



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

Annual Financial Report

For the Fiscal Year Ended June 30, 2023



Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority

Board of Directors as of June 30, 2023

Name	Area	Position	Alternates (if applicable)
Adriana Figueroa	Paramount	Chair	Sarah Ho Wendy Macias
Kelli Pickler	Lakewood	Vice-Chair	Konya Vivanti Derwin Dy
Thomas Bekele	Signal Hill	Treasurer/Secretary	Cecil Looney
Okina Dor	Artesia	Member	Ernesto Sanchez
Alicia Romero	Bell	Member	Gabino Luna
Vacant	Bell Gardens	Member	Veronica Sanchez
Len Gorecki	Bellflower	Member	Bernardo Iniguez
Alex Rojas	Central Basin MWD	Member	Isabelle Guido Madeline Chen
Mike O'Grady	Cerritos	Member	Robert Lopez
Gina Nila	Commerce	Member	Vacant
Victor Meza	Compton	Member	Emma Sharrif Andre Spicer Alvin Bautista
Aaron Hernandez-Torres	Cudahy	Member	Andres Rangel
Vacant	Downey	Member	Dan Mueller
Ernesto Marquez	Hawaiian Gardens	Member	Elise McCaleb
Cesar Roldan	Huntington Park	Member	Whitford Marin
Mark Stowell	La Mirada	Member	Marlin Munoz



Board of Directors as of June 30, 2023, continued

Name	Area	Position	Alternates (if applicable)
Melissa You	Long Beach	Member	Colin Averill
Diana Tang	Long Beach Water Department	Member	Chris Garner B. Anatole Falagan Tai Tseng
Julian Lee	Lynwood	Member	Elizabeth Popescu
Jerry Gomez	Maywood	Member	Steve Fowler Karen Iniguez
James Enriquez	Montebello	Member	Rita Montalvo
Vacant	Norwalk	Member	(vacant)
Vacant	Pico Rivera	Member	Kenner Guerrero
James Vernon	Port of Long Beach	Member	Dylan Porter Janna Morimoto Matthew Arms
Vacant	Santa Fe Springs	Member	Jesse Sira Sarina Morales-Choate
Art Cervantes	South Gate	Member	Gladis Deras Chris Castillo
Daniel Wall	Vernon	Member	Vacant
Vicki Smith	Whittier	Member	Kyle Cason
Rob Beste	Water Replenishment District	Member	Esther Rojas Aimee Zhao

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

**Los Angeles Gateway Region
Integrated Regional Water Management
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Annual Financial Report

For the Fiscal Year Ended June 30, 2023

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Annual Financial Report
For the Fiscal Year Ended June 30, 2023**

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Financial Section



C.J. Brown & Company CPAs

An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report

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

Report on the Audit of 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, 2023, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the required supplementary information on page 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2024, 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. That report can be found on pages 24 and 25.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

April 11, 2024

**Los Angeles Gateway Region
Integrated Regional Water Management
Joint Powers Authority
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
With Comparative Amounts as of June 30, 2022**

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, 2023. 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 16.88% or \$1,096,277 from \$6,493,753 to \$7,590,030 as a result of ongoing operations.
- The Authority's total revenues decreased 9.30% or \$460,358 from \$4,949,268 to \$4,488,910, primarily due to a decrease of \$523,011 in program revenues; which was offset by an increase of \$62,653 in general revenues.
- The Authority's total expenses decreased 21.21% or \$913,259 from \$4,305,892 to \$3,392,633, primarily due to decreases of \$475,894 in contract services, and \$335,122 in grant expenditures.

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.

**Los Angeles Gateway Region
Integrated Regional Water Management
Joint Powers Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023
With Comparative Amounts as of June 30, 2022**

Government-wide Financial Statements, continued

Statement of Net Position and Statement of Activities, continued

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.

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 12 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

Condensed Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets:			
Current assets	\$ 8,499,420	7,385,580	1,113,840
Total assets	<u>8,499,420</u>	<u>7,385,580</u>	<u>1,113,840</u>
Liabilities:			
Current liabilities	909,390	891,827	17,563
Total liabilities	<u>909,390</u>	<u>891,827</u>	<u>17,563</u>
Net position:			
Restricted	8,469,947	7,372,292	1,097,655
Unrestricted (deficit)	<u>(879,917)</u>	<u>(878,539)</u>	<u>(1,378)</u>
Total net position	<u>\$ 7,590,030</u>	<u>6,493,753</u>	<u>1,096,277</u>

**Los Angeles Gateway Region
Integrated Regional Water Management
Joint Powers Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023
With Comparative Amounts as of June 30, 2022**

Government-wide Financial Analysis, continued

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 \$7,590,030 as of June 30, 2023. At the end of fiscal year 2023, the Authority shows a deficit in its unrestricted net position of \$(879,917).

