

## Los Cerritos Wetlands Authority

**Date:** November 7, 2024  
**To:** Governing Board Members  
**From:** Amanda Chan, Contracts and Budgets Analyst  
**Through:** Mark Stanley, Executive Officer  
**Subject:** Item 10: Receive and File FY 2022/2023 LCWA Audit Report

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### **RECOMMENDATION:**

That the Los Cerritos Wetlands Authority (LCWA) Governing Board receive and file the Fiscal Year 2022/2023 LCWA Annual Audit and Related Reports as submitted and detailed in the attached Exhibit A.

### **BACKGROUND:**

Exhibit A: FY 2022/23 LCWA Annual Financial Report for the Fiscal Year Ending 9/30/23  
Exhibit B: Management Report

### **SUMMARY/FINANCIAL HIGHLIGHTS:**

- C.J. Brown & Company CPAs (formerly Fedak & Brown LLP) conducted the audit with the cooperation of the City of Long Beach and LCWA staff.
- During the FY 2022/2023, the Authority's net position decreased by 1.22% or \$143,999, to \$11,706,079 as a result of the Authority's ongoing operations.
- Total revenues decreased by 51.65% or \$603,860 to \$565,218 primarily due to the closing of project activities.
- Total expenses increased by 8.64% or \$56,414 to \$709,217, due to increased consulting and legal expenditures related to the land exchange.
- Capital assets amount to \$11,000,000 with no change from the previous fiscal year.
- The Authority continues to have no long-term debt.
- One material weakness in internal control was identified:

2024-001: Grant revenues were not properly recorded under the modified accrual basis of accounting in grants receivable.

Remedy: the Authority will be more proactive in identifying future deposits by providing grant/contract invoices that have been issued to grantors to the City of Long Beach to set up accounts receivable entries, ensuring a streamlined process for year-end reconciliation.

- No findings noted in the current fiscal year.

**FISCAL:**

Receipt and filing of the FY 2022/2023 audit has no financial impact.



# **Los Cerritos Wetlands Authority**

## **Annual Financial Report**

**For the Fiscal Year Ended September 30, 2023**



# Los Cerritos Wetlands Authority

## Our Mission Statement

*“To provide for a comprehensive program of acquisition, protection, conservation, restoration, maintenance and operation, and environmental enhancement of the Los Cerritos Wetlands area consistent with the goals of flood protection, habitat protection and restoration, and improved water supply, water quality, groundwater recharge and water conservation.”*

## **Our Governing Board**

### **Members**

#### **City of Long Beach**

Chair: Kristina Duggan

*Alternate: Vacant*

#### **City of Seal Beach**

Vice-Chair: Joe Kalmick

*Alternate: Vacant*

#### **State Coastal Conservancy**

Member: Amy Hutzal

*Alternate: Megan Cooper*

#### **Rivers and Mountains Conservancy**

Member: Roberto Uranga

*Alternate: Vacant*

**Los Cerritos Wetlands Authority**  
**Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2023**

**Los Cerritos Wetlands Authority  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2023**

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# **Financial Section**







**C.J. Brown & Company CPAs**  
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

Item 10  
Exhibit A  
**Cypress Office:**  
10805 Holder Street, Suite 130  
Cypress, California 90630  
(657) 214-2307

**Riverside Office:**  
5051 Canyon Crest Drive, Suite 203  
Riverside, California 92507  
(657) 214-2307

**Independent Auditor's Report**

Governing Board  
Los Cerritos Wetlands Authority  
Long Beach, California

**Report on the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the governmental activities of Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Authority, as of September 30, 2023, 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.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Independent Auditor's Report, continued**

### ***Auditor's Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter***

As described in Note 6 to the financial statements, the Authority restated its net position for material differences identified for the year ended September 30, 2022 during the audit of the September 30, 2023 financial statements. As a result, the Authority has restated its net position. Our opinion is not modified with respect to this matter.

## Independent Auditor's Report, continued

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the required supplementary information on page 19 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.

#### *Report on Summarized Comparative Information*

We have previously audited the Authority's fiscal year end September 30, 2022, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not 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 July 10, 2024, 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. This report can be found on pages 20 through 22.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
July 10, 2024

**Los Cerritos Wetlands Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended September 30, 2023**  
**With Comparative Amounts as of September 30, 2022**

As management of the Los Cerritos Wetlands Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities and performance of the Authority for the fiscal year ended September 30, 2023. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

### **Financial Highlights**

- The Authority's net position decreased 1.22% or \$143,999 from \$11,850,078 to \$11,706,079 as a result of ongoing operations.
- The Authority's total revenues decreased 51.65% or \$603,860 from \$1,169,078 to \$565,218.
- The Authority's total expenses increased 8.64% or \$56,414 from \$652,803 to \$709,217.

