



## **AGENDA**

**Regular Meeting of the Board of Directors  
Thursday, May 9, 2019 at 12:00 p.m.  
Progress Park Plaza, 15500 Downey Avenue, Paramount, CA**

- 1. Roll Call**
- 2. Determination of a Quorum**
- 3. Additions to Agenda (Govt. Code Sec. 54954.2(b))**
- 4. Oral Communications to the Board**

This is an opportunity for members of the public to address the Board on any item under the jurisdiction of the agency. Depending upon the subject matter, the Board may be unable to respond until the item can be posted on the agenda at a future meeting in accordance with provisions of the Brown Act.

- 5. Consent Calendar: (Acted as one item unless withdrawn by request)**
  - a. Minutes of the Board Meeting of March 14, 2019 (Enclosure)
  - b. Ratify the Warrant Register for April 2019, and Approve the Warrant Register for May 2019 (Enclosure)
  - c. Receive and File the Updated Expenditures for Legal Counsel Services (Enclosure)
- 6. Workshop – Fiscal Year 2019-2020 GWMA Administrative Budget (Enclosure)**
- 7. Direct and Indirect Administrative Fees for Fiscal Year 2019-2020 (Enclosure)**
  - a. Approve Fiscal Year 2019-2020 GWMA Member Direct Cost Administrative Fees at a rate of 3% of the Member's cost share allocation for the particular watershed, grant, program or other activities.
  - b. Approve Fiscal Year 2019-2020 GWMA Non-Member Direct Cost Administrative Fees at a rate of 5% of the Non-Member's cost share allocation for the particular watershed, grant, program or other activities.
  - c. Approve Fiscal Year 2019-2020 GWMA Non-Member Indirect Cost Administrative Fees at a rate of 3.76% of the Non-member's cost share allocation for the particular watershed, grant, program or other activities.

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- 8. GWMA Audit for Fiscal Year 2017-2018 (Enclosure)**
  - a. Receive and file the Annual Audited Financial Statements for Fiscal Year 2017-2018, as presented.
- 9. Status Report Update on GWMA Funding Strategy & Grants Program (Enclosure)**
- 10. Update on MS4 Permit Litigation and Impact on GWMA – Legal Counsel Oral Report**
- 11. Gateway Region Watershed Management Groups Oral Reports**
  - a. Lower Los Angeles River Upper Reach 2 Watershed Group
  - b. Lower Los Angeles River Watershed Group
  - c. Los Cerritos Channel Watershed Group
  - d. Lower San Gabriel River Watershed Group
- 12. Executive Officer's Oral Report**
- 13. Directors' Oral Comments/Reports**
- 14. Adjournment to Regular Board Meeting on June 13, 2019 at Progress Park Plaza, 15500 Downey Avenue, Paramount, CA**

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**MINUTES OF THE GATEWAY WATER MANAGEMENT AUTHORITY  
LOS ANGELES GATEWAY REGION  
INTEGRATED REGIONAL WATER MANAGEMENT JOINT POWERS AUTHORITY  
BOARD  
AT PARAMOUNT, CALIFORNIA  
THURSDAY, MARCH 14, 2019**

A regular meeting of the Board of Directors of the Gateway Water Management Authority was held on Thursday, March 14, 2019 at 12:00 p.m. at the Clearwater Building, 16401 Paramount Boulevard, Paramount, CA.

Chair Lisa Rapp called the meeting to order at 12:14 p.m. Roll was called by Ms. Grace Kast and a quorum of the Board was declared.

**BOARD MEMBERS PRESENT:**

Okina Dor	Artesia
Jordan Monroe	Avalon
Robert Linton (alternate)	Bell
Chau Vu	Bell Gardens
Tammy Hierlihy	Central Basin MWD
Dan Mueller (alternate)	Downey
Christina Dixon (alternate)	Huntington Park
Mark Stowell	La Mirada
Lisa Rapp	Lakewood
Melissa You	Long Beach
Tai Tseng (alternate)	Long Beach Water District
James Vernon	Port of Long Beach
Julian Lee (alternate)	Norwalk
Sarah Ho (alternate)	Paramount
Kenner Guerrero (alternate)	Pico Rivera
Noe Negrete (alternate)	Santa Fe Springs
Kelli Tunnichliff	Signal Hill
Gladis Deras (alternate)	South Gate
Claudia Arellano (alternate)	Vernon
Esther Rojas (alternate)	Water Replenishment District

STAFF AND GUESTS ON SIGN-IN SHEET:

Grace Kast  
Traci Gleason  
Nicholas Ghirelli  
Jason Wen  
Virginia Fowler  
Bill Minasian

Executive Officer  
Program Administrative Manager  
Legal Counsel  
Lakewood  
LACFCD  
Paramount Resident

**ITEM 3- ADDITIONS TO THE AGENDA**

None.

**ITEM 4 - ORAL COMMUNICATIONS TO THE BOARD**

None.

**ITEM 5 - CONSENT CALENDAR**

Director Negrete motioned to approve the consent calendar. The motion was seconded by Director Stowell and was approved by the following voice vote:

**AYES:** Dor, Linton, Vu, Hierlihy, Mueller, Stowell, Rapp, You, Vernon, Lee, Guerrero, Deras, Arellano, Rojas.

**NOES:** None.

**ABSTAIN:** Minutes Only – Monroe, Tseng, Ho.

**ITEM 6 – STATUS REPORT UPDATE ON GWMA FUNDING STRATEGY AND GRANT FUNDING PROGRAM**

Executive Officer Grace Kast provided the Board with a status update on GWMA Funding Strategy and Grants Program.

The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (RMC) released the draft guidelines for Proposition 68 Grant Funding Program. There are various eligible project categories: Implementation Projects; Planning Projects; Disadvantaged Community Investment; and Community Access Projects. Similar to RMC's Proposition 1 Grant Funding Program, there are two funding areas: Lower Los Angeles Rivers watershed and its tributaries; and RMC Territory. The Lower Los Angeles Rivers watershed and its tributaries have \$37.5M available for projects while the RMC Territory has \$30M for projects..

The Proposition 1 2018 IRWM Final Proposition Solicitation Package has not been released. There will be a three-step selection process. First step is the subregion voting members will prioritize the top five to six projects in each region. The chairs and vice chairs will then

reduce the number of projects in each sub-region to approximately three. The top three projects will then be recommended to the Leadership Committee for review and approval. Four GWMA-member projects, approved by the Board in January, will be brought forward to the IRWM Steering Committee.

**ITEM 7 – DISCUSSION/ACTION REGARDING KOA CONSULTING PROFESSIONAL SERVICES RELATING TO (i) PROGRAM MANAGEMENT AND ADMINISTRATION/ACCOUNTING/MEETINGS; (ii) GRANT ADMINISTRATION; AND (iii) GREATER LOS ANGELES IRWM DAC COMMITTEE CHAIR AND DACIP TASK FORCE CO-CHAIR**

Director Negrete motioned: 1) to approve the Professional Services Agreement with Koa Consulting for GWMA Program Management and Administration/Accounting/Meetings, Grant Administration, and Greater Los Angeles IRWM DAC Committee Chair and DACIP Task Force Co-Chair with an effective date retroactive to March 1, 2019; and 2) to authorize the Chair to execute the proposed Professional Services Agreement with Koa Consulting. The motion was seconded by Director Vu and was approved by the following voice vote:

**AYES:** Dor, Monroe, Linton, Vu, Hierlihy, Mueller, Stowell, Rapp, You, Vernon, Tseng, Lee, Ho, Guerrero, Deras, Arellano, Rojas.

**NOES:** None.

**ABSTAIN:** None.

**ITEM 8 - GATEWAY REGION WATERSHED MANAGEMENT GROUPS ORAL REPORT**

Lower Los Angeles River Upper Reach 2 Watershed Group

The California Environmental Quality Act (CEQA) environmental documents and design of John Anson Ford Park are underway.

Lower Los Angeles River Watershed Group

The next watershed meeting is on March 25, 2019 in Lakewood.

Los Cerritos Channel Watershed Group

The Mayfair Project is under construction however progress has slowed down due to wet weather.

Lower San Gabriel River Watershed Group

None.

**ITEM 9 – EXECUTIVE OFFICER’S ORAL REPORT**

Director Dixon entered at 12:30 p.m.

Director Tunnick entered at 12:35 p.m.

Executive Officer Grace Kast noted the following:

- Annual filing of Form 700s for all Board members and alternates are due April 2, 2019.
- Maywood and Hawaiian Gardens have outstanding membership invoices for Fiscal Year 2018-2019

**ITEM 10 – DIRECTORS’ ORAL COMMENTS/REPORT**

None.

The meeting was adjourned at 12:40 p.m.

The next Board Meeting of the Directors of the Gateway Water Management Authority will be on Thursday, April 11, 2019 at 12:00 p.m. at the Clearwater Building, 16404 Paramount Boulevard, Paramount, CA.

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Lisa Rapp, Chair

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Date



*Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority*

May 9, 2019

**AGENDA ITEM 5b – Ratify the Warrant Register for April 2019, and Approve the Warrant Register for May 2019**

**SUMMARY:**

The Warrant Register is a listing of general checks issued since the last warrant register. Warrants will be signed by 2 of the 3 Board Officers and released by Traci Gleason, serving as the Administrative/Accounting Manager of the Gateway Water Management Authority, upon Board Approval.

**DISCUSSION:**

The Warrant Register for expenditures dated April 2019 in the amount of \$269,168.80 is submitted for ratification by the Board, and the Warrant Register for expenditures dated May 2019 in the amount of \$330,379.75 is submitted for approval. Invoices and supporting documentation are available for review at the office of the GWMA.

**FISCAL IMPACT:**

The Warrant Registers total \$599,548.55. Funds to cover payment are available in the GWMA budget.

**RECOMMENDATION:**

Ratify the Warrant Register for April 2019, and Approve the Warrant Register for May 2019.

