

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

FINANCIAL STATEMENTS

JUNE 30, 2013

LOS ANGELES GATEWAY REGION
INTEGRATED REGIONAL WATER MANAGEMENT
JOINT POWERS AUTHORITY

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STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 398,908
Accounts receivable	135,605
Grants receivable	14,803
Interest receivable	<u>1,463</u>
Total assets	<u>550,779</u>
LIABILITIES:	
Accounts payable	<u>184,965</u>
Total liabilities	<u>184,965</u>
NET POSITION:	
Unrestricted	<u><u>\$ 365,814</u></u>

The accompanying notes are an integral part of these basic financial statements.

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STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Regional water management	<u>\$ 886,031</u>	<u>\$ 312,500</u>	<u>\$ 425,478</u>	<u>\$ -</u>	<u>\$ (148,053)</u>
General revenues:					
Investment income					<u>3,793</u>
Total general revenue					<u>3,793</u>
Change in net position					<u>(144,260)</u>
Net position at beginning of fiscal year					935,487
Prior Period Adjustments					<u>(425,413)</u>
Net position at beginning of fiscal year restated					<u>510,074</u>
Net position at end of fiscal year					<u>\$ 365,814</u>

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BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2013

	General Fund
ASSETS:	
Cash and investments	\$ 398,908
Accounts receivable	135,605
Grants receivable	14,803
Interest receivable	1,463
Total assets	\$ 550,779
LIABILITIES AND FUND BALANCE:	
Liabilities	
Accounts payable	\$ 184,965
Total liabilities	184,965
Fund balance	
Unassigned	365,814
Total liabilities and fund balance	\$ 550,779

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RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2013

Fund balance for the governmental fund	<u>\$ 365,814</u>
Net position of governmental activities	<u><u>\$ 365,814</u></u>

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STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the Fiscal Year Ended June 30, 2013

	<u>General Fund</u>
Revenues:	
General membership fees	\$ 312,500
Intergovernmental revenues	425,478
Investment income	<u>3,793</u>
Total revenues	<u>741,771</u>
Expenditures:	
Contract Services- General	289,767
Contract Services- IRWM plan	585,168
Administrative	<u>11,096</u>
Total expenditures	<u>886,031</u>
Net Change in Fund Balance	<u>(144,260)</u>
Fund balance at beginning of fiscal year	750,329
Prior Period Adjustments	<u>(240,255)</u>
Fund balance at beginning of fiscal year restated	<u>510,074</u>
Fund balance at end of fiscal year	<u><u>\$ 365,814</u></u>

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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 Fiscal Year Ended June 30, 2013

Net change in fund balance - governmental fund	<u>\$ (144,260)</u>
Change in net position of governmental activities	<u>\$ (144,260)</u>

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STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2013

	<u>Private Purpose Trust Funds</u>
Assets:	
Cash and investments	<u>\$ 932,991</u>
Total assets	<u>932,991</u>
Liabilities:	
Accounts payable	121,867
Unearned revenue	<u>70,477</u>
Total liabilities	<u>192,344</u>
Net Position:	
Unassigned	<u><u>\$ 740,647</u></u>

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND

For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Funds
Additions:	
Los Cerritos Channel	\$ 544,634
Coyote Creek (LSGR)	165,478
Total additions	710,112
Deductions:	
Los Cerritos Channel	109,811
Coyote Creek (LSGR)	99,909
Total deductions	209,720
Change in net position	500,392
Net Position at beginning of fiscal year	
Prior Period Adjustments	240,255
Net Position at beginning of fiscal year, as restated	240,255
Net Position (deficit) at end of fiscal year	\$ 740,647

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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 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 Integrated Regional Water Management Powers Authority (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 and the Cities of Bell Gardens, Bellflower, Cerritos, Commerce, Downey, La Mirada, 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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus and Basis of Accounting:

The government-wide and fiduciary fund financial 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 position. 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 reports the following major governmental fund:

General Fund- The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in other funds.

Additionally, the City reports the following fund type:

Private Purpose Trust Funds- used to account for assets held by the Authority in a trust capacity for the watershed group members.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Cash and Investments:

The Authority's cash and investments are pooled with the City of Signal Hill's cash and investments. Investments are stated at fair value (quoted market price or the best available estimate thereof). See the City's Annual Financial Report for more information on invested cash.

d. Unearned Revenues:

Unearned revenues in fund financial statements arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition during the current period or revenues are received in advance of the period earned.

e. Fund Equity:

Fund balance is reported in the fund statements as follows:

Unassigned Fund Balance - This classification includes the remaining spendable amounts which are not restricted, committed, assigned or nonspendable.

It is the Authority's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned and unassigned resources, in the absence of a formal policy adopted by the Board of Directors.