### **Using This Financial Report**

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 and performance of the Authority using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Authority's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the Authority's operations over the past year and can be used to determine the Authority's profitability and credit worthiness.

### **Government-wide Financial Statements**

#### **Statement of Net Position and Statement of Activities**

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority in a way that helps answer this question.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the *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 the cash is received or paid.

These two statements report the Authority's *net position* and changes in it. One can think of the Authority's net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources), as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in the Authority's organizational agreements to assess the *overall health* of the Authority in future periods.

**Los Cerritos Wetlands Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Year Ended September 30, 2023**  
*With Comparative Amounts as of September 30, 2022*

**Governmental Funds Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

*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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12 through 19.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's budgetary information and compliance.

**Government-wide Financial Analysis**

**Condensed Statements of Net Position**

	<b>2023</b>	<b>As Restated 2022</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 934,151	1,121,864	(187,713)
Capital assets, net	11,000,000	11,000,000	-
<b>Total assets</b>	<b>11,934,151</b>	<b>12,121,864</b>	<b>(187,713)</b>
<b>Liabilities:</b>			
Current liabilities	228,072	271,786	(43,714)
<b>Total liabilities</b>	<b>228,072</b>	<b>271,786</b>	<b>(43,714)</b>
<b>Net position:</b>			
Net investment in capital assets	11,000,000	11,000,000	-
Unrestricted	706,079	850,078	(143,999)
<b>Total net position</b>	<b>\$ 11,706,079</b>	<b>11,850,078</b>	<b>(143,999)</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets of the Authority exceeded liabilities by \$11,706,079 as of September 30, 2023. At the end of fiscal year 2023, the Authority shows a positive balance in its unrestricted net position of \$706,079.

**Los Cerritos Wetlands Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Year Ended September 30, 2023**  
*With Comparative Amounts as of September 30, 2022*

**Government-wide Financial Analysis, continued**

**Condensed Statements of Activities**

<i>Governmental Activities</i>	<u>2023</u>	<u>As Restated 2022</u>	<u>Change</u>
<b>Expenses:</b>			
Authority operations	\$ 709,217	652,803	56,414
<b>Total expenses</b>	<u>709,217</u>	<u>652,803</u>	<u>56,414</u>
<b>Revenues:</b>			
Program revenues	493,190	1,078,388	(585,198)
General revenues	<u>72,028</u>	<u>90,690</u>	<u>(18,662)</u>
<b>Total revenues</b>	<u>565,218</u>	<u>1,169,078</u>	<u>(603,860)</u>
<b>Change in net position</b>	(143,999)	516,275	(660,274)
Net position – beginning of year	<u>11,850,078</u>	<u>11,333,803</u>	<u>516,275</u>
Net position – end of year	<u>\$ 11,706,079</u>	<u>11,850,078</u>	<u>(143,999)</u>

The Statement of Activities shows how the government's net position changed during the fiscal year. In the case of the Authority, net position decreased by \$143,999 during the fiscal year ended September 30, 2023.

A closer examination reveals that:

The Authority's total revenues from all sources decreased 51.65% or \$603,860 to \$565,218. Program revenues decreased 54.27% or \$585,198 to \$493,190, due to decreases of \$372,162 in capital grants sourcing from private agencies and \$220,574 in capital grants sourcing from state and county agencies, which were offset by an increase of \$7,538 in land transfer agreement reimbursements. General revenues decreased 20.58% or \$18,662 to \$72,028, due to a decrease of \$24,920 in miscellaneous income, which was offset by increases of \$5,348 in rental income and \$910 in interest earnings as compared to the prior year.

The Authority's total expenses increased 8.64%, or \$56,414 to \$709,217, primarily due to increases of \$54,148 in consulting fees, \$11,105 in legal fees, and \$3,343 in admin fees, which were offset by a decrease of \$11,979 in bad debt expense as compared to the prior year.

**Governmental Funds Financial Analysis**

The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of September 30, 2023, the Authority's General Fund reported a fund balance of \$706,079. Of the fund balance reported, an amount of \$8,256 is designated as *non-spendable* as it has already been spent towards prepaid insurance. The remaining balance of \$697,823 constitutes the Authority's *unassigned fund balance* which is available for future Authority expenditures.