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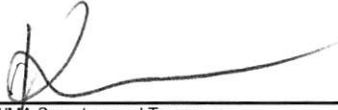
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WARRANT REGISTER  
DISBURSEMENT JOURNAL  
APRIL 2019

Invoice Date	Vendor	Invoice Number	Description	Amount
3/5/2019	Anchor QEA	61220	RMC Compliance Monitoring FY 17/18 (Services 1/1/19-1/31/19)	\$ 10,319.00
3/5/2019	Anchor QEA	61221	RMC Compliance Monitoring FY 18/19 (Services 1/1/19-1/31/19)	\$ 45,833.29
4/1/2019	City of Paramount	4072	Office Rent for April 2019	\$ 351.51
4/1/2019	City of Paramount	4078	Meeting Expense Reimbursement (Meeting Date: 3/1/19)	\$ 25.10
3/13/2019	Civiltec	40260	Advanced Water Meter Replacement (Services through 3/1/19)	\$ 450.00
4/1/2019	Clifton Larson Allen	2078850	Financial Services Performed 3/1/19-3/28/19	\$ 1,500.00
3/31/2019	Fedak & Brown	03-31-19	FY 2017/2018 Audit Services Performed during March	\$ 1,100.00
3/30/2019	Gateway Cities Council of Governments	3-30-19	Office supplies and FedEx	\$ 180.10
3/20/2019	Joe A. Gonsalves & Son	157267	Legislative Advocacy (Services for April)	\$ 2,083.00
3/19/2019	John L. Hunter and Associates	BGFPP0219	Ford Park Project (Services from 2/1/18-2/28/19)	\$ 16,860.00
3/18/2019	John L. Hunter and Associates	GANPLA0219	LLAR WMP Implementation (services 2/1/19 - 2/28/19)	\$ 13,988.37
3/14/2019	John L. Hunter and Associates	GANPSG0219	LSGR WMP Implementation (services 1/1/19 - 2/28/19)	\$ 113,034.74
4/1/2019	Koa Consulting	K114-01-14	COG Water-Related Coordination Activities and Executive Officer Services, DAC Chair and DACIP Co-Chair	\$ 33,908.00
3/18/2019	Richard Watson & Associates	19-192-003-003	Development and Implementation of WMP & Implementation of CIMP for Los Cerritos Channel (Services for Feb 2019)	\$ 27,411.39
3/13/2019	Richards Watson Gershon	220998	General Legal Services through February 28, 2019	\$ 1,124.30
7/19/2018	Southern California Water Committee	1223	Annual Basic Membership	\$ 1,000.00
Total				\$ 269,168.80

Reviewed and Approved by:

  
Kelli Tunnicliff, GWMA Secretary and Treasurer





WARRANT REGISTER  
DISBURSEMENT JOURNAL  
MAY 2019

Invoice Date	Vendor	Invoice Number	Description	Amount
4/1/2019	Anchor QEA	61845	RMC Compliance Monitoring FY 18/19 (Services 2/1/19-2/28/19)	\$ 19,626.90
4/30/2019	City of Paramount	4083	Office Rent for May 2019	\$ 351.51
4/8/2019	Civiltec	40419	Advanced Water Meter Replacement (Services through 3/31/19)	\$ 450.00
4/27/2019	Clifton Larson Allen	2106778	Financial Services Performed 34/1/19-4/26/19	\$ 1,325.00
5/1/2019	CWE	19531	LAR UR2 CIMP Plan Implementation (7/1/18-4/30/19)	\$ 188,590.91
4/30/2019	Gateway Cities Council of Governments	4-30-19	Office supplies and FedEx	\$ 346.00
4/19/2019	Joe A. Gonsalves & Son	157336	Legislative Advocacy (Services for May)	\$ 2,083.00
4/12/2019	John L. Hunter and Associates	GANPLA0319	LLAR WMP Implementation (services 3/1/19 - 3/31/19)	\$ 25,042.30
4/12/2019	John L. Hunter and Associates	GANPSG0319	LSGR WMP Implementation (services 3/1/19 - 3/31/19)	\$ 27,241.38
4/30/2019	Koa Consulting	K114-01-14	COG Water-Related Coordination Activities and Executive Officer Services, DAC Chair and DACIP Co-Chair	\$ 33,908.00
4/22/2019	Lisa Ann Rapp	4/22/2019	Expense Reimbursement for GWMA Executive Board and Staff Lunch Meeting	\$ 21.85
4/15/2019	Richard Watson & Associates	19-192-003-004	Development and Implementation of WMP & Implementation of CIMP for Los Cerritos Channel (Services for Feb 2019)	\$ 29,395.37
4/17/2019	Richards Watson Gershon	221441	General Legal Services through March 31, 2019	\$ 1,997.53
			Total	\$ 330,379.75

Reviewed and Approved by:

  
Kelli Tunnicliff, GWMA Secretary and Treasurer



*Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority*

May 9, 2019

**AGENDA ITEM 5c – Status of Total Legal Expenditures for General Legal Counsel Services for Fiscal Year 2018-2019**

**SUMMARY:**

At the Board meeting in June 2018, the Board approved the budget for legal counsel services of \$60,000 for Fiscal Year (FY) 2018/19 to address legal issues. The Board also directed staff to provide monthly updates on total expenditures for legal counsel services.

**Legal Counsel Services Update:**

\$ 60,000.00	FY2018/19 Budget amount for Legal Counsel services
<u>\$ 15,796.35</u>	Expenditures for Legal Counsel services through January 2019
\$ 44,203.65	Remaining budget amount available through June 30, 2019

**FISCAL IMPACT:**

The total expenditures for Legal Counsel services for FY 2018-2019 through March 2019 total \$15,796.35. Sufficient funds to cover payment for legal counsel services is remaining in the GWMA FY 2018/2019 budget.

**RECOMMENDATION:**

Receive and file the status the updated expenditures for Legal Counsel Services.

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**GATEWAY WATER MANAGEMENT AUTHORITY**



**OPERATING BUDGET FOR FISCAL YEAR 2019/2020**

ADOPTED: TBD

## **INTRODUCTION AND BACKGROUND**

Over the years, with GWMA's growth in membership and responsibilities, the budget has evolved accordingly. From a one-half page budget in 2009, it is now a multi-page budget that demonstrates how much GWMA has accomplished and what it will do in the coming year.

The Gateway Water Management Authority (GWMA) was created in 2007/2008 as a Joint Powers Authority "JPA" to form a Department of Water Resources (DWR) - recognized region for purposes of regional planning and grant funding under the Integrated Water Resources Management (IRWM) program. The original purpose for this effort was to address local concerns regarding equitable distribution of grant awards for Gateway cities and agencies through the Greater Los Angeles County (GLAC) IRWM structure which includes five sub-regions, one of which is the Lower Los Angeles/Lower San Gabriel sub-region. By 2011, GWMA had 18 members. It has since grown to 29 members of which 25 are cities and four are water agencies including the Port of Long Beach. Membership growth in large part is due to the following benefits and values of being a member:

- Organize and coordinate economical and efficient water management activities across city boundaries in the Gateway region;
- Apply and receive State and Federal funding on a regional basis, preferred by many granting agencies;
- Provide focus to Disadvantaged Communities through grants and projects;
- Share information and identify common needs and issues across city and agency boundaries; and
- A single voice to help build relationships at the regional, state and federal levels.

Since its inception, GWMA has facilitated several federal and grant awards on behalf of the region and its members in addition to the IRWM grant program. Further, GWMA's role has expanded to include fiduciary and contracting responsibilities in support of the Gateway region's stormwater responsibilities. After years of working as its own IRWM region, the GWMA Board voted in 2015 to re-engage with the GLAC IRWM as a voting member of the Leadership Committee and also as the Chair of the Lower San Gabriel/Lower Los Angeles sub-region. The success of the re-integration is largely due to the fact that GWMA represents the entire sub-region because of its robust membership of cities and water agencies within the Gateway region. GWMA continues to play a very active role in the GLAC IRWM and also provides active support by Chairing the GLAC IRWM Disadvantaged Community Committee and as Co-Chair of the Disadvantaged Community Involvement Program which includes Ventura County and the Upper Santa Clara IRWM regions.

## **HIGHLIGHTS OF ACCOMPLISHMENTS**

### **Grant Awards - Past and Current**

A total of **\$30,614,000** has been awarded to GWMA since its first grant application in 2009.

- \$10M – LA River Trash Reduction Project – State Water Resources Control Board (16 cities and 11,560 catch basins retro-fitted)
- \$950k – Gateway IRWM Planning Grant – California Dept. of Water Resources (all GWMA members)
- \$338k - Los Cerritos Channel “LCC” Watershed Segmentation and Low Impact Development (LID) Planning Project - State Water Resources Control Board (all LCC members) COMPLETED
- \$1M - Advanced Meter Replacement Project – U.S. Bureau of Reclamation ( # of participants) COMPLETED
- \$1.074M – Prop 84 Regional Stormwater LID BMP Project -State Water Resources Control Board (# of participants) COMPLETED
- \$3.942M – Prop 84 IRWM Drought Emergency Funding - California Dept. of Water Resources (2 projects which included # of participants) COMPLETED
- \$3.41M – Prop 84 IRWM – California Dept. of Water Resources (4 projects which includes # of participants) ON-GOING
- \$9.9M – John Anson Ford Park Prop 1 Stormwater Grant – State Water Resources Control Board (all Lower LA River Upper Reach 2 members) ON-GOING

### **Fiduciary Responsibilities**

- GWMA has entered into Memorandum of Understandings (MOUs) with several groups to administer Request for Proposals, enter into contracts, collect participant funds, pay invoices and other general administrative support roles including submission of grant applications, if requested and management of grants, if awarded.
  - Four Watershed Groups under Regulatory Compliance Timelines for Stormwater
    - Lower LA River Upper Reach 2 [Seven cities & Los Angeles County Flood Control District (LACFCD)];
    - Lower LA River (Eight cities & LACFCD);
    - Lower San Gabriel River (Thirteen cities & LACFCD);
    - Los Cerritos Channel (Seven cities & LACFCD).
  - Permittees for the Dominguez Channel, and Long Beach and Los Angeles Harbors Regulatory Monitoring & Reporting Compliance
    - Eight Cities, Port of Los Angeles, LA County, LACFCD and Port of Long Beach
    - Seven Individual private company permittees to share in cost of monitoring