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position.

Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position as determined at the Government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted as to use.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Fund Equity (Continued):

Restricted net position is net position that is subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments or (2) imposed by law through constitutional provisions or enabling legislation. There was no net position at June 30, 2013 that was restricted by enabling legislation.

f. 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 held at June 30, 2013 consisted of the following:

Government-wide statement of net position:	
Equity in City of Signal Hill cash investment pool	\$ 398,908
Fiduciary fund statement of net position:	
Equity in City of Signal Hill cash investment pool	<u>932,991</u>
Total	<u><u>\$ 1,331,899</u></u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

2. CASH AND INVESTMENTS (CONTINUED):

Equity in Cash and Investment Pool of the City of Signal Hill

The Authority does not have a separate bank account; however, the Authority's cash and investments are maintained in an investment pool managed by the City of Signal Hill. The Authority is a voluntary participant in that pool. This pool is governed by, and under the regulatory oversight of, the Investment Policy adopted by the City Council of the City of Signal Hill. The Authority has not adopted an investment policy separate from that of the City of Signal Hill. 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 calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

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 is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Signal Hill 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.

Information about The Authority's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City of Signal Hill is provided by disclosures in the notes to the basic financial statements of the City of Signal Hill that shows the distribution of the City's investments by maturity.

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. Minimum ratings required by (where applicable) the California Government Code and the City of Signal Hill's Investment Policy and the actual ratings as of year-end for each investment type are provided by disclosures in the notes to the basic financial statements of the City of Signal Hill.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds and investment pools) that represent 5% or more of total investments for the entire entity (or for each separate major fund or for other governmental funds in the aggregate) are disclosed in the notes to the basic financial statements of the City of Signal Hill.

Custodial Credit Risk

The Authority does not have any significant certificates of deposit or demand accounts that are subject to custodial credit risk disclosure (as defined by GASB Statement No. 40). The Authority does not have direct investments in securities subject to custodial credit risk disclosure (as defined by GASB Statement No. 40).

3. EXCESS EXPENDITURES:

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

	Appropriations	Actual Expenditures	Excess
Professional services	\$ 160,000	\$ 289,767	\$ (129,767)
Contract Services- IRWM plan	8,500	585,168	(576,668)

4. COMMITMENTS:

In August 2009, the Authority entered into a \$10,000,000 grant agreement with the California State Water Resources Control Board to fund the L.A. County Catch Basin Retrofit Project (the Project). The installed Project equipment is to be maintained for a period of twenty years after the completion of the Project (through October 31, 2031). The Authority's member cities have committed to the 20-year maintenance period and have signed agreements with Los Angeles County which establish a minimum standard for maintenance of the Project equipment. The Project equipment has not been capitalized by the Authority since it is each member cities' responsibility to budget funds for the maintenance of the Project equipment located within their jurisdiction.

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June 30, 2013

5. PRIOR PERIOD ADJUSTMENTS:

In prior years, the fiduciary funds were included in both the Government-wide Statement of Net Position and the Governmental funds. There is a prior period adjustment of \$240,255 this fiscal year to reclassify the funds as fiduciary funds.

In the previous fiscal year, there was deferred revenue from the fiduciary funds in the amount of \$185,158 that was included in Government-wide Statement of Net Position. There is a prior period adjustment for this amount to reclassify the deferred revenue to the fiduciary fund.

6. 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.

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BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
General membership fees	\$ 285,000	\$ 285,000	\$ 312,500	\$ 27,500
Intergovernmental revenues	875,000	875,000	425,478	(449,522)
Investment income			3,793	3,793
Total Revenues	<u>1,160,000</u>	<u>1,160,000</u>	<u>741,771</u>	<u>(418,229)</u>
Expenditures:				
Professional services	160,000	160,000	289,767	(129,767)
Contract Services- IRWM plan	8,500	8,500	585,168	(576,668)
Administrative	596,000	596,000	11,096	584,904
Total Expenditures	<u>764,500</u>	<u>764,500</u>	<u>886,031</u>	<u>(121,531)</u>
Net Change in Fund Balance	<u>395,500</u>	<u>395,500</u>	<u>(144,260)</u>	<u>(539,760)</u>
Fund Balance - Beginning of Fiscal Year	750,329	750,329	750,329	
Prior Period Adjustments			<u>(240,255)</u>	<u>(240,255)</u>
Fund Balance - Beginning of Fiscal Year, Restated	<u>750,329</u>	<u>750,329</u>	<u>510,074</u>	<u>(240,255)</u>
Fund Balance - End of Fiscal Year	<u>\$ 1,145,829</u>	<u>\$ 1,145,829</u>	<u>\$ 365,814</u>	<u>\$ (780,015)</u>