**Los Cerritos Wetlands Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Year Ended September 30, 2023**  
*With Comparative Amounts as of September 30, 2022*

**General Fund Budgetary Highlights**

At fiscal year-end, actual expenditures for the General Fund were \$87,800 less than final budgeted expenditures. This was primarily due to lower than anticipated services and supplies costs of \$224,532 which were offset by higher than anticipated capital outlay costs of \$136,732. At fiscal year-end, actual revenues were \$212,173 less than final budgeted revenues. This was primarily due to lower than anticipated grant funding of \$99,735 from private agencies and \$50,084 from state and county sources, along with lower than anticipated revenue of \$72,354 from land transfer agreement reimbursements.

**Capital Asset Administration**

At the end of fiscal year 2023, the Authority's investment in capital assets amounted to \$11,000,000. This investment in capital assets includes land that is managed by the Authority.

Changes in capital assets for the year were as follows:

	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>
	<b>2022</b>			<b>2023</b>
Land	\$ 11,000,000	-	-	11,000,000
Total capital assets, net	\$ 11,000,000			11,000,000

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the Authority's current financial position, net position or operating results based on past, present, and future events.

**Requests for Information**

The Authority's basic financial statements are designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional information, please contact the Authority at Los Cerritos Wetlands Authority, C/O the City of Long Beach Financial Management Department, 411 W. Ocean Blvd., Long Beach, CA 90802 or directly at 100 Old San Gabriel Canyon Rd., Azusa, CA 91702, (626) 815-1019.

# **Basic Financial Statements**



**Los Cerritos Wetlands Authority**  
**Statement of Net Position**  
**September 30, 2023**

Item 10  
Exhibit A

	<b>2023</b>
<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 475,152
Accounts receivable (note 3)	450,743
Prepaid insurance	8,256
Total current assets	934,151
<b>Non-current assets:</b>	
Capital assets, net (note 4)	11,000,000
Total assets	11,934,151
<b>Current liabilities:</b>	
Accounts payable	228,072
Total current liabilities	228,072
Total liabilities	228,072
<b>Net position:</b>	
Net investment in capital assets	11,000,000
Unrestricted	706,079
Total net position	\$ 11,706,079

See the accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2023**

<i>Governmental Activities:</i>	<u>2023</u>
<b>Expenses:</b>	
Authority operations	\$ <u>709,217</u>
<b>Total expenses</b>	<u>709,217</u>
<b>Program revenues:</b>	
Contributions – operating	50,000
Capital grants – state and county	334,644
Capital grants – private agency	97,483
Land transfer agreement reimbursements	<u>11,063</u>
<b>Total program revenues</b>	<u>493,190</u>
<b>Net program expense</b>	<u>(216,027)</u>
<b>General revenues:</b>	
Rental income	70,960
Interest earnings	988
Miscellaneous income	<u>80</u>
<b>Total general revenues</b>	<u>72,028</u>
<b>Change in net position</b>	(143,999)
<b>Net position – beginning of year, as restated</b> (note 6)	<u>11,850,078</u>
<b>Net position – end of year</b>	<u>\$ <u>11,706,079</u></u>

See the accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Reconciliation of the Balance Sheet of Governmental**  
**Type Funds to the Statement of Net Position**  
**September 30, 2023**

	<u>General Fund</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Net Position</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 475,152	-	475,152
Accounts receivable, net	450,743	-	450,743
Prepaid insurance	8,256	-	8,256
Total current assets	<u>934,151</u>	<u>-</u>	<u>934,151</u>
<b>Non-current assets:</b>			
Capital assets, net	<u>-</u>	<u>11,000,000</u>	<u>11,000,000</u>
<b>Total assets</b>	<u>\$ 934,151</u>	<u>11,000,000</u>	<u>11,934,151</u>
<b>Current liabilities:</b>			
Accounts payable	\$ 228,072	-	228,072
Total current liabilities	<u>228,072</u>	<u>-</u>	<u>228,072</u>
<b>Total liabilities</b>	<u>228,072</u>	<u>-</u>	<u>228,072</u>
<b>Fund balance: (note 5)</b>			
Nonspendable	8,256	(8,256)	-
Unassigned	697,823	(697,823)	-
<b>Total fund balance</b>	<u>706,079</u>	<u>(706,079)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 934,151</u>		
<b>Net position:</b>			
Net investment in capital assets		11,000,000	11,000,000
Unrestricted		<u>706,079</u>	<u>706,079</u>
<b>Total net position</b>		<u>\$ 11,706,079</u>	<u>11,706,079</u>
<b>Reconciliation:</b>			
Fund balance of governmental funds			\$ 706,079
Amounts reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.			<u>11,000,000</u>
Net position of governmental activities			<u>\$ 11,706,079</u>

