

Los Cerritos Wetlands Authority

Annual Financial Report

For the Year Ended September 30, 2009

**Los Cerritos Wetlands Authority
Annual Financial Report
For the Year Ended September 30, 2009**

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Financial Section

Independent Auditor's Report

Governing Board
Los Cerritos Wetlands Authority
Long Beach, California

We have audited the accompanying financial statements of the Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Los Cerritos Wetlands Authority as of September 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information or express an opinion on it.

July 20, 2010
Cypress, California

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Los Cerritos Wetlands Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2009

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, 2009. 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 assets increased 0.13% or \$14,178 from \$11,042,584 to \$11,056,762, primarily due to an increase in program revenues of \$20,000, which was offset by an increase in property management expenses of \$17,064.
- The Authority's total revenues increased 80% or \$20,000 from \$25,000 to \$45,000, from the prior year primarily due to an increase in capital grant revenue.
- The Authority's total expenses increased 124% or \$17,064 from \$13,758 to \$30,822, from the prior year primarily due to an increase in property management expenses.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Assets 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 Assets includes all of the Authority's investments in resources (assets) and the obligations to creditors (liabilities). 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 Statements 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 Assets 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 Assets and the Statement of Activities report information about the Authority in a way that helps answer this question. These statements include all assets and liabilities 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 assets* and changes in them. Think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, 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 Year Ended September 30, 2009

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.

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets of the Authority exceeded liabilities by \$11,056,762 as of September 30, 2009.

Condensed Statement of Net Assets

	2009	2008	Change
Assets:			
Current assets	\$ 64,112	42,584	21,528
Capital assets, net	11,000,000	11,000,000	-
Total assets	11,064,112	11,042,584	21,528
Liabilities:			
Current liabilities	7,350	-	7,350
Total liabilities	7,350	-	7,350
Net assets:			
Net investment in capital assets	11,000,000	11,000,000	-
Unrestricted	56,762	42,584	14,178
Total net assets	\$ 11,056,762	11,042,584	14,178

At the end of fiscal year 2009, the Authority shows a positive balance in its unrestricted net assets of \$56,762 that may be utilized in future years.

Los Cerritos Wetlands Authority
Management's Discussion and Analysis, continued
For the Year Ended September 30, 2009

Condensed Statement of Activities

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Expenses:			
Authority operations	\$ 30,822	13,758	17,064
Total expenses	<u>30,822</u>	<u>13,758</u>	<u>17,064</u>
Revenues:			
Program revenues	20,000	-	20,000
General revenues	25,000	25,000	-
Total revenues	<u>45,000</u>	<u>25,000</u>	<u>20,000</u>
Change in net assets	14,178	11,242	2,936
Net assets – beginning of year	<u>11,042,584</u>	<u>11,031,342</u>	<u>11,242</u>
Net assets – end of year	<u>\$ 11,056,762</u>	<u>11,042,584</u>	<u>14,178</u>

The Statement of Activities shows how the government's net assets changed during the fiscal year. In the case of the Authority, net assets increased by \$14,178 during the fiscal year ended September 30, 2009.

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, 2009, the Authority's General Fund reported a fund balance of \$56,762. This amount constitutes the Authority's *unreserved undesignated fund balance* that is available for future Authority expenditures.

General Fund Budgetary Highlights

At fiscal year-end, actual expenditures for the General Fund were \$6,280,714 less than final budgeted expenditures and actual revenues were \$6,268,513 less than final budgeted revenues. This was principally due to the Authority not securing the balance of the grant funding in the amount of \$6,190,000 for the acquisition of land (See Page 15).

Capital Asset Administration

At the end of fiscal year 2009, 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:

	<u>Balance</u> <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2009</u>
Land	\$ 11,000,000	-	-	11,000,000
Total capital assets, net	<u>\$ 11,000,000</u>			<u>11,000,000</u>

Los Cerritos Wetlands Authority
Management's Discussion and Analysis, continued
For the Year Ended September 30, 2009

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 assets or operating results in terms of past, present and future.

