

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
SPECIAL REVENUE FUND**

FINANCIAL STATEMENTS

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

JUNE 30, 2019

CITY OF WESTMINSTER, CALIFORNIA
Air Quality Management District Special Revenue Fund
For the Fiscal Year Ended June 30, 2019
Table of Contents

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	4
Notes to Financial Statements	5 - 6
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 <i>Government Auditing Standards</i>	7 - 8

INDEPENDENT AUDITORS' REPORT

The Honorable City Council of
the City of Westminster
Westminster, California

Report on Financial Statements

We have audited the accompanying financial statements of the Air Quality Management District Special Revenue Fund (AQMD) of the City of Westminster, California (City) as of and for the year ended June 30, 2019, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Management District Special Revenue Fund of the City of Westminster, California as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Air Quality Management District Special Revenue Fund and do not purport to, and do not present fairly the financial position of the City of Westminster, California, as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the City's internal control over financial reporting of the AQMD 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 City's internal control over financial reporting and compliance of the AQMD.

White Nelson Dickel Evans LLP

Irvine, California
December 3, 2019

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2019**

ASSETS:

Cash and investments	\$ 436,543
Due from other governments	<u>31,769</u>

TOTAL ASSETS	<u><u>\$ 468,312</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable and accrued liabilities	<u>\$ 1,461</u>
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TOTAL LIABILITIES	<u><u>\$ 1,461</u></u>
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FUND BALANCE:

Restricted for other grants	<u>466,851</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 468,312</u></u>
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See accompanying notes to financial statements.

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2019**

	Budgeted Amount <u>Original and Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	\$ 3,000	\$ 8,861	\$ 5,861
Revenue from other agencies	<u>240,900</u>	<u>122,541</u>	<u>(118,359)</u>
TOTAL REVENUES	<u>243,900</u>	<u>131,402</u>	<u>(112,498)</u>
EXPENDITURES:			
Administration	7,500	7,659	(159)
Director program	<u>307,800</u>	<u>113,904</u>	<u>193,896</u>
TOTAL EXPENDITURES	<u>315,300</u>	<u>121,563</u>	<u>193,737</u>
CHANGE IN FUND BALANCE	(71,400)	9,839	81,239
FUND BALANCE, BEGINNING OF YEAR	<u>457,012</u>	<u>457,012</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 385,612</u>	<u>\$ 466,851</u>	<u>\$ 81,239</u>

See accompanying notes to financial statements.

CITY OF WESTMINSTER, CALIFORNIA
Air Quality Management District Special Revenue Fund
Notes to the Basic Financial Statements
June 30, 2019

1. GENERAL

California Assembly Bill 2766 authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects the fees and subvenes the amounts to the South Coast Air Quality Management District (SCAQMD) for vehicles registered in the South Coast District. Forty cents of every dollar subvented to SCAQMD is allocated to the cities and counties in the South Coast Air District proportionately based upon population. The amounts attributable to the City of Westminster are maintained in the City's Air Quality Management District Special Revenue Fund. These financial statements are intended to present fairly the financial position and changes in financial position of only the Air Quality Management District Special Revenue Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The accounts of the City of Westminster are organized on the basis of funds and account groups, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under Assembly Bill 2766 (AB 2766) are recorded in the Air Quality Management District Special Revenue Fund, that is used to account for the proceeds of revenue to be used for the purpose of implementing the California Clean Air Act.

B. Basis of Accounting

The Air Quality Management District Special Revenue Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include motor vehicle fees and earnings on investments. Expenditures are recorded when the liability is incurred.

C. Measurement Focus

The Air Quality Management District Special Revenue Fund is reported using the current financial resources measurement focus. This means that generally only current assets and current liabilities are included on its balance sheet. The statement of revenues, expenditures and changes in fund balance for the Air Quality Management District Special Revenue Fund generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

CITY OF WESTMINSTER, CALIFORNIA
Air Quality Management District Special Revenue Fund
Notes to the Basic Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Accounting

The budget for the Air Quality Management District Special Revenue Fund is adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Encumbrance accounting, under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to restrict that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the Air Quality Management District Special Revenue Fund during the year. Unexpended and unencumbered appropriations automatically lapse at the end of the fiscal year. As of June 30, 2019 all encumbrances at year end were closed. Unexpended appropriations were reencumbered in the following year after reconsideration without additional budget appropriation.

E. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Investments

The Air Quality Management District Special Revenue Fund cash and investments balances are pooled with various other City funds for deposit and investment purposes. Each fund's share of the pooled cash account is separately accounted for, and investment income is apportioned to the participating funds based on the relationship of their average monthly balances to the total of the pooled cash and investments. Information regarding the credit risk and authorized types of deposits and investments in the City's pooled cash and investments is included in the City's comprehensive annual financial report. This report can be obtained from the City of Westminster.

G. Subsequent Events

Events occurring after June 30, 2019, have been valued for possible adjustments to the financial statements or disclosures as of December 3, 2019, which was the date these financial statements were available to be issued.

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*

The Honorable City Council of
the City of Westminster
Westminster, 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 Air Quality Management District Special Revenue Fund (AQMD) of the City of Westminster, California (City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the AQMD's basic financial statements, and have issued our report thereon dated December 3, 2019. Our report includes an emphasis of matter indicating that the financial statements present only the AQMD, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2019 and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the AQMD (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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the AQMD'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.

Internal Control over Financial Reporting (Continued)

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 Air Quality Management District Special Revenue Fund of the City of Westminster, California's financial statements are free from material misstatements, we performed tests of its compliance with applicable provisions of Assembly Bill 2766 (AB2766), Chapter 1705 (Health and Safety Code Sections 44220 through 44247), and certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
December 3, 2019