- Permittees for a Joint Dominguez Channel/Harbor Toxic TMDL Monitoring Program
  - 60 Cities, LA County and LACFCD

### Other Services and Activities

- In 2010, GWMA coordinated, developed and submitted a regional 20x2020 Regional Alliance Report to the State to meet conservation regulations on behalf of its members to meet their individual obligations regionally rather than individually.
- In 2015, GWMA coordinated, developed and submitted updated data and targets for the 20x2020 Regional Alliance to the State to meet regulatory requirements.
- In 2014, GWMA conducted a regional Notice Inviting Bids process to solicit competitive pricing for catch basin cleaning on behalf of all Gateway region cities. A competitive bid package which included all responsive bidders and their respective pricing was transmitted to the cities as an option for them to contract with any of the bidders. Several cities took the option and entered into 3-year contracts with one of the bidders.
- In 2017, GWMA was asked by cities to conduct another regional Notice Inviting Bids process to solicit competitive pricing for catch basin cleaning. All responsive bidders and their respective pricing were presented to the cities as an option to contract with any of the bidders. Several cities are currently under contract with the responsive bidders because of the competitive process and pricing. The entire bidding process and results can be found on GWMA's website.
- In 2015, successfully transferred GWMA funds and transitioned accounting from Lead Agency to GWMA.
- In 2015-2018, developed a number of policies and procedures to support the additional accounting and administrative duties (policies can be found at [www.gatewaywater.org](http://www.gatewaywater.org)).
- Facilitated and held workshops on Measure W throughout 2018/2019.
- Created the COG/GWMA Coordinating Committee in 2015 which meets bi-monthly to discuss, strategize and share information regarding multi-benefit joint projects and funding opportunities.

### LOOKING AHEAD

GWMA continues to support its members by coordinating and administering the activities of the grants, MOUs and agreements. In 2018, GWMA retained the services of Koa Consulting, Inc to focus on the development of a project and funding strategy program. This program is under development as more programs and partners are being identified.

As part of the program development, GWMA will continue to increase coordination activities with the Gateway Cities Council of Governments and other potential partners and stakeholders. GWMA will also strive to develop, submit and win funding awards on behalf of its members. This includes, but is not limited to, multi-benefit grants via the GLAC IRWM Proposition 1 Implementation Grant program, Proposition 1 Stormwater Implementation Grant program,

Proposition 68 and Proposition 1 Grant Programs via the Rivers and Mountains Conservancy and other funding programs such as Measure R and Measure W.

GWMA Staff is considering an accounting conversion to its current accounting system for Fiscal Year 2019/2020. Since GWMA transitioned from using a Lead Agency to do its accounting and banking as of 2015, GWMA has used Quickbooks Desktop. This version is now outdated and is not easily accessible by staff or its outside accounting consultant. It is anticipated that in Fiscal Year 2019/2020, GWMA will convert from the desktop version to the online version which will be much more efficient and effective for GWMA and all of its fiduciary and grant responsibilities.

## **BUDGET SUMMARY**

Before delving into the budget, it is important to note that back in the 2008/2009 era, the Board decided it was important to collect membership dues over the years and keep them in reserves to create a fund to support regional programs or opportunities as they become available in future years. Depending on the project, GWMA also collects funds from project participants for regional project management which is held in the general reserve and used for that specific purpose in subsequent years. These types of reserve funds are separate from what the GWMA Board voted to keep on hand as an operating reserve equal to 6 months of the annual operating budget. Thus, the reserve can be viewed as having three (3) functions: 1) maintaining an operating reserve equal to 6 months of the operating budget; 2) collecting funds for future special projects and/or grant opportunities; and 3) collecting funds for a specific program that are being expended over several subsequent years.

The Fiscal Year 2019/2020 budget shows an operating revenue needed to support its annual operations in the amount of \$553,849. The operating budget is \$420,920 which leaves \$132,929 in reserves before special projects. Special projects in the amount of \$204,985 include funds for: 1) upcoming IRWM grant applications in the amount \$66k (Board approved use of reserve funds in July 2018); 2) previously collected funds in 2016 from grant participants for project management of the IRWM 2015 Proposition 84 AMR regional project (remaining contract amount of \$36,985, Civiltec Engineering, Inc.); 3) IRWM Disadvantaged Community Chair/Co-Chair Services; and 4) Project development and funding strategy services. Thus, reserve funds in the amount of \$72,0556 are being used towards the special projects, leaving \$552,222 in the ending fund balance (reserve). As stated previously, according to Board policy, 6 months of the operating budget is required to be held in reserve. The operating budget is \$420,920. One-half (six months) is equal to \$210,460. Staff has determined that with \$552,222 in the ending fund balance, there is sufficient funds in reserves per the policy.

Operating Budget =	\$420,920
6-months (one-half) minimum required to be held in reserve =	\$210,460
Reserves after all Operating Expenses and Special Projects:	\$552,222
6-month operating reserve	<u><del>-\$210,460</del></u>
Remaining in General Reserve for future programs	\$341,762

It is staff's recommendation to maintain the current administrative direct and indirect fee percentages of 3% for GWMA members, 5% for non-GWMA members, and 3.76% for indirect costs which are applied to non-GWMA members only. Per the Board approved policy, non-GWMA members should contribute to the overall general operating costs that GWMA members pay for through their annual dues. The indirect costs include all general operating expenses except for Professional Administrative/Management, Legal Counsel and Project Development/Funding Strategy Services and is calculated using the formula previously approved by the GWMA Board. It is important to note that all unused direct fees are retained by each respective group that it was collected from and are shown in the budget backup sheets while all indirect fees are retained by GWMA to help pay for general operations of GWMA. The following budget provides details to support the many GWMA operating activities in Fiscal Year 2019/2020.

DRAFT





## Gateway Water Management Authority FY 2019/2020 Operating Budget

	A	B	C	D	E	F
	DESCRIPTION	FY 16/17 Actuals	FY 17/18 Actuals	Current FY 18/19 Admin Budget	FY 18/19 Year-End Projections	FY 19/20 Admin Budget
1	<b>REVENUES</b>					
2	Dues from Member Agencies	\$ 386,500	\$ 398,000	\$ 399,500	\$ 397,000	\$ 401,000
3	GWMA Administrative/Legal/Funding Strategy Direct Fees from Watersheds	\$ 62,053	\$ 85,556	\$ 70,206	\$ 123,154	\$ 118,500
4	GWMA Administrative/Legal/Funding Strategy/Project Mgmt Direct Fees from GWMA Grants and Grant Sub-recipients	\$ 261,175	\$ 59,991	\$ 6,957	\$ 6,957	\$ 18,957
5	DACIP Proposal/Application Development (Grant Reimbursement)	\$ -	\$ -	\$ 14,326	\$ 14,326	\$ -
6	GWMA Indirect Fees from Non-members	\$ -	\$ -	\$ -	\$ 3,168	\$ 15,392
7	<b>TOTAL REVENUES</b>	<b>\$ 709,728</b>	<b>\$ 543,547</b>	<b>\$ 490,989</b>	<b>\$ 544,604</b>	<b>\$ 553,849</b>
8	<b>OPERATING EXPENSES</b>					
9	Professional Mgmt, Admin & Accounting Services - General GWMA Operations	\$ 230,167	\$ 246,688	\$ 322,500	\$ 220,854	\$ 235,396
10	Professional Mgmt, Admin & Accounting Services - Allocated to Watershed/Grant Operations	\$ 46,833	\$ 78,472	\$ -	\$ 102,132	\$ 90,000
11	General Counsel - General GWMA Operations	\$ 37,193	\$ 31,666	\$ 60,000	\$ 13,807	\$ 41,500
12	General Counsel - Allocated to Watershed/Grant Operations	\$ 15,220	\$ 55,014	\$ -	\$ 7,193	\$ 8,500
13	Government Relations	\$ 25,000	\$ 25,000	\$ 25,000	\$ 22,917	\$ -
14	Meeting Expenses	\$ 6,477	\$ 4,806	\$ 6,500	\$ 4,000	\$ 6,500
15	Office Supplies, Postage, Notices, Misc.	\$ 1,765	\$ 3,447	\$ 5,000	\$ 5,000	\$ 5,000
16	Office Rent	\$ 3,642	\$ 4,083	\$ 4,218	\$ 4,218	\$ 4,324
17	Website Services	\$ 307	\$ 275	\$ 500	\$ 500	\$ 500
18	Insurance	\$ 11,147	\$ 10,786	\$ 12,000	\$ 12,000	\$ 12,000
19	Authorized Conferences, Travel & Sponsorships	\$ 905	\$ -	\$ 2,000	\$ -	\$ 2,000
20	Organization Memberships	\$ -	\$ 1,000	\$ 3,000	\$ 1,000	\$ 2,500
21	Audit	\$ 9,450	\$ 7,690	\$ 13,000	\$ 10,500	\$ 12,700
22	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 388,106</b>	<b>\$ 468,927</b>	<b>\$ 453,718</b>	<b>\$ 404,120</b>	<b>\$ 420,920</b>
23	<b>NET INCOME BEFORE SPECIAL PROJECTS</b>	<b>\$ 321,622</b>	<b>\$ 74,620</b>	<b>\$ 37,271</b>	<b>\$ 140,484</b>	<b>\$ 132,929</b>
24	<b>SPECIAL PROJECT EXPENSES</b>					
25	Prop 1 Greater LA IRWM (Round 1) Grant Application Fee <i>**Board approved use of reserve funds in July 2018**</i>	\$ -	\$ -	\$ -	\$ -	\$ 66,000
26	Disadvantaged Community Involvement Program	\$ 20,631	\$ 31,395	\$ -	\$ 9,000	\$ 27,000
27	Prop 84 2015 - AMR Project Management Services (Civiltec) <i>**collected from Project Participants during FY16/17 and held in general reserve**</i>	\$ 11,186	\$ 11,190	\$ 25,000	\$ 13,456	\$ 36,985
28	Awarded Grant Project Management Services	\$ 191,523	\$ 11,153	\$ -	\$ -	\$ -
29	General Project Development and Funding Strategy Services -General Operations	\$ -	\$ 18,750	\$ 75,000	\$ 54,214	\$ 55,000
30	General Project Development and Funding Strategy Services - Allocated to Watershed/Grant Operations	\$ -	\$ -	\$ -	\$ 20,786	\$ 20,000
31	<b>TOTAL SPECIAL PROJECT EXPENSES</b>	<b>\$ 223,340</b>	<b>\$ 72,488</b>	<b>\$ 100,000</b>	<b>\$ 97,456</b>	<b>\$ 204,985</b>
32	<b>NET INCOME AFTER ALL OPERATING EXPENSES AND SPECIAL PROJECTS EXPENSE</b>	<b>\$ 98,282</b>	<b>\$ 2,132</b>	<b>\$ (62,729)</b>	<b>\$ 43,028</b>	<b>\$ (72,056)</b>
33	<b>BEGINNING FUND BALANCE</b>	<b>\$ 480,837</b>	<b>\$ 579,119</b>	<b>\$ 417,337</b>	<b>\$ 581,251</b>	<b>\$ 624,278</b>
34	<b>ADMINISTRATIVE ENDING FUND BALANCE</b>	<b>\$ 579,119</b>	<b>\$ 581,251</b>	<b>\$ 354,608</b>	<b>\$ 624,278</b>	<b>\$ 552,222</b>
35	All Watershed Groups Admin Fee Cumulative Ending Fund Balance					\$ 110,791
36	Cumulative Earned and Projected Interest Income through FY 19/20					\$ 195,126
37	<b>ADMINISTRATIVE ENDING FUND BALANCE WITH WATERSHED ADMIN FEE BALANCE + INTEREST INCOME</b>					<b>\$ 858,139</b>

