

**LOS ANGELES GATEWAY REGION
INTEGRATED REGIONAL WATER MANAGEMENT
JOINT POWERS AUTHORITY**

FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2010

LOS ANGELES GATEWAY REGION
INTEGRATED REGIONAL WATER MANAGEMENT
JOINT POWERS AUTHORITY

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March 17, 2011

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and major fund of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (the Authority), as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Authority as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The management's discussion and analysis, and the budgetary comparison schedule, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related notes have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Diehl, Evans and Company, LLP

LOS ANGELES GATEWAY REGION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

As management of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The assets of the Authority exceeded its liabilities, at June 30, 2010, by \$408,643 (*net assets*). These *unrestricted net assets* may be used to meet the Authority's ongoing obligations to creditors.
- As of June 30, 2010, the Authority's governmental fund reported ending fund balances of \$260,322. Of that amount, \$184,122 is available for spending at the Authority's discretion (*unreserved and undesignated fund balance*). \$31,000 is designated for water resource management plan and \$45,200 is designated for water conservation project.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$184,122, or 24.73% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

See independent auditors' report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2010

Government-wide financial statements (Continued)

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present information about the functions of the Authority that are principally supported by contribution from member cities (*governmental activities*). The governmental activities of the Authority focus on the regional water planning needs in the Gateway Cities Region. The coalition is currently comprised of 15 cities and government entities. They are cities of Cerritos, Downey, Lakewood, Long Beach, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, Signal Hill, South Gate, Vernon, Whittier, Central Basin Municipal Water Agency, Long Beach Water Commission, Southeast Water Coalition.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *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 on spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund 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 be better understanding the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

See independent auditors' report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2010

Fund financial statements (Continued)

The Authority maintains one government fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The Authority did not have any other funds.

The Authority adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

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.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of budgetary comparison schedule for the general fund.

Government-wide Financial Analysis

The assets for the Authority exceeded liabilities by \$408,643 at June 30, 2010. The government-wide financial statements provide long-term and short-term information about the Authority's overall financial condition. This analysis addressed the financial statements of the Authority as a whole.

The following summaries of net assets and change in net assets are presented for the current year.

Governmental Activities	
Net Assets	
	<u>2010</u>
Assets:	
Current and other assets	<u>\$ 561,793</u>
Liabilities:	
Accounts payable	<u>153,150</u>
Net Assets:	
Unrestricted	<u>\$ 408,643</u>

The *unrestricted net assets* will be used to fund future regional water management projects.

See independent auditors' report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2010

Government-wide Financial Analysis (Continued)

	Governmental Activities Changes in Net Assets
Revenues:	<u>2010</u>
Program Revenues:	
Charges for services	\$ 217,500
Operating Grants & Contribution	654,321
General Revenues:	
Other revenue	<u>625</u>
Total Revenues	<u>872,446</u>
 Expenses:	
Governmental activities:	
Regional water management	<u>744,553</u>
Total Expenses	<u>744,553</u>
 Change in Net Assets	 127,893
 Net Assets - Beginning of Year	 <u>280,750</u>
 Net Assets - End of Year	 <u>\$ 408,643</u>

The most significant revenues of the governmental activities are operating grants and contribution (75.0%). Charges for services are 24.9% and other revenue represents 0.1%.

The expenditures incurred by the Authority are all directly related to the overall regional water management (consulting fees, construction cost, meeting fee, etc.).

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. 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, *unreserved fund balance* may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

See independent auditors' report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2010

General Fund Budget Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

- Total revenues projected were \$217,500. Actual revenues were \$724,125, causing a favorable variance of \$506,625.
- Actual amount for intergovernmental revenue was \$506,000 which was American Recovery and Reinvestment Act of 2009 (ARRA) Grant.
- Actual expenditures were \$619,553 higher than the adopted budget of \$125,000 because of L.A. River Catch Basin Retrofit Project funded by ARRA Grant.

Capital Assets and Debt Administration

Capital Assets

The Authority has no investment in capital assets for its governmental activities as of June 30, 2010.

Debt Administration

The Authority has no long-term liabilities for its governmental activities as of June 30, 2010.

Economic Factors and Next Year's Budgets

The Gateway Authority's Joint Powers agreement requires an annual appropriation from its member agencies. It is anticipated that the individual appropriation will remain at \$15,000 for the fiscal year 2010-2011. Net revenues from this appropriation will show a modest increase with the addition of a minimum of two new members and the departure of the Southeast Water Coalition (which had a reduced appropriation of \$7,500).