Condensed Statement of Activities

<i>Governmental Activities</i>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Expenses:			
Authority operations	\$ 3,392,633	4,305,892	(913,259)
Total expenses	<u>3,392,633</u>	<u>4,305,892</u>	<u>(913,259)</u>
Revenues:			
Program revenues	4,413,985	4,936,996	(523,011)
General revenues	<u>74,925</u>	<u>12,272</u>	<u>62,653</u>
Total revenues	<u>4,488,910</u>	<u>4,949,268</u>	<u>(460,358)</u>
Change in net position	1,096,277	643,376	452,901
Net position, beginning of period,	<u>6,493,753</u>	<u>5,850,377</u>	<u>643,376</u>
Net position, end of period	<u>\$ 7,590,030</u>	<u>6,493,753</u>	<u>1,096,277</u>

The statements of activities show how the Authority's net position changed during the fiscal year. In fiscal year 2023, the Authority's net position increased 16.88% or \$1,096,277 to \$7,590,030 from ongoing operations.

A closer examination reveals that:

The Authority's total revenues from all sources decreased 9.30% or \$460,358 to \$4,488,910. Program revenues decreased 10.59% or \$523,011, due to decreases of \$310,620 in intergovernmental revenue, \$208,916 in grant revenue, and \$3,475 in general membership fees. General revenues increased 510.54% or \$62,653, due to an increase in interest earnings.

The Authority's total expenses decreased 21.21% or \$913,259 to \$3,392,633, due to decreases of \$475,894 in contract services, \$335,122 in grant expenditures, \$75,836 in professional fees and \$26,407 in general and administrative.

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.

**Los Angeles Gateway Region
Integrated Regional Water Management
Joint Powers Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023
With Comparative Amounts as of June 30, 2022**

Governmental Funds Financial Analysis, continued

As of June 30, 2023, the Authority's General Fund reported a fund balance of \$7,590,030. Of the fund balance reported, an amount of \$3,962 is designated as *non-spendable* as it has already been spent towards prepaid insurance. The amount of \$8,469,947 is designated as restricted for grant and watershed projects. The Authority has an unassigned fund balance deficit of \$883,879. See Note 3 for further information.

General Fund Budgetary Highlights

At fiscal year-end, actual expenditures for the General Fund were \$2,749,378 more than final budgeted expenditures and actual revenues were \$3,875,940 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 other conditions which could have a significant impact on the Authority's current financial position, net position or operating results based on past, present and future events.

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, 2023**

	<u>2023</u>
Assets:	
Cash and cash equivalents - restricted (note 2)	\$ 7,434,325
Interest receivable	25,511
Grants receivable	1,035,622
Prepaid expenses	<u>3,962</u>
Total assets	<u>8,499,420</u>
Liabilities:	
Accounts payable	909,390
Grants payable	<u>-</u>
Total liabilities	<u>909,390</u>
Net Position: (note 4)	
Restricted	8,469,947
Unrestricted	<u>(879,917)</u>
Total net position	<u>\$ 7,590,030</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, 2023**

	<u>2023</u>
Expenses:	
Regional water management	
Professional fees	\$ 460,477
Grant expenditures	697,407
Contract services	2,194,111
General and administrative	<u>40,638</u>
Total expenses	<u>3,392,633</u>
Program revenues:	
General membership fees	418,375
Intergovernmental revenues	2,891,530
Grant revenues	<u>1,104,080</u>
Total program revenues	<u>4,413,985</u>
Net program revenues	<u>1,021,352</u>
General revenues:	
Interest earnings	<u>74,925</u>
Total general revenues	<u>74,925</u>
Change in net position	1,096,277
Net position, beginning of period	<u>6,493,753</u>
Net position, end of period	<u><u>\$ 7,590,030</u></u>

See accompanying notes to the basic financial statements

**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, 2023**

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents - restricted	\$ 7,434,325	-	7,434,325
Interest receivable	25,511	-	25,511
Grants receivable	1,035,622	-	1,035,622
Prepaid expenses	3,962	-	3,962
Total assets	<u>8,499,420</u>	<u>-</u>	<u>8,499,420</u>
Liabilities:			
Accounts payable	909,390	-	909,390
Grants payable	-	-	-
Total liabilities	<u>909,390</u>	<u>-</u>	<u>909,390</u>
Fund balance: (note 3)			
Non-spendable	3,962	(3,962)	-
Restricted	8,469,947	(8,469,947)	-
Unassigned	(883,879)	883,879	-
Total fund balance	<u>7,590,030</u>	<u>(7,590,030)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 8,499,420</u>		
Net position:			
Restricted		8,469,947	8,469,947
Unrestricted (deficit)		(879,917)	(879,917)
Total net position		<u>7,590,030</u>	<u>7,590,030</u>
Reconciliation:			
Net position of governmental activities			<u>\$ 7,590,030</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, 2023**

