

**WESTSIDE CITIES COUNCIL OF GOVERNMENTS**

**BASIC FINANCIAL STATEMENTS**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

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June 30, 2016

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Westside Cities Council of Governments  
West Hollywood, 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, 2016 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, 2016 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 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 March 20, 2017, 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 Authority's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
March 20, 2017

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, 2016. 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, 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). 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**

- Total net position of the Authority was \$91,206 and consisted of unrestricted net position.
- At June 30, 2016, the Authority's assets of \$106,797 exceeded its liability of \$15,591 resulting in a net position of \$91,206.

## **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). Overtime, 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 22 of this report.

**Westside Cities of Council of Governments  
Management's Discussion and Analysis  
Year ended June 30, 2016**

**Financial Analysis**

*Statements of Net Position*

The following table summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority's primary government as of June 30, 2016 and 2015:

	<b>Statement of Position</b>	
	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 106,797	\$ 198,698
<b>Total assets</b>	<b>106,797</b>	<b>198,698</b>
Liabilities:		
Current liabilities	15,591	32,082
<b>Total liabilities</b>	<b>15,591</b>	<b>32,082</b>
Net position:		
Unrestricted	91,206	166,616
<b>Total net position</b>	<b>\$ 91,206</b>	<b>\$ 166,616</b>

Current assets decreased this year by \$91,901, or 46%, and current liabilities decreased by \$16,491 or 51%. The decrease in current assets is primarily due to a decrease 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 \$91,206 and \$166,616 as of June 30, 2016 and 2015, respectively.

**Westside Cities of Council of Governments  
Management's Discussion and Analysis  
Year ended June 30, 2016**

*Statements of Activities*

The following table presents the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015:

	2016	2015	Variance	
			Amount	%
<b>Revenues</b>				
Program Revenues:				
Operating Contributions & Grants	\$ 120,000	\$ 120,000	\$ -	-
Sub-total Program Revenues	120,000	120,000	-	-
General Revenues:				
Use of money and property	988	1,354	(366)	-27%
Sub-total General Revenues	988	1,354	(366)	-27%
<b>Total Revenues</b>	<b>120,988</b>	<b>121,354</b>	<b>(366)</b>	<b>-27%</b>
<b>Expenses</b>				
General Government	196,398	180,524	15,874	9%
<b>Total Expenses</b>	<b>196,398</b>	<b>180,524</b>	<b>15,874</b>	<b>9%</b>
<b>Increase (decrease) in Net Assets</b>	<b>(75,410)</b>	<b>(59,170)</b>	<b>(16,240)</b>	<b>27%</b>
<b>Net Position at July 1</b>	<b>166,616</b>	<b>225,786</b>	<b>(59,170)</b>	<b>-26%</b>
<b>Net Position, June 30</b>	<b>\$ 91,206</b>	<b>\$ 166,616</b>	<b>\$ (75,410)</b>	<b>-45%</b>

Program revenues for the Authority consist primarily of dues from six members comprised of five cities and one county. There is no change in revenues during the FY2016 compared to FY2015.

General revenues of \$988 consists of investment income compared to \$1,354 for FY 2015, a decrease of \$366, or 27%. This was attributable to a decrease in cash and investments balance from \$198,698 in FY 2015 to \$106,797 in FY2016.

Total general government expenses were \$196,398 in FY2016 compared to \$180,524 in FY 2015, an increase of \$15,874, or 8.8%. This increase is due to an increase in the contract amount paid to Estolano Perez Advisors, the Authority's Executive Director by \$27,000, which was negated by the decrease in the website and logo design expenses of \$10,340, resulting in a net increase of \$15,874.

**Financial Analysis of Fund Statements**

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



**Westside Cities of Council of Governments  
Management's Discussion and Analysis  
Year ended June 30, 2016**

**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 \$91,206, as compared to \$166,616 for the prior fiscal year. The decrease of \$75,410, or 45%, is due to higher amount of expenditures over revenues during the last two fiscal years. In order to minimize the decrease in fund balance for the upcoming year, expenditures were reduced and dues were increased in fiscal year 2017.