See the accompanying notes to the basic financial statements

**Los Cerritos Wetlands 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 September 30, 2023**

	<b>General Fund</b>	<b>Reclassifications &amp; Eliminations</b>	<b>Statement of Activities</b>
<b>Expenditures/Expenses:</b>			
Authority operations	\$ 709,217	-	709,217
<b>Total expenditures/expenses</b>	709,217	-	709,217
<b>Program revenues:</b>			
Contributions – operating	50,000	-	50,000
Capital grant – state and county	334,644	-	334,644
Capital grant – private agency	97,483	-	97,483
Land transfer agreement reimbursements	11,063	-	11,063
<b>Total program revenues</b>	493,190	-	493,190
<b>Net program expense</b>			216,027
<b>General revenues:</b>			
Rental income	70,960	-	70,960
Interest earnings	988	-	988
Miscellaneous income	80	-	80
<b>Total general revenues</b>	72,028	-	72,028
<b>Total revenues</b>	565,218	-	
<b>Excess of expenditures over revenues</b>	(143,999)	143,999	-
<b>Change in net position</b>	-	(143,999)	(143,999)
<b>Fund balance/Net position – beginning of year, as restated</b> (note 6)	850,078	-	11,850,078
<b>Fund balance/Net position</b>	\$ 706,079	-	11,706,079

**Reconciliation:**

Net change in fund balance of governmental fund	\$ (143,999)
Change in net position of governmental activities	\$ (143,999)

See the accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

In February 2006, a joint powers agreement was adopted among the Rivers and Mountains Conservancy, State Coastal Conservancy, City of Long Beach, and the City of Seal Beach. The agreement established the Los Cerritos Wetlands Authority (Authority). Each party shall, subject to the availability of funds, make equal annual contributions (minimum \$5,000 and maximum \$25,000) to, or on behalf of, the Authority. The purpose of the Authority is to provide for a comprehensive program of acquisition, protection, conservation, restoration, maintenance and operation, and environmental enhancement of the Los Cerritos Wetlands area consistent with the goals of flood protection, habitat protection and restoration and improved water supply, water quality, groundwater recharge and water conservation. The Authority has the ability to acquire and own real property, although it does not have the power of eminent domain. A second major purpose of the Authority is to conduct restoration planning and implement that restoration.

The Authority entered into an agreement of land transfer with the Trust for Public Land for approximately 68 acres of property and surface rights; commonly known as the Bryant property in Long Beach, California. The Bryant property has been an active oil field for several decades and currently contains several active oil wells and associated pipelines, roads and buildings.

The acquisition of the Bryant property involved several legal agreements as follows:

- Land Transfer Agreement - Under this agreement the Trust for Public Lands would cause the conveyance of surface fee interest in the 68 acres to the Authority. The Authority would not acquire the mineral rights or the lessor's interest in the oil and gas lease. The Authority would accept title to the surface fee interest property as-is, subject to the Land Use Agreement and the Indemnification Agreement as discussed below.
- Land Use Agreement - This agreement is between Trust for Public Lands, Signal Hill Petroleum, and the Authority, acknowledging the intended use of the conveyed property and the retained property by Signal Hill Petroleum and the Authority. The purpose of the agreement is to ensure the intended use and access of the property for both the Authority and Signal Hill Petroleum.
- Termination of Oil and Gas Lease and Grant of Easement Agreement - This agreement is to define the specific access over and use of the surface property that the Authority grants Signal Hill Petroleum to allow for the existing and future oil operations. The agreement also defines conditions for the oil operations to ensure that they are consistent with the Authority's intended use for habitat restoration and public access. The Authority grants specific easements to Signal Hill Petroleum for oil operations. The easement shall expire when all oil operations are abandoned, and Signal Hill Petroleum shall pay rent of \$25,000 per year to the Authority for the use of these easements.
- Environmental Indemnity Agreement- Under the terms of this agreement, Signal Hill Petroleum indemnifies parties from liabilities associated with any release of materials generated from the oil or gas operations beyond the levels accepted for industrial use. This indemnification only includes liabilities associated with past and future environmental releases associated with oil and gas operations but not for liability for contamination that is unrelated to those activities.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2023**

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

**B. Basis of Accounting and Measurement Focus**

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

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

***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 (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. 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. Items not properly included among program revenues are reported instead as general revenues.

***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. Accompanying these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

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 position. Under a 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 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.

The Authority reports the following major governmental fund:

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

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2023**

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

**C. Financial Reporting**

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**D. Financial Statement Elements**

**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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in the Authority's net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

The Authority has contracted with the City of Long Beach Treasurer's Office to act as its fiscal agent. Substantially all of the Authority's cash is held in a financial institution bank account. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**3. Accounts Receivable and Allowance for Doubtful Accounts**

The Authority extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the Authority uses the allowance method for the reservation and write-off of those accounts.