**Los Angeles River Upper Reach 2**  
**Administrative and Legal Costs Budget**  
**FISCAL YEAR ENDING JUNE 30, 2020**

Description	FY 16/17 Actual	FY 17/18 Actual	FY 18/19 Projected Through End of Year	FY 19/20 Budget
RESERVES FROM PREVIOUS YEAR	\$18,303	\$4,996	\$31,950	\$26,777
<b>REVENUE</b>				
GWMA Administrative Fee	\$8,374	\$8,944	\$11,354	\$1,500
Grants Administrative Fee	-	\$19,103	\$6,957	\$6,957
<b>TOTAL ANNUAL REVENUES</b>	<b>\$8,374</b>	<b>\$28,047</b>	<b>\$18,311</b>	<b>\$8,457</b>
<b>OPERATING EXPENSE</b>				
Administrative - Direct Charges	\$11,839	\$11,561	\$17,663	\$20,000
General Counsel - Direct Charges	\$9,842	\$37,669	-	\$6,000
Indirect Operating Expenses	-	-	-	-
Grants Administrative - Expense	-	12,061	-	-
Funding Strategy - Expense	-	-	\$5,822	\$5,000
<b>TOTAL ANNUAL OPERATING EXPENSES</b>	<b>\$21,681</b>	<b>\$61,291</b>	<b>\$23,484</b>	<b>\$31,000</b>
<b>TOTAL ANNUAL NET VARIANCE</b>				
	<b>(\$13,307)</b>	<b>(\$33,244)</b>	<b>(\$5,173)</b>	<b>(\$22,543)</b>
<b>CUMULATIVE ENDING FUND BALANCE</b>				
	<b>\$4,996</b>	<b>(\$28,248)</b>	<b>\$26,777</b>	<b>\$4,234</b>
<b>MINIMUM GWMA ADMIN RESERVE BALANCE</b>				
	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>
<b>ADDITIONAL ADMIN FUNDS REQUEST TO MAINTAIN MINIMUM RESERVE BALANCE</b>				
	-	\$60,198	-	\$5,766

***Los Cerritos Channel***  
**Administrative and Legal Costs Budget**  
**FISCAL YEAR ENDING JUNE 30, 2020**

Description	FY 16/17 Actual	FY 17/18 Actual	FY 18/19 Projected Through End of Year	FY 19/20 Budget
RESERVES FROM PREVIOUS YEAR	(\$2,107)	\$7,138	\$10,789	\$10,138
<b>REVENUE</b>				
GWMA Administrative Fee	\$17,838	\$17,261	\$18,242	\$18,753
Grants Administrative Fee	-	-	-	-
<b>TOTAL ANNUAL REVENUES</b>	<b>\$17,838</b>	<b>\$17,261</b>	<b>\$18,242</b>	<b>\$18,753</b>
<b>OPERATING EXPENSE</b>				
Administrative - Direct Charges	\$7,040	\$10,971	\$13,905	\$14,000
General Counsel - Direct Charges	\$1,553	\$2,639	-	\$500
Indirect Operating Expenses	-	-	-	-
Funding Strategy - Expense	-	-	\$4,989	\$5,000
<b>TOTAL ANNUAL OPERATING EXPENSES</b>	<b>\$8,593</b>	<b>\$13,610</b>	<b>\$18,894</b>	<b>\$19,500</b>
<b>TOTAL ANNUAL NET VARIANCE</b>				
	<b>\$9,245</b>	<b>\$3,651</b>	<b>(\$651)</b>	<b>(\$747)</b>
<b>CUMULATIVE ENDING FUND BALANCE</b>				
	<b>\$7,138</b>	<b>\$10,789</b>	<b>\$10,138</b>	<b>\$9,391</b>
<b>MINIMUM GWMA ADMIN RESERVE BALANCE</b>				
	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>
<b>ADDITIONAL ADMIN FUNDS REQUEST TO MAINTAIN MINIMUM RESERVE BALANCE</b>				
	-	-	-	<b>\$609</b>

***Lower Los Angeles River***  
**Administrative and Legal Costs Budget**  
**FISCAL YEAR ENDING JUNE 30, 2020**

Description	FY 16/17 Actual	FY 17/18 Actual	FY 18/19 Projected Through End of Year	FY 19/20 Budget
RESERVES FROM PREVIOUS YEAR	\$17,115	\$37,085	\$40,366	\$29,308
<b>REVENUE</b>				
GWMA Administrative Fee	\$27,600	\$18,260	\$8,204	\$19,401
Grants Administrative Fee	-	-	-	-
<b>TOTAL ANNUAL REVENUES</b>	<b>\$27,600</b>	<b>\$18,260</b>	<b>\$8,204</b>	<b>\$19,401</b>
<b>OPERATING EXPENSE</b>				
Administrative - Direct Charges	\$6,078	\$11,484	\$14,274	\$14,000
General Counsel - Direct Charges	\$1,552	\$3,494	-	\$500
Indirect Operating Expenses	-	-	-	-
Funding Strategy - Expense	-	-	\$4,988	\$5,000
<b>TOTAL ANNUAL OPERATING EXPENSES</b>	<b>\$7,630</b>	<b>\$14,978</b>	<b>\$19,262</b>	<b>\$19,500</b>
<b>TOTAL ANNUAL NET VARIANCE</b>				
	\$19,970	\$3,281	(\$11,058)	(\$99)
<b>CUMULATIVE ENDING FUND BALANCE</b>				
	\$37,085	\$40,366	\$29,308	\$29,209
<b>MINIMUM GWMA ADMIN RESERVE BALANCE</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>
<b>ADDITIONAL ADMIN FUNDS REQUEST TO MAINTAIN MINIMUM RESERVE BALANCE</b>	-	-	-	-

***Lower San Gabriel River***  
**Administrative and Legal Costs Budget**  
**FISCAL YEAR ENDING JUNE 30, 2020**

Description	FY 16/17 Actual	FY 17/18 Actual	FY 18/19 Projected Through End of Year	FY 19/20 Budget
RESERVES FROM PREVIOUS YEAR	\$16,188	\$33,099	\$41,190	\$39,987
<b>REVENUE</b>				
GWMA Administrative Fee	\$24,942	\$23,550	\$16,937	\$19,836
Grants Administrative Fee	-	-	-	-
<b>TOTAL ANNUAL REVENUES</b>	<b>\$24,942</b>	<b>\$23,550</b>	<b>\$16,937</b>	<b>\$19,836</b>
<b>OPERATING EXPENSE</b>				
Administrative - Direct Charges	\$6,366	\$12,010	\$13,151	\$13,000
General Counsel - Direct Charges	\$1,665	\$3,449	\$0	\$500
Indirect Operating Expenses	-	-	-	-
Funding Strategy - Expense	-	-	\$4,988	\$5,000
<b>TOTAL ANNUAL OPERATING EXPENSES</b>	<b>\$8,031</b>	<b>\$15,459</b>	<b>\$18,139</b>	<b>\$18,500</b>
<b>TOTAL ANNUAL NET VARIANCE</b>				
	\$16,911	\$8,091	(\$1,202)	\$1,336
<b>CUMULATIVE ENDING FUND BALANCE</b>				
	\$33,099	\$41,190	\$39,987	\$41,324
<b>MINIMUM GWMA ADMIN RESERVE BALANCE</b>				
	\$10,000	\$10,000	\$10,000	\$10,000
<b>ADDITIONAL ADMIN FUNDS REQUEST TO MAINTAIN MINIMUM RESERVE BALANCE</b>				
	-	-	-	-

***Harbor Toxics Downstream***  
**Administrative and Legal Costs Budget**  
**FISCAL YEAR ENDING JUNE 30, 2020**

Description	FY 16/17 Actual	FY 17/18 Actual	FY 18/19 Projected Through End of Year	FY 19/20 Budget
RESERVES FROM PREVIOUS YEAR	\$8,589	\$15,078	\$6,014	\$10,930
<b>REVENUE</b>				
GWMA Administrative Fee	\$14,381	\$10,812	\$9,641	\$9,523
Grants Administrative Fee	-	-	-	-
Other (Data Sharing Individuals)	-	\$2,864	\$2,506	\$4,305
Other (Indirect Admin)				\$12,438
<b>TOTAL ANNUAL REVENUES</b>	<b>\$14,381</b>	<b>\$13,676</b>	<b>\$12,147</b>	<b>\$26,266</b>
<b>OPERATING EXPENSE</b>				
Administrative - Direct Charges	\$7,893	\$16,935	\$26,870	\$14,000
General Counsel - Direct Charges	-	\$5,805	\$6,361	\$500
Indirect Operating Expenses	-	-	-	\$12,438
<b>TOTAL ANNUAL OPERATING EXPENSES</b>	<b>\$7,893</b>	<b>\$22,740</b>	<b>\$33,231</b>	<b>\$26,938</b>
<b>TOTAL ANNUAL NET VARIANCE</b>	<b>\$6,489</b>	<b>(\$9,064)</b>	<b>(\$21,084)</b>	<b>(\$672)</b>
<b>CUMULATIVE ENDING FUND BALANCE</b>	<b>\$15,078</b>	<b>\$6,014</b>	<b>(\$15,070)</b>	<b>\$10,258</b>
<b>MINIMUM GWMA ADMIN RESERVE BALANCE</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>
<b>ADDITIONAL ADMIN FUNDS REQUEST TO MAINTAIN MINIMUM RESERVE BALANCE</b>	<b>-</b>	<b>-</b>	<b>\$26,000</b>	<b>-</b>