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, 333 West Ocean Blvd., Long Beach, CA 90802.

Basic Financial Statements

Los Cerritos Wetlands Authority
Statements of Net Assets
September 30, 2009
(with comparative amounts for September 30, 2008)

<i>Assets</i>	2009	2008
Current assets:		
Cash and cash equivalents (note 2)	\$ 64,112	17,584
Accounts receivable	-	25,000
Total current assets	64,112	42,584
Non-current assets:		
Capital assets, net (note 3)	11,000,000	11,000,000
Total assets	\$ 11,064,112	11,042,584
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,350	-
Total liabilities	7,350	-
Net assets:		
Net investment in capital assets	11,000,000	11,000,000
Unrestricted	56,762	42,584
Total net assets	\$ 11,056,762	11,042,584

See the accompanying notes to the basic financial statements

Los Cerritos Wetlands Authority
Statements of Activities
For the Years Ended September 30, 2009
(with comparative amounts for the year ended September 30, 2008)

<i>Governmental Activities:</i>	<u>2009</u>	<u>2008</u>
Expenses:		
Authority operations	\$ 30,822	13,758
Total expenses	<u>30,822</u>	<u>13,758</u>
Program revenues:		
Capital grant	20,000	-
Total program revenues	<u>20,000</u>	<u>-</u>
General revenues:		
Rental income	25,000	25,000
Total general revenues	<u>25,000</u>	<u>25,000</u>
Total revenues	<u>45,000</u>	<u>25,000</u>
Change in net assets	14,178	11,242
Net assets – beginning of year	<u>11,042,584</u>	<u>11,031,342</u>
Net assets – end of year	<u>\$ 11,056,762</u>	<u>11,042,584</u>

See accompanying notes to the basic financial statements

Los Cerritos Wetlands Authority
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statements of Net Assets
September 30, 2009

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Net Assets</u>
Current assets:			
Cash and cash equivalents	\$ 64,112	-	64,112
Total current assets	64,112	-	64,112
Non-current assets:			
Capital assets, net	-	11,000,000	11,000,000
Total non-current assets	-	11,000,000	11,000,000
Total assets	<u>\$ 64,112</u>	<u>11,000,000</u>	<u>11,064,112</u>
Current liabilities:			
Accounts payable and accrued expenses	\$ 7,350	-	7,350
Total liabilities	<u>7,350</u>	<u>-</u>	<u>7,350</u>
Fund balance:			
Unreserved:			
Undesignated	56,762	(56,762)	-
Total fund balance	<u>56,762</u>	<u>(56,762)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 64,112</u>		
Net assets:			
Net investment in capital assets		11,000,000	11,000,000
Unrestricted		56,762	56,762
Total net assets		<u>\$ 11,056,762</u>	<u>11,056,762</u>

Reconciliation:

Fund balance of governmental funds	\$ 56,762
Amounts reported for governmental activities in the statement of net assets 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 assets of governmental activities	<u>\$ 11,056,762</u>

See 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 Statements of Activities
For the Year Ended September 30, 2009

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Authority operations	\$ 30,822	-	30,822
Total expenditures/expenses	<u>30,822</u>	<u>-</u>	<u>30,822</u>
Program revenues:			
Capital grant	20,000	-	20,000
Total program revenues	<u>20,000</u>	<u>-</u>	<u>20,000</u>
General revenues:			
Rental income	25,000	-	25,000
Total general revenues	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total revenues	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Excess of revenues over expenditures	14,178	-	-
Change in net assets	-	-	14,178
Fund balance/Net assets – beginning of year	42,584	-	11,042,584
Fund balance/Net assets – end of year	<u>\$ 56,762</u>	<u>-</u>	<u>11,056,762</u>

Reconciliation:

Net changes in fund balance of governmental fund	\$ <u>14,178</u>
Change in net assets of governmental activities	\$ <u>14,178</u>

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements
September 30, 2009

(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 twelve 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
September 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies

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

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

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Authority are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-wide Financial Statements. The Authority has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the Authority are 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.

