

LAKE ELSINORE & SAN JACINTO WATERSHEDS AUTHORITY

AGENDA

BOARD OF DIRECTORS MEETING

ELSINORE VALLEY MUNICIPAL WATER DISTRICT

31315 Chaney Street
Lake Elsinore, California 92531
951.674.3146 (EVMWD) / 951.354.4247 (LESJWA)

Thursday, April 18, 2013 – 4:00 p.m.

CALL TO ORDER/PLEDGE OF ALLEGIANCE (Chair Nancy Horton)

ROLL CALL: SAWPA__ EVMWD__ CITY OF LAKE ELSINORE__ CITY OF CANYON LAKE__
COUNTY OF RIVERSIDE__

PUBLIC COMMENTS:

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item appearing on the agenda unless the action is otherwise authorized by Subdivision (b) Section 54954.2 of the Government Code. Members of the public are requested to provide a public comment notice card to the Board Secretary prior to the Board meeting in order to speak. The public is given a maximum of five minutes to speak on an issue following discussion of an agenda item.

Any person with a disability who requires accommodation in order to participate in this meeting may contact LESJWA Board Secretary, Dawna Munson at 951.354.4247, at least 48 hours prior to the meeting in order to request a disability-related modification.

Materials related to items on this Agenda submitted to the Board after distribution of the agenda packet, are available to the public during regular business hours at the Authority's office: 11615 Sterling Avenue, Riverside, CA 92503.

CONSENT CALENDAR

Consent Calendar items are considered routine and non-controversial, to be acted upon by the Board at one time without discussion. If a Board member, staff member, or interested person requests that an item be removed from the Consent Calendar, the request will become the first item of business on the agenda.

- 1.0 MINUTES.....5**
RECOMMENDATION: Approve the Minutes of the Board of Directors meeting held February 28, 2013.
- 1.1 TREASURER'S REPORTS.....0...000000**
RECOMMENDATION: Receive and file financial statements from January and February 2013.
- 1.2 COMMITTEE STATUS REPORT (Memo714).....00...3;**
RECOMMENDATION: Receive and file a status report from the Education and Outreach Committee meeting held March 12, 2013.

End of Consent Calendar

- 2.0 LESJWA ANNUAL FY 2013-14 BUDGET (Memo 715).....0..045**
RECOMMENDATION: Approve the FY 2013-14 Budget, and invoice each LESJWA member agency for \$10,000 consistent with previous years' member agency contributions.
- 3.0 REPORT ON AUDIT FOR FISCAL YEAR ENDING JUNE 30, 2012 (Memo 716).....009**
RECOMMENDATION: Receive and file the FY 2012-13 Report on Audit prepared by Charles Z. Fedak and Company, and direct staff to file the Report on Audit with the respective government agencies as required by law.
- 4.0 LESJWA WATER SUMMIT (Memo 717).....087**
RECOMMENDATION: Receive and file a report on LESJWA Water Summit planning by LESJWA's Education and Outreach Committee and O'Reilly Public Relations.
- 5.0 PROPOSITION 84 FUNDING - CANYON LAKE IMPROVEMENTS (Memo 718).....(0000).....8;**
RECOMMENDATION: Receive and file a report on the status of an application by LESJWA staff for Proposition 84 Round 2 IRWM Implementation grant funding to support the Canyon Lake water quality improvements.
- 6.0 CANYON LAKE ALUM APPLICATION CEQA AND ALUM CONTRACTOR RFP (Memo 719)...093**
RECOMMENDATION: Receive and file a status report on the proposed Canyon Lake Alum Application CEQA and Alum Application Contractor RFP.
- 7.0 ADMINISTRATOR'S COMMENTS**
- 8.0 DIRECTORS' COMMENTS**
- 9.0 ADJOURN**

NEXT BOARD OF DIRECTORS MEETING: Thursday, June 20, 2013 at 4:00 p.m.

**MINUTES OF THE
REGULAR BOARD OF DIRECTORS MEETING
OF THE
LAKE ELSINORE & SAN JACINTO WATERSHEDS AUTHORITY**

February 28, 2013

DIRECTORS PRESENT

Nancy Horton, Chair
Phil Williams
Robert Magee
Tom Evans
Kevin Jeffries

REPRESENTING

City of Canyon Lake
Elsinore Valley Municipal Water District
City of Lake Elsinore
Santa Ana Watershed Project Authority
County of Riverside

OTHERS PRESENT

Karen Williams
Mark Norton
Dawna Munson

LESJWA/Finance
LESJWA/Authority Administrator
LESJWA Board Secretary

The Regular Board of Directors meeting of the Lake Elsinore and San Jacinto Watersheds Authority was called to order at 4:00 p.m., by Chair Nancy Horton at the Elsinore Valley Municipal Water District, located at 31315 Chaney Street, Lake Elsinore, California. Chair Horton asked for roll call.

Chair Horton asked if there were any comments from members of the public wishing to address the Board on matters within its jurisdiction. There were no public comments.

Chair Horton stated that staff has one emergency item to add to the agenda, which arose after posting the agenda. It is to approve a resolution to adopt SAWPA's current "One Water One Watershed (OWOW) Integrated Regional Water Management Plan and its updated project list. It will be added as item 4A.

Director Jeffries moved approval, seconded by Director Williams, and the motion unanimously carried.

2013/2-1

MOVED, approval to add an item to the agenda - Item 4.1: Resolution to Adopt SAWPA's current OWOW Integrated Regional Water Management Plan and its updated project list.

1.0: CONSENT CALENDAR

Chair Horton presented the Consent Calendar for review and approval.

Director Williams requested pulling one item – the finance report pages on Revenues, Expenses and Changes in Net Assets. He questioned the inclusion of salaries and benefits shown under the expenditures. Mark Norton replied that he believes that it's a matter of how it's reported, but he will confirm that with Karen Williams of SAWPA's finance department.

Director Williams moved approval of the Consent Calendar with the exception of the financial report pending clarification from SAWPA's finance department. The motion was seconded by Director Evans and it unanimously carried.

2013/2-2

MOVED, approval of the Consent Calendar including the 11-15-2012 Board Meeting minutes, and the Treasurer's Reports from July, August and September 2012, with the exception of the section in the financial reports regarding the placement of the salaries and benefits categories, pending clarification.

2.0: RESOLUTION OF COMMENDATION FOR BOB BUSTER (Memo #703)

Chair Horton read aloud the recommendation and then called for a motion, unless the Board wished to discuss the item.

Upon motion by Director Magee, seconded by Director Williams, the motion unanimously carried.

2013/2-3

MOVED, approval of Resolution No. 2013-01, commending Bob Buster for his years of service on the LESJWA Board of Directors.

3.0: CANYON LAKE WATER TREATMENT PLANS AND LESJWA' S ROLE (Memo #710)

Mark Norton said this is a discussion item about the next main project LESJWA will undertake regarding Canyon Lake water treatments. The HOS had been looked at initially, but based on research and Dr. Anderson's analyses, it is believed that an alum application would be the best approach to meet TMDL targets. Also, if the targets are met and it addresses Chlorophyll A, the HOS may not be needed, which would save money. The City of Canyon Lake is funding the CEQA, being done by Tom Dodson Associates. It's anticipated that if all goes well, the first application of alum would be in September 2013. The process of applying alum would occur over a 1-1/2 week timeframe, and applied as a liquid. There are some public perception concerns about alum, mainly misconceptions. A fact sheet has been prepared to help with that. The question now is who would be doing the alum application. EVMWD staff has indicated that it is important to clear this with them, and their preference is that they provide the oversight for the application. It comes down to the specific roles of LESJWA and EVMWD. He requested the Board's feedback.

Director Williams said it's his understanding that they lack the staff to do the application themselves; however, EVMWD would like to oversee putting the chemicals in the lake. EVMWD needs to be aware of the quantity of alum and approve the method because ultimately, this is the water used by the people in Lake Elsinore and Canyon Lake. Perhaps a signed document would be in order – one that outlines and states the exact procedure. He will speak with EVMWD's Norris Brandt about the specifics. A few of the other concerns, such as the alum getting to the bottom gates of the Canyon Lake dam and then reaching Lake Elsinore, most likely will be answered in the CEQA. He reiterated that EVMWD wants to be certain of the manner in which it will be done, and that then the rest of their Board would be comfortable with it.

Chair Horton provided a quick update as to how it all came about, and said that most of those issues have been addressed. As far as who will do the application, at no point would they consider having members from the Property Owners Association do it. They will cooperate in every way possible, but will not be the operators or applicators. Everything would be done with the approval of EVMWD.

The report was received and filed by the Board.

4.0: PROPOSITION 84 FUNDING – CANYON LAKE FUNDING (Memo #711)

Mark Norton provided a brief report about the outcome of the Proposition 84 funding applications, saying he's pleased to announce that LESJWA was selected under the Integrated Regional Water Management Program. About 20 projects were selected for funding and LESJWA received one-half million dollars for the Canyon Lake hybrid program, using either alum or the HOS. Staff will prepare a packet of information for the DWR. Until we receive their official okay, it's not signed yet, but we don't anticipate any problems. This is a huge benefit to all the upstream cities, agencies, and TMDL parties involved to help reduce their costs in complying with the TMDLs; everyone is very pleased.

Chair Horton noted that EMWD was approved for funding for Quail Valley, which also benefits the watershed. It goes a long way to demonstrate how we continue to improve the watershed, helping Canyon Lake and Lake Elsinore tremendously.

The report was received and filed by the Board.

4.1 RESOLUTION REGARDING THE AMENDED OWOW PLAN

Director Williams moved approval, seconded by Director Magee, and the motion unanimously carried.

2013/2-4

MOVED, approval of Resolution No. 2013-02, adopting SAWPA's current "One Water One Watershed" Integrated Regional Water Management Plan and its updated project list.

5.0: LESJWA EDUCATION AND OUTREACH (Memo #712)

Mark Norton briefed the Board about some of the activities of the Education and Outreach Program (E&O), particularly with regard to helping assure the public that their questions are addressed regarding the potential alum application in Canyon Lake. A question and answer workshop will be held in Canyon Lake on March 20. Jason Uhley will reprise the presentation he gave to this Board, and then there will be a panel discussion with Tim Moore of Risk Sciences, Michael Anderson of UCR, Mark Norton, Norris Brandt, and Jason Uhley. A fact sheet and an Op Ed piece have been prepared that will be attached to the flyer. The Op Ed piece was prepared by LESJWA's Education and Outreach firm, O'Reilly Public Relations (PR).

Chair Horton added that a demonstration will be given showing what alum does. The workshop should take about an hour; she welcomed the Board to attend. She added that the hearings for the CEQA will be late May and there will be one more public outreach in late summer.

Mark Norton also stated that the O'Reilly PR is in the early stages of planning the second LESJWA Water Summit. An exact date hasn't been scheduled, but it most likely will be late spring or early summer. Notice will be sent out very soon.

The report was received and filed by the Board.

6.0: LESJWA BUSINESS PLAN (Memo #713)

Mark Norton said that this item is to seek feedback on how the Board wants to support LESJWA for the future. The Business Plan discusses five options for how to bridge the funding gap to run this JPA. The first option is to pursue Federal and State grants, which will be done when possible, but it's not always suitable for O&M costs. Option 2 is to decrease costs. In working with the agency's CFO to see where costs can be reduced, the only thing beyond the existing requirements such as insurance is the cost for O'Reilly PR. LESJWA is good for the coming fiscal year, but the Board may have to choose to eliminate our PR consultant after that. He reviewed the benefits of having O'Reilly PR, particularly their assistance with items like alum application, public awareness, etc. Jason Uhley mentioned that it was discussed at the last Task Force that perhaps the MS4s may be able to assist with it.

