



# Salton Sea Authority Board of Directors Meeting

Thursday, April 26, 2018  
10:00 a.m.

Coachella Valley Water District  
Steve Robbins Administration Building  
75515 Hovley Lane East  
Palm Desert, CA 92260  
(760) 398-2651



**AGENDA:** **BOARD OF DIRECTORS MEETING**  
**DATE:** **Thursday, April 26, 2018**  
**10:00 a.m.**  
**LOCATION:** **Coachella Valley Water District**  
**Steve Robbins Administration Building**  
**75515 Hovley Lane East**  
**Palm Desert, CA 92260**  
**(760) 398-2651**

**Director John Renison will be attending via teleconference from:**  
**Imperial County Administration Center**  
**Suite 210**  
**940 Main Street**  
**El Centro, CA 92243**  
**(442) 265-1030**

**I. CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**II. BOARD MEMBER COMMENTS**

*This is the time set aside for any Board Member to ask questions or address any issue posed by a member of the public.*

**III. PUBLIC COMMENTS**

*Any member of the public may address and ask questions of the Board relating to any matter within the Authority's jurisdiction. **This Public Comments time is reserved for matters not already on the agenda. The law prohibits members of the Board from taking action on matters not on the agenda.***

*Citizens are invited to speak on any item listed in the agenda upon presentation of that item.*

*Remarks shall be limited to a maximum of three (3) minutes unless additional time is authorized by the Board.*

**IV. CONSENT CALENDAR – Receive, Approve, and File**

A. Minutes of March 29, 2018

B. Warrant Register Ratification for March 2018

C. Internal Financial Report for: 7/01/2017 – 2/28/2018

**V. PRESENTATIONS**

- A. New River Water Quality (Jose Angel, Executive Officer, California Regional Water Quality Control Board)
- B. Auditor's Report on SSA FY 2016-2017 Financial Statements – (Jennifer Farr of Davis Farr LLP)

**VI. ACTION ITEMS**

- A. Salton Sea Authority Insurance Analysis 7-1-18

**VII. REPORTS**

- A. General Manager's Report on Activities – (Phil Rosentrater, GM/Executive Director, Salton Sea Authority)
- B. Legislative Update – (Phillip Johnson, Assistant Executive Director, Salton Sea Authority)
- C. Standing Report
  - 1. FEDERAL: US Bureau of Reclamation – (Genevieve Johnson, Program Manager for the Salton Sea)
  - 2. STATE: Salton Sea Management Program – (Bruce Wilcox, Assistant Secretary for Salton Sea Policy)
- D. Audubon California – (Frank Ruiz, Salton Sea Program Director)
- E. Salton Sea State Recreation Area Update on Activities – (Ray Lennox, Acting Sector Superintendent, California State Parks)
- F. Salton Sea Action Committee – (Juan DeLara, President)

**VIII. ADJOURNMENT**

**NEXT MEETING TIME & LOCATION:**

Thursday, May 24, 2018

10:00 a.m.

Imperial Irrigation District

Bill Condit Auditorium

1285 Broadway Avenue

El Centro, CA 92243

(760) 482-9618

*Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection in the lobby at the front desk of the County Law Building located at 82995 Highway 111, Indio, CA 92201.*



# **OFFICIAL PROCEEDINGS**

## **SALTON SEA AUTHORITY**

### **BOARD OF DIRECTORS MEETING**

#### **March 29, 2018**

#### **I. CALL TO ORDER**

The regularly scheduled meeting of the Salton Sea Authority (“Authority” or “SSA”) Board of Directors (“Board”) was called to order by G. Patrick O’Dowd, President, at 10:03 a.m., March 29, 2018, at the Imperial Irrigation District, Bill Condit Auditorium, 1285 Broadway Avenue, El Centro, CA 92243, (760) 760-482-9618,

#### **PLEDGE OF ALLEGIANCE**

Director Tortez led the Pledge of Allegiance

#### **ROLL CALL:**

##### **DIRECTORS PRESENT**

G. Patrick O’Dowd, President  
James C. Hanks, Vice-President  
Thomas Tortez, Secretary  
Ryan E. Kelley, Director  
John Renison, Director  
V. Manuel Perez, Director  
Erik J. Ortega, Director

##### **AGENCY**

Coachella Valley Water District  
Imperial Irrigation District  
Torres Martinez Desert Cahuilla  
Imperial County  
Imperial County  
Riverside County  
Imperial Irrigation District

##### **DIRECTORS PRESENT VIA TELECONFERENCE**

Altrena Santillanes, Director

##### **AGENCY**

Torres Martinez Desert Cahuilla

*In keeping with the Salton Sea Authority Bylaws, there being at least three of the five member agencies represented, and a single Director carrying the vote of both Directors when the second Director of the same agency is absent, a Quorum was declared, and the meeting proceeded.*

**DIRECTORS ABSENT**

Cástulo R. Estrada, Treasurer  
Marion Ashley, Director

**AGENCY**

Coachella Valley Water District  
Riverside County

**SALTON SEA AUTHORITY STAFF PRESENT**

Phil Rosentrater, Executive Director/General Manager  
Bob Hargreaves, Best Best & Krieger, Legal Counsel

**MEMBERS OF THE PUBLIC PRESENT**

Kristen Johnson  
Jim Byerrum  
Lisa Houston  
Darren Simon  
Brad Williams  
Andy Horne  
Antonio Ortega  
Tom Sephton  
Antony Jones  
Robert X. Betancourt  
Shea Thornbury  
Bob Morriss  
Robert Cheng  
Cindy Byerrum  
Ray Lennox  
Vickie Doyle

**AGENCY**

CVWD  
CalMutuals  
DHCD  
SDCWA  
Granite Construction Co.  
Imperial County  
IID  
Sephton Water Technology  
Geosyntec  
DAS North Shore  
EAS  
ENV Solutions  
CVWD  
SSA  
CA State Parks  
IID

**II. BOARD MEMBER COMMENTS (none)**

**III. PUBLIC COMMENTS**

- A. Robert Betancourt, DAS North Shore, shared his Salton Sea Project ideas for fully accessible recreation to provide recreational activities at the North Shore for all.
- B. Robert Morris, Environmental Solutions Group, spoke of various uses for recycled materials, including playa coverage and houses built in Africa at low cost.

