



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

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2022**



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

## Board of Directors as of June 30, 2022

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	Hannah Shin-Heydorn Cecil Looney
Okina Dor	Artesia	Member	Ernesto Sanchez
Alicia Romero	Bell	Member	Alan Perdomo Gabino Luna
Grissel Chavez	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
Vacant	Compton	Member	Emma Sharrif
Aaron Hernandez-Torres	Cudahy	Member	Andres Rangel
Vacant	Downey	Member	Dan Mueller
Vacant	Hawaiian Gardens	Member	Vacant
Cesar Roldan	Huntington Park	Member	Whitford Marin
Mark Stowell	La Mirada	Member	Marlin Munoz



### Board of Directors as of June 30, 2021, continued

<b>Name</b>	<b>Area</b>	<b>Position</b>	<b>Alternates (if applicable)</b>
Melissa You	Long Beach	Member	Colin Averill
Diana Tang	Long Beach Water Department	Member	Chris Garner B. Anatole Falagan Tai Tseng
Vacant	Lynwood	Member	Lorry Hempe
Vacant	Maywood	Member	(vacant)
Vacant	Montebello	Member	(vacant)
Vacant	Norwalk	Member	(vacant)
Vacant	Pico Rivera	Member	Luis Osuna Kenner Guerrero
James Vernon	Port of Long Beach	Member	Dylan Porter Janna Morimoto Matthew Arms
Noe Negrete	Santa Fe Springs	Member	Jesse Sira Sarina Morales-Choate
Art Cervantes	South Gate	Member	Gladis Deras Chris Castillo
Daniel Wall	Vernon	Member	Margarita Beltran
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](http://www.gatewaywater.org)**

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## **Financial Section**







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

# C.J. Brown & Company CPAs

## An Accountancy Corporation

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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 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, 2022, 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, 2022, 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 25 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 , 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 26 and 27.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company CPAs**

Cypress, California

February 9, 2023

**Los Angeles Gateway Region  
Integrated Regional Water Management  
Joint Powers Authority  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2022  
With Comparative Amounts as of June 30, 2021**

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, 2022. 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 11% or \$643,376 from \$5,850,377 to \$6,493,753 as a result of ongoing operations.
- The Authority's total revenues decreased 48.03% or \$4,573,784 from \$9,523,052 to \$4,949,268, primarily due to a decrease of \$4,583,475 in program revenues; which was offset by an increase of \$9,691 in general revenues.
- The Authority's total expenses decreased 57.09% or \$5,728,957 from \$10,034,849 to \$4,305,892, primarily due to decreases of \$4,976,185 in contract services, and \$899,054 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, 2022  
With Comparative Amounts as of June 30, 2021**

**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 24.

**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>2022</u>	<u>2021</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 7,385,580	8,079,926	(694,346)
<b>Total assets</b>	<u>7,385,580</u>	<u>8,079,926</u>	<u>(694,346)</u>
<b>Liabilities:</b>			
Current liabilities	891,827	2,229,549	(1,337,722)
<b>Total liabilities</b>	<u>891,827</u>	<u>2,229,549</u>	<u>(1,337,722)</u>
<b>Net position:</b>			
Restricted	7,372,292	6,567,092	805,200
Unrestricted (deficit)	<u>(878,539)</u>	<u>(716,715)</u>	<u>(161,824)</u>
<b>Total net position</b>	<u>\$ 6,493,753</u>	<u>5,850,377</u>	<u>643,376</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, 2022  
With Comparative Amounts as of June 30, 2021**

**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 \$6,493,753 as of June 30, 2022. At the end of fiscal year 2022, the Authority shows a deficit in its unrestricted net position of \$(878,539).

**Condensed Statement of Activities**

<i>Governmental Activities</i>	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>Expenses:</b>			
Authority operations	\$ 4,305,892	10,034,849	(5,728,957)
<b>Total expenses</b>	<u>4,305,892</u>	<u>10,034,849</u>	<u>(5,728,957)</u>
<b>Revenues:</b>			
Program revenues	4,936,996	9,520,471	(4,583,475)
General revenues	12,272	2,581	9,691
<b>Total revenues</b>	<u>4,949,268</u>	<u>9,523,052</u>	<u>(4,573,784)</u>
<b>Change in net position</b>	643,376	(511,797)	1,155,173
<b>Net position, beginning of period,</b>	<u>5,850,377</u>	<u>6,362,174</u>	<u>(511,797)</u>
<b>Net position, end of period</b>	<u>\$ 6,493,753</u>	<u>5,850,377</u>	<u>643,376</u>

The statements of activities show how the Authority's net position changed during the fiscal year. In fiscal year 2022, the Authority's net position increased 11% or \$643,376 to \$6,493,753 from ongoing operations.

A closer examination reveals that:

The Authority's total revenues from all sources decreased 48.03% or \$4,573,784 to \$4,949,268. Program revenues decreased 48.14% or \$4,583,475, due to decreases of \$3,669,343 in grant revenue, \$851,027 in intergovernmental revenue, and \$33,105 in general membership fees. General revenues increased 375.47% or \$9,691, due to an increase in interest earnings.