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Regional water management			
Professional fees	\$ 460,477	-	460,477
Grant expenditures	697,407	-	697,407
Contract services	2,194,111	-	2,194,111
General and administrative	40,638	-	40,638
Total expenditures/expenses	<u>3,392,633</u>	<u>-</u>	<u>3,392,633</u>
Program revenues:			
General membership fees	418,375	-	418,375
Intergovernmental revenues	2,891,530	-	2,891,530
Grant revenues	1,104,080	-	1,104,080
Total program revenues	<u>4,413,985</u>	<u>-</u>	<u>4,413,985</u>
Net program revenue			<u>1,021,352</u>
General revenues:			
Interest earnings	74,925	-	74,925
Total general revenues	<u>74,925</u>	<u>-</u>	<u>74,925</u>
Total revenues	<u>4,488,910</u>	<u>-</u>	<u>4,488,910</u>
Excess of revenues over expenditures	1,096,277	(1,096,277)	-
Change in net position	-	(511,797)	1,096,277
Fund balance/Net position, beginning of period	<u>6,493,753</u>	<u>-</u>	<u>6,493,753</u>
Fund balance/Net position, end of period	<u>\$ 7,590,030</u>	<u>(1,608,074)</u>	<u>7,590,030</u>
Reconciliation:			
Changes in net position of governmental activities			\$ <u>1,096,277</u>

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, 2023**

(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 Rivera, 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, Water Replenishment District, WRD of Southern California and the Cities of Artesia, Bell, Bell Gardens, Bellflower, Cerritos, Commerce, Compton, Cudahy, Downey, Hawaiian Gardens, Huntington Park, La Mirada, Lakewood, Long Beach, Lynwood, Maywood, Montebello, Norwalk, Paramount, Pico Rivera, Port of Long Beach, 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, 2023**

(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 resource's* 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 District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. 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, 2023**

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

C. Financial Reporting, continued

The District has adopted the following GASB pronouncements in the current year:

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

**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, 2023**

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

C. Financial Reporting, continued

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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 reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund 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, 2023**

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

D. Assets, Liabilities and Net Position, continued

6. Net Position/Fund Balances

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – Consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

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.

8. Fund Equity

The financial statements, governmental funds report fund balance as non-spendable, 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.

**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, 2023**

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

D. Assets, Liabilities and Net Position, continued

8. Fund Equity, continued

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.

(2) Cash and Cash Equivalents

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents - restricted	\$ <u>7,434,325</u>	<u>6,860,051</u>

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

	<u>2023</u>	<u>2022</u>
Deposits held with a financial institution	\$ 4,234,347	3,707,290
Investments	<u>3,199,978</u>	<u>3,152,761</u>
Total	\$ <u>7,434,325</u>	<u>6,860,051</u>

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

	<u>2023</u>	<u>2022</u>
Deposits held with the California Local Investment Fund	260 days	311 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.

**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, 2023**

(2) Cash and Cash Equivalents, continued

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 deposit 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.

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, 2023.

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 Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. 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. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Authority's deposits with the bank in accordance with the Code.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

**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, 2023**

(3) Fund Balance

Fund balances are presented in the following categories: Non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.8 for a description of these categories).

A detailed schedule of fund balance and their funding composition at June 30, 2023, is as follows:

Fund Balance Category	
Nonspendable fund balance:	
Prepaid insurance	\$ 3,962
Restricted fund balance	8,469,947
Unassigned fund balance	<u>(883,879)</u>
Total fund balance	\$ <u><u>7,590,030</u></u>

(4) Net Position

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

Restricted net position:	
Restricted for grants and watershed projects	\$ <u>8,469,947</u>
Unrestricted net position:	
Non-spendable net position:	
Prepaid insurance	3,962
Spendable net position:	
Unrestricted	<u>(883,879)</u>
Total unrestricted net position	<u>(879,917)</u>
Total net position	\$ <u><u>7,590,030</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, 2023, 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 official's 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.

**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, 2023**

(5) Risk Management, continued

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, 2023, 2022, and 2021. 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, 2023, 2022, and 2021.

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

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

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued 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, 2023**

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

Governmental Accounting Standards Board Statement No. 100, continued

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

**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, 2023**

(7) Commitments and 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, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of April 11, 2024, 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, 2023**

	Original Adopted Budget	Final Amended Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:				
Professional fees	\$ 358,436	358,436	460,477	(102,041)
Grant expenditures	30,500	30,500	697,407	(666,907)
Contract services	212,105	212,105	2,194,111	(1,982,006)
General and administrative	42,214	42,214	40,638	1,576
Total expenditures/expenses	643,255	643,255	3,392,633	(2,749,378)
Program revenues:				
General membership fees	404,500	404,500	418,375	13,875
Intergovernmental revenues	208,470	208,470	2,891,530	2,683,060
Grant revenue	-	-	1,104,080	1,104,080
Total program revenues	612,970	612,970	4,413,985	3,801,015
General revenues				
Interest earnings	-	-	74,925	74,925
Total general revenues	-	-	74,925	74,925
Total revenues	612,970	612,970	4,488,910	3,875,940
Excess (deficiency) of revenues over (under) expenditures	(30,285)	(30,285)	1,096,277	1,126,562
Fund Balance - beginning of year	6,493,753	6,493,753	6,493,753	
Fund Balance - end of year	\$ 6,463,468	6,463,468	7,590,030	

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



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

C.J. Brown & Company CPAs

An Accountancy Corporation

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

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, 2023, 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, 2024.

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

April 11, 2024