**IV. CONSENT CALENDAR – Receive, Approve, and File**

- A. Minutes of February 22, 2018
- B. Warrant Register Ratification for February 2018
- C. Internal Financial Report for: 7/01/2017 – 1/31/2018

*Director Perez **moved** that the Consent Calendar be approved. **Seconded** by Director Renison. **Unanimously carried** by roll-call vote.*

## **V. PRESENTATIONS**

### **A. Briefing on Prop 68**

Phillip Johnson, SSA Assistant Executive Director, gave a quick briefing on the SSA's interest in raising public awareness of Prop 68's potential benefit to the Salton Sea, and asked for input about how to distribute the materials – perhaps to be included in the monthly bills sent by partner agencies. Discussion followed among the Board members regarding consistency of message among the various groups and effective ways to reach the public with the message.

## **VI. DISCUSSION ITEMS**

### **A. Refining the Roles, Responsibilities and Purpose of Salton Sea Authority**

Phil Rosentrater, SSA GM/Executive Director, introduced this item that was brought up by President O'Dowd at the March SSA Board meeting, inviting discussion among the Board members.

Director O'Dowd opened discussion with several items he would like to see addressed. Considerable discussion followed among the board members and included Bruce Wilcox of CNRA. Director O'Dowd suggested formation of a subcommittee or task force on SB-1277 (Hueso). Directors Kelley and Perez expressed interest in being on that committee/task force. Executive Director Rosentrater advised that there will be opportunity for a task force to weigh in, but that SB-1277 is still a spot bill and may not move this year.

## **VII. REPORTS**

### **A. General Manager's Report on Activities**

The Board had no questions or comments regarding the general manager's report that Phil Rosentrater, SSA GM/Executive Director, had submitted to them previously.

### **B. Legislative Update**

Phillip Johnson, SSA Assistant Executive Director, reviewed a few updated items on the legislative report.

### **C. Standing Report**

#### **1. FEDERAL: US Bureau of Reclamation (no report)**

Ms. Genevieve Johnson, BOR Program Manager for the Salton Sea, was unable to be present due to the passing of her father. Chairman O'Dowd led the group in a moment of silence on behalf of Ms. Johnson's father.

#### **2. STATE: Salton Sea Management Program**

Bruce Wilcox, Assistant Secretary for Salton Sea Policy, reported on current progress/status of the SSMP and answered a couple of questions by Board members.

D. Salton Sea State Recreation Area Update on Activities

Ray Lennox, California State Parks, reported on recent challenges at the SSSRA, including a temporary campground closure for repairs, trying to find a location for a boat launch, and more.

E. Salton Sea Action Committee (SSAC) (none)

**VIII. ADJOURNMENT**

There being no further business, Board President O'Dowd called for a motion to adjourn.

*Director Renison so **moved. Seconded** by Director Perez. **Unanimously carried.***

The meeting adjourned at 11:30 a.m.

**NEXT MEETING TIME & LOCATION:**

The next regularly-scheduled meeting will be held

Thursday, April 26, 2018

10:00 a.m.

Coachella Valley Water District

Steve Robbins Administration Building

75515 Hovley Lane East

Palm Desert, CA 92260

(760) 398-2651

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**Warrant Register**  
**March 1, 2018 through March 31, 2018**



<b>Warrant Date</b>	<b>Warrant Number</b>	<b>Vendor Name</b>	<b>Amount</b>
03/01/2018	16358	Best, Best & Krieger	-1,450.90
03/01/2018	16359	OfficeTeam	-3,281.03
03/01/2018	16360	Platinum Consulting Group LLC	-1,275.00
03/01/2018	16361	RivCo EDA	-24,269.84
03/01/2018	16362	Rosentrater, Phil	-777.72
03/01/2018	16363	SystemGo IT LLC	-812.00
03/07/2018	EFT	Rabobank Credit Card	-3,033.05
03/07/2018	EFT	American Express	-6,339.50
03/19/2018	16364	Best, Best & Krieger	-2,733.60
03/19/2018	16365	Bravata, Lisa	-335.51
03/19/2018	16366	Johnson, Phillip	-359.71
03/19/2018	16367	Platinum Consulting Group LLC	-6,861.99
03/23/2018	16368	Tetra Tech	-6,335.02
03/23/2018	16369	Tetra Tech - 214	VOID
03/27/2018	16370	RivCo EDA	-18,499.00
03/27/2018	16371	Rosentrater, Phil	-714.76

**Total \$ (77,078.63)**



**Salton Sea Authority**  
**Balance Sheet by Class**  
**As of February 28, 2018**

	101 General	214 Wetlands Grant 1	702 Fish Clean Up Trust	TOTAL
<b>ASSETS</b>				
Current Assets				
Checking/Savings				
1000 · Cash - Checking	59,592.40	-11,915.88	0.00	47,676.52
1100 · Cash - Money Market	531,621.36	0.00	20,991.43	552,612.79
1500 · Cash - RivCo Fund	25,269.32	0.00	0.00	25,269.32
1501 · RivCo investment fund	1,030.87	0.00	0.00	1,030.87
1600 · Cash - Petty Cash	200.00	0.00	0.00	200.00
Total Checking/Savings	617,713.95	-11,915.88	20,991.43	626,789.50
Accounts Receivable				
1210 · Accounts Receivable	0.00	288,786.31	0.00	288,786.31
Total Accounts Receivable	0.00	288,786.31	0.00	288,786.31
Other Current Assets				
1290 · County Reconciling Items	7.92	0.00	0.00	7.92
1270 · Due from Other Funds	50,933.81	0.00	0.00	50,933.81
1302 · Other Receivables	0.00	78,388.82	0.00	78,388.82
Total Other Current Assets	50,941.73	78,388.82	0.00	129,330.55
Total Current Assets	668,655.68	355,259.25	20,991.43	1,044,906.36
<b>TOTAL ASSETS</b>	<b>668,655.68</b>	<b>355,259.25</b>	<b>20,991.43</b>	<b>1,044,906.36</b>
<b>LIABILITIES &amp; EQUITY</b>				
Liabilities				
Current Liabilities				
Accounts Payable				
2000 · Accounts Payable	59,920.16	44,248.38	0.00	104,168.54
Total Accounts Payable	59,920.16	44,248.38	0.00	104,168.54
Credit Cards				
2015 · Credit Card Payable	2,963.41	0.00	0.00	2,963.41
2016 · Credit Card Payable AE	5,438.85	0.00	0.00	5,438.85
Total Credit Cards	8,402.26	0.00	0.00	8,402.26
Other Current Liabilities				
2050 · Due to Other Funds	0.00	50,933.81	0.00	50,933.81
2080 · Deferred Revenue	0.00	105,325.79	0.00	105,325.79
Total Other Current Liabilities	0.00	156,259.60	0.00	156,259.60
Total Current Liabilities	68,322.42	200,507.98	0.00	268,830.40
Total Liabilities	68,322.42	200,507.98	0.00	268,830.40
Equity				
3000 · Fund Balance	344,965.74	-58,167.30	20,991.43	307,789.87
Net Income	255,367.52	212,918.57	0.00	468,286.09
Total Equity	600,333.26	154,751.27	20,991.43	776,075.96
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>668,655.68</b>	<b>355,259.25</b>	<b>20,991.43</b>	<b>1,044,906.36</b>