***Harbor Toxics Upstream***  
**Administrative and Legal Costs Budget**  
**FISCAL YEAR ENDING JUNE 30, 2020**

Description	FY 16/17 Actual	FY 17/18 Actual	FY 18/19 Projected Through End of Year	FY 19/20 Budget
RESERVES FROM PREVIOUS YEAR	\$3,792	\$3,551	(\$5,842)	\$10,000
<b>REVENUE</b>				
GWMA Administrative Fee	\$7,984	\$8,076	\$5,654	\$5,376
Grants Administrative Fee	-	-	-	-
Other (Indirect Admin)	-	-	\$3,168	\$2,954
<b>TOTAL ANNUAL REVENUES</b>	<b>\$7,984</b>	<b>\$8,076</b>	<b>\$8,821</b>	<b>\$8,330</b>
<b>OPERATING EXPENSE</b>				
Administrative - Direct Charges	\$7,618	\$15,512	\$16,269	\$15,000
General Counsel - Direct Charges	\$608	\$1,958	\$833	\$500
Indirect Operating Expenses	\$0	\$0	\$3,168	\$2,954
<b>TOTAL ANNUAL OPERATING EXPENSES</b>	<b>\$8,225</b>	<b>\$17,469</b>	<b>\$20,269</b>	<b>\$18,454</b>
<b>TOTAL ANNUAL NET VARIANCE</b>	<b>(\$241)</b>	<b>(\$9,393)</b>	<b>-\$11,447</b>	<b>(\$10,124)</b>
<b>CUMULATIVE ENDING FUND BALANCE</b>	<b>\$3,551</b>	<b>(\$5,842)</b>	<b>(\$17,289)</b>	<b>(\$124)</b>
<b>MINIMUM GWMA ADMIN RESERVE BALANCE</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>
<b>ADDITIONAL ADMIN FUNDS REQUEST TO MAINTAIN MINIMUM RESERVE BALANCE</b>	<b>-</b>	<b>-</b>	<b>\$27,289</b>	<b>\$10,124</b>



*Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority*

May 9, 2019

## **AGENDA ITEM 7 - Direct and Indirect Administrative Fees for Fiscal Year 2019-2020**

### **BACKGROUND:**

In addition to annual membership dues, Direct and Indirect Administrative Fees paid by GWMA members and non-members for implementing certain MOUs and other cost share agreements, are collected to recover GWMA's administrative costs to support the administration of its various programs. Administrative Fees are applied against the cost share allocation for the GWMA members for the particular watershed, grant, program or other activity. The Administrative Fee rates are approved by the Board of Directors annually.

The GWMA's fiscal budget year is July 1 through June 30. In preparation of the 2019-2020 fiscal year, the GWMA Board of Directors is requested to establish the Administrative Fees for the next fiscal year.

### **SUMMARY:**

In May of 2018, the GWMA Board adopted an Administrative Fee Policy. The purpose of this policy was to ensure that the GWMA's Administrative Fees are established at a rate that recovers its expenses. Per GWMA's Proposed Policy and Procedure – Collection and Use of Direct and Indirect Administrative Fees, an annual percentage must be set for all GWMA members and non-members to cover GWMA's direct and indirect administrative costs. Direct Administrative Costs are staff and legal costs that are directly attributed to a watershed, grant, program or other activity outside of general membership-related responsibilities. Indirect Administrative Costs are the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operations of the GWMA and the conduct of activities. GWMA members will not be assessed for Indirect Costs, as GWMA members are required to pay annual membership dues and thus are contributing to general costs in support of GWMA.

To date, GWMA members have been charged 3% of their cost share allocation for the particular watershed, grant, program or other activity and non-members have been charged 5% of their cost share allocation for the particular watershed, grant, program or other activity for GWMA Direct Administrative Costs. Staff recommends maintaining the

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same percentages in the coming year for GWMA members and non-members, respectively. Additionally, staff recommends maintaining the same percentage of 3.76% for indirect costs for non-members. This indirect percentage is also applied against the non-member's cost share allocation for the particular watershed, grant, program or other activity. This recommendation is based upon a generally accepted accounting principle for collecting indirect costs.

**RECOMMENDATION:**

- a. Approve Fiscal Year 2019-2020 GWMA Member Direct Cost Administrative Fees at a rate of 3% of the Member's cost share allocation for the particular watershed, grant, program or other activities.
- b. Approve Fiscal Year 2019-2020 GWMA Non-Member Direct Cost Administrative Fees at a rate of 5% of the Non-Member's cost share allocation for the particular watershed, grant, program or other activities.
- c. Approve Fiscal Year 2019-2020 GWMA Non-Member Indirect Cost Administrative Fees at a rate of 3.76% of the Non-member's cost share allocation for the particular watershed, grant, program or other activities.

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Integrated Regional Water Management  
Joint Powers Authority*

May 9, 2019

## **AGENDA ITEM 8 – GWMA Audit for Fiscal Year 2017-2018**

### **SUMMARY:**

The responsibility of an auditing firm is solely to express an opinion as to whether GWMA's financial statements are fairly represented in all material respects and in conformity with generally accepted auditing standards (GAAP) and Government Auditing Standards and OMB Circular A-133 (if applicable).

The opinion expressed by the auditors for Fiscal Year 2017-2018 was that the financial statements were presented fairly, in all material respects, as of June 30, 2018. The respective statement of activities for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

The auditor noted no deficiencies in internal controls that could cause the financial statements to be materially misstated. In addition, the auditor's tests did not disclose any instances of non-compliance or other matters that were required to be reported under *Government Auditing Standards*.

The auditors issued their required communication to the Board based on their professional standards. The purpose of this communication is to communicate significant and relevant audit matters to those charged with governance in overseeing the financial reporting process. The communication letter addresses both qualitative and quantitative information regarding the audit process. The auditor encountered no significant difficulties or disagreements in dealing with management in performing and completing these audits.

### **HIGHLIGHTS FROM THE AUDITED FINANCIAL STATEMENTS**

Based upon the auditor's recommendations, four non-material adjusting entries were made as described in the Management Report attached herein.

### **RECOMMENDATION:**

Receive and file the Annual Audited Financial Statement for Fiscal Year 2017-2018, as presented.

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**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority**

**Management Report**

**June 30, 2018**



**Fedak & Brown LLP**  
Certified Public Accountants

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority**

**Management Report**

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Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
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## Fedak & Brown LLP

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### **CONFIDENTIAL**

Board of Directors  
Los Angeles Gateway Region Integrated Regional  
Water Management Joint Powers Authority  
Paramount, California

#### **Dear Members of the Board:**

In planning and performing our audit of the financial statements of Los Angeles Gateway Region Integrated Regional Water Management Powers Authority (Authority) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

#### **Summary of Current Year Comments and Recommendations**

##### ***Disclosure of Audit Adjustments and Reclassifications***

For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process, we have presented the adjustments and reclassifications to the original trial balance as presented to us to start our procedures as an attachment to this letter.

#### **Management's Response**

We have reviewed and approved all of the adjustment by the Auditor and have entered those entries into the Authority's accounting system at June 30, 2018.

## **Summary of Prior Year Comments and Recommendations**

### ***Disclosure of Audit Adjustments and Reclassifications***

As your external auditor, we assume that the books and records of the Authority are properly adjusted before the start of the audit. In many cases, however, adjustments and reclassifications are made in the normal course of the audit process to present the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

### **Management's Response**

We have reviewed and approved all of the adjustment by the Auditor and have entered those entries into the Authority's accounting system at June 30, 2017.

\* \* \* \* \*

This communication is intended solely for the information and use of management and the Board of Directors of the Authority. This restriction is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California

April 11, 2019

**APPENDIX**

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority**

**Audit/Finance Committee Letter**

**June 30, 2018**



Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Andy Beck, CPA

## Fedak & Brown LLP

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Board of Directors  
Los Angeles Gateway Region Integrated Regional  
Water Management Joint Powers Authority  
Paramount, California

We have audited the basic financial statements of the Los Angeles Gateway Region Integrated Regional Water Management Powers Authority (Authority) for the year ended June 30, 2018 and have issued our report thereon dated April 11, 2019. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the Authority's basic financial statements.

### **Auditor's Responsibility under United States Generally Accepted Auditing Standards**

As stated in our Audit Engagement Letter dated July 9, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of its responsibilities.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing requirements as previously communicated to management. Professional standards also require that we communicate to you the following information related to our audit.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the Authority during fiscal year 2018 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.



### **Management's Judgments, Accounting Estimates and Financial Disclosures**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the position in the basic financial statements were:

Management's estimate of the fair value of cash and cash equivalents is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements are:

The disclosure of fair value of cash and cash equivalents in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosures in the basic financial statements are neutral, consistent and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management. (See Page 4)

### **Disagreements with Management**

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the Authority.

### **Management Representations**

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated April 11, 2019.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Authority's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Restriction on Use**

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

### **Conclusion**

We appreciate the cooperation extended us by Grace Kast, Executive Officer, and Traci Gleason, Program Manager in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Authority.

A handwritten signature in dark ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

**Fedak & Brown LLP**

Cypress, California

April 11, 2019

Increase (Decrease) the  
Net Position Balance at  
June 30, 2018

**Adjusting Journal Entry No. 1**

To adjust beginning net position to properly agree with the  
June 30, 2017 ending net position.

