>	<u>11%</u>
Expenses				
General government	<u>137,371</u>	<u>140,620</u>	<u>(3,249)</u>	<u>-2%</u>
Total expenses	<u>137,371</u>	<u>140,620</u>	<u>(3,249)</u>	<u>-2%</u>
Increase (decrease in net assets)	17,019	(1,837)		
Net position at beginning of year	<u>89,369</u>	<u>91,206</u>	<u>(1,837)</u>	<u>-2%</u>
Net position at end of year	<u>\$ 106,388</u>	<u>\$ 89,369</u>	<u>\$ 17,019</u>	<u>19%</u>

Program revenues for the Authority consist primarily of dues from six members comprised of five cities and one county. There is \$15,000 or 11% increase in revenues during FY2018 compared to FY2017, due to grant funds received.

General revenues of \$1,390 for FY 2018 increased by \$607 or 78% compared to \$783 for FY2017. This was attributable to increase cash and investments balance as of June 30, 2018.

Total general government expenses were \$137,371 in FY2018 compared to \$140,620 in FY2017, a decrease of \$1,837 or 2%. The decrease is due to less travel expenses.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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 type of governmental fund reported by the Authority includes the General Fund.

The General Fund is the only operating fund for the Authority. At the end of the fiscal year, the General Fund's total fund balance was \$106,388, as compared to \$89,369 for the prior fiscal year. There is an increase of \$17,019, or 19%, due to lower amount of expenditures over revenues during the last fiscal year. The decrease in fund balance was minimized this year due to the increase in grant funds received and decrease in expenditures.

Statement of Revenues, Expenditures and Changes in Fund Balance in the General Fund, including comparative amounts from the preceding year is as follows:

	<u>2018</u>	<u>2017</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
Revenues				
Intergovernmental	\$ 153,000	\$ 138,000	\$ 15,000	11%
Investment earnings	<u>1,390</u>	<u>783</u>	<u>607</u>	<u>78%</u>
Total program revenues	<u>154,390</u>	<u>138,783</u>	<u>15,607</u>	<u>11%</u>
Expenses				
General government	<u>137,371</u>	<u>140,620</u>	<u>(3,249)</u>	<u>-2%</u>
Total expenses	<u>137,371</u>	<u>140,620</u>	<u>(3,249)</u>	<u>-2%</u>
Net change in fund balance	17,019	(1,837)		
Fund balance at beginning of year	<u>89,369</u>	<u>91,206</u>	<u>(1,837)</u>	<u>-2%</u>
Fund balance at end of year	<u>\$ 106,388</u>	<u>\$ 89,369</u>	<u>\$ 17,019</u>	<u>19%</u>

Revenues for the Authority consist primarily of dues from six members comprised of five cities and one county. There is \$15,000 or 11% increase in revenues during the FY2018 compared to FY2017, due to grant revenue received.

Revenues from investment earnings increased by \$607 or 78%. This was attributable to increased interest rates that financial institutions were offering as of June 30, 2018.

Expenditures during the year decreased from \$140,620 this FY2017 compared to \$137,371 in FY2018.

The decrease of \$3,249 or 2% is due to a reduced travel expense.

General Fund Budgetary Highlights

There are no significant differences between the final budgeted amounts versus actual expenditures amounts during the fiscal year. The favorable difference of \$1,433 between the final budgeted expenditures versus actual expenditures is due to the remaining budget amounts for the SCAG PEV Grant.

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 fiscal year 2019 assumes that the on-hand net position as of June 30, 2018, will be required and available to fulfill the program and administrative expense requirements. In order to limit the drawdown of reserves for future years, the Authority has kept the budget at the same level with fiscal year 2018. 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, 2018 report or requests for additional information should be addressed to Sandra Skorkaite, 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, 2018

	Governmental <u>Activities</u>
ASSETS	
Current assets	
Cash and investments	<u>\$ 121,354</u>
Total assets	<u>121,354</u>
LIABILITIES	
Current liabilities	
Accounts payable and other liabilities	<u>14,966</u>
Total liabilities	<u>14,966</u>
NET POSITION	
Unrestricted	<u>106,388</u>
Total net position	<u>\$ 106,388</u>

See accompanying notes to the financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Change In Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>and Change in Activities</u>
Governmental activities					
General government	\$ 137,371	\$ 138,000	\$ 15,000	\$ -	\$ 15,629
Total governmental activities	<u>\$ 137,371</u>	<u>\$ 138,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 15,629</u>
General revenues					
Investment earnings					<u>1,390</u>
Change in net position					17,019
Net position, beginning of year					<u>89,369</u>
Net position at end of year					<u>\$ 106,388</u>

See accompanying notes to the financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2018

	General Fund
ASSETS	
Cash and investments	\$ 121,354
Total assets	<u>\$ 121,354</u>
LIABILITIES	
Accounts payable and other liabilities	<u>14,966</u>
Total liabilities	<u>14,966</u>
FUND BALANCE	
Unassigned	<u>106,388</u>
Total fund balance	<u>106,388</u>
Total liabilities and fund balance	<u>\$ 121,354</u>

See accompanying notes to the financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
June 30, 2018

Fund balance of the governmental fund	<u>\$ 106,388</u>
Net position of governmental fund	<u>\$ 106,388</u>

See accompanying notes to the 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, 2018

	General Fund
Revenues	
Intergovernmental	\$ 153,000
Investment earnings	<u>1,390</u>
Total revenues	<u>154,390</u>
Expenditures	
General government	<u>137,371</u>
Total expenditures	<u>137,371</u>
Net change in fund balance	17,019
Fund balance at beginning of year	<u>89,369</u>
Fund balance at end of year	<u>\$ 106,388</u>

See accompanying notes to the 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, 2018

Net change in fund balance of the governmental fund	<u>\$ 17,019</u>
Change in net position of governmental activities	<u>\$ 17,019</u>

See accompanying notes to the financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (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). 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, 2018 are located in the City of Beverly Hills, Finance Department at 455 N. Rexford Drive, #350, Beverly Hills, CA 90210.