**Salton Sea Authority**  
**Profit & Loss by Class**  
July 2017 through February 2018

		101	214	
		General	Wetlands Grant 1	TOTAL
<b>Ordinary Income/Expense</b>				
1	<b>Income</b>			
2	4000 · Local Gov/Member Assessments	610,000	0	610,000
3	4010 · State of California Grants	0	375,924	375,924
4	4020 · Pooled Cash Allocated Interest	835	0	835
5	4090 · Miscellaneous Revenue	1,984	0	1,984
6	<b>Total Income</b>	<b>612,818</b>	<b>375,924</b>	<b>988,743</b>
7	<b>Expense</b>			
8	<b>SSA ADMINISTRATION</b>			
9	5010 · Salaries			
10	5011 · Salaries - GM/Executive Director	76,580	0	76,580
11	5012 · Executive Director Support	2,080	0	2,080
12	5013 · Admin Support A	28,249	0	28,249
13	5014 · Admin Support B	5,463	0	5,463
14	<b>Total 5010 · Salaries</b>	<b>112,372</b>	<b>0</b>	<b>112,372</b>
15	5500 · Employee Benefits			
16	5501 · Employee Benefits - GM/Exec Dir	21,703	0	21,703
17	5551 · Employee Benefits - SSA	14,806	0	14,806
18	<b>Total 5500 · Employee Benefits</b>	<b>36,509</b>	<b>0</b>	<b>36,509</b>
19	6000 · Contract Service / Professional			
20	6010 · Admin Support B	26,828	0	26,828
21	6011 · Executive Support	47,726	0	47,726
22	6100 · Finance / CPA	42,037	0	42,037
23	6102 · Finance - Admin Support	6,098	0	6,098
24	<b>Total 6000 · Contract Service / Professional</b>	<b>122,688</b>	<b>0</b>	<b>122,688</b>
25	6200 · Contract Attorney	9,968	0	9,968
26	6300 · Equipment Maintenance	6,402	0	6,402
27	6320 · Equipment Lease	176	0	176
28	6325 · Insurance	9,551	0	9,551
29	6330 · Office Exp/Operating Supplies	2,977	0	2,977
30	6335 · Office Exp/Online Services	815	0	815
31	6340 · Postage, Mail	490	0	490
32	6345 · Printing Services	462	0	462
33	6350 · Dues, Subscriptions	11,220	0	11,220
34	6355 · Communications	2,669	0	2,669
35	6370 · Travel/Mileage	53,202	0	53,202
36	<b>Total SSA ADMINISTRATION</b>	<b>369,501</b>	<b>0</b>	<b>369,501</b>
37	<b>WETLANDS GRANT ADMINISTRATION</b>			
38	7000 · Contract Svcs/Attorney	0	3,580	3,580
39	7100 · Contract Svcs/Accountant	0	14,135	14,135
40	<b>Total WETLANDS GRANT ADMINISTRATION</b>	<b>0</b>	<b>17,715</b>	<b>17,715</b>
41	<b>WETLANDS GRANT TECHNICAL</b>			
42	7200 · Contract Svcs/LCP	0	2,389	2,389
43	7300 · Contract Svcs/Construction	0	142,902	142,902
44	<b>Total WETLANDS GRANT TECHNICAL</b>	<b>0</b>	<b>145,291</b>	<b>145,291</b>
45	<b>Total Expense</b>	<b>369,501</b>	<b>163,006</b>	<b>532,506</b>
46	<b>Net Ordinary Income</b>	<b>243,318</b>	<b>212,919</b>	<b>456,236</b>
	<b>Net Income</b>	<b>243,318</b>	<b>212,919</b>	<b>456,236</b>

Salton Sea Authority  
Profit & Loss by Class  
July 2017 through February 2018

101	Wetlands	
General	Grant 1	TOTAL

243,318

## Memorandum

**To:** Salton Sea Authority Board of Directors  
**From:** Phil Rosentrater, GM/Executive Director  
**Date:** April 26, 2018  
**Re:** Submittal of the Salton Sea Authority Fiscal Year 2015-2016 Audit Report  
**CM No.** V.B – 4/26/18

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### **GENERAL:**

Transmitted herewith please find the Fiscal Year 2016-2017 Audit Report prepared by the firm of Davis Farr LLP for your consideration, review and comment.

Ms. Jennifer Farr of Davis Farr LLP will present the Audit Report at the April 26, 2018 Board meeting.

Davis Farr LLP is a CPA firm contracted by the Salton Sea Authority to perform an annual independent audit of the finances in compliance with law governing local governments – in this instance, the Salton Sea Authority as a Joint Powers Authority.

### **RECOMMENDATION:**

The Salton Sea Authority Staff recommends that the Salton Sea Authority Board receive and direct staff to circulate the report to appropriate agencies.

Respectfully submitted,

Phil Rosentrater  
GM/Executive Director

To the Board of Directors  
Salton Sea Authority  
Indio, California

We have audited the financial statements of the governmental activities and each major fund of The Salton Sea Authority (the "Authority") for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information on March 16, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *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 one to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

- Estimates involving revenues and expenses to be accrued as of year-end, including unavailable revenue.
- Estimates involving collectability of grant receivables.
- We evaluated the key factors and assumptions used to develop certain estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

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

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There was a material

audit adjustment detected by the audit process for \$78,000 to increase grants receivable and unavailable revenue.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 4, 2018.

*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 application of an accounting principle to the governmental unit's 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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis* and the *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

A handwritten signature in blue ink, appearing to read "Davis Fan" followed by a stylized flourish.