Mark Norton said in looking at Option 3, the Lake Quality Improvement Contributions (formerly called "pollutant trading"), that despite all the work by the EPA, it has not been effective in California, and based on the lackluster results of it being tried in Orange County and other areas, it doesn't appear it will be an option at this time.

Option 4 is to look at the LE/CL TMDL Task Force to assist with costs. Jason Uhley had put together a projection of costs that he has shared with the TMDL Task Force, which they're considering. The Task Force recognizes that there is value in having LESJWA, particularly with preparation of documents, a governing board, etc., and the benefit the Task Force agencies receive by coming to the Board to get things approved. There are other options, such as going directly through SAWPA, but then that's going through a board whose members are not within that watershed.

The final option is to have the member agencies increase their costs from \$10,000 to \$29,000 per year with varying sub-options ranging up to \$33,750. Mr. Norton requested the Board's feedback and any suggestions.

Director Williams encouraged keeping the member agencies' contributions at their current level of \$10,000. Each entity has obligations to improve the lakes, but it's preferable to get other agencies involved as well. He also commented that cutting back on public relations is a slippery road. It may not be wise to shift the burden to the City to handle things like fish kills. He suggested keeping O'Reilly PR on a limited basis. Chair Horton agreed.

Discussion ensued about the option of increasing the seats on the Board by asking another organization to join. Other agencies that participate in the TMDL could be added to the LESJWA Board. Mark Norton commented that when LESJWA was formed, they considered having a representative from the Riverside County Flood Control & WCD. They also considered having members from nonprofits, but the JPA structure prohibited that, so the agricultural coalition could not serve.

Director Magee stated that Option 1 is ongoing. He encouraged pursuing that through Ken Calvert so they all better understand the significance of the watershed, the biology, and all that went into it. Congressman Calvert is more than invested in this system, and we need to continue working to preserve that. In addressing the Board members' stipend, he is happy to forfeit that if it will help. He further stated he believes that O'Reilly Public Relations provides a very professional face and response during unexpected events, and that it's good to have that cushion between the City and the Water District. He added, "We don't need to spend money we don't have, and they don't spend the money if there's no need. Keep them on the sheet." Director Magee stated that he is going to address with the City of Lake Elsinore the potential for raising their contribution.

Jason Uhley said that he agrees with Chair Horton and Director Jeffries that the cities are looking at substantial increases with the TMDLs. He asked Mark Norton to provide information about the services LESJWA provides.

Director Williams noted that the Riverside County Flood Control District does have representation with Supervisor Jeffries on the Board. He also recommended that they tour the lakes and get the full information. He is happy to help if any presentations need to be made.

The report was received and filed by the Board.

7.0: ADMINISTRATOR'S COMMENTS

Mark Norton reported that the Budget will be brought before the Board at the April meeting.

8.0: DIRECTORS' COMMENTS

Director Williams welcomed Kevin Jeffries to the Board. Director Jeffries said we need to keep the mission purpose in the forefront. He will bring before the Riverside Board the issue of raising the contribution.

Chair Horton welcomed Director Jeffries to the Board, noting that his experience is good for the region.

Some discussion ensued about releasing the Director stipends to help ease the funding gap; the Directors' response was favorable. This issue will be further discussed and formalized at a future meeting.

9.0: ADJOURN

As there was no further business, Chair Horton adjourned the meeting at 5:04 p.m.

APPROVED: April 18, 2013

Nancy Horton, Chair

LAKE ELSINORE & SAN JACINTO WATERSHEDS AUTHORITY
 CASH FLOW STATEMENT
 AS OF 02/28/13

Balance as of 01/31/13 \$ 742,007.39

Funds Received

Deposits:

LAIF Interest

Open - Grant Invoices

SWRCB - TMDL BMP - Sept 2012	29,246.38
SWRCB - TMDL BMP - Dec 2012	<u>\$ 30,518.89</u>
	<u>\$ 59,765.27</u>

Open - Member & Other Contributions

N/A	<u>\$ -</u>
	<u>\$ -</u>

Total Due LESJWA	<u><u>\$ 59,765.27</u></u>
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Disbursement List - February 2013	<u>(212,358.97)</u>
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Funds Available as of 02/28/13	<u><u>\$ 529,648.42</u></u>
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Funds Available:

Checking	\$ 23,210.55
LAIF	<u>\$ 506,437.87</u>
Total	<u><u>\$ 529,648.42</u></u>

Lake Elsinore San Jacinto Watersheds Authority
LE/CL TMDL Invoice History
FYE 2009 - 2012

Agency	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
March ARB	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
CalTrans	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
City of Beaumont	2,957.00	3,940.00	4,719.53	3,900.00	1,865.00
City of Canyon Lake	3,670.00	4,890.00	4,109.46	3,396.00	644.00
City of Hemet	22,308.00	29,723.00	27,460.77	22,696.00	6,286.00
City of Lake Elsinore	21,403.00	67,782.00	89,889.28	73,133.00	-
City of Menifee	-	-	24,752.77	20,458.00	23,649.00
City of Moreno Valley	50,638.00	67,469.00	63,546.31	52,520.00	15,425.00
City of Murrieta	2,006.00	2,673.00	786.96	650.00	-
City of Perris	15,000.00	19,985.00	20,060.94	16,580.00	5,752.00
City of Riverside	2,071.00	2,759.00	3,587.28	2,965.00	1,575.00
City of San Jacinto	9,565.00	12,744.00	13,470.59	11,133.00	4,315.00
City of Wildomar	-	-	4,668.93	3,859.00	4,461.00
County of Riverside	57,352.00	76,415.00	39,829.77	32,919.00	-
Dept of Fish and Game	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
Eastern Municipal Water District	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
Elsinore Valley Municipal Water District	13,656.00	57,460.00	75,294.20	61,070.00	-
March JPA	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
San Jacinto Agricultural Operators *	159,074.00	-	-	143,320.00	28,278.00
San Jacinto Dairy & CAFO Operators *	41,634.00	37,252.80	25,000.00	10,000.00	10,211.00
Total	451,334.00	433,092.80	447,176.79	508,599.00	167,711.00
Total Paid Contributions	451,334.00	433,092.80	437,176.79	369,290.00	141,611.00
Total Outstanding Contributions	-	-	10,000.00	139,309.00	26,100.00

Total Outstanding Contributions

CalTrans	-	-	10,000.00	10,000.00	13,050.00
Dept of Fish and Game	-	-	-	-	13,050.00
Total Outstanding All Years	-	-	10,000.00	10,000.00	26,100.00

Lake Elsinore San Jacinto Watersheds Authority
Revenues, Expenses and Changes in Net Assets by Project
For the Month Ending February 28, 2013

	JPA Administration	TMDL Task Force	TMDL BMP Implementation	Total	Budget	% Used	Budget Variance
Revenues							
State Grant Proceeds	\$ -	\$ -	\$ 59,765.27	\$ 59,765.27	\$ 41,535.00	143.89%	\$ (18,230.27)
LAIIF Interest	1,184.68	-	-	1,184.68	1,660.00	71.37%	475.32
Member Agency Contributions	50,000.00	(178,671.00)	-	(128,671.00)	50,000.00	-257.34%	178,671.00
Other Agency Contributions	-	178,936.00	-	178,936.00	481,000.00	37.20%	302,064.00
Total Revenues	\$ 51,184.68	\$ 265.00	\$ 59,765.27	\$ 111,214.95	\$ 574,195.00	19.37%	\$ 462,980.05
Expenditures							
Salaries	\$ 17,119.06	\$ 19,079.87	\$ 408.77	\$ 36,607.70	\$ 61,543.00	59.48%	\$ 24,935.30
Benefits	7,549.52	8,414.22	180.27	16,144.01	27,141.00	59.48%	10,996.99
G&A Allocation	27,219.32	30,336.97	649.94	58,206.23	97,853.00	59.48%	39,646.77
Audit Fees	5,230.00	-	-	5,230.00	5,230.00	100.00%	-
Consulting	13,237.40	98,882.89	60,156.39	172,276.68	435,998.00	39.51%	263,721.32
Studies	-	-	-	-	-	0.00%	-
Other Contract Services	-	-	-	-	-	100.00%	-
Legal Fees	787.50	-	-	787.50	1,500.00	52.50%	712.50
Project Construction	-	-	-	-	-	0.00%	-
Meeting & Conference Expense	83.25	277.60	-	360.85	3,123.00	11.55%	2,762.15
Office Expense	-	-	-	-	110.00	0.00%	110.00
Board Compensation	1,100.00	-	-	1,100.00	2,250.00	48.89%	1,150.00
Other Expense	-	-	-	-	100.00	0.00%	100.00
Insurance Expense	2,811.00	-	-	2,811.00	3,658.00	76.85%	847.00
Interest Expense	30.69	-	-	30.69	100.00	30.69%	69.31
Total Expenditures	\$ 75,167.74	\$ 156,991.55	\$ 61,395.37	\$ 293,554.66	\$ 638,606.00	45.97%	\$ 345,051.34
Excess Revenue over (under) Expenditures	\$ (23,983.06)	\$ (156,726.55)	\$ (1,630.10)	\$ (182,339.71)	\$ (64,411.00)	283.09%	\$ 117,928.71
Cash Balance @ 02/28/13	\$ 129,042.84	\$ 399,366.60	\$ 1,238.98	\$ 529,648.42			

Lake Elsinore/San Jacinto Watershed Authority
Statement of Net Assets
For the Eight Months Ending Thursday, February 28, 2013

Assets

Checking - Citizens	\$23,210.55
L.A.I.F.	506,437.87
Accounts Receivable	59,765.27
Total Assets	<u>\$589,413.69</u>

Liabilities

Accounts Payable	<u>84,012.85</u>
Total Liabilities	<u>\$84,012.85</u>

Retained Earnings	687,740.55
Excess Revenue over (under) Expenditures	<u>(\$182,339.71)</u>
Total Net Assets	<u>\$505,400.84</u>
Total Liabilities and Net Assets	<u>\$589,413.69</u>

Lake Elsinore/San Jacinto Watershed Authority
Revenues, Expenses and Changes in Net Assets
For the Eight Months Ending Thursday, February 28, 2013

	Period Actual	YTD Actual	Annual Budget	% Used	Budget Variance
Revenues					
State Grant Proceeds	\$0.00	\$59,765.27	\$41,535.00	143.89%	(\$18,230.27)
LAIF Interest	0.00	1,184.68	1,660.00	71.37%	475.32
Member Agency Contributions	0.00	(128,671.00)	50,000.00	-257.34%	178,671.00
Other Agency Contributions	0.00	178,936.00	481,000.00	37.20%	302,064.00
Total Revenues	\$0.00	\$111,214.95	\$574,195.00	19.37%	\$462,980.05
Expenses					
Salaries - Regular	4,668.73	36,607.70	61,543.00	59.48%	24,935.30
Payroll Burden	2,058.91	16,144.01	27,141.00	59.48%	10,996.99
Overhead	7,423.28	58,206.23	97,853.00	59.48%	39,646.77
Audit Fees	1,170.00	5,230.00	5,230.00	100.00%	0.00
Consulting - General	8,023.04	172,276.68	435,998.00	39.51%	263,721.32
Legal Fees	112.50	787.50	1,500.00	52.50%	712.50
Meeting & Conference Expense	0.00	360.85	3,123.00	11.55%	2,762.15
Shipping & Postage	0.00	0.00	50.00	0.00%	50.00
Office Supplies	0.00	0.00	60.00	0.00%	60.00
Board Compensation	400.00	1,100.00	2,250.00	48.89%	1,150.00
Other Expense	0.00	0.00	100.00	0.00%	100.00
Insurance Expense	0.00	2,811.00	3,658.00	76.85%	847.00
Interest Expense	0.00	30.69	100.00	30.69%	69.31
Total Expenditures	\$23,856.46	\$293,554.66	\$638,606.00	45.97%	\$345,051.34
Excess Revenue over (under) Expenditures	(\$23,856.46)	(\$182,339.71)	(\$64,411.00)	283.09%	\$117,928.71