**4. Prepays**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**5. Capital Assets**

Capital assets are recorded in the government-wide financial statements. Included in capital assets is land held by the Authority. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the Authority's capitalization threshold is met.

**6. Net Position/Fund Balances**

The financial statements utilize a net position presentation. Net position categories are follows:

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

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2023**

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

**D. Financial Statement Elements, 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.

- **Nonspendable** – consists of 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** – consists of 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** – consists of amounts that can only be used for specific purposes determined by formal action of the Authority’s highest level of decision-making authority (the Governing Board) 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** – consists of 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** – consists of 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 Governing Board 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.



**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2023**

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

**D. Financial Statement Elements, continued**

**7. Budgetary Policies**

The Authority follows specific instructions in establishing the budgetary data reflected in the financial statements. Each year the Authority’s Executive Officer prepares and submits an operating and capital budget to the Board of Directors no later than September. The basis used to prepare the budget does not differ substantially in form from the modified accrual basis of accounting. The adopted budget becomes operative on October 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of September 30, 2023 consisted of the following:

	<b>2023</b>
Deposits held with financial institutions	\$ <u>475,152</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 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. The Authority had deposits with a bank balance of \$475,152 as of September 30, 2023. Of the bank balance, up to \$250,000 is federally insured and any remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority’s name.

**(3) Accounts Receivable**

Accounts receivable, net of allowance for doubtful accounts as of September 30, 2023 consists of the following:

	<b>2023</b>
Accounts receivable	\$ 43,896
Accounts receivable – member agencies	10,000
Accounts receivable – grants	<u>396,847</u>
Total accounts receivable, net	\$ <u>450,743</u>

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2023**

**(4) Capital Assets**

Changes in capital assets for the year were as follows:

	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>
	<b>2022</b>			<b>2023</b>
Land	\$ 11,000,000	-	-	11,000,000
Total capital assets, net	\$ 11,000,000			11,000,000

**(5) 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 balance and their funding composition at September 30, 2023, is as follows:

<b>Fund Balance Category</b>	
Nonspendable:	
Prepaid insurance	\$ 8,256
Unassigned fund balance:	697,823
Total fund balance	\$ 706,079

**(6) Adjustment to Net Position**

In fiscal year 2023, the Authority identified a prior year misstatement relating to the prior year reported balances in the September 30, 2022 financial statements. Below is a summary of the identified misstatement:

During the fiscal year, it was identified that the prior year reported receivable and revenue balances did not include amounts which should have been recorded and accrued for at fiscal year-end. As a result, accounts receivable was understated in the amount of \$276,338.

As a result of the identified misstatements, the Authority has recorded a prior period adjustment to restate net position as of September 30, 2022.

In fiscal year 2023, the adjustment to net position was as follows:

Net position at September 30, 2021	\$ 11,333,803
Effect of adjustment for 2022 to record grant receivables	276,338
Change in net position at September 30, 2022, as previously stated	239,937
Total adjustment to net position	516,275
Net position at September 30, 2022, as restated	\$ 11,850,078

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2023**

**(7) Land Option and Exchange Agreement**

On September 27, 2016, the Authority entered into a land exchange option agreement with Los Cerritos Wetlands, LLC (the LLC). Terms of the agreement call for non-refundable consideration in the amount of \$300,000 to be paid to the Authority for an initial option term of 4 years, with an optional term of 4 years thereafter. The agreement provides a right of termination clause in the event the LLC determines to terminate the agreement. Upon termination, the agreement calls for the Authority to refund the LLC \$200,000 within the first year of the agreement, or \$100,000 if exercised within second year of the agreement.

As of September 30, 2020, the Authority and the LLC had exercised the right to extend the term of the Land Exchange Agreement option to September 2, 2024. Refer to note 10 for additional information.

**(8) 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.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Authority's insurance coverage during the years ending September 30, 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of September 30, 2023, 2022, and 2021.

**(9) Commitments and Contingencies**

***Grant Awards***

Grant funds received by the Authority are subject to audit by the grantor agencies. Such an audit could lead to 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.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2023**

**(10) Subsequent Events**

***Land Exchange***

On February 15, 2024, the California State Coastal Conservancy approved the transfer of property by LCWA to Los Cerritos Wetlands LLC (LCWLLC) in exchange for the transfer of an approximately 150-acre parcel by LCWLLC to LCWA for purposes of natural resource and wetland protection and restoration, open space, and public access that is compatible with those purposes.