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

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 grants revenues are grants received from the Southern California Association of Governments (SCAG), to be used for Operation purposes of the Authority.

(Continued)

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Cash and Investments: Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

The Authority's share in the investment pool of the City of Beverly Hills is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated monthly to the various City funds and to the Authority based on daily average cash and investment balances.

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs — other than quoted prices included within level 1 — that are observable or an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

(Continued)

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement. The fair value of the Authority's share in the investment pool is uncategorized.

Net Position: Net position is classified as either net investment in capital assets, restricted or unrestricted. Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is 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. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

At June 30, 2018, the Authority's net position was unrestricted.

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.

Fund Balance: In the fund financial statements, the governmental fund reports fund balance as non-spendable, 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.

At June 30, 2018, the Authority's fund balance was unassigned.

The Board of Directors establishes, modifies or rescinds fund balance commitments by passage of an ordinance or resolution.

(Continued)

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming GASB Pronouncements:

In November 2016, the GASB issued Statement 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement is effective for the Authority's fiscal year ended June 30, 2019. Management has determined that this statement will not have any impact on its financial statements.

In January 2017, the GASB issued Statement 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for the Authority's fiscal year ended June 30, 2020. Management has not determined what impact, if any, this statement will have on its financial statements.

In June 2017, the GASB issued Statement 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. This Statement is effective for the Authority's fiscal year ended June 30, 2021. Management has not determined what impact, if any, this statement will have on its financial statements.

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It clarifies which liabilities governments should include when disclosing information related to debt. It also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement is effective for the Authority's fiscal year ended June 30, 2019. Management has determined that this statement will not have any impact on its financial statements.

(Continued)

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement is effective for the Authority's fiscal year ended June 30, 2021. Management has not determined what impact, if any, this statement will have on its financial statements.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. This Statement is effective for the Authority's fiscal year ended June 30, 2020. Management has not determined what impact, if any, this statement will have on its financial statements.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for the Authority's fiscal year ended June 30, 2022. Management has not determined what impact, if any, this statement will have on its financial statements.

Classification of Revenues: Program revenues consist of charges to member agencies. Nonoperating revenues consist of investment income and other nonoperating income.

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.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	<u>\$ 121,354</u>
Cash and investments as of June 30, 2018 consist of the following:	
Equity in City of Beverly Hills cash and investment pool	<u>\$ 121,354</u>

(Continued)

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Equity in the Cash and Investment Pool of the City of Beverly Hills: The Authority has no separate bank accounts or investments other than Authority's equity in the cash and investment pool managed by the City of Beverly Hills. The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight policy of the Investment Policy adopted by City Council of the City of Beverly Hills. The Authority has not adopted an investment policy separate from that of the City of Beverly Hills. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on a market value basis. Information regarding the City of Beverly Hills' investments can be obtained in the City's Comprehensive Annual Financial Report available from the Finance Department located at 455 N. Rexford Drive, #350, Beverly Hills, CA 90210.

NOTE 3 - COMMITMENTS

The Authority has a contract with an advisory firm to provide Executive Director Services in effect on May 17, 2018. Under this agreement, the Authority is to pay this firm \$10,000 per month through June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

WESTSIDE CITIES COUNCIL OF GOVERNMENTS
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 (REQUIRED SUPPLEMENTARY INFORMATION)
 For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 138,000	\$ 138,000	\$ 153,000	\$ 15,000
Investment earnings	800	800	1,390	590
Total revenues	138,800	138,800	154,390	15,590
Expenditures				
General government				
Contract for Executive Director	120,000	120,000	120,000	-
Travel	1,400	1,400	1,306	94
Miscellaneous printing and binding	1,700	1,700	1,610	90
Meeting setup and logistics	4,000	4,000	2,901	1,099
IT services	2,000	2,000	1,902	98
Audit services	5,100	5,100	5,100	-
Metro deputy shared salary augmentation and travel expense	1,832	1,832	1,832	-
SCAG plug-in vehicle project outreach	-	-	2,717	(2,717)
Bank fees	-	-	3	(3)
Total expenditures	136,032	136,032	137,371	(1,339)
Net change in fund balance	2,768	2,768	17,019	14,251
Fund balance beginning of year			89,369	
Fund balance end of year			\$ 106,388	

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

Board of Directors
Westside Cities Council of Governments
Beverly Hills, 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 activities and the major fund of the Westside Cities Council of Governments (the Authority) as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 17, 2019.

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 opinions 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 of 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*.

(Continued)

Purpose of this Report

The purpose of this 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Costa Mesa, California
October 17, 2019