**Lake Elsinore San Jacinto
Watersheds Authority
Disbursements
February 28, 2003**

Check #	Check Date	Type	Vendor	Check Amount
1664	2/14/2013	CHK	Santa Ana Watershed Project Authority	\$ 18,316.16
1665	2/22/2013	CHK	City of Lake Elsinore	\$ 86,056.00
1666	2/22/2013	CHK	O'Reilly Public Relations	\$ 4,374.17
1667	2/22/2013	CHK	City of Murrieta	\$ 1,042.00
1668	2/22/2013	CHK	Riverside, County of	\$ 13,238.00
EFT008	2/22/2013	CHK	Elsinore Valley Municipal Water District	\$ 81,979.42
EFT009	2/22/2013	CHK	Risk Sciences	\$ 7,353.22

Total Disbursements February 2013

\$ 212,358.97

LAKE ELSINORE & SAN JACINTO WATERSHEDS AUTHORITY
 CASH FLOW STATEMENT
 AS OF 01/31/13

Balance as of 12/31/12 \$ 772,178.37

Funds Received

Deposits:

LAIF Interest 552.36

Open - Grant Invoices

SWRCB - TMDL BMP - Sept 2012	29,246.38
SWRCB - TMDL BMP - Dec 2012	<u>\$ 30,518.89</u>
	<u>\$ 59,765.27</u>

Open - Member & Other Contributions

N/A	<u>\$ -</u>
	<u>\$ -</u>

Total Due LESJWA	<u><u>\$ 59,765.27</u></u>
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Disbursement List - January 2013 (30,723.34)

Funds Available as of 01/31/13 \$ 742,007.39

Funds Available:

Checking	\$ 60,569.52
LAIF	<u>\$ 681,437.87</u>
Total	<u><u>\$ 742,007.39</u></u>

Lake Elsinore San Jacinto Watersheds Authority
LE/CL TMDL Invoice History
FYE 2009 - 2012

Agency	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
March ARB	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
CalTrans	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
City of Beaumont	2,957.00	3,940.00	4,719.53	3,900.00	1,865.00
City of Canyon Lake	3,670.00	4,890.00	4,109.46	3,396.00	644.00
City of Hemet	22,308.00	29,723.00	27,460.77	22,696.00	6,286.00
City of Lake Elsinore	21,403.00	67,782.00	89,889.28	73,133.00	-
City of Menifee	-	-	24,752.77	20,458.00	23,649.00
City of Moreno Valley	50,638.00	67,469.00	63,546.31	52,520.00	15,425.00
City of Murrieta	2,006.00	2,673.00	786.96	650.00	-
City of Perris	15,000.00	19,985.00	20,060.94	16,580.00	5,752.00
City of Riverside	2,071.00	2,759.00	3,587.28	2,965.00	1,575.00
City of San Jacinto	9,565.00	12,744.00	13,470.59	11,133.00	4,315.00
City of Wildomar	-	-	4,668.93	3,859.00	4,461.00
County of Riverside	57,352.00	76,415.00	39,829.77	32,919.00	-
Dept of Fish and Game	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
Eastern Municipal Water District	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
Elsinore Valley Municipal Water District	13,656.00	57,460.00	75,294.20	61,070.00	-
March JPA	10,000.00	10,000.00	10,000.00	10,000.00	13,050.00
San Jacinto Agricultural Operators *	159,074.00	-	-	143,320.00	28,278.00
San Jacinto Dairy & CAFO Operators *	41,634.00	37,252.80	25,000.00	10,000.00	10,211.00
Total	451,334.00	433,092.80	447,176.79	508,599.00	167,711.00
Total Paid Contributions	451,334.00	433,092.80	437,176.79	369,290.00	141,611.00
Total Outstanding Contributions	-	-	10,000.00	139,309.00	26,100.00

Total Outstanding Contributions

CalTrans	-	-	10,000.00	10,000.00	13,050.00
Dept of Fish and Game	-	-	-	-	13,050.00
Total Outstanding All Years	-	-	10,000.00	10,000.00	26,100.00

Lake Elsinore San Jacinto Watersheds Authority
Revenues, Expenses and Changes in Net Assets by Project
For the Month Ending January 31, 2013

	JPA Administration	TMDL Task Force	TMDL BMP Implementation	Total	Budget	% Used	Budget Variance
Revenues							
State Grant Proceeds	\$ -	\$ -	\$ 59,765.27	\$ 59,765.27	\$ 41,535.00	143.89%	\$ (18,230.27)
LAIIF Interest	1,184.68	-	-	1,184.68	1,660.00	71.37%	475.32
Member Agency Contributions	50,000.00	(178,671.00)	-	(128,671.00)	50,000.00	-257.34%	178,671.00
Other Agency Contributions	-	178,936.00	-	178,936.00	481,000.00	37.20%	302,064.00
Total Revenues	\$ 51,184.68	\$ 265.00	\$ 59,765.27	\$ 111,214.95	\$ 574,195.00	19.37%	\$ 462,980.05
Expenditures							
Salaries	\$ 14,366.51	\$ 17,163.69	\$ 408.77	\$ 31,938.97	\$ 61,543.00	51.90%	\$ 29,604.03
Benefits	6,335.64	7,569.19	180.27	14,085.10	27,141.00	51.90%	13,055.90
G&A Allocation	22,842.75	27,290.26	649.94	50,782.95	97,853.00	51.90%	47,070.05
Audit Fees	4,060.00	-	-	4,060.00	5,230.00	77.63%	1,170.00
Consulting	12,868.00	91,229.25	60,156.39	164,253.64	435,998.00	37.67%	271,744.36
Studies	-	-	-	-	-	0.00%	-
Other Contract Services	-	-	-	-	-	100.00%	-
Legal Fees	675.00	-	-	675.00	1,500.00	45.00%	825.00
Project Construction	-	-	-	-	-	0.00%	-
Meeting & Conference Expense	83.25	277.60	-	360.85	3,123.00	11.55%	2,762.15
Office Expense	-	-	-	-	110.00	0.00%	110.00
Board Compensation	700.00	-	-	700.00	2,250.00	31.11%	1,550.00
Other Expense	-	-	-	-	100.00	0.00%	100.00
Insurance Expense	2,811.00	-	-	2,811.00	3,658.00	76.85%	847.00
Interest Expense	30.69	-	-	30.69	100.00	30.69%	69.31
Total Expenditures	\$ 64,772.84	\$ 143,529.99	\$ 61,395.37	\$ 269,698.20	\$ 638,606.00	42.23%	\$ 368,907.80
Excess Revenue over (under) Expenditures	\$ (13,588.16)	\$ (143,264.99)	\$ (1,630.10)	\$ (158,483.25)	\$ (64,411.00)	246.05%	\$ 94,072.25
Cash Balance @ 01/31/13	\$ 140,807.36	\$ 599,961.05	\$ 1,238.98	\$ 742,007.39			

Lake Elsinore/San Jacinto Watershed Authority
Statement of Net Assets
For the Seven Months Ending Thursday, January 31, 2013

Assets

Checking - Citizens	\$60,569.52
L.A.I.F.	681,437.87
Accounts Receivable	59,765.27
Total Assets	<u>\$801,772.66</u>

Liabilities

Accounts Payable	<u>272,515.36</u>
Total Liabilities	<u>\$272,515.36</u>

Retained Earnings	687,740.55
Excess Revenue over (under) Expenditures	<u>(\$158,483.25)</u>
Total Net Assets	<u>\$529,257.30</u>
Total Liabilities and Net Assets	<u>\$801,772.66</u>

Lake Elsinore/San Jacinto Watershed Authority
Revenues, Expenses and Changes in Net Assets
For the Seven Months Ending Thursday, January 31, 2013

	Period Actual	YTD Actual	Annual Budget	% Used	Budget Variance
Revenues					
State Grant Proceeds	\$30,518.89	\$59,765.27	\$41,535.00	143.89%	(\$18,230.27)
LAIF Interest	552.36	1,184.68	1,660.00	71.37%	475.32
Member Agency Contributions	0.00	(128,671.00)	50,000.00	-257.34%	178,671.00
Other Agency Contributions	0.00	178,936.00	481,000.00	37.20%	302,064.00
Total Revenues	\$31,071.25	\$111,214.95	\$574,195.00	19.37%	\$462,980.05
Expenses					
Salaries - Regular	6,028.04	31,938.97	61,543.00	51.90%	29,604.03
Payroll Burden	2,658.37	14,085.10	27,141.00	51.90%	13,055.90
Overhead	9,584.58	50,782.95	97,853.00	51.90%	47,070.05
Audit Fees	0.00	4,060.00	5,230.00	77.63%	1,170.00
Consulting - General	11,727.39	164,253.64	435,998.00	37.67%	271,744.36
Legal Fees	0.00	675.00	1,500.00	45.00%	825.00
Meeting & Conference Expense	32.99	360.85	3,123.00	11.55%	2,762.15
Shipping & Postage	0.00	0.00	50.00	0.00%	50.00
Office Supplies	0.00	0.00	60.00	0.00%	60.00
Board Compensation	0.00	700.00	2,250.00	31.11%	1,550.00
Other Expense	0.00	0.00	100.00	0.00%	100.00
Insurance Expense	0.00	2,811.00	3,658.00	76.85%	847.00
Interest Expense	12.18	30.69	100.00	30.69%	69.31
Total Expenditures	\$30,043.55	\$269,698.20	\$638,606.00	42.23%	\$368,907.80
Excess Revenue over (under) Expenditures	\$1,027.70	(\$158,483.25)	(\$64,411.00)	246.05%	\$94,072.25

**Lake Elsinore San Jacinto
Watersheds Authority
Disbursements
January 31, 2013**

Check #	Check Date	Type	Vendor	Check Amount
1662	1/11/2013	CHK	Santa Ana Watershed Project Authority	\$11,933.37
1663	1/31/2013	CHK	O'Reilly Public Relations	\$787.00
EFT006	1/3/2013	CHK	Elsinore Valley Municipal Water District	\$12,918.87
EFT007	1/3/2013	CHK	Weston Solutions Inc	\$5,084.10

Total Disbursements January 2013

\$ 30,723.34

LESJWA BOARD MEMORANDUM NO. 714

DATE: April 18, 2013
SUBJECT: Committees Status Report
TO: LESJWA Board of Directors
FROM: Mark Norton, P.E., Authority Administrator

RECOMMENDATION

That the Board of Directors receive and file the status report of the LESJWA Education & Outreach Committee (EOC).

DISCUSSION

Attached are the meeting notes from the Education and Outreach Committee meeting held March 12, 2013.