The Catch Basin Retrofit Project funded with a ten million (\$10,000,000) grant from the federal government (American Recovery and Reinvestment Act funds) will be finished in July 2011. The California Department of Water Resources will be funding a \$950,000 grant for the purpose of Integrated Regional Water Management (IRWM) Planning. This grant requires a 25% match, which can be in-kind services. It is not known at this time when the grant contract will be finalized and funded. It is expected to be sometime between August, 2011 and February 2012.

See independent auditors' report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2010

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority, 11111 Brookshire Avenue, Downey, California 90241.

See independent auditors' report.

LOS ANGELES GATEWAY REGION
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STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents (Note 2)	\$ 413,472
Grant receivable	<u>148,321</u>
 TOTAL ASSETS	 <u>561,793</u>
 LIABILITIES:	
Accounts payable	<u>153,150</u>
 TOTAL LIABILITIES	 <u>153,150</u>
 NET ASSETS:	
Unrestricted	 <u><u>\$ 408,643</u></u>

See independent auditors' report and notes to basic financial statements.

LOS ANGELES GATEWAY REGION
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STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Regional water management	\$ 744,553	\$ 217,500	\$ 654,321	\$ -	\$ 127,268
 Total governmental activities	 <u>\$ 744,553</u>	 <u>\$ 217,500</u>	 <u>\$ 654,321</u>	 <u>\$ -</u>	 <u>127,268</u>
 GENERAL REVENUES:					
Other revenues					<u>625</u>
Total general revenues					<u>625</u>
 CHANGE IN NET ASSETS					 127,893
NET ASSETS - BEGINNING OF YEAR					<u>280,750</u>
NET ASSETS - END OF YEAR					<u>\$ 408,643</u>

See independent auditors' report and notes to basic financial statements.

LOS ANGELES GATEWAY REGION
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BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2010

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 413,472
Grant receivable	<u>148,321</u>
TOTAL ASSETS	<u>\$ 561,793</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 153,150
Deferred revenue	<u>148,321</u>
TOTAL LIABILITIES	<u>301,471</u>
FUND BALANCE:	
Designated for water resource management plan	31,000
Designated for water conservation project	45,200
Unreserved - undesignated	<u>184,122</u>
TOTAL FUND BALANCE	<u>260,322</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 561,793</u>

See independent auditors' report and notes to basic financial statements.

LOS ANGELES GATEWAY REGION
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RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS

June 30, 2010

Fund balance for the governmental fund	\$ 260,322
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Receivables that are not available for current use are recorded as deferred revenue under the modified accrual basis of accounting.	<u>148,321</u>
Net assets of governmental activities	<u>\$ 408,643</u>

See independent auditors' report and notes to basic financial statements.

LOS ANGELES GATEWAY REGION
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the year ended June 30, 2010

	<u>General Fund</u>
REVENUES:	
Membership fees	\$ 217,500
Intergovernmental revenues	506,000
Other revenue	625
	<hr/>
TOTAL REVENUES	724,125
	<hr/>
EXPENDITURES:	
Consulting services	44,745
Engineering services	2,220
Professional services	34,758
Administrative	8,509
LA River Catch Basin retrofit	654,321
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TOTAL EXPENDITURES	744,553
	<hr/>
NET CHANGE IN FUND BALANCE	(20,428)
	<hr/>
FUND BALANCE - BEGINNING OF THE YEAR	280,750
	<hr/>
FUND BALANCE - END OF THE YEAR	<u>\$ 260,322</u>

See independent auditors' report and notes to basic financial statements.

LOS ANGELES GATEWAY REGION
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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

Net change in fund balance - total governmental fund	\$ (20,428)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds:	
Intergovernmental revenues	<u>148,321</u>
Change in net assets of governmental activities	<u>\$ 127,893</u>

See independent auditors' report and notes to basic financial statements.

LOS ANGELES GATEWAY REGION
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. The Organization:

In July 2007, the Southeast Water Coalition and the Cities of Cerritos, Downey, Lakewood, Long Beach, Norwalk, Paramount, Pico River, Santa Fe Springs, Signal Hill, South Gate, et al. entered into a joint powers agreement creating the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority. The purpose of the agreement is to create a regional water management group, as defined in and authorized by the 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 the 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, Southeast Water Coalition and the cities of Bell Gardens, Bellflower, Cerritos, Commerce, Downey, Lakewood, Long Beach, Lynwood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, Signal Hill, South Gate, Vernon and Whittier.