40010	Income-MOU	\$	63,854.97		
30012	Reserve drawdown LSGR			63,854.97	-

**Adjusting Journal Entry No. 2**

To record LAIF quarterly interest earned as of June 30,  
2018.

13001	Interest Receivable		9,862.19		
40005	Interest Revenue			9,862.19	9,862.19

**Adjusting Journal Entry No. 3**

To record LAIF quarterly interest earned as of June 30,  
2018.

Unrealized loss (gain) on investments		5,620.40			
LAIF Investment - Change in FMV			5,620.40		(5,620.40)

**Adjusting Journal Entry No. 4**

To record expenses incurred as of fiscal year 2018 that  
was paid subsequently after June 30, 2018.

60225	General Consulting Services		92,142.28		
21500	Accrued Liability			92,142.28	(92,142.28)
		\$			<u>(87,900.49)</u>



**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2018**



## Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority

<b>Name</b>	<b>Area</b>	<b>Position</b>	<b>Alternate (if applicable)</b>
Lisa Rapp	Lakewood	Chair	Konya Vivanti Jason Wen Toyasha Sebbag
Adriana Figueroa	Paramount	Vice-Chair	Sarah Ho Wendy Macias
Kelli Tunnickliff	Signal Hill	Treasurer/Secretary	Hannah Shin-Heydorn
Okina Dor	Artesia	Member	Pradeepkumar Elayath
Jordan Monroe	Avalon	Member	Audra McDonald Bob Greenlaw
Nestor Valencia	Bell	Member	Robert Linton
Chau Vu	Bell Gardens	Member	Veronica Sanchez
Len Gorecki	Bellflower	Member	Bernardo Iniguez
Tammy Hierlihy	CBMWD	Member	Joseph Legaspi Sandi Linares-Plimpton Leticia Vasquez
Vince Brar	Cerritos	Member	Mike O'Grady Bob Ortega
Gina Nila	Commerce	Member	Jasmin Elepano
Aaron Hernandez-Torres	Cudahy	Member	Andres Rangel
Vacant	Downey	Member	Dan Mueller
Ernie Hernandez	Hawaiian Gardens	Member	Joseph Columbo
Daniel Hernandez	Huntington Park	Member	Juan Preciado Mario Lopez Christina Dixon
Mark Stowell	La Mirada	Member	Marlin Munoz



<b>Name</b>	<b>Area</b>	<b>Position</b>	<b>Alternate (if applicable)</b>
Melissa You	Long Beach	Member	Alvin Papa
Christopher Garner	LBWD	Member	B. Anatole Falagan Tai Tseng
Vacant	Lynwood	Member	Lorry Hempe
Danilo Batson	Montebello	Member	Cecilia Amaya
Vacant	Norwalk	Member	Julian Lee
Vacant	Pico Rivera	Member	Kenner Guerrero
Vacant	Santa Fe Springs	Member	Noe Negrete Robert Garcia Sarina Morales-Choate
Art Cervantes	South Gate	Member	Chris Castillo Gladis Deras Guillermo Petra
Daniel Wall	Vernon	Member	Claudia Arellano Fred Cardenas
Dave Schickling	Whittier	Member	Kyle Cason Phuong Nguyen
Robb Whitaker	WRD	Member	Esther Rojas

**Los Angeles Gateway Region**  
**Integrated Regional Water Management**  
**Joint Powers Authority**  
**Grace J. Kast, Executive Officer**  
**16401 Paramount Boulevard**  
**Paramount, California 90723**  
**(562) 663-6850**  
**[www.gatewaywater.org](http://www.gatewaywater.org)**

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2018**

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2018**

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## **Financial Section**





# Fedak & Brown LLP

Certified Public Accountants

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Cypress, California 90630  
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## Independent Auditor's Report

Governing Board  
Los Angeles Gateway Region Integrated Regional  
Water Management Joint Powers Authority  
Paramount, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (Authority) as of and for the year ended June 30, 2018, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2018, 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.

## **Independent Auditor's Report, continued**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the Budgetary Comparison Schedule – General Fund on page 23 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 required supplementary information 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information 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 April 11, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance. This report can be found on pages 24 and 25.

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California

April 11, 2019

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2018  
With Comparative Amounts as of June 30, 2017**

As management of the Los Angeles Gateway Region Integrated Regional Water Management Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities and performance of the Authority for the fiscal year ended June 30, 2018. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

### **Financial Highlights**

- The Authority's net position increased 18.99% or \$828,971 from \$4,364,277 to \$5,193,248 as a result of ongoing operations.
- The Authority's total revenues decreased 36.28% or \$3,123,041 from \$8,608,414 to \$5,485,373, primarily due to a decrease in program revenues.
- The Authority's total expenses decreased 48.72% or \$4,423,242 from \$9,079,644 to \$4,656,402, primarily due to a \$2,929,907 decrease in grant expenditures and a \$1,577,027 decrease in contract services.

### **Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the Authority's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenue and expenses are accounted for in the Statements of Activities. This statement measures the success of the Authority's operations over the past year and can be used to determine the Authority's profitability and credit worthiness.

### **Government-wide Financial Statements**

#### **Statement of Net Position and Statement of Activities**

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority in a way that helps answer this question.

These statements include all assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's *net position* and changes in them. One can think of the Authority's net position – the difference between assets less liabilities – as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors, however, such as changes in the Authority's organizational agreements to assess the *overall health* of the Authority in future periods.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2018  
With Comparative Amounts as of June 30, 2017**

**Governmental Funds Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11 through 22.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's budgetary information and compliance.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets of the Authority exceeded liabilities by \$5,193,248 as of June 30, 2018. At the end of fiscal year 2018, the Authority shows a negative balance in its unrestricted net position of \$64,421, where all of the Authority's reserves are restricted for future use.

**Condensed Statement of Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 7,023,477	9,145,352	(2,121,875)
<b>Total assets</b>	<u>7,023,477</u>	<u>9,145,352</u>	<u>(2,121,875)</u>
<b>Liabilities:</b>			
Current liabilities	<u>1,830,229</u>	<u>4,781,075</u>	<u>(2,950,846)</u>
<b>Total liabilities</b>	<u>1,830,229</u>	<u>4,781,075</u>	<u>(2,950,846)</u>
<b>Net position:</b>			
Restricted	5,257,669	4,206,448	1,051,221
Unrestricted (deficit)	<u>(64,421)</u>	<u>157,829</u>	<u>(222,250)</u>
<b>Total net position</b>	<u>\$ 5,193,248</u>	<u>4,364,277</u>	<u>828,971</u>

The Statement of Activities shows how the government's net position changed during the fiscal year. In the case of the Authority, net position increased by \$828,971 during the fiscal year ended June 30, 2018.

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Amounts as of June 30, 2017**

**Government-wide Financial Analysis, continued**

**Condensed Statement of Activities**

<i>Governmental Activities</i>	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Expenses:</b>			
Authority operations	\$ 4,656,402	9,079,644	(4,423,242)
<b>Total expenses</b>	<u>4,656,402</u>	<u>9,079,644</u>	<u>(4,423,242)</u>
<b>Revenues:</b>			
Program revenues	5,480,593	8,608,413	(3,127,820)
General revenues	<u>4,780</u>	<u>1</u>	<u>4,779</u>
<b>Total revenues</b>	<u>5,485,373</u>	<u>8,608,414</u>	<u>(3,123,041)</u>
<b>Change in net position</b>	828,971	(471,230)	1,300,201
<b>Net position, beginning of period, as previously stated</b>	4,364,277	5,550,282	(1,186,005)
<b>Prior period adjustment</b>	<u>-</u>	<u>(714,775)</u>	<u>714,775</u>
<b>Net position, beginning of period, as restated</b>	<u>4,364,277</u>	<u>4,835,507</u>	<u>(471,230)</u>
<b>Net position, end of period</b>	<u>\$ 5,193,248</u>	<u>4,364,277</u>	<u>828,971</u>

**Governmental Funds Financial Analysis**

The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2018, the Authority's General Fund reported a fund balance of \$5,193,248. Of the fund balance reported, an amount of \$3,073 is designated as *non-spendable* as it has already been spent towards prepaid insurance and an amount of \$5,257,669 is designated as restricted for grant and watershed projects. The Authority has a negative remaining fund balance of \$67,494.

**General Fund Budgetary Highlights**

At fiscal year-end, actual expenditures for the General Fund were \$4,134,681 more than final budgeted expenditures and actual revenues were \$4,979,512 more than final budgeted revenues. This was principally due to more than anticipated grant funding from the state, county and private agency sources.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the Authority's current financial position, net position or operating results in terms of past, present and future.



**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Amounts as of June 30, 2017**

**Requests for Information**

The Authority's basic financial statements are designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional information, please contact the Authority's Executive Officer, Grace J. Kast at Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority, 16401 Paramount Boulevard, Paramount, CA, 90723 or (562) 663-6850.