RESOURCES IMPACT

None.

dm/

Attachment:

1. EOC Meeting Notes 3-12-13

LESJWA Education and Outreach Committee
Meeting Notes
March 12, 2013

Members Present: Mark Norton, Chair, SAWPA
Greg Morrison, EVMWD
Pat Kilroy, City of Lake Elsinore
Nancy Horton, City of Canyon Lake

Others Present: Philip Southard, O'Reilly Public Relations
Catherine Wilson, Canyon Lake POA

Members Absent: Steve Horn, County of Riverside
Bonnie Woodrome, EVMWD

1. Call to Order

Mark Norton called the meeting to order at 11:00 am at Elsinore Valley Municipal Water District (EVMWD), located at 31315 Chaney Street, Lake Elsinore, California.

2. Additions/Corrections to the Agenda

Add Item 7.1 LESJWA booth for the SAWPA OWOW conference.

3. Approval of the Meeting Notes

The meeting notes from Jan. 23, 2013 were reviewed and deemed acceptable by the Committee.

4. Project Status

- **Back Basin Wetlands Improvements** – Pat Kilroy, project manager for the project, indicated that the project now has been officially completed. Mr. Norton requested that this item under Project Status now be removed from all future agendas of this Committee.
- **Canyon Lake Improvements** – Mark Norton said the primary focus of LESJWA continues to be preparation for the future Canyon Lake Alum application and the necessary steps to assure this is properly done while addressing any concerns that may be raised by the public.

As discussed in previous meetings, the Committee indicated that ample notice and information be given to the Canyon Lake residents about alum lake application due to concerns that may be raised by those who are not familiar with the safety and science of this practice. Over the past month with the help of the Committee members and O'Reilly Public Relations, a fact sheet and Op-Ed about the Canyon Lake water treatment impacts were prepared and provided to the Canyon Lake Friday Flyer. The newspaper fortunately used the Op-Ed piece verbatim. The next main outreach activity will be on March 20 at the Canyon Lake Lodge at 7 pm. This will be a question and answer workshop focusing on answering any questions that people have about alum, the logistics of its application, and any impacts to fish and recreation. A panel of experts will be available to field questions including Dr. Michael Anderson, UCR; Tim Moore, Risk Sciences; Norris Brandt, EVWMD; Jason Uhley, RCFCWCD, and Mark Norton, LESJWA Administrator. The workshop also could cover the logistics on how the alum is applied and whether it has impacts on fishing, boating, and other recreational activities.

- **TMDL Task Force** – Mr. Norton reported that efforts are continuing on compliance with the TMDL and in moving forward with implementation. The Riverside County MS4 has submitted its final Comprehensive Nutrient Reduction Plan, and the Western Riverside County Agricultural Coalition submitted its Agricultural Nutrient Management Plan. The proposed implementation reflects an implementation approach of alum applications over the next two and a half years then possible implementation of a downsized hypolimnetic oxygenation system (HOS) to help Canyon Lake reach its oxygen levels if necessary. With funding now scheduled from Proposition 84 IRWM Round 2, the local costs for the alum will be reduced.

- **Lake Levels** – The lake levels at the last meeting were 1242.41’ at Lake Elsinore, and 1378.65’ at Canyon Lake. The current lake levels are 1242.57’ at Lake Elsinore, and 1379.84’ at Canyon Lake. These increases reflect some runoff from recent rain storms.

5. 2013 Water Summit

- **Date** – The Committee felt that the LESJWA Water Summit should not be delayed and held before the CEQA approval by the City of Canyon Lake, scheduled for early June and the summer months. The LESJWA Chair also was going to be on vacation in May 2013. A tentative date of April 24 was proposed. If those dates were not available, then April 23 and 25, 2013 were considered. As discussed in the previous meeting, the Committee agreed that rather than trying to include a lunch, to scale back the event to a time period between 8:30 am and 11:30 a.m., but provide a continental breakfast and registration at 8 a.m.
- **Location** – The Committee felt that the best location for the event would be upstream closer to the San Jacinto watershed cities. The location of the EMWD Board room was considered as the best option. Philip Southard said they would investigate this location to determine if it is suitable and available.
- **Program** – For the program, the Committee discussed three major areas of focus for the upcoming Summit.
 - Share details about lake alum application safety
 - Share the success of task force working together to secure Prop 84 IRWM funding
 - Share the value of working with the Regional Board

Additional items to cover would be the science of lake application of alum, the success of other lake alum applications including Big Bear Lake and Sweetwater, Florida, and how and when it is applied to the lake.

6. Alum Outreach

Concern was raised that a fact sheet needed to be revised to focus more on alum application rather than just Canyon Lake Water Treatment options. Further, Mr. Morrison was suggested that a listing of frequently asked questions (FAQs) be prepared as a handout for the upcoming workshop in Canyon Lake. Additional helpful suggestions for outreach proposed by Mr. Morrison included notices of the workshops on websites, and the preparation of a series of Op-Eds from various Canyon Lake residents who were supportive of alum application. O’Reilly Public Relations indicated that they could prepare the updated fact sheet, FAQs and an Op-Ed piece.

7. O’Reilly Public Relations Scope of Work (FY 2013-2014)

The Committee reviewed the draft budget for O’Reilly Public Relations support to LESJWA for the coming fiscal year. Mr. Norton indicated that based on some preliminary discussions with the LESJWA Board, the Board members were unanimously supportive of continuing to have O’Reilly Public Relations available to support LESJWA, particularly in cases of major lake emergencies such as responding to a fish kill. The budget reflected a support level similar to the previous year at \$19,150. Mr. Norton indicated that since the LESJWA Water Summit had been scaled back to be held at a public facility at no rental cost, no lunch with minimal catering costs and a shorter duration, he felt that the \$6,650 estimate could be scaled back. Mr. Southard said he would look into revising that cost.

7.1 SAWPA OWOW Conference – LESJWA Booth

Mr. Norton reported that SAWPA and the Water Education Foundation, who is administering the OWOW Conference on April 11, 2013 at the Westin South Coast Plaza in Costa Mesa, has waived the sponsorship and exhibitor fee for LESJWA to have an exhibit booth. Mr. Southard said they were set up to participate for the event including showing the LESJWA video and award winning brochure.

8. Next Meeting Date

The next meeting of the LESJWA Education and Outreach Committee will be held on April 10, the same day as the CEQA meeting. The Committee will meet at 12 noon on at EVMWD, and then meet thereafter at 1:30 p.m. to join the CEQA discussion.

LESJWA BOARD MEMORANDUM NO. 715

DATE: April 18, 2013
SUBJECT: FY 2013-2014 Budget
TO: LESJWA Board of Directors
FROM: Mark R. Norton, P.E., Authority Administrator

RECOMMENDATION

Staff recommends that the Board of Directors approve the FY 2013-2014 LESJWA budget, and invoice each LESJWA member agency for \$10,000 consistent with previous years' member agency contributions.

BACKGROUND

The attached budget covers activities of the Authority from July 1, 2013 to June 30, 2014. It also lists the existing projects, studies, and administrative costs associated with operating the agency and implementing TMDL projects. It includes the use of reserve revenue funding carried over from past member agency contributions for much of the LESJWA administrative activities and to balance the budget. Based on projections of costs for FY 2012-13, funding from the reserves and continued funding by member agencies will be sufficient to cover all projected JPA activities.

The major activities planned for FY 2013-14 include administration and implementation of the many TMDL tasks for both lakes, including a Canyon Lake water quality improvement project – alum application, watershed runoff and post alum application monitoring, and review and revision of the water quality objectives.

In FY 2013-14, the main source of funding coming into LESJWA will continue to be from the TMDL parties that are supporting the TMDL Task Force administration. The source of this funding will be from the TMDL stakeholders; some are the LESJWA member agencies. None of the TMDL funding is used to pay for the LESJWA organization administration. All LESJWA organization administration costs come from local contributions of the LESJWA member agencies.

As indicated in the recently approved LESJWA Business Plan, one of the primary concerns with the long-term financial outlook for the organization is continued operation funding. With available reserves being tapped to operate the agency and insufficient funding from member agency contributions, the agency will need to reduce expenses to operate at its current operation level by FY 2014-2015. The LESJWA Business Plan laid out the preferred options to deal with the future gap in the following fashion:

1. Pursue State and Federal Grant Funding
2. Decrease annual costs
3. Establish Lake Quality Improvement Contribution
4. Establish TMDL Task Force Contribution for LESJWA
5. Increase Cost Share Among LESJWA Agencies

Staff continues to monitor outside funding sources for future planning and projects that LESJWA can undertake. LESJWA has been successful in obtaining a funding grant of \$500,000 from SAWPA's One Water One Watershed application for State Proposition 84 Integrated Regional Water Management Implementation Round 2 Funding Program that will support the TMDL compliance.

Annual costs for operating LESJWA have been reduced somewhat based on a proposed reduced work scope for education and outreach consulting support and proposed elimination of Board compensation (stipend). The need for additional revenue funding by the LE/CL TMDL Task Force and/or its member agencies to support LESJWA JPA operations has been discussed with the Task Force as a possible future expense. Staff has indicated to the LE/CL TMDL Task Force that such funding may be justified based on the benefit of local governance, contract administration and the grant application and administration undertaken by LESJWA related to the TMDL compliance. The MS4 Principal Permittee, RCFC&WCD, has indicated a willingness to discuss the value added with the MS4 Co-Permittees as the primary TMDL Task Force parties.

Attachment 1, shown as additional information, reflects the draft FY 2013-14 LE/CL TMDL Task Force Budget anticipated to be approved by the Task Force. Their budget revenue is reflected as "TMDL stakeholder contributions" under Revenue and "TMDL-Administration" and "TMDL studies and monitoring" under Expenditures.

Staff recommends continuance of the same member agency funding contribution amount for FY 2013-14, as in previous years, \$10,000 per member agency.

RESOURCE IMPACT

SAWPA is supportive of providing staff to serve as administrator for LESJWA. Funding of SAWPA staff time for LESJWA activities will be provided by TMDL stakeholder funding, grant administration funding, and local contributions from LESJWA member agencies.