Irvine, California  
April 4, 2018

Board of Directors  
Salton Sea Authority  
Indio, California

**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***

**Independent Auditor's Report**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Salton Sea Authority (the "Authority"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 4, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Salton Sea Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
April 4, 2018



**SALTON SEA AUTHORITY**  
**BASIC FINANCIAL STATEMENTS**

Year ended June 30, 2017

**SALTON SEA AUTHORITY**  
**BASIC FINANCIAL STATEMENTS**

Year ended June 30, 2017

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Board of Directors  
Salton Sea Authority  
Indio, California

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Salton Sea Authority (the "Authority"), as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Salton Sea Authority's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### *Required Supplementary Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Irvine, California  
April 4, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the financial performance of the Salton Sea Authority provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

### **Using the Accompanying Financial Statements**

This annual report consists of a series of financial statements. The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Also included in the accompanying report are the *fund financial statements*. The fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's most significant funds.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts — *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The *basic financial statements* include two kinds of statements that present different views of the Authority:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Authority's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Authority government, reporting the Authority's operations in *more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provided additional financial and budgetary information.

### Reporting the Authority as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the Authority as a whole. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *modified-accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. You can think of the Authority's net position - the difference between assets and liabilities - as one way to measure the Authority's financial health, or *financial position*. Over time, *increases and decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating.

### Reporting the Authority's Major Funds

The **fund financial statements** provide detailed *information* about the Authority's most significant funds - not the Authority as a whole. Some funds are required to be established by grant or legal requirements. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain resources.

*Governmental funds* — The Authority's basic services are reported in governmental funds, which focus on how money flows into *and* out of those *funds and* the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets:			
Cash	\$415,456	564,414	(148,958)
Accounts receivable	226,025	217,319	8,706
Interest receivable	19	19	-
Advances	<u>-</u>	<u>164</u>	<u>(164)</u>
Total assets	<u>\$641,500</u>	<u>781,916</u>	<u>(140,416)</u>
Liabilities:			
Accounts payable	\$223,902	184,069	39,833
Accrued expenditures	4,480	36,158	(31,678)
Unearned revenue	<u>-</u>	<u>300,000</u>	<u>(300,000)</u>
Total liabilities	<u>228,382</u>	<u>520,227</u>	<u>(291,845)</u>
Net position:			
Restricted for:			
Specific grants	20,991	20,991	-
Unrestricted	<u>392,127</u>	<u>240,698</u>	<u>151,429</u>
Total net position	<u>\$413,118</u>	<u>261,689</u>	<u>151,429</u>

Salton Sea Authority  
Management's Discussion and Analysis (continued)

A summary of the changes in net position is as follows:

	Changes in net position		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues			
Member contributions	\$ 610,000	610,000	-
Intergovernmental	465,490	1,077,606	(612,116)
Miscellaneous	15	-	15
Interest	<u>1,239</u>	<u>784</u>	<u>455</u>
Total revenues	<u>1,076,744</u>	<u>1,688,390</u>	<u>(611,646)</u>
Expenditures			
Administration	609,147	469,664	139,483
Technical and project support	<u>316,168</u>	<u>1,087,300</u>	<u>(771,132)</u>
Total expenditures	<u>925,315</u>	<u>1,556,964</u>	<u>(631,649)</u>
Changes in net position	151,429	131,426	20,003
Beginning net position	<u>261,689</u>	<u>130,263</u>	<u>131,426</u>
Ending net position	<u>\$ 413,118</u>	<u>261,689</u>	<u>151,429</u>

The decrease in intergovernmental revenues and technical and project support expenses is related to the wind down and completion of the Wetlands Phase 1 grant from the State of California.

The increase in administration expense is due to the addition of the Executive Support position as well as increased travel and meeting expenses.



## MAJOR FUNDS

### General Fund

This fund accounts for all administrative activity and expense related to salaries, public outreach, community relations, services and supplies to maintain and support all Salton Sea Authority restoration projects. The General Fund costs are consistent with the previous year, less the short-term staff-transition costs, continuing to fulfill the administrative demands directly related to state-contracted grant programs.

### State Department of Water Resources Habitat Enhancement and Creation Project (Wetlands Fund)

The project provides for habitat enhancement and expansion located at the North end of the Salton Sea. The Salton Sea Authority is working in conjunction with the Torres Martinez Tribe of Indians to revitalize and expand former habitat areas negatively impacted by the receding shoreline of the Salton Sea. The resulting work will safeguard vital species and protect the vulnerable tribal community from exposure to emissive playa areas soon to be covered with wetlands.

## GENERAL FUND BUDGET

Actual expenses were over budget by \$8,306. Contract services exceeded the budget as there were legal and accounting costs related to the Wetlands grant that were not anticipated to be reimbursed.

## CAPITAL ASSETS

The Salton Sea Authority has no significant capital assets (property, plant, and equipment).

## LONG-TERM DEBT

The Salton Sea Authority has no outstanding long-term debt.

### Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, members, and resource providers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Office located at 82995 Highway 111, Suite 200, Indio, CA 92201.

## **BASIC FINANCIAL STATEMENTS**

**SALTON SEA AUTHORITY**  
**STATEMENT OF NET POSITION**

June 30, 2017  
(with comparative information for prior year)

	<u>2017</u>	<u>2016</u>
<b>ASSETS:</b>		
Cash	\$ 415,456	564,414
Grants receivable	226,025	217,319
Interest receivable	19	19
Other	-	164
<b>TOTAL ASSETS</b>	<u>641,500</u>	<u>781,916</u>
<b>LIABILITIES:</b>		
Accounts payable	223,902	184,069
Accrued expenses	4,480	36,158
Unearned revenue	-	300,000
<b>TOTAL LIABILITIES</b>	<u>228,382</u>	<u>520,227</u>
<b>NET POSITION:</b>		
Restricted for:		
Specific grants	20,991	20,991
Unrestricted	<u>392,127</u>	<u>240,698</u>
<b>TOTAL NET POSITION</b>	<u>\$ 413,118</u>	<u>261,689</u>

See accompanying notes to the basic financial statements.

**SALTON SEA AUTHORITY**  
**STATEMENT OF ACTIVITIES**

Year ended June 30, 2017  
(with comparative information for prior year)

Function	Expenses	Operating Grants	Totals	
			2,017	2016
Administration	\$ 609,147	-	(609,147)	(469,661)
Technical and project support	<u>316,168</u>	<u>465,490</u>	<u>149,322</u>	<u>(9,697)</u>
Total	<u>\$ 925,315</u>	<u>465,490</u>	<u>(459,825)</u>	<u>(479,358)</u>
General revenues:				
Member contributions			610,000	610,000
Miscellaneous			15	-
Interest			<u>1,239</u>	<u>784</u>
Total general revenues			<u>611,254</u>	<u>610,784</u>
Change in net position			151,429	131,426
Net position, beginning of year			<u>261,689</u>	<u>130,263</u>
Net position, end of year			<u>\$ 413,118</u>	<u>261,689</u>

See accompanying notes to the basic financial statements.

