

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

FINANCIAL STATEMENTS

JUNE 30, 2016

LOS ANGELES GATEWAY REGION
INTEGRATED REGIONAL WATER MANAGEMENT
JOINT POWERS AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Los Angeles Gateway Region Integrated Regional
Water Management Joint Powers Authority
Signal Hill, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (the Authority) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Authority as of June 30, 2016, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017, 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim LLP
Culver City, California
February 24, 2017

LOS ANGELES GATEWAY REGION
INTEGRATED REGIONAL WATER MANAGEMENT
JOINT POWERS AUTHORITY

STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 838,946
Accounts receivable	1,359,381
Prepaid expenses	<u>3,448</u>
Total assets	<u>2,201,775</u>
LIABILITIES:	
Accounts payable	459,435
Unearned revenue	<u>97,920</u>
Total liabilities	<u>557,355</u>
NET POSITION:	
Unrestricted	<u><u>\$ 1,644,420</u></u>

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

LOS ANGELES GATEWAY REGION
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STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

		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	\$ 1,355,547	\$ 369,500	\$ 2,449,791	\$ -	\$ 1,463,744
General revenues:					
Investment income					
Total general revenue					
Change in net position					1,463,744
Net position at beginning of fiscal year					180,676
Net position at end of fiscal year					\$ 1,644,420

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

LOS ANGELES GATEWAY REGION
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BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2016

	General Fund
ASSETS:	
Cash and investments	\$ 838,946
Accounts receivable	1,359,381
Prepaid expenses	3,448
Total assets	\$ 2,201,775
 LIABILITIES AND FUND BALANCE:	
Liabilities	
Accounts payable	\$ 459,435
Unearned revenue	97,920
Total liabilities	557,355
Fund balance	
Nonspendable	3,448
Unassigned	1,640,972
Total liabilities and fund balance	\$ 2,201,775

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

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

June 30, 2016

Fund balance for the governmental fund	<u>\$ 1,644,420</u>
Net position of governmental activities	<u>\$ 1,644,420</u>

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

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

For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>
Revenues:	
General membership fees	\$ 369,500
Intergovernmental revenues	700,298
Grant revenue	<u>1,749,493</u>
Total revenues	<u>2,819,291</u>
Expenditures:	
Professional fees	291,679
Administrative	24,232
Contract services	142,325
Gateway IRWM plan	<u>897,311</u>
Total expenditures	<u>1,355,547</u>
Net Change in Fund Balance	1,463,744
Fund balance at beginning of fiscal year	<u>180,676</u>
Fund balance at end of fiscal year	<u><u>\$ 1,644,420</u></u>

The accompanying notes are an integral part of these 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 Fiscal Year Ended June 30, 2016

Net change in fund balance - governmental fund	<u>\$ 1,463,744</u>
Change in net position of governmental activities	<u>\$ 1,463,744</u>

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

LOS ANGELES GATEWAY REGION
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STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016

	<u>Private Purpose Trust Funds</u>
Assets:	
Cash and investments	\$ 3,759,463
Accounts receivable	<u>414,257</u>
Total assets	<u>4,173,720</u>
Liabilities:	
Accounts payable	191,715
Refundable deposits	<u>76,143</u>
Total liabilities	<u>267,858</u>
Net Position:	
Unrestricted	<u><u>\$ 3,905,862</u></u>

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

LOS ANGELES GATEWAY REGION
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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Fiscal Year Ended June 30, 2016

	<u>Private Purpose Trust Funds</u>
Additions:	
Los Angeles River Upper Reach	\$ 747,160
Los Cerritos Channel	688,874
Lower Los Angeles River	854,900
Coyote Creek (LSGR)	815,514
Harbor Toxic	<u>842,805</u>
Total additions	<u>3,949,253</u>
Deductions:	
Los Angeles River Upper Reach	238,647
Los Cerritos Channel	404,647
Lower Los Angeles River	475,550
Coyote Creek (LSGR)	471,806
Harbor Toxic	<u>333,585</u>
Total deductions	<u>1,924,235</u>
Change in net position	2,025,018
Net Position at beginning of fiscal year	<u>1,880,844</u>
Net Position at end of fiscal year	<u><u>\$ 3,905,862</u></u>