# **Basic Financial Statements**

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Statement of Net Position  
June 30, 2018**

	<u><b>2018</b></u>
<b>Assets:</b>	
Cash and cash equivalents - restricted (note 2)	\$ 5,220,753
Interest receivable	9,862
Grants receivable	1,789,789
Prepaid expenses	<u>3,073</u>
<b>Total assets</b>	<u><b>7,023,477</b></u>
<b>Liabilities:</b>	
Accounts payable	30,747
Grants payable	1,752,873
Unearned revenue	<u>46,609</u>
<b>Total liabilities</b>	<u><b>1,830,229</b></u>
<b>Net Position:</b> (note 4)	
Restricted	5,257,669
Unrestricted	<u>(64,421)</u>
<b>Total net position</b>	<u><b>\$ 5,193,248</b></u>

See accompanying notes to the basic financial statements

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018**

	<u><b>2018</b></u>
<b>Expenses:</b>	
Regional water management	
Professional fees	\$ 478,648
Grant expenditures	1,766,620
Contract services	2,385,737
General and administrative	<u>25,397</u>
<b>Total expenses</b>	<u><b>4,656,402</b></u>
<b>Program revenues:</b>	
General membership fees	398,000
Intergovernmental revenues	3,301,824
Grant revenues	<u>1,780,769</u>
<b>Total program revenues</b>	<u><b>5,480,593</b></u>
<b>Net program expenses</b>	<u><b>824,191</b></u>
<b>General revenues:</b>	
Interest earnings	<u>4,780</u>
<b>Total general revenues</b>	<u><b>4,780</b></u>
<b>Change in net position</b>	<b>828,971</b>
<b>Net position, beginning of period</b>	<u><b>4,364,277</b></u>
<b>Net position, end of period</b>	<u><u><b>\$ 5,193,248</b></u></u>

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Reconciliation of the Balance Sheet of Governmental  
Type Funds to the Statement of Net Position  
June 30, 2018**

	<u>General Fund</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Net Position</u>
<b>Assets:</b>			
Cash and cash equivalents - restricted	\$ 5,220,753	-	5,220,753
Interest receivable	9,862	-	9,862
Grants receivable	1,789,789	-	1,789,789
Prepaid expenses	3,073	-	3,073
<b>Total assets</b>	<u>7,023,477</u>	<u>-</u>	<u>7,023,477</u>
<b>Liabilities:</b>			
Accounts payable	30,747	-	30,747
Grants payable	1,752,873	-	1,752,873
Unearned revenue	46,609	-	46,609
<b>Total liabilities</b>	<u>1,830,229</u>	<u>-</u>	<u>1,830,229</u>
<b>Fund balance: (note 3)</b>			
Non-spendable	3,073	(3,073)	-
Restricted	5,257,669	(5,257,669)	-
Unassigned	(67,494)	67,494	-
<b>Total fund balance</b>	<u>5,193,248</u>	<u>(5,193,248)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 7,023,477</u>		
<b>Net position:</b>			
Restricted		5,257,669	5,257,669
Unrestricted (deficit)		(64,421)	(64,421)
<b>Total net position</b>		<u>5,193,248</u>	<u>5,193,248</u>
<b>Reconciliation:</b>			
<b>Net position of governmental activities</b>			\$ <u>5,193,248</u>

See accompanying notes to the basic financial statements

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Type Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Activities</u>
<b>Expenditures/Expenses:</b>			
Regional water management			
Professional fees	\$ 478,648	-	478,648
Grant expenditures	1,766,620	-	1,766,620
Contract services	2,385,737	-	2,385,737
General and administrative	25,397	-	25,397
<b>Total expenditures/expenses</b>	<u>4,656,402</u>	<u>-</u>	<u>4,656,402</u>
<b>Program revenues:</b>			
General membership fees	398,000	-	398,000
Intergovernmental revenues	3,301,824	-	3,301,824
Grant revenues	1,780,769	-	1,780,769
<b>Total program revenues</b>	<u>5,480,593</u>	<u>-</u>	<u>5,480,593</u>
<b>Net program expense</b>			<u>824,191</u>
<b>General revenues:</b>			
Interest earnings	4,780	-	4,780
<b>Total general revenues</b>	<u>4,780</u>	<u>-</u>	<u>4,780</u>
<b>Total revenues</b>	<u>5,485,373</u>	<u>-</u>	<u>5,485,373</u>
<b>Excess of expenditures over revenues</b>	828,971	(828,971)	-
<b>Change in net position</b>	-	828,971	828,971
<b>Fund balance/Net position, beginning of period</b>	<u>4,364,277</u>	<u>-</u>	<u>4,364,277</u>
<b>Fund balance/Net position, end of period</b>	<u>\$ 5,193,248</u>	<u>-</u>	<u>5,193,248</u>

**Reconciliation:**

Changes net position of governmental activities \$ 828,971

See accompanying notes to the basic financial statements

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

In July 2007, the Southeast Water Coalition and the Cities of Cerritos, Downey, Lakewood, Long Beach, Norwalk, Paramount, Pico River, Santa Fe Springs, Signal Hill, South Gate, et al. entered into a joint powers agreement creating the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (Authority). The purpose of the agreement is to create a regional water management group, as defined in and authorized by the Integrated Regional Water Management Powers Authority (IRWMPA), in order to create a regional water resources management plan that will protect and enhance regional water supplies, and to otherwise further the purposes of the IRWMPA, with respect to Members' jurisdictional areas. The Authority can also perform other regional responsibilities for water development and management.

The Authority will prepare and/or adopt a regional plan for the management of water resources, and for the implementation and operation of qualified projects or programs, and/or the preparation of qualified reports and studies, as those quoted terms are defined in the IRWMPA. The regional water resources management plan may more specifically address any of the matters set forth in California Water Code Section 10540(c) including, but not limited to, the following: ground water management planning; urban water management planning; the preparation of a water supply assessment; the planning, construction or modification of a flood management project, water recycling project, domestic water supply facility to meet safe drinking water standards, or a drainage water management unit; and/or the implementation of a water conservation program. The Authority may also exercise any other statutory authority which may now exist or be subsequently enacted to deal with ground water, storm water, water recharge, water recycling, water supply, water drainage, water conservation or any related urban water management subject within the purview of local or regional water agencies.

The agreement has since been amended to add new members. The Authority's current members are the Central Basin Municipal Water District, Long Beach Water Department, Pico Water District, Water Replenishment District, WRD of Southern California and the Cities of Artesia, Avalon, Bell, Bell Gardens, Bellflower, Cerritos, Commerce, Cudahy, Downey, Hawaiian Gardens, Huntington Park, La Mirada, Lakewood, Long Beach, Lynwood, Maywood, Montebello, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, Signal Hill, South Gate, Vernon, and Whittier.

The term of the agreement continues until no less than three members remain, or until terminated by unanimous consent, provided that all liabilities of the Authority have been satisfied and all assets have been distributed. Upon termination of the agreement, the assets shall be distributed in a manner determined by a super-majority vote of the Board of Directors.

**B. Basis of Accounting and Measurement Focus**

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

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Authority are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

***Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the Authority are interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The Authority reports the following major governmental fund:

**General Fund** – is a government's only operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund when necessary.

**C. Financial Reporting**

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.



**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

Application of the following GASB pronouncements was effective for the Authority's fiscal year ended June 30, 2018:

*Government Accounting Standards Board Statement No. 75*

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement is not applicable to the Authority.

*Government Accounting Standards Board Statement No. 81*

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is not applicable to the Authority.

*Government Accounting Standards Board Statement No. 85*

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement is not applicable to the Authority.

*Government Accounting Standards Board Statement No. 86*

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is not applicable to the Authority.

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Position**

**1. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the Authority's net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the Authority's cash are invested in interest bearing accounts. The Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**3. Investment Policy**

The Authority has adopted an investment policy directing the Treasurer to manage Authority's funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the Authority.

**4. Grants Receivable**

The Authority considers grants receivable to be fully collectible. Accordingly, an allowance for uncollectible accounts has not been recorded.

**5. Prepaid Expenses**

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**6. Net Position/Fund Balances**

The financial statements utilize a net position presentation. Net position categories are follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of the net position balance that does not meet the definition of *restricted* or *net investment in capital assets*.

**7. Budgetary Policies**

The Authority follows specific procedures in establishing the budgetary data reflected in the financial statements. Each June the Authority's Executive Officer prepares and submits an operating budget to the Governing Board for the General Fund. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting.

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Position, continued**

**8. Fund Equity**

The financial statements, governmental funds report 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.

- **Non-spendable 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 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 Governing Board) 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. This is also the classification for residual funds in the Authority's special revenue funds.
- **Unassigned fund balance** – the residual classification for the Authority's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Governing Board established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

***Fund Balance Policy***

The Authority believes that sound financial management principles require that sufficient funds be retained by the Authority to provide a stable financial base at all times. To retain this stable financial base, the Authority needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the Authority and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the Authority's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(2) Cash and Cash Equivalents**

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

	<u><b>2018</b></u>
Cash and cash equivalents - restricted	\$ <u>5,220,753</u>
Total	\$ <u><u>5,220,753</u></u>

Cash and cash equivalents as of June 30, consist of the following:

	<u><b>2018</b></u>
Deposits held with a financial institution	\$ 2,225,836
Investments	<u>2,994,917</u>
Total	\$ <u><u>5,220,753</u></u>

As of June 30, the Authority's authorized deposits had the following maturities:

	<u><b>2018</b></u>
Deposits held with the California Local Investment Fund	193 days

***Authorized Deposits and Investments***

Under the provisions of the Authority's investment policy, and in accordance with Section 53601 of the California Government Code, the Authority may invest in certain types of investments.

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured and any remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. The Authority's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(2) Cash and Cash Equivalents, continued**

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment of the Authority does not have a rating provided by a nationally recognized statistical rating organization.

***Concentration of Credit Risk***

The Authority's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Authority's investments at June 30, 2018.

***Investment in State Investment Pool***

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. 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 provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The Authority's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

**(3) Fund Balance**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.D.7 for a description of these categories).

A detailed schedule of fund balance and their funding composition at June 30, 2018, is as follows:

<b>Fund Balance Category</b>	
<b>Nonspendable fund balance:</b>	
Prepaid insurance	\$ 3,073
<b>Restricted fund balance</b>	5,257,669
<b>Unassigned fund balance</b>	(67,494)
Total fund balance	\$ <u>5,193,248</u>

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(4) Net Position**

Calculation of net position as of June 30, were as follows:

<b>Restricted net position:</b>	
Restricted for grants and watershed projects	\$ <u>5,257,669</u>
<b>Unrestricted net position:</b>	
<b>Non-spendable net position:</b>	
Prepaid insurance	3,073
<b>Spendable net position:</b>	
Unrestricted	<u>(67,494)</u>
<b>Total unrestricted net position</b>	<u>(64,421)</u>
<b>Total net position</b>	<u><u>\$ 5,193,248</u></u>

**(5) Risk Management**

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased various commercial insurance policies to manage the potential liabilities that may occur:

At June 30, 2018, the Authority participated in the liability and property programs as follows:

- General and auto liability, public officials and employees' errors and omissions and employment practices liability: Total risk financing limits of \$3 million, combined single limit at \$3 million per occurrence, subject to the following deductibles:
  - \$2,500 per occurrence for third party general liability property damage
  - \$1,000 per occurrence for third party auto liability property damage
  - \$2,500 per occurrence for third party public officials errors and omissions

In addition, the Authority also has the following insurance coverage:

- Cyber Liability Coverage up to \$10,000,000 annual policy and program aggregate for all members combined.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Authority's insurance coverage during the years ending June 30, 2018, 2017, and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2018, 2017, and 2016.