On May 17, 2024, an appraisal review was performed to determine the fair market values for each land parcel. The LCWA site was valued at \$18,030,000, and the Synergy Site was valued at \$15,310,000.

On June 13, 2024, LCWA agreed to an amended and restated memorandum of option agreement between the Authority and LCWLLC. In addition, LCWA entered into a land exchange agreement between the Authority and LCWLLC. The land exchange agreement involves the transfer of an approximately 5-acre parcel owned by LCWA known as the “LCWA Site” or “OTD Parcel”, in exchange for an approximately 150-acre property known as the “Synergy Site” or “Synergy Oil Field” owned by LCWLLC. Refer to note 7 for additional information.

Events occurring after September 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of July 10, 2024, which is the date the financial statements were available to be issued.

# **Required Supplementary Information**



**Los Cerritos Wetlands Authority**  
**Budgetary Comparison Schedule – General Fund**  
**For the Fiscal Year Ended September 30, 2023**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures/Expenses:</b>					
Authority operations:					
Services and supplies	\$ 256,200	92,490	348,690	124,158	224,532
Capital outlay	686,154	(237,827)	448,327	585,059	(136,732)
<b>Total expenditures/expenses</b>	<u>942,354</u>	<u>(145,337)</u>	<u>797,017</u>	<u>709,217</u>	<u>87,800</u>
<b>Program revenues:</b>					
Contributions – operating	40,000	-	40,000	50,000	10,000
Capital grant – state and county	593,825	(209,097)	384,728	334,644	(50,084)
Capital grant – private agency	208,646	(11,428)	197,218	97,483	(99,735)
Land transfer agreement reimbursements	11,500	71,917	83,417	11,063	(72,354)
<b>Total program revenues</b>	<u>853,971</u>	<u>(148,608)</u>	<u>705,363</u>	<u>493,190</u>	<u>(212,173)</u>
<b>General revenues:</b>					
Rental income	77,383	(3,729)	73,654	70,960	(2,694)
Interest earnings	-	-	-	988	988
Miscellaneous income	11,000	7,000	18,000	80	(17,920)
<b>Total general revenues</b>	<u>88,383</u>	<u>3,271</u>	<u>91,654</u>	<u>72,028</u>	<u>(19,626)</u>
<b>Total revenues</b>	<u>942,354</u>	<u>(145,337)</u>	<u>797,017</u>	<u>565,218</u>	<u>(231,799)</u>
<b>Excess(deficiency) of revenues         over(under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,999)</u>	<u>(319,599)</u>
<b>Fund balance – beginning of year</b>	<u>850,078</u>		<u>850,078</u>	<u>850,078</u>	
<b>Fund balance – end of year</b>	<u>\$ 850,078</u>		<u>850,078</u>	<u>706,079</u>	

**Notes to Required Supplementary Information**

**(1) Budgets and Budgetary Data**

The Authority follows specific instructions in establishing the budgetary data reflected in the financial statements. Each year the Authority’s Executive Officer prepares and submits an operating and capital budget to the Board of Directors no later than September. The basis used to prepare the budget does not differ substantially in form from the modified accrual basis of accounting. The adopted budget becomes operative on October 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

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# **Report on Internal Controls and Compliance**





**C.J. Brown & Company CPAs**  
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

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**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***

Governing Board  
Los Cerritos Wetlands Authority  
Long Beach, California

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 Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated July 10, 2024.

**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 opinion 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. For the year ended September 30, 2023, we identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

**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*, continued**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**Authority's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses.

The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
July 10, 2024

**Los Cerritos Wetlands Authority**  
**Schedule of Finding and Response**  
**For the Year Ended September 30, 2023**

<b><u>Finding Number</u></b>	<b><u>Finding and Recommendation</u></b>
<i>Material Weakness</i>	
<b>2023-001</b>	<u>Grant Revenue Recognition</u>
<b>Criteria</b>	The State Controller's Minimum Audit Requirements for California Special Districts require an annual audit is required by a public accounting firm. A primary component of this requirement is that the auditor is independent and not part of management's decision making or controls. As part of annual engagement communication, the auditor assumes prior to the start of our audit fieldwork: that accounts have been properly reconciled, that prepared year-end schedules and accounting records are accurate, and that the accounts and records have been reviewed by a member of management with suitable skill, knowledge, and experience.
<b>Condition</b>	During our audit, we noted that grant reimbursement revenue attributable to the prior period was not properly recognized as grant revenue when the Authority's grant expenditures were incurred. As a result, prior period adjustments were recorded to properly recognize the grant receivables and revenue in the 2023 and 2022 reporting periods.
<b>Cause</b>	The Authority's year-end closing processes and controls did not reasonably ensure that grant receivable balances are properly reconciled at year-end.
<b>Effect</b>	The Authority's financial statements contained material misstatements.
<b>Recommendation</b>	The Authority to implement year-end closing processes and controls to reasonably ensure that grant receivable balances are properly reconciled at year-end.
<b>View of Responsible Officials</b>	Management agrees with the audit finding. The Authority will review and amend its existing policies and procedures to ensure effective internal controls over the preparation and review of the Authority's year-end closing of its books and records.