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

	2016	2015	Variance	
			Amount	%
<b>Revenues</b>				
Intergovernmental	\$ 120,000	\$ 120,000	\$ -	-
Investment Earnings	988	1,354	(366)	-27%
<b>Total Revenues</b>	<b>120,988</b>	<b>121,354</b>	<b>(366)</b>	<b>-27%</b>
<b>Expenditures</b>				
General Government	196,398	180,524	15,874	9%
<b>Total Expenditures</b>	<b>196,398</b>	<b>180,524</b>	<b>15,874</b>	<b>9%</b>
<b>Net change in Fund Balance</b>	<b>(75,410)</b>	<b>(59,170)</b>	<b>(16,240)</b>	<b>27%</b>
<b>Fund Balance at July 1</b>	<b>166,616</b>	<b>225,786</b>	<b>(59,170)</b>	<b>-26%</b>
<b>Fund Balance at June 30</b>	<b>\$ 91,206</b>	<b>\$ 166,616</b>	<b>\$ (75,410)</b>	<b>-45%</b>

Revenues for the Authority consist primarily of dues from six members comprised of five cities and one county. There is no change in revenues during the FY2016 compared to FY2015.

Revenues from investment earnings decreased by \$366 or 27%. This was attributable to a decrease in cash and investments balance from \$198,698 in FY 2015 to \$106,797 in FY2016.

Expenditures during the year increased from \$196,398 in FY2016 compared to \$180,524 in FY 2015. The increase of \$15,874 or 8.8% is due to an increase in the contract amount paid to Estolano Perez Advisors, the Authority's Executive Director by \$27,000 for additional services, which was negated by the decrease in the website and logo design expenses of \$10,340, resulting in a net increase of \$15,874.

### **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 \$1,466 between the final budgeted expenditures versus actual expenditures represents .7% of the total actual expenditures and is not considered significant.

### **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 2017 assumes that the on-hand net position as of June 30, 2016, will be required and available to fulfill the program and administrative expense requirements. In order to limit the drawdown of reserves for future years, both the revenues and expenses were revisited during the budget process for fiscal year 2017. As a result, the Authority increased the annual dues to \$23,000 for each member, an increase of \$3,000 from \$20,000 in fiscal year 2016. In addition, the Authority curtailed its work plan and in fiscal year 2017; the work plan no longer includes the Tourism/Economic Development and Sustainability Strategic Initiatives.

### **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 this report or requests for additional information should be addressed to David A. Wilson, Treasurer, at 8300 Santa Monica Boulevard, West Hollywood, California, 90069.

## **BASIC FINANCIAL STATEMENTS**

**WESTSIDE CITIES COUNCIL OF GOVERNMENTS**

**STATEMENT OF NET POSITION**

**June 30, 2016**

	<u>Governmental Activities</u>
Assets:	
Current Assets:	
Cash and investments	\$ 86,719
Accounts receivable	20,000
Accrued interest on investments	<u>78</u>
Total Assets	<u>106,797</u>
Liabilities:	
Accounts payable and other liabilities	<u>15,591</u>
Total Liabilities	<u>15,591</u>
Net Position:	
Unrestricted	<u>91,206</u>
Total Net Position	<u><u>\$ 91,206</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, 2016**

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
<b>Governmental Activities:</b>					
General government	\$ 196,398	\$ -	\$ 120,000	\$ -	\$ (76,398)
Total Governmental Activities	<u>\$ 196,398</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ -</u>	(76,398)
General Revenues:					
					988
					<u>(75,410)</u>
					166,616
					<u>\$ 91,206</u>

See accompanying notes to the basic financial statements.

WESTSIDE CITIES COUNCIL OF GOVERNMENTS

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2016

	<u>General Fund</u>
Assets:	
Current Assets:	
Cash and investments	\$ 86,719
Accounts receivable	20,000
Accrued interest on investments	<u>78</u>
Total Assets	<u>\$ 106,797</u>
Liabilities:	
Accounts payable and other liabilities	<u>\$ 15,591</u>
Total Liabilities	<u>15,591</u>
Fund Balance:	
Unassigned	<u>91,206</u>
Total Fund Balance	<u>91,206</u>
Total Liabilities and Fund Balance	<u>\$ 106,797</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, 2016**

Fund balance of the governmental fund	<u>\$ 91,206</u>
Net position of governmental activities	<u><u>\$ 91,206</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, 2016

	<u>General Fund</u>
Revenues:	
Intergovernmental	\$ 120,000
Investment earnings	988
	<u>120,988</u>
Total Revenues	
	<u>120,988</u>
Expenditures:	
General government	196,398
	<u>196,398</u>
Total Expenditures	
	<u>196,398</u>
Net Change in Fund Balance	(75,410)
Fund Balance at Beginning of Year	<u>166,616</u>
Fund Balance at End of Year	<u><u>\$ 91,206</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, 2016**

Net change in fund balance of the governmental fund	<u>\$ (75,410)</u>
Change in net position of governmental activities	<u><u>\$ (75,410)</u></u>

See accompanying notes to the basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

# WESTSIDE CITIES COUNCIL OF GOVERNMENTS

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

### 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. For the fiscal year ended June 30, 2016, the City whose representative served as the Chair of Governing Board was from the City of Santa Monica.

