

**CITY OF BEVERLY HILLS,
CALIFORNIA**

SINGLE AUDIT

Year ended June 30, 2021

CITY OF BEVERLY HILLS
Beverly Hills CA

SINGLE AUDIT
Year ended June 30, 2021

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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

*To the Honorable Mayor
and Members of City Council
of the City of Beverly Hills
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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California (the City) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (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 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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-01 that we consider to be significant deficiency.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 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.

The City's Response to Findings

The City of Beverly Hill's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Crowe LLP

Costa Mesa, California
November 23, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

*To the Honorable Mayor
and Members of City Council
of the City of Beverly Hills
Beverly Hills, California*

Report on Compliance for Each Major Federal Program

We have audited the City of Beverly Hills' (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Beverly Hills' major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

(Continued)

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

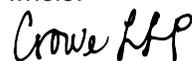
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 23, 2021 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Costa Mesa, California
March 3, 2022

CITY OF BEVERLY HILLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2021

Federal Grantor/Pass-through Entity Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-through from the County of Los Angeles:			
CDBG - Entitlement Grants Cluster			
Community Development Block Grant (CDBG Senior Activities)	14.218	602234-20	93,661
COVID-19 - Community Development Block Grant (CDBG-CV Senior Activities)	14.218	CV1028-19	<u>370,494</u>
Total CDBG - Entitlement Grants Cluster			<u>464,155</u>
Total U.S. Department of Housing and Urban Development			<u>464,155</u>
U.S. Department of the Interior			
Direct assistance:			
Water Conservation Field Services (Design Residential Landscape Meter Program)	15.530	n/a	<u>1,175</u>
Total U.S. Department of the Interior			<u>1,175</u>
U.S. Department of Justice			
Direct assistance:			
Equitable Sharing Program	16.922	n/a	<u>1,440,783</u>
Bulletproof Vest Partnership Program	16.607	n/a	6,554
Bulletproof Vest Partnership Program	16.607	n/a	<u>8,386</u>
Total Bulletproof Vest Partnership Program			<u>14,940</u>
Total U.S. Department of Justice			<u>1,455,723</u>
U.S. Department of Transportation			
Pass-through from the State of California - Office of Traffic Safety:			
Highway Safety Cluster			
State and Highway Community Safety (STEP - 2020)	20.600	PT20011	15,193
State and Highway Community Safety (STEP - 2021)	20.600	PT21083	<u>12,508</u>
Total Highway Safety Cluster			<u>27,701</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (STEP - 2020)	20.608	PT20011	5,703
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>5,703</u>
Total U.S. Department of Transportation			<u>33,404</u>
US. Department of the Treasury			
Direct assistance:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	<u>8,083,765</u>
			<u>8,083,765</u>
Pass-through from the State of California - Department of Finance			
COVID-19 - Coronavirus Relief Fund	21.019	n/a	<u>417,024</u>
Total US. Department of the Treasury			<u>8,500,789</u>
US Department of Homeland Security			
Pass-through from the County of Los Angeles:			
Homeland Security Grant Program	97.067	SHSP-2018	<u>21,999</u>
Total US. Department of Homeland Security			<u>21,999</u>
Total Federal Expenditures			<u>10,477,245</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BEVERLY HILLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the City of Beverly Hills, California (the City) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net positions, or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA (if any) represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF BEVERLY HILLS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

Federal Assistance Listing Number

Name of Federal Program or Cluster

21.019
21.027

COVID-19 – Coronavirus Relief Fund
 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

(Continued)

CITY OF BEVERLY HILLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

2021-01 – SIGNIFICANT DEFICIENCY – ACCOUNTING FOR ADVANCE REFUNDINGS

Criteria

Financial statements prepared in accordance with GASB Statement No. 34 and No. 62 must include activities related to long-term liabilities. Reporting of long-term liabilities requires management to ensure that debt payment activities and new long-term debt are maintained and reconciled to ensure that outstanding balances relating to liabilities are reported accurately. GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, establishes standards of accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities. When debt is defeased, it is no longer reported as a liability on the face of the financial statements; only the new debt is reported as a liability. Debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt.

Condition and context

Crowe identified incorrect account balances related to the defeasance of the 2012 Lease Revenue Bond with outstanding balance of \$48,960,000 and 2012 Water Revenue Bond with outstanding balance of \$27,580,000 at the time of the refunding. The incorrect recording of the refunding was due to the misinterpretation of the advance refundings resulting in defeasance of debt reported by proprietary activities. We proposed and management recorded the removal of the defeased debt and related accounts. In addition, the City did not originally disclose the difference between the cash flows required to service the old debt, the cash flows required to service the new debt to complete the refunding, and the economic gain resulting from the transaction as required by GASB No. 23. As a result, management added the required disclosures.

Cause

The City's internal control over Annual Comprehensive Financial Report (ACFR) did not function at a sufficient level of precision to identify the misstatement during the review process.

Effect

The City's Annual Comprehensive Financial Report contained misstatements related to cash and investments, deferred outflows of resources, accounts payable, deferred inflows of resources, long-term liabilities, and debt service expenses. A number of adjustments to the financial statements and disclosures were required during the audit to properly present the City's financial statements in accordance with Generally Accepted Accounting Principles. The opinion units affected by these adjustments were Governmental Activities, Water Fund, Parking Facilities Fund, and Aggregate Remaining Fund Information. It should be noted that the errors had no material impact on overall net position for all opinion units affected.

(Continued)

CITY OF BEVERLY HILLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

Recommendation

We recommend that the City strengthen their review of their ACFR to ensure that the accounting and financial reporting for refundings of debt reported is accurate and appropriate. We recommend authoritative guidance be obtained and reviewed to ensure the proper accounting treatment for significant transactions.

View of Responsible Officials

Management is now aware of the authoritative guidance surrounding advance debt refundings and in the future will review for possible authoritative guidance on new and complex transactions to ensure proper accounting treatment.

(Continued)

CITY OF BEVERLY HILLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.