**SALTON SEA AUTHORITY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2017  
(with comparative information for prior year)

	Special Revenue			Totals	
	General	Wetlands	Fish Clean		
	Fund	Fund	Up Trust	2017	2016
			Fund		
<b>ASSETS:</b>					
Cash	\$ 371,058	23,407	20,991	415,456	564,414
Grants receivable	508	225,517	-	226,025	217,319
Due from other funds	50,934	-	-	50,934	110,181
Interest receivable	19	-	-	19	19
Other	-	-	-	-	164
<b>TOTAL ASSETS</b>	<u>\$ 422,519</u>	<u>248,924</u>	<u>20,991</u>	<u>692,434</u>	<u>892,097</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 73,073	150,829	-	223,902	184,069
Accrued expenses	4,480	-	-	4,480	36,158
Due to other funds	-	50,934	-	50,934	110,181
Unearned revenue	-	-	-	-	300,000
<b>TOTAL LIABILITIES</b>	<u>77,553</u>	<u>201,763</u>	<u>-</u>	<u>279,316</u>	<u>630,408</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue	-	105,326	-	105,326	217,319
<b>TOTAL DEFERRED INFLOWS</b>					
<b>OF RESOURCES</b>	<u>-</u>	<u>105,326</u>	<u>-</u>	<u>105,326</u>	<u>217,319</u>
<b>FUND BALANCES:</b>					
Restricted for restoration activities	-	-	20,991	20,991	20,991
Unassigned	344,966	(58,165)	-	286,801	23,379
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>344,966</u>	<u>(58,165)</u>	<u>20,991</u>	<u>307,792</u>	<u>44,370</u>
<b>TOTAL LIABILITIES, DEFERRED</b>					
<b>INFLOWS OF RESOURCES AND</b>					
<b>FUND BALANCES</b>	<u>\$ 422,519</u>	<u>248,924</u>	<u>20,991</u>	<u>692,434</u>	<u>892,097</u>

See accompanying notes to the basic financial statements.

**SALTON SEA AUTHORITY**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position**

June 30, 2017

Fund balances of governmental funds	\$ 307,792
-------------------------------------	------------

Amounts reported for governmental activities in the statement of  
net position are different because:

Revenues that are measurable but not available. Amounts are recorded as deferred  
inflows of resources under the modified accrual basis of accounting until  
they become available.

<u>105,326</u>
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Net position of governmental activities	<u><u>\$ 413,118</u></u>
-----------------------------------------	--------------------------

See accompanying notes to the basic financial statements.

**SALTON SEA AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**

Year ended June 30, 2017  
(with comparative information for prior year)

		Special Revenue			
	General	Wetlands	Fish Clean	Totals	
	Fund	Fund	Up Trust	2017	2016
	Fund	Fund	Fund		
REVENUES:					
Member contributions	\$ 610,000	-	-	610,000	610,000
Intergovernmental	-	577,483	-	577,483	1,147,425
Miscellaneous	15	-	-	15	-
Interest	1,239	-	-	1,239	784
TOTAL REVENUES	611,254	577,483	-	1,188,737	1,758,209
EXPENDITURES:					
Administration	609,147	-	-	609,147	469,664
Technical and project support	9,159	307,009	-	316,168	1,087,300
TOTAL EXPENDITURES	618,306	307,009	-	925,315	1,556,964
Excess (deficiency) of Revenues over (under) Expenditures	(7,052)	270,474	-	263,422	201,245
OTHER FINANCING SOURCES (USES)					
Transfers in	50,934	-	-	50,934	-
Transfers out	-	(50,934)	-	(50,934)	-
TOTAL OTHER FINANCING SOURCES (USES)	50,934	(50,934)	-	-	-
Net changes in fund balance	43,882	219,540	-	263,422	201,245
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	301,084	(277,705)	20,991	44,370	(156,875)
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 344,966	(58,165)	20,991	307,792	44,370

See accompanying notes to the basic financial statements.

**SALTON SEA AUTHORITY**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities**

Year ended June 30, 2017

Net changes in fund balances - total governmental funds	\$ 263,422
---------------------------------------------------------	------------

Amounts reported for governmental activities in the statement of  
activities are different because:

Revenues that are measurable but not available. Amounts are not recorded  
as revenue under the modified accrual basis of accounting until  
they become available.

<u>111,993</u>
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Change in net position of governmental activities	<u>\$ 151,429</u>
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See accompanying notes to the financial statements.



# SALTON SEA AUTHORITY

## Notes to the Basic Financial Statements

Year ended June 30, 2017

### (1) Summary of Significant Accounting Policies

The basic financial statements of the Salton Sea Authority (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

#### (a) Reporting Entity

The Authority was created on June 2, 1993, as a result of a joint powers agreement entered into by the County of Riverside, County of Imperial, Coachella Valley Water District and the Imperial Irrigation District. The JPA was amended in 2002 to add member agency Torres Martinez Desert Cahuilla Indians. Each of the parties to the joint powers agreement appoints two representatives to the Board of Directors. The Authority is a single function entity whose purpose is to direct and coordinate efforts to improve the quality of the water in the Salton Sea, and to enhance its recreational and economic development potential.

#### (b) Basis of Accounting and Measurement Focus

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

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements.

**Government-wide Financial Statements** – Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

**Fund financial statements** – The underlying accounting system of the Authority is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its

## SALTON SEA AUTHORITY

### Notes to the Basic Financial Statements

(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are presented after the government-wide financial statements. These statements display information about the major funds individually and nonmajor funds in the aggregate.

**Governmental funds** – In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Authority uses an availability period of six months.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided).

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, that they should not be considered “available spendable resources,” since they do not represent net current assets.

Revenues, expenditures, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within the “availability period” established by that local government.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent

# SALTON SEA AUTHORITY

## Notes to the Basic Financial Statements

(Continued)

### (1) Summary of Significant Accounting Policies (Continued)

liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

When both restricted and unrestricted resources are combined in a fund, expenditures are considered to be paid first from restricted resources, and then from unrestricted resources.

#### (c) Fund Classifications

The Authority reports the following major governmental funds:

**General fund** – The general fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

**Wetlands Grant fund** – This fund accounts for the California State Department of Water Resources grant activity related to the habitat enhancement and creation on the Torres Martinez Wetlands.

**Fish Clean Up Trust fund** – This fund accounts for private donations to support the cleanup of fish die-offs at the Salton Sea.

#### (d) Cash

The Authority pools cash of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash*.

#### (e) Capital Assets

The capitalization threshold is \$5,000. Currently, there are no capital assets that individually exceed this capitalization threshold.