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
September 30, 2009

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

B. Basis of Accounting and Measurement Focus, continued

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.

C. Assets, Liabilities and Net Assets

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in Authority net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

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. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets is land of 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.

4. Net Assets

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

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

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
September 30, 2009

(2) Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2009, consist of the following:

Deposits held with financial institutions	\$	64,112
Total cash and cash equivalents	\$	64,112

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 \$64,112 as of September 30, 2009. 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) Capital Assets

Changes in capital assets for the year were as follows:

	Balance 2008	Additions	Deletions	Balance 2009
Land	\$ 11,000,000	-	-	11,000,000
Total capital assets, net	\$ 11,000,000			11,000,000

In 2006, an \$11,000,000 parcel of land was contributed to the Authority to manage as part of its operations.

(4) 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.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to September 30, 2009, that has an effective date that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 45

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. This statement is not effective for this District until the fiscal year ended September 30, 2010. This statement is not expected to have a significant impact on the presentation of the District's financial statements in future years.

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
September 30, 2009

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

Governmental Accounting Standards Board Statement No. 50

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25 and 27, to conform with requirements of GASB Statements No. 43 and 45. This statement is not effective for this Authority until the fiscal year ended September 30, 2010. This statement is not expected to have a significant impact on the presentation of the Authority's financial statements.

Governmental Accounting Standards Board Statement No. 51

In September 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement is not effective for this Authority until the fiscal year ended September 30, 2010. This statement is not expected to have a significant impact on the presentation of the Authority's financial statements.

(6) Contingencies

Grant Awards

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

(7) Governance

Governing Board

Gary DeLong	City of Long Beach, Chair
Sam Schuchat	State Coastal Conservancy, Vice-Chair
Position vacant	Rivers and Mountains Conservancy
David Sloan	City of Seal Beach

Required Supplementary Information

Los Cerritos Wetlands Authority
Budgetary Comparison Schedule – General Fund
For the Year Ended September 30, 2009

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Authority operations:					
Services and supplies	\$ 101,536	-	101,536	30,822	70,714
Capital outlay	<u>6,210,000</u>		<u>6,210,000</u>	<u>-</u>	<u>6,210,000</u>
Total expenditures/expenses	<u>6,311,536</u>	<u>-</u>	<u>6,311,536</u>	<u>30,822</u>	<u>6,280,714</u>
Program revenues:					
Contributions - operating	36,229	-	36,229	-	(36,229)
Capital grant	<u>6,210,000</u>	<u>-</u>	<u>6,210,000</u>	<u>20,000</u>	<u>(6,190,000)</u>
Total program revenues	<u>6,246,229</u>	<u>-</u>	<u>6,246,229</u>	<u>20,000</u>	<u>(6,226,229)</u>
General revenues:					
Rental income	<u>67,284</u>	<u>-</u>	<u>67,284</u>	<u>25,000</u>	<u>(42,284)</u>
Total general revenues	<u>67,284</u>	<u>-</u>	<u>67,284</u>	<u>25,000</u>	<u>(42,284)</u>
Total revenues	<u>6,313,513</u>	<u>-</u>	<u>6,313,513</u>	<u>45,000</u>	<u>(6,268,513)</u>
Excess (Deficiency) of revenues over (under) expenditures	1,977	<u>-</u>	1,977	14,178	<u>12,201</u>
Fund balance – beginning of year	<u>19,860</u>		<u>19,860</u>	<u>42,584</u>	
Fund balance – end of year	<u>\$ 21,837</u>		<u>21,837</u>	<u>56,762</u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The Authority presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. No Board-approved supplemental appropriations were made. The budgeted revenue amounts represent the adopted budget as originally provided.

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Report on Internal Controls and Compliance

**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 the basic financial statements of the Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2009, and have issued our report thereon dated July 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

July 20, 2010
Cypress, California