**Los Cerritos Wetlands Authority**

**Management Report**

**September 30, 2023**



**C.J. Brown & Company CPAs**  
An Accountancy Corporation

**Los Cerritos Wetlands Authority****Management Report****Table of Contents**

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# C.J. Brown & Company CPAs

## An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
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### CONFIDENTIAL

Board of Directors  
Los Cerritos Wetlands Authority  
Long Beach, California

#### **Dear Members of the Board:**

In planning and performing our audit of the financial statements of Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2023, 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, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed on the following page, we identified certain deficiencies in internal controls that we consider to be a material weakness.

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 over financial reporting, 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.



**Current Year Comments and Recommendations**

We consider the following deficiencies in the Authority's internal control to be a material weakness.

***Material Weakness*****Grants Receivable**

We noted that grant reimbursement income earned in fiscal year 2022 but not received until after the prior fiscal year-end was not properly recorded in grants receivable as of September 30, 2022. As a result, prior period adjustments were recorded to properly recognize the grant income in the 2022 reporting period. We also noted that grant reimbursement income earned in fiscal year 2023 but not received until after the fiscal year-end was not properly recorded in grants receivable as of September 30, 2023. As a result, adjustments were recorded to properly recognize the grant income in the 2023 reporting period, but the financial reports may not accurately reflect all activity.

We recommend grants receivable be recorded appropriately at fiscal year-end on the modified accrual basis of accounting; whereby, 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 are recognized when due.

***Management's Response***

Authority and City management agree with the auditors' recommendation. The Authority and City's management are aware of the identified issue and are currently in the process of taking the proper corrective action to recognize grants receivable based on the modified accrual basis of accounting.

***Other Matters*****Disclosure of Audit Adjustments and Reclassifications**

As your external auditor, we assume that the books and records of the Authority are properly adjusted before the audit begins. However, in many cases audit adjustments and reclassifications are made in the normal course of the audit process to present the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

***Management's Response***

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the Authority as of year end.

**Prior Year Comment and Recommendation**

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the Authority are properly adjusted before the audit begins. However, in many cases audit adjustments and reclassifications are made in the normal course of the audit process to present the Authority’s financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

*Management’s Response*

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the Authority as of year end.

\* \* \* \* \*

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

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
July 10, 2024

**APPENDIX**

**Los Cerritos Wetlands Authority**

**Audit/Finance Committee Letter**

**September 30, 2023**



# C.J. Brown & Company CPAs

## An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

Item 10

**Cypress Office:**  
10805 Holder Street, Suite 150  
Cypress, California 90630  
(657) 214-2307

**Riverside Office:**  
5051 Canyon Crest Drive, Suite 203  
Riverside, California 92507  
(657) 214-2307

Board of Directors  
Los Cerritos Wetlands Authority  
Long Beach, California

We have audited the financial statements of the governmental activities of the Los Cerritos Wetlands Authority (Authority) for the year ended September 30, 2023, and have issued our report thereon dated July 10, 2024. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated October 16, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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 for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated July 10, 2024.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

**Required Risk Assessment Procedures per Auditing Standards:**

As auditors of the Authority, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

**Qualitative Aspects of the Entity’s Significant Accounting Practices***Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on 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 markedly from management’s current judgments. The most sensitive accounting estimate affecting the financial statements is as follows:

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.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the Authority’s financial statements relates to:

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

**Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

**Identified or Suspected Fraud**

We have not identified or have not obtained information that indicates that fraud may have occurred.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on pages 5 through 6 discloses all material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated July 10, 2024.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

**Other Matters**

We applied certain limited procedures to the Management Discussion and Analysis, Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to 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.

We were not engaged to report on the Letter of Transmittal, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Restriction on Use**

This information is intended solely for the information and 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. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

**Conclusion**

We appreciate the cooperation extended us by Maxie Novahom, Performance Auditor, Michael Carrigg, Senior Accountant, Jennifer Mota, Accounting Technician at the City of Long Beach, Salian Garcia, Staff Services Manager at the Los Cerritos Wetlands Authority, and Amanda Chan, Staff Services Analyst at the Los Cerritos Wetlands Authority in the performance of our audit testwork. We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Authority.