#### (f) Interfund Transfers

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

#### (g) Unearned Revenue

Unearned revenue is recorded for member assessments received prior to the year for which the assessments are applicable.

# **SALTON SEA AUTHORITY**

## **Notes to the Basic Financial Statements**

**(Continued)**

### **(1) Summary of Significant Accounting Policies (Continued)**

#### **(h) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government does not report any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grant reimbursements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

#### **(i) Fund Balance**

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. Board of Directors imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts. If the Board action that limits the

# **SALTON SEA AUTHORITY**

## **Notes to the Basic Financial Statements**

**(Continued)**

### **(1) Summary of Significant Accounting Policies (Continued)**

use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resulting fund balance is considered to be committed, not restricted. The Authority considers a resolution to constitute a formal action of the Board of Directors for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated either by the Board of Directors or by persons to whom the Board has delegated the authority to assign amounts for specific purposes.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

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

### **(j) Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### **(k) Comparative Data**

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

## SALTON SEA AUTHORITY

### Notes to the Basic Financial Statements

(Continued)

(2) **Cash**

Cash as of June 30, 2017 is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash	<u>\$415,454</u>
Total cash	<u>\$415,454</u>

Cash as of June 30, 2017 consisted of the following:

Demand deposits	<u>\$415,454</u>
Total cash	<u>\$415,454</u>

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

(3) **Due To/From Other Funds**

Due to/from Other Funds is the result of the general fund paying expenses on behalf of the Wetlands grant fund. This amount is expected to be reimbursed by the grant fund in fiscal year 17/18.

(4) **Transfers In/Out**

Transfers in/out is a result of the general fund paying expenses on behalf of the Wetlands grant fund.

## **SALTON SEA AUTHORITY**

### **Notes to the Basic Financial Statements**

**(Continued)**

**(5) Commitments and Contingencies**

The Authority has been a recipient of State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the Authority had not complied with the rules and regulations governing the grants, the Authority's rights to grant money received may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been made in the accompanying financial statements for such contingencies.

**(6) Employee Benefits**

The Authority's staff includes an employee of the County of Riverside and an employee of Riverside County Economic Development Agency. While these employees receive pension and post-retirement benefits from their respective government agencies, management believes the Authority is not responsible for funding those benefits should the individuals leave the Authority. As such, no pension or other post-employment benefit liabilities have been included in the accompanying financial statements.

**(7) Fund Balance Deficit**

The Wetlands Fund reports an ending fund balance deficit of \$58,165. The fund deficit will be cured in fiscal year 17/18 when reimbursements are received for grant expenses.

**(8) Excess of Expenditures over Appropriations**

For the year ended June 30, 2017, expenditures exceeded appropriations in the General Fund by \$8,306. This is a result of legal and accounting expenses paid for by the general fund on behalf of the Wetlands grant fund.

**REQUIRED SUPPLEMENTARY INFORMATION**



**SALTON SEA AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**

Year ended June 30, 2017

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
REVENUES:				
Member contributions	\$ 610,000	610,000	610,000	-
Miscellaneous	-	-	15	15
Interest	-	-	1,239	1,239
TOTAL REVENUES	<u>610,000</u>	<u>610,000</u>	<u>611,254</u>	<u>1,254</u>
EXPENDITURES:				
Administration	610,000	610,000	609,147	853
Contract Services	-	-	9,159	(9,159)
TOTAL EXPENDITURES	<u>610,000</u>	<u>610,000</u>	<u>618,306</u>	<u>(8,306)</u>
Excess (deficiency) of Revenues over (under) Expenditures	-	-	(7,052)	(7,052)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,934	50,934
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>50,934</u>	<u>50,934</u>
Net changes in fund balance	-	-	43,882	43,882
FUND BALANCE AT BEGINNING OF YEAR	<u>301,084</u>	<u>301,084</u>	<u>301,084</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 301,084</u>	<u>301,084</u>	<u>344,966</u>	<u>138,698</u>

See accompanying notes to required supplementary information.

## **SALTON SEA AUTHORITY**

### **Notes to Required Supplementary Information**

Year ended June 30, 2017

**(1) Budgets and Budgetary Data**

The Authority is only required to adopt an annual budget for the general fund. This budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP). For the other funds of the Authority, project length budgets, rather than annual budgets, are employed.

Once the budget is approved, it can be amended by approval of a majority of the Board of Directors.

The appropriated budget is prepared by fund and function. The Authority's Executive Director may make transfers of appropriations between functions. Transfers of appropriations between funds requires the approval of a majority of the Board of Directors. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations is at the fund level.

A comparison of budget and actual has been presented for the General Fund used by the Authority. With respect to revenues, a favorable variance indicates actual revenues received exceeded the legally adopted budget and an unfavorable variance indicates that actual revenues received were less than the amount budgeted. With respect to expenditures, a favorable variance indicates actual costs were less than the amount budgeted and an unfavorable variance indicates actual expenditures exceeded the legally adopted budget.

# Memorandum

**To:** Salton Sea Authority Board of Directors  
**From:** Phil Rosentrater, GM/Executive Director  
**Date:** April 26, 2018  
**Re:** Salton Sea Authority Insurance Analysis 7-1-18  
**CM No.** VI.A – 04-26-2018

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## **GENERAL:**

In accord with the SSA board expectation that staff will provide superior service at the most efficient cost-benefit ratio, staff and consultants are continuing to search for areas of internal operation that may be improved within the budgeted resources of the SSA.

Among the areas currently under review are the insurance policies carried by SSA. Historically, the SSA has contracted all insurances (general liability, auto, errors & omissions, property, etc.) from Alliant, as brokered through the County of Riverside. This process has been automatic and has not gone out to bid to ensure that Alliant's coverage and costs are competitive.

In April 2018, Authority staff obtained bids from two other insurance providers, Special Districts Risk Management Association (SDRMA) and Joint Powers Risk and Insurance Management Association (JPRIMA). ACWA JPIA was also contacted but declined to submit a bid.

Staff met with Alliant directly in order to review the existing policies and to more accurately determine proposed FY 18/19 costs and coverages. A brief overview of the findings, along with comparison summaries, is provided below.

The three quotes for all insurances are as follows:

SDRMA	\$ 7,034
JPRIMA	\$ 8,207
ALLIANT	\$11,597

## **JPRIMA**

### *Advantages*

- ) Excess Liability for JPRIMA is \$5,000,000 per occurrence and \$5,000,000 aggregate. This excess liability limit increases the total liability limit for General Liability, Hired & Non-owned Auto Liability, Personal & Advertising Injury, and Public Officials Liability (including Employment Practices) from \$1,000,000 to \$6,000,000 per occurrence.