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, 2016 are located in the City of West Hollywood, Finance Department at 8300 Santa Monica Boulevard, West Hollywood, CA 90069.

#### 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 THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

**June 30, 2016**

**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.

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.

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 THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

**June 30, 2016**

**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 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 West Hollywood 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.

**E. 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 statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any applicable deferred inflows of resources.

**WESTSIDE CITIES COUNCIL OF GOVERNMENTS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

**June 30, 2016**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**F. 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, 2016, 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.

**G. 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.

At June 30, 2016, the Authority's fund balance was unassigned.

**WESTSIDE CITIES COUNCIL OF GOVERNMENTS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

**June 30, 2016**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**G. Fund Balance (Continued)**

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.

**H. New Accounting Pronouncements**

Current Year Standards

In fiscal year 2015-16, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*", which did not impact the Authority.

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016 and did not impact the Authority.

GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", was required to be implemented in the current fiscal year and did not impact the Authority.

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*", was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing, which are effective for periods beginning after December 15, 2015 and did not impact the Authority.

**WESTSIDE CITIES COUNCIL OF GOVERNMENTS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

**June 30, 2016**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**H. New Accounting Pronouncements (Continued)**

Pending Accounting Standards

GASB has issued the following statements which may impact the Authority's financial reporting requirements in the future.

- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 77 - "*Tax Abatement Disclosure*", effective for periods beginning after December 15, 2015.
- GASB 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", effective for periods beginning after December 15, 2015.
- GASB 79 - "*Certain External Investment Pools and Pool Participants*", contains certain provisions on portfolio quality, custodial credit risk and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - "*Blending Requirements for Certain Component Units*", effective for periods beginning after June 15, 2016.
- GASB 81 - "*Irrevocable Split-Interest Agreements*", effective for periods beginning after December 15, 2016.
- GASB 82 - "*Pension Issues*", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.



**WESTSIDE CITIES COUNCIL OF GOVERNMENTS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

**June 30, 2016**

**I. Classification of Revenues**

*Operating revenues* consist of charges to member agencies. *Nonoperating revenues* consist of investment income and other nonoperating income.

**J. 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, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ <u>86,719</u>
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Cash and investments as of June 30, 2016 consist of the following:

Equity in City of West Hollywood's cash and investment pool	\$ <u>86,719</u>
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Equity in the Cash and Investment Pool of the City of West Hollywood

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 West Hollywood. 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 West Hollywood. The Authority has not adopted an investment policy separate from that of the City of West Hollywood. 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 West Hollywood's investments can be obtained in the City's Comprehensive Annual Financial Report available from the Finance Department located at 8300 Santa Monica Boulevard, West Hollywood, CA 90069.

**NOTE 3 - Commitments**

The Authority has a contract with an advisory firm to provide Executive Director services in effect on May 12, 2016. Under this agreement, the Authority is to pay this firm \$10,000 per month through June 30, 2017.

**WESTSIDE CITIES COUNCIL OF GOVERNMENTS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

**June 30, 2016**

**NOTE 4 - Subsequent Events**

Events occurring after June 30, 2016 have been evaluated for possible adjustment to the financial statements or disclosure as of March 20, 2017, which is the date these financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WESTSIDE CITIES COUNCIL OF GOVERNMENTS**

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

**For the fiscal year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Investment earnings	700	700	988	288
<b>Total Revenues</b>	<b>120,700</b>	<b>120,700</b>	<b>120,988</b>	<b>288</b>
Expenditures:				
General Government:				
Contract for Executive Director	180,000	180,000	180,000	-
Travel	1,500	1,400	1,050	350
Website and logo design	25,000	-	-	-
Miscellaneous printing and binding	1,500	1,700	1,676	24
Meeting setup and logistics	4,000	4,000	3,683	317
IT services	4,000	2,000	1,225	775
Audit services	4,500	5,100	5,100	-
Metro deputy shared salary augmentation and travel expense	1,832	3,664	3,664	-
<b>Total Expenditures</b>	<b>222,332</b>	<b>197,864</b>	<b>196,398</b>	<b>1,466</b>
<b>Net Change in Fund Balance</b>	<b>(101,632)</b>	<b>(77,164)</b>	<b>(75,410)</b>	<b>1,754</b>
Fund Balance at Beginning of Year	166,616	166,616	166,616	-
Fund Balance at End of Year	\$ 64,984	\$ 89,452	\$ 91,206	\$ 1,754

**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  
West Hollywood, 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, 2016 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 20, 2017.

**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.

*White Nelson Dick Evans LLP*

Irvine, California  
March 20, 2017