**C.J. Brown & Company, CPAs**  
Cypress, California  
July 10, 2024

**Los Cerritos Wetlands Authority**  
**Schedule of Audit Adjusting Journal Entries**  
**September 30, 2023**

Account	Description	Debit	Credit
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE #1</b>			
PPA - To accrue A/R at September 30, 2022 which was received during this fiscal year, but related to last fiscal year.			
127	Grants Receivable	20,021.62	
127	Grants Receivable	75,894.62	
127	Grants Receivable	911.99	
127	Grants Receivable	7,944.38	
341	Collections Held In Trust		104,772.61
<b>Total</b>		<b><u>104,772.61</u></b>	<b><u>104,772.61</u></b>
<b>Adjusting Journal Entries JE #2</b>			
AJE - To remove A/R amounts that related to the prior year that were collected during FY2022-23.			
401	Grant income - State/County	104,772.61	
127	Grants Receivable		20,021.62
127	Grants Receivable		75,894.62
127	Grants Receivable		911.99
127	Grants Receivable		7,944.38
<b>Total</b>		<b><u>104,772.61</u></b>	<b><u>104,772.61</u></b>
<b>Adjusting Journal Entries JE #3</b>			
AJE - To accrue A/R at September 30, 2023.			
125	Accounts Receivable - Current	4,243.44	
127	Grants Receivable	6,313.00	
127	Grants Receivable	4,750.00	
403	Grant Income - Private Assoc/Agency		4,243.44
404	Land Transfer Agreement Reimbursement		11,063.00
<b>Total</b>		<b><u>15,306.44</u></b>	<b><u>15,306.44</u></b>
<b>Adjusting Journal Entries JE #4</b>			
AJE - To remove A/R at September 30, 2023 that relates to the prior year.			
401	Grant income - State/County	156,528.52	
127	Grants Receivable		4,722.92
127	Grants Receivable		13,747.95
127	Grants Receivable		59,675.24
127	Grants Receivable		26,925.24
127	Grants Receivable		12,093.07
127	Grants Receivable		39,364.10
<b>Total</b>		<b><u>156,528.52</u></b>	<b><u>156,528.52</u></b>



**Los Cerritos Wetlands Authority**  
**Schedule of Audit Adjusting Journal Entries**  
**September 30, 2023**

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 5</b>			
PPA - To accrue A/R at Septmeber 30, 2022 that relates to the prior year.			
127	Grants Receivable	59,675.24	
127	Grants Receivable	26,925.24	
127	Grants Receivable	12,093.07	
127	Grants Receivable	39,364.10	
127	Grants Receivable	13,747.95	
127	Grants Receivable	4,722.92	
341	Collections Held In Trust		156,528.52
<b>Total</b>		<b><u>156,528.52</u></b>	<b><u>156,528.52</u></b>
<b>Adjusting Journal Entries JE # 6</b>			
AJE - To accrue A/R per grant schedule PBC at September 30, 2023.			
127	Grants Receivable	6,183.75	
127	Grants Receivable	5,324.64	
401	Grant income - State/County		11,508.39
<b>Total</b>		<b><u>11,508.39</u></b>	<b><u>11,508.39</u></b>
<b>Adjusting Journal Entries JE # 7</b>			
PPA - To accrue A/R at September 30, 2022 per grant schedule PBC.			
127	Grants Receivable	15,036.56	
341	Collections Held In Trust		15,036.56
<b>Total</b>		<b><u>15,036.56</u></b>	<b><u>15,036.56</u></b>
<b>Adjusting Journal Entries JE # 8</b>			
AJE - To accrue accounts payable at September 30, 2023			
501	Consulting Fees	13,748.33	
523	Legal Fees	295.00	
302	Accounts Payable		14,043.33
<b>Total</b>		<b><u>14,043.33</u></b>	<b><u>14,043.33</u></b>

**Los Cerritos Wetlands Authority  
Schedule of Audit Adjusting Journal Entries  
September 30, 2023**

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 9</b>			
AJE - To accrue accounts receivable at September 30, 2023.			
127	Grants Receivable	1,556.52	
401	Grant income - State/County		1,556.52
<b>Total</b>		<u><u>1,556.52</u></u>	<u><u>1,556.52</u></u>
	<b>Total Adjusting Journal Entries</b>	<u><u>580,053.50</u></u>	<u><u>580,053.50</u></u>
	<b>Total All Journal Entries</b>	<u><u>580,053.50</u></u>	<u><u>580,053.50</u></u>

**Legend:**

AJE	Audit Adjusting Journal Entry
PPA	Prior Period Adjustment