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

See independent auditors' report.

LOS ANGELES GATEWAY REGION
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NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus and Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are reported. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

The Authority applies all applicable FASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedures.

When both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed. As of June 30, 2010, the Authority had no restricted resources.

See independent auditors' report.

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NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Cash and Investments:

The Authority's cash and investments are pooled with the City of Downey's cash and investments. Investments are stated at fair value (quoted market price or the best available estimate thereof).

d. Deferred Revenues:

Deferred revenues in fund financial statements arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition during the current period.

e. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2010 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 413,472</u>
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Investments Authorized by the California Government Code and the Authority's Investment Policy:

The table below identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

See independent auditors' report.

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NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the Authority's Investment Policy (Continued):

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Bills, Bonds and Notes	5 years	None	None
United States Government Sponsored Enterprise Securities	5 years	None	None
California Local Agency Obligations	5 years	None	None
Certificates of Deposits (or Time Deposits)	5 years	None	None
Negotiable Certificates of Deposits	5 years	30%	None
Medium-Term Corporate Notes	5 years	30%	None
Bankers' Acceptances	180 days	20%	10%
Commercial Paper	180 days	15%	10%
Repurchase Agreements	30 days	None	None

Disclosures Relating to 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 changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Disclosures Relating to Credit Risk:

Generally, 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.

See independent auditors' report.

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NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

2. CASH AND INVESTMENTS (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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Disclosures Related to Interest Rate Risk, Credit Risk and Custodial Credit Risk:

The Authority's cash and investments are pooled with the City of Downey's cash and investments. Additional disclosures related to interest rate risk, credit risk and custodial credit risk are available in the City of Downey's Comprehensive Annual Financial Report.

3. DEFERRED REVENUE:

As of June 30, 2010, the Authority had expended \$148,321 for reimbursable grant project costs. Since these funds were received subsequent to the measurable and available time period, corresponding deferred revenue has been recorded.

4. DESIGNATED FUND BALANCE:

The Authority's Board of Directors has designated \$45,200 for the water conservation project and \$31,000 for the water resource management plan.

See independent auditors' report.

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INTEGRATED REGIONAL WATER MANAGEMENT
JOINT POWERS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

5. EXCESS EXPENDITURES:

The following expenditures were in excess of appropriations within the general fund:

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Consulting services	\$ 30,000	\$ 44,745	\$ (14,745)
Professional services	30,000	34,758	(4,758)
Administrative	-	8,509	(8,509)
LA River Catch Basin retrofit	-	654,321	(654,321)

See independent auditors' report.

LOS ANGELES GATEWAY REGION
 INTEGRATED REGIONAL WATER MANAGEMENT
 JOINT POWERS AUTHORITY

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Membership fees	\$ 217,500	\$ 217,500	\$ 217,500	\$ -
Intergovernmental revenues	-	-	506,000	506,000
Other revenue	-	-	625	625
TOTAL REVENUES	<u>217,500</u>	<u>217,500</u>	<u>724,125</u>	<u>506,625</u>
EXPENDITURES:				
Consulting services	30,000	30,000	44,745	(14,745)
Engineering services	65,000	65,000	2,220	62,780
Professional services	30,000	30,000	34,758	(4,758)
Administrative	-	-	8,509	(8,509)
LA River Catch Basin retrofit	-	-	654,321	(654,321)
TOTAL EXPENDITURES	<u>125,000</u>	<u>125,000</u>	<u>744,553</u>	<u>(619,553)</u>
NET CHANGE IN FUND BALANCE	92,500	92,500	(20,428)	(112,928)
FUND BALANCE - BEGINNING OF THE YEAR	<u>280,750</u>	<u>280,750</u>	<u>280,750</u>	<u>-</u>
FUND BALANCE - END OF THE YEAR	<u>\$ 373,250</u>	<u>\$ 373,250</u>	<u>\$ 260,322</u>	<u>\$ (112,928)</u>

See independent auditors' report and note to required supplementary information.

LOS ANGELES GATEWAY REGION
INTEGRATED REGIONAL WATER MANAGEMENT
JOINT POWERS AUTHORITY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

A. GENERAL BUDGET POLICIES:

The Board of Directors adopts an annual budget, which begins on July 1. 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.

See independent auditors' report.