- ) The aggregate limit for General Liability and Public Officials Liability is increased from \$10,000,000 to \$15,000,000. For comparisons purposes, Alliant offers a liability limit of \$5,000,000. The exception is their Employment Practices limit, which is capped at \$2,000,000. SDRMA offers \$2,500,000 in liability limits except for a few situations where limits are lower.
- ) JPRIMA's membership agreement is not based on joint/several liability. It is 100% reinsured - no assessments or financial liability.
- ) Cost is \$3,640 less than Alliant

*Disadvantages*

- ) Board must join the JPA  
Involves a 3-year commitment (unless rates exceed 15%, which would then allow members to exit without penalty).

**SDRMA**

*Advantages*

- ) Cost is \$4,562 less than Alliant

*Disadvantages*

- ) Coverages are less than current policy
- ) Must be a member for 3 years, no exit clause
- ) Joint and several liability
- ) Must join the JPA

**ALLIANT**

*Advantages*

- ) No three-year commitment
- ) Continuity of insurance
- ) No JPA to join

*Disadvantages*

- ) Higher costs than SDRMA and JPRIMA
- ) Less coverage than JPRIMA

**RECOMMENDATION:**

The Salton Sea Authority Staff recommends that the Salton Sea Authority Board approve staff action to procure insurance going forward through JPRIMA along with Agreement to Become a Party to the Amended Joint Powers Agreement Creating the California Association of Mutual Companies Joint Powers Risk and Insurance Management Authority (JPRIMA).

Respectfully submitted,

Phil Rosentrater  
GM/Executive Director

## Staff Report

**To:** Salton Sea Authority Board of Directors  
**From:** Phillip Johnson, Assistant Executive Director, SSA  
**Date:** April 26, 2018  
**Re:** Legislative Update  
**CM No.** VII.B – 4/26/2018

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Staff members from agencies of the Salton Sea Authority are coordinating a unified response to threats and opportunities in the legislative arena at both the state and federal levels.

SSA and its member agencies jointly engaged in the following activities to drive legislative and policy initiatives supported by the Salton Sea Authority Board of Directors:

### California Senate/Assembly Bill Summaries

#### **SB-1277 (Hueso) Salton Sea: governance**

**SSA Position:** Watch

**Status:** Introduced Feb. 16, 2018. Referred to Com. on RLS on March 1, 2018.

This bill would state the intent of the Legislature to enact legislation that would create a governance and administrative structure to manage the day-to-day implementation of the Salton Sea Management Program.

There has already been a meeting with major stakeholders hosted by Senator Hueso to discuss this matter and discussion will continue to be on going. Staff will continue to monitor and will participate in the discussion.

## **AB-2060 (Garcia) Water: grants: advanced payments**

**SSA Position:** Staff recommends SUPPORT

**Status:** Introduced Feb. 6, 2018. Referred to Coms. on W., P., & W. and E.S. & T.M. on Feb. 22, 2018. From committee: Do pass and re-refer to Com. on E.S. & T.M. (Ayes 15. Noes 0.) (March 20). Re-referred to Com. on E.S. & T.M. (Committee on Environmental Safety & Toxic Materials) From committee: Amend and do pass as amended and re-refer to Com. on APPR. (Ayes 7. Noes 0.) (April 10).

This bill is aimed at making it easier for Disadvantaged Communities working on water and waste water projects to receive advance payments for those projects. Existing law only allows for projects under the amount of \$1 million to receive 50% of the advanced payment.

This bill would get rid of the \$1 million cap and replace it with an advanced payment for any project of \$500,000 or 50% of the project cost to any project proponent that requests and demonstrates a need for advanced payment. Staff will continue to monitor this bill as it could be of great help in the Salton Sea area.

## **SB-100 (De Leon) California Renewables Portfolio Standard Program: emissions of greenhouse gases.**

**SSA Position:** Watch

**Status:** Introduced on Jan. 1, 2017. Amended in Senate May 1, 2017. Amended in Senate May 17, 2017. Amended in Senate May 26, 2017. Passed the Senate and Ordered to the Assembly May 31, 2017. Amended in the Assembly June 26, 2017. Amended in the Assembly July 18, 2017. Amended in the Assembly Sept. 8, 2017. From committee with author's amendments. Read second time and amended. Re-referred to Com. on U. & E on Sept. 11, 2017.

SB-100 Establishes the 100 percent clean energy act of 2017 which would increase the Renewables Portfolio Standard (RPS) requirement from 50 percent to 60 percent by 2030. This bill will also create a policy of planning to meet all the state's retail Electricity supply with a mix of (RPS) eligible and zero carbon resources by December 31, 2045. With the goal of reaching 100 percent clean energy.

Of note this is important to the SSA due to the Salton Sea's geothermal potential and how that may fit in with getting the state to 100 percent by 2045 utilizing zero carbon resources. Salton Sea Authority staff will continue to monitor this bill as it moves forward in 2018.

**SB-979 (Cannella) Water Quality, Supply, and Infrastructure Improvement Act of 2014.**

**SSA Position: Watch**

**Status: Introduced on Feb. 1, 2018. Referred to Com. On RLS on Feb.14, 2108.**

Existing law, the Water Quality, Supply, and Infrastructure Improvement Act of 2014, approved by the voters as Proposition 1 at the November 4, 2014, statewide general election, authorizes the issuance of general obligation bonds in the amount of \$7,545,000,000 to finance a water quality, supply, and infrastructure improvement program. The bond act provides that the sum of \$810,000,000 is to be available, upon appropriation by the Legislature, for expenditures on, and competitive grants and loans to, projects that are included in and implemented in an adopted integrated regional water management plan and respond to climate change and contribute to regional water security. The bond act requires \$200,000,000 of that amount to be available for grants for multi benefit storm water management projects.

This bill would make a non-substantive change in those grant provisions, currently a spot bill.

**AB-2208 (Garcia) California Renewables Portfolio Standard Program: local publicly owned electric and gas utilities: electrical and gas corporations.**

**SSA Position: Staff recommends SUPPORT**

**Status: Introduced on Feb. 12, 2018. Referred to Coms. on U. & E. and NAT. RES on March 1, 2018. From committee chair, with author's amendments: Amend, and re-refer to Com. on U. & E. Read second time and amended on March 23, 2018. In committee: Set, first hearing. Hearing canceled at the request of author on April 3, 2018.**

This bill in regards to the California Renewables Portfolio Standard Program, would require that not less than 25% of the incremental procurement requirements for each compliance period be satisfied with renewable grid-balancing generation, as defined subject to certain unspecified parameters, procured on or after July 1, 2017, until either 20% of the total electricity products procured to satisfy the overall procurement requirements are from renewable grid-balancing generation or December 31, 2030, whichever occurs first. The bill would require a specified portion of this increment to be procured from the Salton Sea Known Geothermal Resources Area.