MN:dm

Attachment:

1. Draft FY 2013-14 LESJWA Budget with approved LE/CL TMDL Task Force FY 2013-14 Budget

**LAKE ELSINORE AND SAN JACINTO WATERSHEDS AUTHORITY
FY 2013/2014 BUDGET**

	FY 12-13 Budget Total	FY 12-13 Actual thru 2/28/13	FY 12-13 Expected Total	FY 13-14 Budget Total
Operating Revenue				
JPA Reserve Transfer	64,411			51,290
JPA LAIF Interest	1,660	1,185	1,660	1,500
Member Contributions*	50,000	50,000	50,000	50,000
JPA Adm Sub Total	116,071	51,185	51,660	102,790
TMDL stakeholder contributions	481,000	454,900	454,900	580,000
Grant Proceeds				
Lake Elsinore Back Basin Ponds	41,535	59,765	59,765	
Canyon Lake Hybrid Project - Alum				150,000
LESJWA Total	638,606	565,850	566,325	832,790
Operating Expenditures				
JPA Administration				
Salaries, burden & OH (SAWPA)	80,000	51,877	75,000	76,000
Legal	1,500	788	1,000	
Audit	5,230	5,230	5,230	5,230
Insurance	3,658	2,811	2,811	2,900
Meetings and Conference	3,123	83	1,000	1,000
Office Expense	60		60	60
Shipping Postage	50		50	50
Board Compensation	2,250	1,100	2,250	300
Other Expense	100		50	100
Interest Expense	100	31	50	100
Canyon Lake CEQA		20,500	20,500	
Public Relations Program	20,000	13,237	20,000	17,050
JPA Adm Subtotal	116,071	95,657	128,001	102,790
TMDL Task Force				
TMDL - Administration (SAWPA)	106,000	58,109	106,000	95,000
TMDL studies & monitoring	225,000	98,883	135,000	185,000
Canyon Lake Lake Treatment	150,000	30,000	30,000	300,000
TMDL BMP Implementation				
Grant - Administration (SAWPA)	537	1,239	1,239	
Lake Elsinore Back Basin Ponds	40,998	60,156	60,156	
Total	638,606	314,044	430,396	682,790
JPA Reserves Remaining	96,235	129,043	76,341	25,051
TMDL Reserves Remaining	144,041	180,362	210,000	360,000

* Allocation per member agency \$10,000

Final FY 2013-14 Budget: Lake Elsinore & Canyon Lake TMDL Task Force

Summary Task Force Expenditures

	Budget 2013-14	Draft Budget 2014-15	Draft Budget 2015-16
Part A: Task Force Regulatory/Administrative Budget			
Task Force Administration			
Task Force Administrator (LESJWA)	\$ 50,000	\$ 50,000	\$ 50,000
Annual Water Quality Reporting and Database Management			
Amend Task Force Agreement			
Grant Preparation			
TMDL Compliance Expert	\$ 50,000	\$ 50,000	\$ 50,000
Risk Sciences			
Update of Watershed and In-Lake Nutrient Models	\$ -	\$ 100,000	\$ 100,000
Watershed Modeling		\$ 100,000	\$ 100,000
in-lake Modeling			
Review and Revision of Water Quality Objectives	\$ 50,000	\$ 25,000	\$ 25,000
DO Target Adjustment		\$ 25,000	\$ 25,000
Contingency	\$ 15,000	\$ 50,000	\$ 50,000
TMDL Task Force Regulatory/Administrative Budget	\$ 165,000	\$ 275,000	\$ 275,000

Part B: TMDL Implementation Project Budget

TMDL Compliance Monitoring			
Watershed-wide Nutrient Monitoring Program			
	\$ 85,000	\$ 85,000	\$ 85,000
Watershed-wide Nutrient Monitoring & Report Preparation (Weston Solutions)	\$ 70,000	\$ 70,000	\$ 70,000
Wet Year Watershed-wide Monitoring (weather dependant) (RCFC&WCD)	\$ -	\$ -	\$ -
Lab Analysis, Watershed-wide Monitoring (RCFC&WCD)	\$ 15,000	\$ 15,000	\$ 15,000
Stream gauge O&M (RCFC&WCD)	\$ -	\$ -	\$ -
Lake Elsinore Nutrient Monitoring Program			
	\$ -	\$ 150,000	\$ 150,000
Lake Elsinore Nutrient Monitoring & Lab Analysis (EVMWD)	\$ -	\$ 150,000	\$ 150,000
Canyon Lake Nutrient Monitoring Program			
	\$ -	\$ 150,000	\$ 150,000
Canyon Lake Nutrient Monitoring & Lab Analysis (EVMWD)	\$ -	\$ 150,000	\$ 150,000
Lake Elsinore Project Alternatives			
Aeration & Destratification System O&M (to be handled by separate agreement)			
	\$ -	\$ -	\$ -
O&M	\$ -	\$ -	\$ -
Pollutant Trading Administration (3% of O&M Costs)	\$ -	\$ -	\$ -
Fishery Management O&M			
	\$ -	\$ -	\$ -
Carp Removal Program	\$ -	\$ -	\$ -
Pollutant Trading Administration (3% of O&M Costs)	\$ -	\$ -	\$ -
Canyon Lake Project Alternatives			
	\$ 330,000	\$ 407,000	\$ 407,000
Chemical Additions - Alum Dosing (2 applications annually)	\$ 270,000	\$ 270,000	\$ 270,000
Consulting Support	\$ 30,000	\$ -	\$ -
O&M Agreement	\$ -	\$ -	\$ -
Detailed Design	\$ -	\$ -	\$ -
Construction	\$ -	\$ -	\$ -
Effectiveness Monitoring		\$ 100,000	\$ 100,000
O&M	\$ -	\$ -	\$ -
Project Administration (10% of budgeted expenses)	\$ 30,000	\$ 37,000	\$ 37,000
Pollutant Trading Administration (3% of O&M Costs)	\$ -	\$ -	\$ -
TMDL Task Force Implementation Budget	\$ 415,000	\$ 792,000	\$ 792,000
TMDL Task Force Budget :	\$ 580,000	\$ 1,067,000	\$ 1,067,000

LESJWA BOARD MEMORANDUM NO. 716

DATE: April 18, 2013
SUBJECT: Report on Audit for Fiscal Year Ending June 30, 2012
TO: LESJWA Board of Directors
FROM: Karen Williams, Chief Financial Officer

RECOMMENDATION

Staff recommends that the Board of Directors receive and file the FY 2011-12 Report on Audit prepared by Charles Z. Fedak & Company, and direct staff to file the Report on Audit with respective government agencies as required by law.

DISCUSSION

Attached for your review, receipt, and filing is LESJWA's FY 2011-12 Report on Audit (Financial Statements) prepared by Charles Z. Fedak & Company.

All government agencies and/or special districts must contract for an independent financial audit as required by California Government Code. In addition, because LESJWA receives State (SWRCB) grant funding (Proposition 13), the independent audit must include additional work and reporting by the auditors testing LESJWA's internal control procedures for receipt of grant funding, to ensure compliance with respective State and Federal laws and regulations.

Staff is pleased to report that the financial statements presented herein contain no qualifications or reportable conditions. This indicates that LESJWA's financial reporting meets generally accepted accounting principles (GAAP), is compliant with applicable State and Federal laws and regulations, and its internal controls are sufficient to safeguard against material errors or fraud.

The Audit report was sent to each of the member agency's financial staffs for review. After a review of the Audit Report, the financial staff did not feel it was necessary to meet and did not wish to make changes to the report.

Mr. Chris Brown with Charles Z. Fedak & Company will present the audit, and respond to questions the Board may have regarding LESJWA's Report on Audit for the fiscal year ending June 30, 2012.

RESOURCES IMPACT

None.

KW:dm

Attachments:

1. LESJWA Management Report
2. LESJWA Annual Financial Report

Lake Elsinore & San Jacinto Watersheds Authority

Management Report

June 30, 2012



Charles Z. Fedak & Company

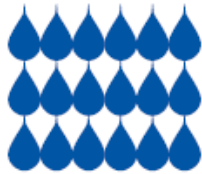
Certified Public Accountants
An Accountancy Corporation

Lake Elsinore & San Jacinto Watersheds Authority

Management Report

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Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com
WEB www.czfcpa.com

Board of Directors
Lake Elsinore & San Jacinto Watersheds Authority
Riverside, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of Lake Elsinore & San Jacinto Watersheds Authority (Authority) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Our consideration on internal control was for the limited period described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

No issues noted.

Summary of Prior Year Comments and Recommendations

No issues noted.

* * * * *

This report is intended solely for the information and use of management and the Board of Directors of the Authority. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Charles Z. Fedak & Company, CPAs - An Accountancy Corporation
Cypress, California
January 22, 2013

APPENDIX

Lake Elsinore & San Jacinto Watersheds Authority

Board of Directors Letter

June 30, 2012



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com
WEB www.czfcpa.com

Board of Directors
Lake Elsinore & San Jacinto Watersheds Authority
Riverside, California

We have audited the basic financial statements of the Lake Elsinore & San Jacinto Watersheds Authority (Authority) for the year ended June 30, 2012 and have issued our report thereon dated January 22, 2013. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the Authority's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated April 27 2012, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the Authority's external financial reporting process or any other processes.

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management during our interim fieldwork.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the Authority during fiscal year 2012 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the position in the basic financial statements is (are):

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the basic financial statements is (are):

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There were no audit adjustments and/or reclassification entries made to the original trial balance presented to us to begin our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principal to the Authority's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit processes and testwork.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the Authority.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated January 22, 2013.

Conclusion

We appreciate the cooperation extended us by Mark Norton, Authority Administrator, and Karen Williams, Chief Financial Officer - SAWPA, in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the Authority.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Charles Z. Fedak & Company, CPAs - An Accountancy Corporation
Cypress, California
January 22, 2013

Lake Elsinore & San Jacinto Watersheds Authority



City of Lake Elsinore • City of Canyon Lake • County of Riverside
Elsinore Valley Municipal Water District • Santa Ana Watershed Project Authority

**Lake Elsinore & San Jacinto
Watersheds Authority
Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

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Lake Elsinore & San Jacinto Watersheds Authority



City of Lake Elsinore • City of Canyon Lake • County of Riverside
Elsinore Valley Municipal Water District • Santa Ana Watershed Project Authority

Lake Elsinore & San Jacinto Watersheds Authority Board of Directors as of June 30, 2012

<u>Representing</u>	<u>Name</u>	<u>Title</u>	<u>Appointment</u>
Elsinore Valley Municipal Water District	Phil Williams	Chair	February 2001
City of Canyon Lake	Nancy Horton	Vice Chair	April 2010
City of Lake Elsinore	Robert E. Magee	Treasurer	April 2010
County of Riverside	Bob Buster	Director	February 2001
Santa Ana Watershed Project Authority	Tom Evans	Director	February 2008

Lake Elsinore & San Jacinto Watersheds Authority
Mark Norton, Authority Administrator
11615 Sterling Avenue
Riverside, CA 92503 • (951) 354-4220
www.mywatersheds.com

Lake Elsinore & San Jacinto Watershed Authority
Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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Independent Auditor's Report

Board of Directors
Lake Elsinore & San Jacinto Watershed Authority
Riverside, California

We have audited the accompanying financial statements of the governmental activities of the Lake Elsinore & San Jacinto Watershed Authority (Authority) as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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; and the State Controller's Minimum Audit Requirements for California Special Districts. 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 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 respective financial position of the Lake Elsinore & San Jacinto Watershed Authority as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on page 25.

Independent Auditor's Report, continued

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the Budgetary Comparison Schedule – General Fund on page 23 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Charles Z. Fedak & Company, CPA's - An Accountancy Corporation
Cypress, California
October 22, 2012

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Lake Elsinore & San Jacinto Watershed Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2012

The Authority

The Lake Elsinore & San Jacinto Watersheds Authority was formed in 2000 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies. The Authority was formed for the purpose of implementing projects and programs to improve the water quality and habitat of Lake Elsinore and its back basin consistent with the Lake Elsinore Management Plan, and to rehabilitate and improve the San Jacinto and Lake Elsinore Watersheds and the water quality of Lake Elsinore in order to preserve agricultural land, protect wildlife habitat, and protect and enhance recreational resources, all for the benefit of the general public. In April 2010, the LESJWA Board revised its organizational mission to set an equal emphasis on improving Canyon Lake water quality as with Lake Elsinore and the watersheds.

The Authority's five member agencies are the City of Lake Elsinore, City of Canyon Lake, County of Riverside, Elsinore Valley Municipal Water District, and Santa Ana Watershed Project Authority (SAWPA).

Overview of the Financial Statements

The Authority is a special purpose government (special district). Accordingly, the accompanying financial statements are presented in the format prescribed for governmental funds by the Governmental Accounting Standards Board.

The Authority has one governmental fund, the general fund.

These financial statements consist of four interrelated statements designed to provide the reader with relevant, understandable data about the Authority's financial condition and operating results. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The statement of net assets presents information on all the Authority's assets and liabilities, with the differences 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.