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 83***

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective,  
continued**

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the Authority’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 88***

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The impact of the implementation of this Statement to the Authority’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.



**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective,  
continued**

***Governmental Accounting Standards Board Statement No. 89, continued***

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 90***

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2018**

**(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective,  
continued**

***Governmental Accounting Standards Board Statement No. 90, continued***

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

**(7) Contingencies**

***Litigation***

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. After consultation with legal counsel, the Authority believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(8) Subsequent Events**

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of April 11, 2019, which is the date the financial statements were available to be issued.

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## **Required Supplementary Information**



**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
Budgetary Comparison Schedule – General Fund  
For the Fiscal Year Ended June 30, 2018**

	<b>Original Adopted Budget</b>	<b>Final Amended Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures/Expenses:</b>				
Professional fees	\$ 352,500	352,500	478,648	(126,148)
Grant expenditures	-	-	1,766,620	(1,766,620)
Contract services	113,000	113,000	2,385,737	(2,272,737)
General and administrative	56,221	56,221	25,397	30,824
<b>Total expenditures/expenses</b>	<b>521,721</b>	<b>521,721</b>	<b>4,656,402</b>	<b>(4,134,681)</b>
<b>Program revenues:</b>				
General membership fees	398,000	398,000	398,000	-
Intergovernmental revenues	102,861	102,861	3,301,824	3,198,963
Grant revenue	-	-	1,780,769	1,780,769
<b>Total program revenues</b>	<b>500,861</b>	<b>500,861</b>	<b>5,480,593</b>	<b>4,979,732</b>
<b>General revenues</b>				
Interest earnings	5,000	5,000	4,780	(220)
<b>Total general revenues</b>	<b>5,000</b>	<b>5,000</b>	<b>4,780</b>	<b>(220)</b>
<b>Total revenues</b>	<b>505,861</b>	<b>505,861</b>	<b>5,485,373</b>	<b>4,979,512</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(15,860)</b>	<b>(15,860)</b>	<b>828,971</b>	<b>844,831</b>
<b>Fund Balance - beginning of year</b>	<b>4,364,277</b>	<b>4,364,277</b>	<b>4,364,277</b>	
<b>Fund Balance - end of year</b>	<b>\$ 4,348,417</b>	<b>4,348,417</b>	<b>5,193,248</b>	

**Notes to Required Supplementary Information**

**(1) Budgets and Budgetary Data**

The Authority follows specific instructions in establishing the budgetary data reflected in the financial statements. Each year the Authority's Executive Officer prepares and submits an annual budget to the Board of Directors, which is adopted no later than July. Annual appropriations are approved by the Board of Directors prior to the beginning of each year or shortly thereafter. All appropriations lapse at year-end. The Board of Directors has the legal authority to amend the budget at any time during the fiscal year.

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# **Report on Internal Controls and Compliance**







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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***

Governing Board  
Los Angeles Gateway Region Integrated Regional  
Water Management Joint Powers Authority  
Paramount, 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 Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated April 11, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

**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*, continued**

**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.

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California

April 11, 2019



*Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority*

May 9, 2019

## **AGENDA ITEM 9 - Status Report Update on GWMA Funding Strategy & Grants Program**

### **BACKGROUND:**

#### **GWMA Funding Strategy & Grants Program Fiscal Year (FY) 2018/2019**

The goal of the GWMA Funding Strategy & Grants Program FY 2018/2019 is to coordinate and identify possible funding strategies and to prioritize and optimize the benefits to the region with the greatest rate of return on our investment through shared funding avenues and program coordination.

#### **Regional Program Coordination**

- The Greater Los Angeles IRWMP's (OPTI system)
- The Gateway Cities Strategic Transportation Plan (STP)
- Metro Measure R & M
- Measure W
- The Lower Los Angeles River Revitalization Plan
- The Gateway Cities Urban Greening Plan

#### **Active Grant Solicitations – Project Prioritization & Application Identification**

- Proposition 68 – RMC
- Proposition 1 – RMC Prop 1, Round 2
- Proposition 1 – IRWM Implementation

#### **Rivers and Mountains Conservancy Proposition 68 Grant:**

San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy released the final guidelines for their Proposition 68 Grant Program. Project applications will be accepted from April 29, 2019 through June 28, 2019. \$28 million will be available through multiple solicitations.

#### **Schedule Overview:**

- Lower LA River Watershed area applications will be on an on-going basis until funding is expended.
- RMC Region applications will be accepted for approximately two months, through June 28, 2019.

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Proposition 68 Priorities include:

- Low-impact recreation, watershed improvement, and habitat protection or restoration projects – and prioritizes multi-benefit projects.
- Projects that address critical statewide needs and priorities.
- Projects that incentivize workforce education and training.
- Projects that incentivize contractor and job opportunities for disadvantaged communities.
- Projects that leverage matching funds for greatest public benefit. Shovel-ready projects than have obtained all permits and entitlements and commitment of matching funds, if required.

Eligible Project Categories:

- **Implementation Projects:** At least 75% of the funds available may be allocated to support implementation projects. The RMC will seek to prioritize multi-beneficial and multi-jurisdictional ecosystem and watershed protection projects in accordance with statewide priorities.
- **Planning Projects:** Up to 10% of the funds available may be allocated to support planning-related applications.
- **Disadvantaged Community Investment:** The Conservancy will allocate at least 20% of the funds available for projects serving severely disadvantaged communities, pursuant to section 8008(a)(1) of Proposition 68.
- **Community Access Projects:** “Community Access” means engagement programs, technical assistance, or facilities that maximize safe and equitable physical admittance, especially for low-income communities, to natural or cultural resources, community education, or recreational amenities. Up to 5% of the funds available pursuant to each chapter of this division shall be allocated for community access projects, including for: transportation, physical activity programming, resource interpretation, multilingual translation, natural science, workforce development and career pathways, education, parks, climate, etc.

**Rivers and Mountains Conservancy Proposition 1 (Lower LA River) Grant**

Open Call for projects: Began September 16, 2018

Award Funding: Quarterly until funding is expended

Available Funding: \$41.4 million

## Competitive Grant Applications:

1. Multi-benefit projects (e.g. preservation of natural resources, trails access improvements, educational, natural based play infrastructure, interpretive programming).
2. Shovel ready projects (advanced in permitting and environmental process)
3. Projects with matching funds
4. Projects serving disadvantaged communities.

Up to 10% of the funds available may be allocated to support planning-related applications.

Eligible Applicants: Public Agencies, Cities, Counties, JPAs, Nonprofit Organization (501c3), and Tribes.

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The Grant Program Guidelines are available at:

[http://www.rmc.ca.gov/grants/Prop%201/FINAL\\_RMCGrantGuidelines\\_2018\\_02012019.pdf](http://www.rmc.ca.gov/grants/Prop%201/FINAL_RMCGrantGuidelines_2018_02012019.pdf)

Three projects were submitted by GWMA in October for the RMC Lower LA River Proposition 1 – Fall 2019 grant cycle. Evaluation of applications have been completed. The following two projects are being considered as Tier 2 projects:

- Long Beach Municipal Urban Stormwater Treatment Expansion
- Power Walking Among Power Lines in the City of Vernon: Planning/Design

### **Proposition 1 - IRWM Lower San Gabriel & LA River Subregion Highlights:**

On April 22, 2019, Department of Water Resources released the Proposition 1 Final Proposal Solicitation Package for Round 1 IRWM Implementation.

The selection process is underway. There is a three-step process for the selection:

- Step 1: The subregion voting members to prioritize the *top five to six projects* in each subregion.
- Step 2: The shortlisted projects will be reduced by the chairs/vice chairs to about *three projects* per subregion.
- Step 3: The top 3 projects from each subregion will be recommended to the Leadership Committee for review/approval.

In January, the GWMA Board approved four GWMA-member projects to be brought forward to the IRWM Steering committee. GWMA assisted those project proponents with the requested information and submission.

In March, the Lower San Gabriel and Los Angeles Rivers steering committee went through a project selection process to prioritize the top projects in the subregion. The projects selected to move forward are:

- Central Basin Customer Conversions for DAC
- Catalina (Avalon) Desalination Storage & Distribution Enhancements
- East Los Angeles Sustainable Median
- Sativa Well-Head Treatment

Additionally, State Street Corridor Project was identified as the alternate project.

The chairs and vice chairs of the steering committee will meet on May 13th to reduce the shortlist.

### **Schedule Overview:**

<b><u>Tentative Schedule</u></b>	<b><u>Activity</u></b>
May 8, 2019 at 1:30 p.m. May 14, 2019 at 1:30 p.m.	Applicant Assistance Webinar
Spring/Summer 2019	Pre-Application Material Submittal and Optional Workshop
Summer 2019	Round 1 Final Grant Applications due to DWR
2019	Round 1 Final Grant Awards
2020	Round 2 Grant Solicitation Process Begins

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**Program Look Ahead, Meetings & Schedule**

- |   |              |
|---|--------------|
| • Los Cerritos Channel Watershed Group        | May 16, 2019 |
| • Lower San Gabriel River Watershed Group     | May 16, 2019 |
| • Lower Los Angeles River Watershed Group     | May 20, 2019 |
| • Lower Los Angeles River UR2 Watershed Group | TBD          |
| • GCCOG/GWMA Joint Committee Meeting          | May 6, 2019  |

**FISCAL IMPACT:**

As the information continues to be more defined over the next months, we will be seeking direction from the GWMA Board on potential projects and if GWMA will fund the cost of grant applications. Likely GWMA, on behalf of watershed groups or other regional project group(s), could be applying for several grants in the coming months.

**RECOMMENDATION:**

- a. Receive and File Status Report Update on GWMA Funding Strategy & Grants Program.

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