Staff will continue to monitor this bill's progress as it specifically calls for geothermal procurement from the Salton Sea.

## Federal Bill Summaries

### **S. 2329 (Hoeven) Water Infrastructure Finance and Innovation Reauthorization Act of 2018**

**SSA Position:** Watch

**Status:** Introduced and referred to the Committee on Environment and Public Works on Jan. 23, 2018.

S. 2329 would reauthorize WIFIA through fiscal 2024 and would consolidate EPA's and the Army Corps' administration of the programs, allowing the corps to use EPA's administrative infrastructure.

When WIFIA was first created it was a part of the 2014 Water Resources Development Act (WRDA), Congress again is looking to develop a 2018 WRDA and this bill would more than likely be a part of that.

Of note this bill could be extremely helpful in SSA's efforts to tie in multiple federal partners on the same projects. This bill also shows the willingness of the Federal government to link together agencies, and thus opens the opportunity for the SSA to show how the SSA has been working over the past few years itself to find ways to achieve that same goal of linking federal agencies together on projects.

### **S. 32 (Feinstein) - California Desert Protection and Recreation Act of 2017**

**SSA Position:** SUPPORT

**Status:** Introduced to the Senate on Jan. 5, 2017. Read twice and referred to the committee on Energy and Natural Resources on Jan. 5, 2017. Committee on Energy and Natural Resources Subcommittee on Public Lands, Forests, and Mining. Hearings held on July 26, 2017.

Of note for the SSA, the "disposition of revenues" section has remained the same as in S. 2568, the previous year's bill concerning this issue. The specifics that affect SSA and "of note" this only applies to the development of wind or solar energy land managed by the BLM are as follows:

- 25% of the payments go to counties involved.
- 35% of the payments go to "Renewable Energy Resource Conservation Fund" which is managed by the Secretary of the Interior.



- Areas that are eligible for such “funds” that are of note for the SSA are ones around wind or solar development areas that need restoring and protecting such as: wildlife habitat, wildlife corridors, and water resources.

## **S. 1460 (Murkowski) - Energy and Natural Resources Act of 2017**

**SSA Position:**      **Watch**

**Status:**              **Introduced to the Senate, referred to the Senate Committee on Energy and Natural Resources. Hearings held Sept. 19, 2017.**

S. 1460 is the major energy bill that will be discussed in 2018, this bill gained a lot of momentum in 2017 but fell short. Of note in this bill provides assistance to geothermal energy.

Specifically, it calls upon that within 10 years of enacting this bill that major producing geothermal sites should be identified to significantly increase new geothermal energy capacity on public land.

The SSA will also push for consideration of a revenue sharing provision to be added in this bill.

## **H.R. 434 (Denham) - New Water Available to Every Reclamation State Act**

**SSA Position:**      **SUPPORT**

**Status:**              **Introduced to the House, referred to the House Committee on Natural Resources on Jan. 11, 2017. Referred to the Subcommittee on Water, Power and Oceans on Feb. 7, 2017.**

This bill authorizes the Department of the Interior, for 15 years after this bill's enactment, to provide financial assistance, such as secured loans or loan guarantees, to entities that contract under federal reclamation law to carry out water projects within the 17 western states served by the Bureau of Reclamation, other states where the Bureau is authorized to provide project assistance, Alaska, and Hawaii. Projects eligible for assistance include:

- non-federal water infrastructure projects that would contribute to a safe, adequate water supply for domestic, agricultural, environmental, or municipal and industrial use;
- projects for enhanced energy efficiency in the operation of a water system;
- projects for accelerated repair and replacement of aging water distribution facilities;

- brackish or sea water desalination projects; and
- The acquisition of real property or an interest therein for water storage, reclaimed or recycled water, or wastewater that is integral to such a project.
- Eligible project costs must be reasonably anticipated to be at least \$20 million.

The total amount of federal assistance for a project shall not exceed 80% of its total cost.

Interior shall establish: (1) a repayment schedule for each secured loan based on the useful life of the project, and (2) a uniform system to service the federal credit instruments made available under this bill.

### **H.R. 3281 (Lamborn) - Reclamation Title Transfer and Non-Federal Infrastructure Incentivization Act**

**SSA Position: Staff recommends SUPPORT**

**Status: Introduced to the House, referred to the House Committee on Natural Resources on July 18, 2017. Placed on the Union**

**Placed on the Union Calendar, Calendar No. 242 on Sept. 27, 2017.**

This bill authorizes the Department of the Interior to convey U.S. interest in an eligible reclamation project or facility to an agency of a state political subdivision, a joint action or powers agency, a water users association, or an Indian tribe or tribal utility authority that holds a water service contract for such property and that has the capacity to continue to manage the property for the same purposes for which it has been managed under reclamation law.

Criteria for determining whether facilities are eligible for title transfer:

- (1) the transfer will not have an unmitigated significant effect on the environment
- (2) the qualifying entity intends to use the property for substantially the same purposes the property is being used for at the time Interior evaluates the potential transfer
- (3) the qualifying entity agrees to provide the United States the equivalent of the present value of any repayment obligation or other income stream the United States derives from the assets to be transferred.

Salton Sea Authority staff will continue to watch the progress of this bill as it may expedite facility or land transfers in certain situations at the Salton Sea.

### Terminology Reference

**Chaptered** - After a bill has been signed by the Governor, the Secretary of State assigns the bill a Chapter Number, for example, "Chapter 123, Statutes of 1998," which subsequently may be used to refer to the measure.

**Held under submission** - action taken by a committee when a bill is heard in committee and there is an indication that the author and the committee members want to work on or discuss the bill further, but there is no motion for the bill to progress out of committee. This does not preclude the bill from being set for another hearing.

**Inactive file** - The portion of the Daily File containing legislation that is ready for floor consideration, but, for a variety of reasons, is dormant. An author may move a bill to the inactive file if he or she wishes to take it up at a later date. Once a bill is on the inactive file, one day's public notice is needed to place it back on the agenda.

**Suspense File** - A bill or set of bills, with a fiscal impact, set aside in Appropriations committee by a majority of Members present and voting. These bills may be heard at a later hearing.