The statement of activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. 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.

The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance each provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 12 and 13 of this report.

Lake Elsinore & San Jacinto Watershed Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2012

Notes to the 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 financial statements can be found on pages 14 through 22 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$687,741 at June 30, 2012.

Net Assets

	2012	2011	2010
Assets			
Current and Other Assets	\$ 745,913	\$ 794,160	\$ 863,250
Total Assets	745,913	794,160	863,250
Liabilities			
Current Liabilities	58,172	58,799	68,556
Total Liabilities	58,172	58,799	68,556
Net Assets			
Unrestricted	687,741	735,361	794,694
Total Net Assets	\$ 687,741	\$ 735,361	\$ 794,694

The following denotes explanations on some of the changes between fiscal years, as compared in the table above.

- The \$48,247 decrease in current assets is due to a decrease in cash and investments, JPA operations were partly funded using the fund balance as was budgeted.
- The \$627 decrease in liabilities is due to a general decrease in accounts payable and related party payables.

Categories of Net Assets

The Authority is required to present its net assets in three categories: Invested in Capital Assets, net of related debt; Restricted; and Unrestricted.

Invested in Capital Assets

At June 30, 2012, the Authority did not have any net assets invested in capital assets, net of related debt.

Restricted

At June 30, 2012, the Authority did not have any restricted net assets.

Unrestricted

At June 30, 2012, the Authority had unrestricted net assets of \$687,741 and \$735,361, respectively.

Lake Elsinore & San Jacinto Watershed Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2012

Categories of Net Assets, continued

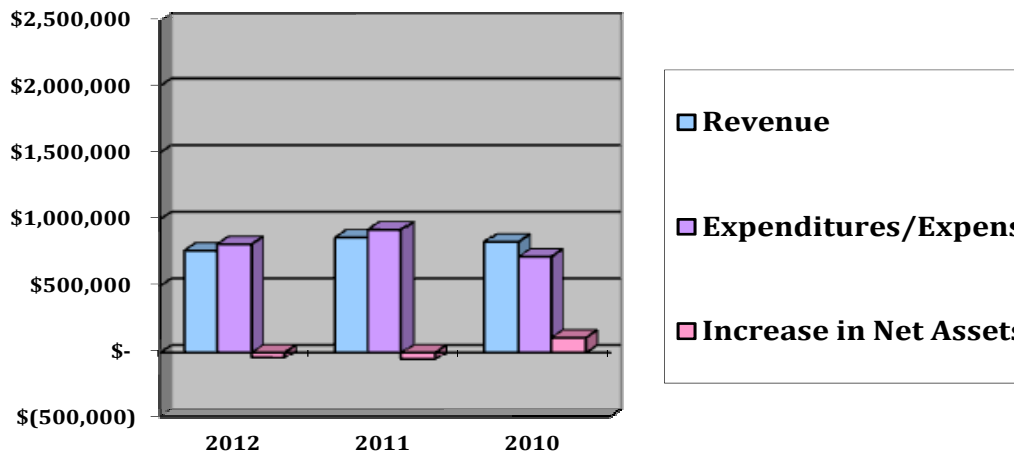
Change in Net Assets

Overall, the fiscal year ending June 30, 2012, resulted in a decrease in net assets of \$47,620, a \$11,713 decrease in the change in net assets from the previous year. The budget included the use of reserves to fund JPA operations.

Changes in Net Assets

Item Category	2012	2011	2010
	Amount	Amount	Amount
Program Revenues	\$ 712,456	\$ 809,221	\$ 774,700
General Revenues	53,206	54,326	56,854
Total Revenues	765,662	863,547	831,554
Total Expenses	813,282	922,880	719,665
Change in Net Assets	(47,620)	(59,333)	111,889
Extraordinary Item	-	-	-
Beginning Net Assets	735,361	794,694	682,805
Ending Net Assets	\$ 687,741	\$ 735,361	\$ 794,694

Increase in Net Assets



Lake Elsinore & San Jacinto Watershed Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2012

Revenues

Combined revenues for the fiscal year totaled \$765,662 a decrease of \$97,885, or 11.3%, less than the prior fiscal year. The following table presents a comparison of revenues by category for the fiscal years 2012, 2011, and 2010.

Revenues – Government Wide

Revenue Category	2012		2011		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Operating Grants & Contributions	\$ 712,456	93.05%	\$ 809,221	93.71%	\$ 774,700	93.16%
Member Contributions	50,000	6.53%	50,000	5.79%	50,000	6.01%
Investment Income	3,206	0.42%	4,326	0.50%	6,854	0.82%
Total Revenues	\$ 765,662	100.00%	\$ 863,547	100.00%	\$ 831,554	100.00%

The following denotes explanations on some of the changes between fiscal years, as compared in the table above.

- The \$96,765 decrease in operating grants and contributions is due to a time extension and less work progress than expected on the Proposition 40 back basin ponds project.
- The \$1,120 decrease in investment income is due to lower than anticipated interest rates on reserve funds. Reserve funds were used throughout the year to fund JPA operations.

Expenses

Combined expenditures for the fiscal year totaled \$813,282, a decrease of \$109,598, or 11.9%, less than the prior fiscal year. The following table presents a comparison of expenditures by category for the fiscal years 2012, 2011, and 2010.

Expenses – Government Wide

Expense Category	2012		2011		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Administrative	\$ 203,476	25.02%	\$ 266,954	28.93%	\$ 269,884	37.50%
Contract Labor	600	0.07%	2,925	0.32%	26,632	3.70%
Consulting	609,095	74.89%	652,835	70.74%	422,930	58.77%
Interest Expense	111	0.02%	166	0.02%	219	0.03%
Total Expenses	\$ 813,282	100.00%	\$ 922,880	100.00%	\$ 719,665	100.00%

Lake Elsinore & San Jacinto Watershed Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2012

Expenses – Government Wide, continued

The following denotes explanations on some of the changes between fiscal years, as compared in the table on the previous page.

- The \$63,478 decrease in administrative costs is due to a reduction of staff time needed with the completion of the back basin ponds project.
- The \$43,740 decrease in consulting costs is due to less work progress and a time extension necessary to complete the back basin ponds project.

Financial Analysis of the Authority'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 resources that are available for spending. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The governmental fund reported by the Authority is the Authority's general fund.

As of the end of the fiscal year ended June 30, 2012, the Authority's general fund reported an ending fund balance of \$687,741, a decrease of \$47,620 or 6.5% as compared to the prior year. All of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion.

The general fund is the chief operating fund of the Authority. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$687,741, which was also the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balances and total fund balance to total fund expenditures.

Unreserved fund balance represents 18.3% of total general fund expenditures of \$813,282. The prior year comparison for unreserved fund balance to total general fund expenditures is 25.5%.

The fund balance in the Authority's general fund decreased by \$47,620 during the fiscal year due to several factors:

- Decreased contributions for funding the TMDL Task Force.
- Planned used of reserves to fund JPA operations.

Overall, the general fund's performance resulted in expenditures exceeding revenues in the fiscal year ended June 30, 2012, by \$47,620. In the prior year, general fund expenditures exceeded revenues by \$59,333.

General Fund Budgetary Variances

The Authority's final budget of the general fund did not change from the original budget. The following table presents a comparison of original budgeted amounts versus the actual amounts incurred by category for the fiscal year ended June 30, 2012.

Lake Elsinore & San Jacinto Watershed Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2012

Budget versus Actual – General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts Original and Final	Actual Amounts Budgetary and GAAP Basis	Variance with Budget Positive (Negative)
Revenues			
Grant Program Revenues	\$ 395,709	\$ 347,177	\$ (48,532)
Member Contributions	50,000	50,000	-
Other Agencies	650,000	365,279	(284,721)
Investment Income	2,000	3,206	1,206
Total Revenues	1,097,709	765,662	(332,047)
Expenses			
Grant Program Expenditures			
Contract Labor	2,000	600	1,400
Consulting	550,000	609,095	(59,095)
Project Construction	390,744	-	390,744
General and Administrative	241,825	203,476	38,349
Debt Service	200	111	89
Total Expenses	1,184,769	813,282	371,487
Net Change in Fund Balances	\$ (87,060)	\$ (47,620)	\$ 39,440
Fund Balances - Beginning of Year		735,361	
Fund Balances - End of Year		\$ 687,741	

Lake Elsinore & San Jacinto Watershed Authority
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2012

General Fund Budgetary Variances, continued

The following denotes explanations on some of the significant budget variances, as compared in the table on the previous page.

- The \$48,532 negative variance for grant program revenues is due to the Proposition 40 back basin ponds project construction being extended into the following fiscal year.
- The \$284,721 negative variance for other agencies is due to a change in strategy on how to improve Canyon Lake. Projects were postponed and contributions were not needed until the strategies were refined. These strategies will be implemented beginning FYE 2013.
- The \$57,095 negative variance for consulting is due to the lower than anticipated costs in monitoring TMDL efforts.
- The \$390,744 positive variance for project construction is due to costs associated with the back basin ponds project were charged to consulting instead of project construction.
- The \$38,349 positive variance for general and administrative costs is due to lower than anticipated labor costs for 2012 due to time extensions into the following fiscal year that are necessary for the completion of the back basin ponds project.

Capital Assets

Existing Capital Assets

The Authority did not have any capital assets as of June 30, 2012.

Future Capital Improvements

The Authority does not have any plans for future capital improvements.

Long-Term Debt

The Authority did not have any long-term debt as of June 30, 2012.

Lake Elsinore & San Jacinto Watershed Authority
Statement of Net Assets
June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

Assets:	<u>2012</u>	<u>2011</u>
Cash and cash equivalents (note 2)	\$ 742,152	782,611
Accrued interest receivable	714	978
Accounts receivable	236	7,246
Prepaid insurance	<u>2,811</u>	<u>3,325</u>
Total assets	<u>\$ 745,913</u>	<u>794,160</u>
 Liabilities:		
Accounts payable and accrued expenses	\$ 46,435	45,149
Related party payable (note 4)	<u>11,737</u>	<u>13,650</u>
Total liabilities	<u>58,172</u>	<u>58,799</u>
 Net assets:		
Unrestricted	<u>687,741</u>	<u>735,361</u>
Total net assets	<u>\$ 687,741</u>	<u>735,361</u>

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See accompanying notes to the basic financial statements

Lake Elsinore & San Jacinto Watershed Authority
Statement of Activities
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

<i>Governmental Activities:</i>	<u>2012</u>	<u>2011</u>
Expenses:		
Administrative	\$ 203,476	266,954
Contract labor	600	2,925
Consulting	609,095	652,835
Interest expense	111	166
Total expenses	<u>813,282</u>	<u>922,880</u>
Program revenues:		
Capital and operating grants	712,456	809,221
Total program revenues	<u>712,456</u>	<u>809,221</u>
Net program revenue(expense)	<u>(100,826)</u>	<u>(113,659)</u>
General revenues:		
Member contributions	50,000	50,000
Interest earnings	3,206	4,326
Total general revenues	<u>53,206</u>	<u>54,326</u>
Change in net assets	<u>(47,620)</u>	<u>(59,333)</u>
Net assets – beginning of year	735,361	794,694
Net assets – end of year	<u>\$ 687,741</u>	<u>735,361</u>

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See accompanying notes to the basic financial statements

Lake Elsinore & San Jacinto Watershed Authority
Reconciliation of the Balance Sheet of Governmental Type Funds
to the Statement of Net Assets
For the Fiscal Year Ended June 30, 2012