The Authority's total expenses decreased 57.09% or \$5,728,957 to \$4,305,892, due to decreases of \$4,976,185 in contract services, and \$899,054 in grant expenditures; which were offset by increases of \$100,607 in professional fees and \$45,675 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, 2022  
With Comparative Amounts as of June 30, 2021**

**Governmental Funds Financial Analysis, continued**

As of June 30, 2022, the Authority's General Fund reported a fund balance of \$6,493,753. Of the fund balance reported, an amount of \$7,308 is designated as *non-spendable* as it has already been spent towards prepaid insurance. The amount of \$7,372,292 is designated as restricted for grant and watershed projects. The Authority has an unassigned fund balance deficit of \$885,847. See Note 3 for further information.

**General Fund Budgetary Highlights**

At fiscal year-end, actual expenditures for the General Fund were \$3,775,746 more than final budgeted expenditures and actual revenues were \$4,409,759 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**

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Authority and the duration cannot be estimated at this time.

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, 2022**

	<u>2022</u>
<b>Assets:</b>	
Cash and cash equivalents - restricted (note 2)	\$ 6,860,051
Interest receivable	5,980
Grants receivable	512,241
Prepaid expenses	<u>7,308</u>
<b>Total assets</b>	<u>7,385,580</u>
<b>Liabilities:</b>	
Accounts payable	891,827
Grants payable	<u>-</u>
<b>Total liabilities</b>	<u>891,827</u>
<b>Net Position:</b> (note 4)	
Restricted	7,372,292
Unrestricted	<u>(878,539)</u>
<b>Total net position</b>	<u>\$ 6,493,753</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, 2022**

	<u>2022</u>
<b>Expenses:</b>	
Regional water management	
Professional fees	\$ 536,313
Grant expenditures	1,032,529
Contract services	2,670,005
General and administrative	<u>67,045</u>
<b>Total expenses</b>	<u>4,305,892</u>
<b>Program revenues:</b>	
General membership fees	421,850
Intergovernmental revenues	3,202,150
Grant revenues	<u>1,312,996</u>
<b>Total program revenues</b>	<u>4,936,996</u>
<b>Net program revenues</b>	<u>631,104</u>
<b>General revenues:</b>	
Interest earnings	<u>12,272</u>
<b>Total general revenues</b>	<u>12,272</u>
<b>Change in net position</b>	643,376
<b>Net position, beginning of period</b>	<u>5,850,377</u>
<b>Net position, end of period</b>	<u>\$ 6,493,753</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, 2022**

	<u>General Fund</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Net Position</u>
<b>Assets:</b>			
Cash and cash equivalents - restricted	\$ 6,860,051	-	6,860,051
Interest receivable	5,980	-	5,980
Grants receivable	512,241	-	512,241
Prepaid expenses	7,308	-	7,308
<b>Total assets</b>	<u>7,385,580</u>	<u>-</u>	<u>7,385,580</u>
<b>Liabilities:</b>			
Accounts payable	891,827	-	891,827
Grants payable	-	-	-
<b>Total liabilities</b>	<u>891,827</u>	<u>-</u>	<u>891,827</u>
<b>Fund balance: (note 3)</b>			
Non-spendable	7,308	(7,308)	-
Restricted	7,372,292	(7,372,292)	-
Unassigned	(885,847)	885,847	-
<b>Total fund balance</b>	<u>6,493,753</u>	<u>(6,493,753)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 7,385,580</u>		
<b>Net position:</b>			
Restricted		7,372,292	7,372,292
Unrestricted (deficit)		(878,539)	(878,539)
<b>Total net position</b>		<u>6,493,753</u>	<u>6,493,753</u>
<b>Reconciliation:</b>			
<b>Net position of governmental activities</b>			<u>\$ 6,493,753</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, 2022**

	<u>General Fund</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Activities</u>
<b>Expenditures/Expenses:</b>			
Regional water management			
Professional fees	\$ 536,313	-	536,313
Grant expenditures	1,032,529	-	1,032,529
Contract services	2,670,005	-	2,670,005
General and administrative	67,045	-	67,045
<b>Total expenditures/expenses</b>	<u>4,305,892</u>	<u>-</u>	<u>4,305,892</u>
<b>Program revenues:</b>			
General membership fees	421,850	-	421,850
Intergovernmental revenues	3,202,150	-	3,202,150
Grant revenues	1,312,996	-	1,312,996
<b>Total program revenues</b>	<u>4,936,996</u>	<u>-</u>	<u>4,936,996</u>
<b>Net program revenue</b>			<u>631,104</u>
<b>General revenues:</b>			
Interest earnings	12,272	-	12,272
<b>Total general revenues</b>	<u>12,272</u>	<u>-</u>	<u>12,272</u>
<b>Total revenues</b>	<u>4,949,268</u>	<u>-</u>	<u>4,949,268</u>
<b>Excess of revenues over expenditures</b>	643,376	(643,376)	-
<b>Change in net position</b>	-	(511,797)	643,376
<b>Fund balance/Net position, beginning of period</b>	<u>6,362,174</u>	<u>-</u>	<u>5,850,377</u>
<b>Fund balance/Net position, end of period</b>	<u>\$ 7,005,550</u>	<u>(1,155,173)</u>	<u>6,493,753</u>
<b>Reconciliation:</b>			
Changes in net position of governmental activities			\$ <u>643,376</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, 2022**

**(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, 2022**

**(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.

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

**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, 2022**

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

**C. Financial Reporting, continued**

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.

