

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
ACTIVITY WITHIN THE OTHER GRANTS
SPECIAL REVENUE FUND**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
ACTIVITY WITHIN THE OTHER GRANTS
SPECIAL REVENUE FUND
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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Honorable City Council of
the City of Westminster
Westminster, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Air Quality Management District Activity within the Other Grants Fund Special Revenue Fund (AQMD Activity) of the City of Westminster, California (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AQMD Activity of the City of Westminster, California, as of June 30, 2023, the changes in its financial position, and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the AQMD Activity and do not purport to, and do not, present fairly the financial position of the City of Westminster, California, as of June 30, 2023, 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.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

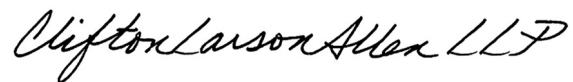
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the AQMD Activity's financial statements is not affected by this missing information.

Honorable City Council of
the City of Westminster
Westminster, California

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2024, on our consideration of the AQMD Activity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the AQMD Activity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the AQMD Activity's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
February 2, 2024

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
ACTIVITY WITHIN THE OTHER GRANTS
SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2023**

ASSETS

Cash and Investments	\$	115,942
Due from Other Governments		<u>30,147</u>
Total Assets	\$	<u><u>146,089</u></u>

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCE**

LIABILITIES

Accounts Payable and Accrued Liabilities	\$	47
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DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue		30,147
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FUND BALANCE

Restricted for California Clean Air Act		<u>115,895</u>
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Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$	<u><u>146,089</u></u>
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**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
ACTIVITY WITHIN THE OTHER GRANTS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Investment Income	\$ 5,000	\$ 5,000	\$ 3,352	\$ (1,648)
Revenue from Other Agencies	120,000	120,000	119,259	(741)
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>122,611</u>	<u>(2,389)</u>
EXPENDITURES				
Administration	7,813	7,813	7,452	361
Capital Projects	25,000	725,000	700,000	25,000
Total Expenditures	<u>32,813</u>	<u>732,813</u>	<u>707,452</u>	<u>25,361</u>
CHANGE IN FUND BALANCE	92,187	(607,813)	(584,841)	22,972
Fund Balance - Beginning of Year	<u>700,736</u>	<u>700,736</u>	<u>700,736</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 792,923</u></u>	<u><u>\$ 92,923</u></u>	<u><u>\$ 115,895</u></u>	<u><u>\$ 22,972</u></u>

See accompanying Notes to Financial Statements.

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
ACTIVITY WITHIN THE OTHER GRANTS
SPECIAL REVENUE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 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 Activity within the Other Grants Special Revenue Fund. These financial statements are intended to present fairly the financial position, changes in financial position, and budgetary comparison of only the AQMD Activity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The accounts of the City of Westminster are organized on the basis of funds, 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 contained within the City's Other Grants Special Revenue Fund (AQMD Activity), 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 AQMD Activity 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 AQMD Activity 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 AQMD Activity generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
ACTIVITY WITHIN THE OTHER GRANTS
SPECIAL REVENUE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Accounting

The budget for the AQMD Activity 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 AQMD Activity during the year. Unexpended and unencumbered appropriations automatically lapse at the end of the fiscal year. As of June 30, 2023, 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 AQMD Activity 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 Annual Comprehensive Financial Report. This report can be obtained from the City of Westminster.

G. Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City of Westminster's Annual Comprehensive Financial Report. The fund balance of the AQMD Activity in the amount of \$115,895 as of June 30, 2023, is restricted for programs initiated for the purpose of implementing the California Clean Air Act.

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
ACTIVITY WITHIN THE OTHER GRANTS
SPECIAL REVENUE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 INSURANCE POLICIES

Information regarding insurance policies is described in Note 12 to the City of Westminster's Annual Comprehensive Financial Report. During the past three fiscal years, no settlements or judgments exceed pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in the current fiscal year.



**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***

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 Activity within the Other Grants Special Revenue Fund (AQMD Activity) of the City of Westminster, California (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements and have issued our report thereon dated February 2, 2024. 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, 2023, 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Westminster's internal control over financial reporting of the AQMD Activity (internal control) as a basis for designing 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 City of Westminster's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Westminster'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 entity'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.

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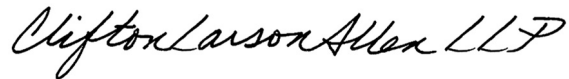
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AQMD Activity of the City of Westminster, California's financial statements are free from material misstatement, 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 financial statements. 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 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.



CliftonLarsonAllen LLP

Irvine, California
February 2, 2024