		General Fund
Assets:		
Cash and cash equivalents	\$	742,152
Accrued interest receivable		714
Accounts receivable		236
Prepaid insurance		2,811
		745,913
Total assets		745,913
Liabilities:		
Accounts payable and accrued expenses		46,435
Related party payable		11,737
		58,172
Total liabilities		58,172
Fund balance (note 3):		
Nonspendable		2,811
Unassigned		684,930
		687,741
Total fund balance		687,741
Total liabilities and fund balance	\$	745,913

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See accompanying notes to the basic financial statements

Lake Elsinore & San Jacinto Watershed 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, 2012

	General Fund
Revenues:	
Capital and operating grants	\$ 712,456
Member contributions	50,000
Interest earnings	3,206
Total revenues	765,662
Expenditures:	
Administrative	203,476
Contract labor	600
Consulting	609,095
Interest expense	111
Total expenditures	813,282
Deficiency of revenues under expenditures	(47,620)
Fund balance – beginning of year	735,361
Fund balance – end of year	\$ 687,741

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See accompanying notes to the basic financial statements

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Lake Elsinore & San Jacinto Watershed Authority (Authority) was formed on April 5, 2000 pursuant to the provisions of Section 6500 of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies. The purpose of the Authority is to implement projects and programs to improve the water quality and habitat of Lake Elsinore and its back basin consistent with the Lake Elsinore Management Plan, and to rehabilitate and improve the San Jacinto and Lake Elsinore Watersheds and the water quality of Lake Elsinore in order to preserve agricultural land, protect wildlife habitat, and protect and enhance recreational resources, all for the benefit of the general public. Administrative costs are funded through equal contributions from each member agency. The five member agencies are the City of Lake Elsinore, City of Canyon Lake, County of Riverside, Elsinore Valley Municipal Water District, and Santa Ana Watershed Project Authority. The Authority is governed by a five-member Board of Directors.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the Authority are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principals Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

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

B. Basis of Accounting and Measurement Focus, continued

Governmental 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. Incorporated into these statements is a schedule to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-wide Financial Statements. The Authority has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

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 property taxes and assessments, 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.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

The Authority reports the following major governmental fund:

General Fund – is a government's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund when necessary.

C. Assets, Liabilities, Net Assets, and Fund Equity

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 Authority net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of Authority's cash is invested in interest bearing cash accounts. The Authority considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

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

C. Assets, Liabilities, Net Assets, and Fund Equity, continued

3. Investments and Investment Policy

The Authority has adopted an investment policy directing the Authority Manager to deposit funds in financial institutions. Investments are to be made in the following area:

- Local Agency Investment Fund (LAIF)

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

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 under the oversight of the Treasurer of the State of California. The fair value of the District'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.

4. Accounts Receivable and Allowance for Bad Debts

The Authority considers accounts receivable to be fully collectible. Accordingly, an allowance for doubtful accounts is not required.

5. Budgetary Policies

Prior to June 30th each fiscal year, the Authority adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenses and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. Actual expenses may not exceed budgeted appropriations, except by 2/3 vote of the Board. Formal budgetary integration is employed as a management control device during the year. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

6. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

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

C. Assets, Liabilities, Net Assets, and Fund Equity, continued

7. 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 Board of Directors) 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 Board of Directors 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.

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

(2) Cash and Cash Equivalents

Cash and investments as of June 30, are classified in the Statements of Net Assets as follows:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ <u>742,152</u>	<u>782,611</u>

Cash and investments as of June 30, consist of the following:

	<u>2012</u>	<u>2011</u>
Deposits with financial institution	\$ 12,613	6,541
Local Agency Investment Fund (LAIF)	<u>729,539</u>	<u>776,070</u>
Total cash and investments	\$ <u>742,152</u>	<u>782,611</u>

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

	<u>2012</u>	<u>2011</u>
Local Agency Investment Fund (LAIF)	268 days	237 days

Authorized Deposits and Investments

Under 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 as listed in Note 1.D.3 to the financial statements.

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 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. Of the Authority's bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name.

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 Code and the Authority's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as RCTF).

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

(2) Cash and Cash Equivalents, continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The Authority's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, LAIF is not rated.

Concentration of Credit Risk

The Authority's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The Authority's deposit portfolio with governmental agencies, LAIF, is 99% of the Authority's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the Authority's total investments.

(3) Fund Balance

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.D.7 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2012 is as follows:

A detailed schedule of fund balance at June 30, 2012 is as follows:

Nonspendable:		
Prepaid insurance	\$	2,811
Unassigned fund balance:		684,930
Total fund balance	\$	687,741

(4) Related Party Transactions

The Authority contracts with one of its member agencies, the Santa Ana Watershed Project Authority (SAWPA), to administer all of its accounting and administrative support. Total expenditures for administrative services provided by SAWPA for the fiscal years ended June 30, 2012 and 2011 were \$215,386 and \$253,253, respectively. At June 30, 2012 and 2011 the amount due to SAWPA was \$13,650 and \$13,579, respectively.

(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 from the previously named sources.

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2012, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 60

In November 2010, the GASB issued Statement No.60, Accounting and Financial Reporting for Service Concession Arrangements. This standard address how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 61

In November 2010, the GASB issued Statement No.61, The Financial Reporting Entity, Omnibus. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 34, Basic Financial Statement and Management's Discussion and Analysis for State and local Governments. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 62

In November 2010, the GASB issued Statement No.62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This standard is designed to allow those who prepare or audit financial statements, or reference standards for state and local governments, to access the applicable guidance with greater ease and certainty. The guidance contained in Statement 62 brings the top category of authoritative governmental accounting and financial reporting literature—"category (a)" GAAP—together in a single publication. The guidance generally has been taken "as-is" from the original FASB and AICPA pronouncements, though a few provisions have been modified where necessary to relate specifically to the governmental environment. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 63

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

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

Governmental Accounting Standards Board Statement No. 64

In June 2011, the GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53. This standard is designed to improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or swap counterparty’s credit support provider, is replaced. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 65

In March 2012, the GASB issued Statement No. 65 – Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 66

In March 2012, the GASB issued Statement No. 66 – Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning

Lake Elsinore & San Jacinto Watershed Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2012
With comparative amounts for the Fiscal Year Ended June 30, 2011

after June 15, 2014. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(7) Commitments and Contingencies

Grant Awards

Grant funds received by the Authority are subject to audit by the grantor agencies. Such audits could result in requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Authority believes that such disallowances, if any, would not be significant.

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, 2012 have been evaluated for possible adjustment to the financial statements or disclosure as of October 22, 2012, which is the date the financial statements were available to be issued.

DRAFT

Lake Elsinore & San Jacinto Watershed Authority
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2012

<i>Governmental Activities:</i>	Adopted Original Budget	Board Approved Changes	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Revenues:					
Capital and operating grants	1,045,709	-	1,045,709	712,456	(333,253)
Member contributions	50,000	-	50,000	50,000	-
Interest earnings	2,000	-	2,000	3,206	1,206
Total revenues	<u>1,097,709</u>	<u>-</u>	<u>1,097,709</u>	<u>765,662</u>	<u>(332,047)</u>
Expenditures:					
Administrative	241,825	-	241,825	203,476	38,349
Contract labor	2,000	-	2,000	600	1,400
Consulting	550,000	-	550,000	609,095	(59,095)
Project construction	390,744	-	390,744	-	390,744
Interest expense	200	-	200	111	89
Total expenditures	<u>1,184,769</u>	<u>-</u>	<u>1,184,769</u>	<u>813,282</u>	<u>371,487</u>
Deficiency of revenues under expenditures	(87,060)	-	(87,060)	(47,620)	<u>39,440</u>
Fund balance – beginning of year	<u>735,361</u>		<u>735,361</u>	<u>735,361</u>	
Fund balance – end of year	<u>648,301</u>		<u>648,301</u>	<u>687,741</u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The Authority follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the Authority's Authority Manager and Executive Secretary prepare and submit an operating budget to the Board of Directors for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts. The Authority's annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the General Fund at the detailed expenditure-type level.

The Authority presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget plus supplemental budget adoptions due to the capital and operating grants that were awarded after the initial budget was adopted.

**Lake Elsinore & San Jacinto Watershed Authority
Organization
For the Fiscal Year Ended June 30, 2012**

State of Organization

The Lake Elsinore & San Jacinto Watersheds Authority (Authority) is a Joint Exercise of Powers Agency created to implement projects and programs to improve the water quality and habitat in order to preserve agricultural land, protect wildlife habitat, and protect and enhance recreational resources, all for the benefit of the general public.

The Authority was authorized and empowered by the Joint Exercise of Powers pursuant to the provisions of Section 6500 of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

Agency Members

City of Canyon Lake
City of Lake Elsinore
County of Riverside
Elsinore Valley Municipal Water District
Santa Ana Watershed Project Authority

Date of Membership

April 5, 2000
April 5, 2000
April 5, 2000
April 5, 2000
April 5, 2000

Board of Directors

Nancy Horton
Robert E. Magee
Bob Buster
Phil Williams
Tom Evans

Agency Members

City of Canyon Lake
City of Lake Elsinore
County of Riverside
Elsinore Valley Municipal Water District
Santa Ana Watershed Project Authority

Executive Staff

Mark Norton, Authority Administrator
Karen Williams, CFO SAWPA

Legal Counsel

Aklufi and Wysocki

Auditor

Charles Z. Fedak & Company - An Accountancy Corporation
Certified Public Accountants

DRAFT

**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***

Board of Directors
Lake Elsinore & San Jacinto Watershed Authority
Riverside, California

We have audited the basic financial statements of the Lake Elsinore & San Jacinto Watershed Authority (Authority) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 22, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Charles Z. Fedak & Company, CPA's - An Accountancy Corporation
October 22, 2012
Cypress, California

LESJWA BOARD MEMORANDUM NO. 717

DATE: April 18, 2013
SUBJECT: 2013 LESJWA Water Summit
TO: LESJWA Board of Directors
FROM: Mark R. Norton, P.E., Authority Administrator

RECOMMENDATION

Staff recommends that the Board of Directors receive and file a report on outreach efforts to Support the Canyon Lake Water Treatment Plans, and the LESJWA Water Summit planning by LESJWA's Education and Outreach Committee and O'Reilly Public Relations.

BACKGROUND

Preparations are underway to conduct education and outreach to the Canyon Lake community and to the Lake Elsinore/Canyon Lake Total Maximum Daily Load (TMDL) Task Force agencies' elected officials about Canyon Lake Water Treatment Options. For the Canyon Lake residents, the City of Canyon Lake has been instrumental in recently holding a question and answer workshop at the Canyon Lake Lodge on March 20. The workshop consisted of a PowerPoint presentation by Jason Uhley of the RCFC&WCD, and then a panel session with Tim Moore of Risk Sciences, Dr. Michael Anderson of UC Riverside, Mark Norton, LESJWA Authority Administrator, Jason Uhley of RCFCWCD, and Norris Brandt of EVWMD. Various fact and informational sheets were distributed to the audience about Canyon Lake Water Treatment. About 60 Canyon Lake residents attended the event.

Attached is an article about the event from the March 29 Canyon Lake Friday Flyer. The event was well received overall and the press coverage was positive.