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. 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.

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

**Los Angeles Gateway Region  
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Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2022**

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

**C. Financial Reporting, continued**

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. 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.

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

**(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. Uncertainty**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on Authority and the duration cannot be estimated at this time.



**Los Angeles Gateway Region  
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For the Fiscal Year Ended June 30, 2022**

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

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

**3. 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.

**4. 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.

**5. Grants Receivable**

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

**6. 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.

**7. 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.

**8. 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  
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Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2022**

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

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

**9. 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.

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  
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Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2022**

**(2) Cash and Cash Equivalents**

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents - restricted	\$ 6,860,051	7,162,569

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

	<u>2022</u>	<u>2021</u>
Deposits held with a financial institution	\$ 3,707,290	3,977,316
Investments	3,152,761	3,185,253
Total	\$ 6,860,051	7,162,569

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

	<u>2022</u>	<u>2021</u>
Deposits held with the California Local Investment Fund	311 days	291 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 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.

**Los Angeles Gateway Region  
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Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2022**

**(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, 2022.

***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.

**(3) Fund Balance**

Fund balances are presented in the following categories: Non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.9 for a description of these categories).

A detailed schedule of fund balance and their funding composition at June 30, 2022, is as follows:

<b>Fund Balance Category</b>	
<b>Nonspendable fund balance:</b>	
Prepaid insurance	\$ 7,308
<b>Restricted fund balance</b>	7,372,292
<b>Unassigned fund balance</b>	<u>(885,847)</u>
Total fund balance	<u>\$ 6,493,753</u>

**Los Angeles Gateway Region  
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Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2022**

**(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>7,372,292</u>
<b>Unrestricted net position:</b>	
<b>Non-spendable net position:</b>	
Prepaid insurance	7,308
<b>Spendable net position:</b>	
Unrestricted	<u>(885,847)</u>
<b>Total unrestricted net position</b>	<u>(878,539)</u>
<b>Total net position</b>	<u>\$ 6,493,753</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, 2022, 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.

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, 2022, 2021, and 2020. 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, 2022, 2021, and 2020.

**Los Angeles Gateway Region  
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Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2022**

**(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. 91***

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.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 94***

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.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**Los Angeles Gateway Region  
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**(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective,  
continued**

***Governmental Accounting Standards Board Statement No. 96***

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.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 97***

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.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

**Los Angeles Gateway Region  
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**(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective,  
continued**

***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.

***Governmental Accounting Standards Board Statement No. 100, continued***

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.

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.



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

***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.

**(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, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of February 9, 2023, which is the date the financial statements were available to be issued.

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## **Required Supplementary Information**



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Integrated Regional Water Management  
Joint Powers Authority  
Budgetary Comparison Schedule – General Fund  
For the Fiscal Year Ended June 30, 2022**

	<u>Original Adopted Budget</u>	<u>Final Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures/Expenses:</b>				
Professional fees	\$ 324,500	324,500	536,313	(211,813)
Grant expenditures	30,000	30,000	1,032,529	(1,002,529)
Contract services	137,000	137,000	2,670,005	(2,533,005)
General and administrative	38,646	38,646	67,045	(28,399)
<b>Total expenditures/expenses</b>	<u>530,146</u>	<u>530,146</u>	<u>4,305,892</u>	<u>(3,775,746)</u>
<b>Program revenues:</b>				
General membership fees	404,000	404,000	421,850	17,850
Intergovernmental revenues	135,509	135,509	3,202,150	3,066,641
Grant revenue	-	-	1,312,996	1,312,996
<b>Total program revenues</b>	<u>539,509</u>	<u>539,509</u>	<u>4,936,996</u>	<u>4,397,487</u>
<b>General revenues</b>				
Interest earnings	-	-	12,272	12,272
<b>Total general revenues</b>	<u>-</u>	<u>-</u>	<u>12,272</u>	<u>12,272</u>
<b>Total revenues</b>	<u>539,509</u>	<u>539,509</u>	<u>4,949,268</u>	<u>4,409,759</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	9,363	9,363	643,376	<u>634,013</u>
<b>Fund Balance - beginning of year</b>	<u>6,362,174</u>	<u>6,362,174</u>	<u>6,362,174</u>	
<b>Fund Balance - end of year</b>	<u>\$ 6,371,537</u>	<u>6,371,537</u>	<u>7,005,550</u>	

**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

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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, 2022, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated February 9, 2023.

#### **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

February 9, 2023