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

LOS ANGELES GATEWAY REGION
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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, Water Replenishment District, WRD of Southern California and the Cities of Artesia, Avalon, Bell, Bell Gardens, Bellflower, Cerritos, Commerce, Cudahy, Downey, Hawaiian Gardens, Huntington Park, La Mirada, Lakewood, Long Beach, Lynwood, Maywood, Montebello, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, Signal Hill, South Gate, Vernon and Whittier.

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

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus and Basis of Accounting:

The government-wide and fiduciary fund 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 deferred outflows, and liabilities and deferred inflows (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, except for certain reimbursement type grants, which are considered to be available if they are collected within 18 months 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 Authority reports the following fund type:

Private Purpose Trust Funds- used to account for custodial responsibilities for the watershed projects. Private purpose trust funds are accounted for on an *economic resources* measurement focus and full accrual basis of accounting.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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. Deferred Outflows and Inflows of Resources:

Pursuant to GASB Statement Nos. 63 and 65, the Authority recognizes deferred outflows and inflows of resources. Deferred outflow and inflow of resources are defined as a consumption or resource of net position by the government that is applicable to a future reporting period. There are no deferred outflows or deferred inflows of resources for the fiscal year ended June 30, 2016.

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.

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 and fiduciary fund 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. There is no investment in capital assets at June 30, 2016.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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, 2016 that was restricted by enabling legislation.

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

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, 2016 consisted of the following:

Government-wide statement of net position:	
Equity in City of Signal Hill pooled cash	\$ 838,946
Fiduciary fund statement of net position:	
Equity in City of Signal Hill pooled cash	<u>3,759,463</u>
Total	<u><u>\$ 4,598,409</u></u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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 fiscal 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, 2016

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. UNEARNED REVENUE:

At June 30, 2016, components of deferred or unearned revenue in the fund financial statements were as follows:

Governmental Fund		
Membership Fees	\$	97,920
Total	\$	97,920

4. EXCESS EXPENDITURES:

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

	Appropriations	Actual Expenditures	Excess
Administrative Expenses	\$ 19,800	\$ 24,232	\$ (4,432)
Gateway IRWM plan	-	897,311	(897,311)

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

5. COMMITMENTS:

In 2016, Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority continued acting as the contractual and fiduciary agency for five groups of stormwater permittees doing stormwater-related planning, monitoring and implementation throughout Los Angeles County. Several federal and state grants for multi-party recipient projects were entered into and administered by GWMA.

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, 2016

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
General membership fees	\$ 369,500	\$ 369,500	\$ 369,500	\$ -
Intergovernmental revenues	108,045	108,045	700,298	592,253
Grant revenue	36,000	36,000	1,749,493	1,713,493
Interest income	5,000	5,000		(5,000)
Total Revenues	<u>518,545</u>	<u>518,545</u>	<u>2,819,291</u>	<u>2,300,746</u>
Expenditures:				
Professional services	314,000	314,000	291,679	22,321
Administrative	19,800	19,800	24,232	(4,432)
Contract services	175,870	175,870	142,325	33,545
Gateway IRWM plan			897,311	(897,311)
Total Expenditures	<u>509,670</u>	<u>509,670</u>	<u>1,355,547</u>	<u>(845,877)</u>
Net Change in Fund Balance	8,875	8,875	1,463,744	1,454,869
Fund Balance - Beginning of Fiscal Year	<u>180,676</u>	<u>180,676</u>	<u>180,676</u>	
Fund Balance - End of Fiscal Year	<u>\$ 189,551</u>	<u>\$ 189,551</u>	<u>\$ 1,644,420</u>	<u>\$ 1,454,869</u>

See the independent auditor's report