The next major educational/informational opportunity will be at the LESJWA Water Summit scheduled for April 23, 2013 from 8:30 am – 11:30 am. This event is geared more toward elected officials involved in the Lake Elsinore and Canyon Lake TMDL Task Force, and is intended to give background about the nutrient TMDLs, LESJWA's role, and the Canyon Lake alum application. The associated cost for this event is expected to be far less than the LESJWA 2012 Water Summit due to the use of a public facility and ending the event before the lunch hour. The location of Eastern Municipal Water District was deemed very effective by the Education and Outreach Committee in being located further upstream, closer to TMDL parties and upstream of Canyon Lake.

RESOURCES IMPACT

Sufficient funding has been provided in the approved LESJWA FY 2012-13 Budget for the education and outreach program.

MN:dm

Attachments:

1. March 29, 2013 Canyon Lake Friday Flyer

THE FRIDAY FLYER

Edition
March 29, 2013

Canyon Lake News

POA News

Columnists

Classifieds

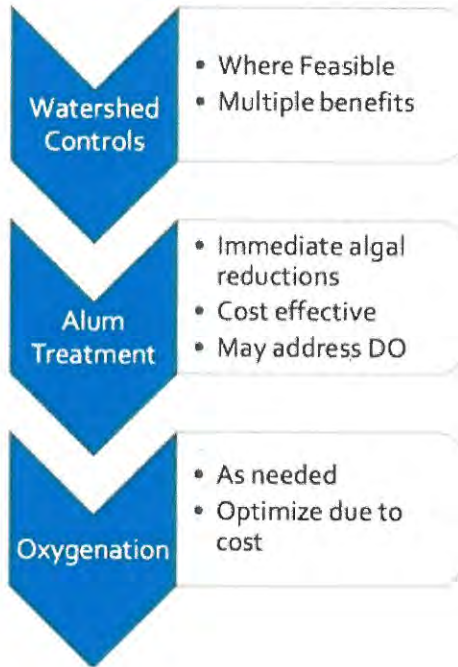
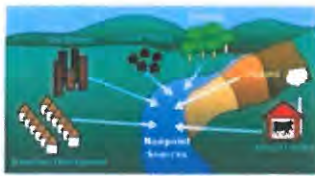
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March 29, 2013 City Connection

Residents learn about lake water treatment

By DONNA KUPKE, Reporter, The Friday Flyer



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Last Wednesday, 50 to 60 people, of whom approximately 25 were Canyon Lake residents, had the opportunity to listen, learn and ask questions about the upcoming plan to improve the lake's water quality. The workshop was presented by the Lake Elsinore San Jacinto Watershed Authority (LESJWA), Elsinore Valley Municipal Water District (EVMWD), the Total Maximum Daily Load (TMDL) Task Force and the City of Canyon Lake.

Jason Uhley, of the Riverside County Flood Control and Water Conservation District, gave a Powerpoint presentation that described the planned course of action. This was the same presentation that was partly responsible for a grant of \$500,000 that was awarded to LESJWA from the grant committee of the Santa Ana Watershed Protection Authority for alum applications in Canyon Lake, as well as continuing possible redesign for the Hypolimnetic Oxygenation System.

The presentation explained that, over the years, the amount of green algae in the lake has been increasing. The primary reason for the increase is the presence of phosphorus and other nutrients in runoff that enters



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the lake from the surrounding watershed and from gutters and drain pipes in Canyon Lake that dump straight into the lake.

Common nutrient sources are excessive fertilizer use, improper yard waste disposal, pet waste, detergents, leaking septic, agriculture/dairies, and natural sources such as wildlife, vegetation and atmosphere.

Phosphorus, in particular, is a nutrient that promotes the growth of green algae. The algae then die and decompose, causing oxygen depletion, which can result in fish kills and poor water quality.

Adding alum to a lake has been proven to vastly improve water clarity. The alum is distributed by boat onto the water's surface over a period of days. The alum adheres to impurities in the water, namely phosphorus, and coagulates to become little clusters or "flocs" that settle to the bottom of the lake, normally within 24 hours. This process is called flocculation.

Another option addressed by Mr. Uhley during his Powerpoint presentation was oxygenation, which is a process that replaces oxygen back to normal levels in the water. However, when comparing the two options, Mr. Uhley noted that studies showed the oxygenation option falls short. Oxygenation would address only the main body of the lake, not the East Bay. It would not meet 2015 interim targets, and it would have no immediate visual response.

The alum treatment, on the other hand, meets all of these conditions, he says. It is also more cost effective and will reduce the algae in the lake almost immediately. In fact, there are usually noticeable improvements within 24 hours after the first application.

In his presentation, Mr. Uhley pointed out that alum is a natural mineral that has been used for water treatment since Roman times. It is a common ingredient in cosmetics, antiperspirants, toothpaste, bath salts and antacids. Alum is sold as a spice in most grocery stores.

The U.S. Center for Disease Control estimates that the average person already consumes approximately 10 to 20 mg/day of aluminum. Less than 10 percent of the average person's daily intake comes from drinking water. It is used in many lakes, including Big Bear Lake, Westlake Village and Spring Valley Ranch.

Prior to the beginning of the workshop presentation, most residents had expressed concern with regard to fishing and swimming. These concerns were quickly put to rest. A larger concern of Canyon Lake residents was with regard to the possibility that Alzheimer's Disease may be contracted, due in part to the use of alum.

Presenters at the workshop were prepared for questions regarding these concerns and included studies in the Powerpoint showing that reputable scientific institutions have concluded that there is absolutely no connection with alum and Alzheimer's Disease. Both the Alzheimer's Association and the Alzheimer's Society have concluded that there is no significant correlation between the level of aluminum exposure and the risk of contracting Alzheimer's Disease.

Apart from the Federal Government, these are the two largest providers of research grants dedicated to curing Alzheimer's Disease. Residents attending the workshop expressed their gratitude for easing these concerns.

One resident expressed concern over the relationship between alum and autism. Although no scientific connection has been shown, a consultant will put together the information regarding autism and the use of alum for future presentation.

The first application of alum is planned for sometime in September of this year. Prior to the first treatment, there will be a report generated and presented at a public meeting. Afterwards, there will be a 30-day period of time during which comments and concerns may be presented in writing. These issues will be addressed and answered at a subsequent meeting.

Subsequent applications will occur in February and September 2014, as well as February and September 2015. There will be five applications total. It will take approximately five to seven days for each complete application. Signs will be posted at all beaches in Canyon Lake to inform residents and guests when it is recommended they stay out of the water at that beach.

Most of the time, the restriction at each beach will be for a 24-hour period only. After each application, testing will be done to determine the levels of phosphorous in the lake. The decision regarding each application rate will be based on phosphorous test results.

Another issue addressed at the workshop was what Canyon Lake residents and guests can do to help keep the water quality in the lake as good as possible. With a reminder that water running into the drains in Canyon Lake ends up in the lake, everyone was encouraged to control their irrigation runoff and limit their

fertilizer use.

They were also asked to properly dispose of yard waste and pick up pet waste. Finally, residents were asked to take their vehicles to a car wash rather than wash them in their driveways.

According to Council member Nancy Horton, by the conclusion of the workshop, most people were very happy with the information they had received and the studies done. She says they were pleased to know that there was no danger of alum getting into the lungs, and that there was no issue with toxicity.

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LESJWA BOARD MEMORANDUM NO. 718

DATE: April 18, 2013

SUBJECT: Status Report – Proposition 84 Round 2 Grant Program - Canyon Lake Improvements

TO: LESJWA Board of Directors

FROM: Mark R. Norton, P.E., Authority Administrator

RECOMMENDATION

Staff recommends that the Board of Directors receive and file the status report about the Proposition 84 grant funding of Canyon Lake Improvements.

BACKGROUND

In July 2012, LESJWA submitted a grant proposal to SAWPA for funding of the Canyon Lake Hybrid Treatment Project under the Proposition 84 Integrated Regional Water Management (IRWM) Program Round 2. Although the grant program is administered ultimately by the CA Dept. of Water Resources, SAWPA is the designated IRWM region for the Santa Ana River Watershed. The Lake Elsinore and San Jacinto River subwatersheds are located within the Santa Ana River Watershed.

The grant proposal sought \$1 million in funding of the next main TMDL improvement project, the Canyon Lake Hybrid Treatment Process, a combination of alum and oxygenation, if necessary. In 2010, a preliminary design report for the Hypolimnetic Oxygenations System (HOS) was completed by PACE, Inc. The preliminary design report was funded by the Lake Elsinore/Canyon Lake (LE/CL) TMDL Task Force. In 2011 and early 2012, additional studies by Dr. Michael Anderson showed that a more effective strategy may be to first apply alum to Canyon Lake for a few years and then consider if a downsized HOS was necessary to assure that TMDL response targets are met. Consequently, a hybrid approach was deemed a more appropriate path by the LE/CL TMDL Task Force.

In December 2012, LESJWA was informed that the Canyon Lake Hybrid Treatment Project was recommended for \$500,000 by the SAWPA Project Selection Committee, the OWOW Steering Committee, and the SAWPA Commission. Between January 2013 and March 2013, LESJWA staff along with 19 other project proponents selected for funding have worked with SAWPA staff to prepare the extensive grant application. One of the requirements was an economic analysis. Through SAWPA, LESJWA contracted with David Taussig & Associates to complete the economic analysis necessary for the submittal. The cost of this analysis was \$6,500. These costs were included as part of the LESJWA administration costs for the LE/CL TMDL.

The LESJWA project proponent application, which included a workplan, schedule, budget, economic analysis, and description of benefits, was submitted to SAWPA and SAWPA submitted the application to DWR on March 27, meeting the DWR deadline of March 29. The next step will be a review of the entire SAWPA portfolio of projects. Contracts between DWR and SAWPA, as well as contracts between SAWPA and LESJWA, likely will be executed in the fall of 2013. Grant funding will be provided on a reimbursement basis after costs are incurred.

RESOURCES IMPACT

Sufficient funding was provided by the LE/CL TMDL Task Force for LESJWA administration to cover all grant preparation costs.

MN:dm

LESJWA BOARD MEMORANDUM NO. 719

DATE: April 18, 2013
SUBJECT: Canyon Lake Alum Application CEQA and Alum Contractor RFP Status
TO: LESJWA Board of Directors
FROM: Mark R. Norton, P.E., Authority Administrator

RECOMMENDATION

Staff recommends that the Board of Directors receive and file this status report on the proposed Canyon Lake Water Treatment, and receive direction from the Board regarding the role of LESJWA in Canyon Lake Improvements.

BACKGROUND

A draft of the Canyon Lake Alum Application CEQA has been prepared for internal review. It is anticipated to be released for public review in late March 2013. Thereafter, the lead agency, the City of Canyon Lake, who hired Tom Dodson & Assoc. to perform the CEQA, is expected to consider the CEQA for approval at their June 2013 meeting. The responsible agencies associated with the CEQA would be LESJWA, EVMWD, and DWR. Additional public outreach meetings will be conducted to assure the public of the safety of the alum application process. The first application of the alum is projected to occur in September 2013 after Labor Day.

Concurrent with the CEQA preparation, LESJWA staff has prepared a draft Request for Proposals (RFP) for the Canyon Lake Alum Application. It is anticipated that the RFP would be released once the CEQA has been approved. Funding for the alum application has been budgeted. It also is anticipated that there will be a need for a construction manager/inspector for the alum application. One option that may reduce costs would be to use EVWMD staff personnel to perform this operation. LESJWA staff will investigate this option as well as local suppliers of the alum to assure cost competitiveness.

RESOURCES IMPACT

All staff administration time for the RFP has been budgeted under the LE/CL TMDL Task Force budget that is also shown in the LESJWA budget.

MN:dm