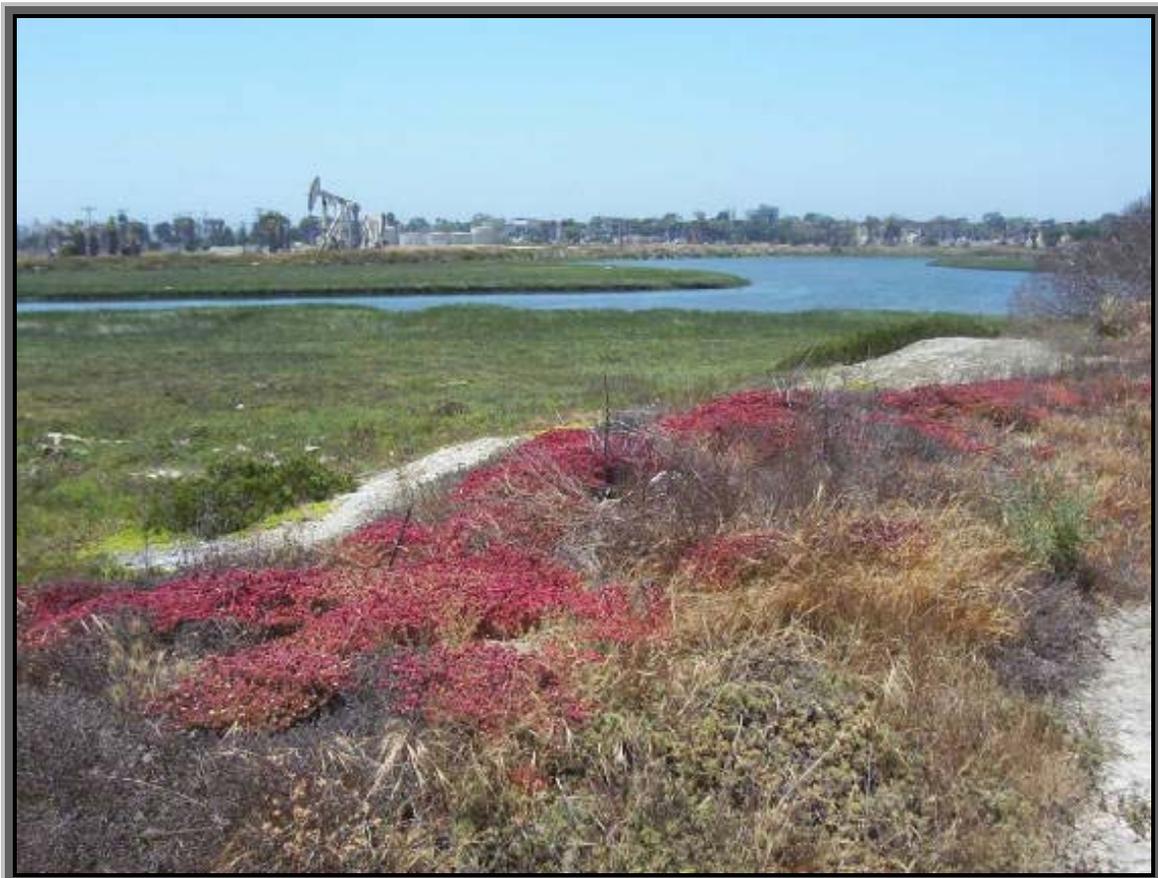




# **Los Cerritos Wetlands Authority**

## **Annual Financial Report**

**For the Fiscal Year Ended September 30, 2020**



# 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

#### **State Coastal Conservancy**

Chair: Sam Schuchat

*Alternate: Joan Cardellino*

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

Vice-Chair: Suzie Price

*Alternate: Vacant*

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

Member: Joe Kalmick

*Alternate: Vacant*

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

Member: Roberto Uranga

*Alternate: Vacant*

**Los Cerritos Wetlands Authority**  
**Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2020**

**Los Cerritos Wetlands Authority  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2020**

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# **Financial Section**





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## Independent Auditor's Report

Governing Board  
Los Cerritos Wetlands Authority  
Long Beach, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2020, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2020, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## 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 3 through 6 and the Budgetary Comparison Schedule – General Fund on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2021 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 24 and 25.

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California

March 22, 2021

**Los Cerritos Wetlands Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended September 30, 2020**  
**With Comparative Amounts as of September 30, 2019**

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, 2020. 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 0.46% or \$51,440 from \$11,203,939 to \$11,152,499 as a result of ongoing operations.
- The Authority's total revenues increased 3.67% or \$23,206 from \$632,526 to \$655,732.
- The Authority's total expenses decreased 1.53% or \$11,008 from \$718,180 to \$707,172.

### **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, 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 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 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 and 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 them. One can think of the Authority's net position – the difference between 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, 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 Fiscal Year Ended September 30, 2020**  
**With Comparative Amounts as of September 30, 2019**

**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 11 through 22.

**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>2020</b>	<b>2019</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 294,370	611,428	(317,058)
Capital assets, net	11,000,000	11,000,000	-
<b>Total assets</b>	<b>11,294,370</b>	<b>11,611,428</b>	<b>(317,058)</b>
<b>Liabilities:</b>			
Current liabilities	141,871	407,489	(265,618)
<b>Total liabilities</b>	<b>141,871</b>	<b>407,489</b>	<b>(265,618)</b>
<b>Net position:</b>			
Net investment in capital assets	11,000,000	11,000,000	-
Unrestricted	152,499	203,939	(51,440)
<b>Total net position</b>	<b>\$ 11,152,499</b>	<b>11,203,939</b>	<b>(51,440)</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 \$11,152,499 as of September 30, 2020. At the end of fiscal year 2020, the Authority shows a positive balance in its unrestricted net position of \$152,499.

**Los Cerritos Wetlands Authority**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended September 30, 2020**  
**With Comparative Amounts as of September 30, 2019**

**Government-wide Financial Analysis, continued**

**Condensed Statements of Activities**

<i>Governmental Activities</i>	<u>2020</u>	<u>2019</u>	<u>Change</u>
<b>Expenses:</b>			
Authority operations	\$ 707,172	718,180	(11,008)
<b>Total expenses</b>	<u>707,172</u>	<u>718,180</u>	<u>(11,008)</u>
<b>Revenues:</b>			
Program revenues	591,559	565,432	26,127
General revenues	<u>64,173</u>	<u>67,094</u>	<u>(2,921)</u>
<b>Total revenues</b>	<u>655,732</u>	<u>632,526</u>	<u>23,206</u>
<b>Change in net position</b>	(51,440)	(85,654)	34,214
Net position – beginning of year	<u>11,203,939</u>	<u>11,289,593</u>	<u>(85,654)</u>
Net position – end of year	<u>\$ 11,152,499</u>	<u>11,203,939</u>	<u>(51,440)</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 \$51,440 during the fiscal year ended September 30, 2020.

A closer examination reveals that:

The Authority's total revenues from all sources increased 3.67% or \$23,206 to \$655,732. Program revenues increased 4.62% or \$26,127, due to an increase of \$114,485 in capital grants sourcing from private agencies, which were offset by a decrease of \$88,358 in capital grants sourcing from state and county agencies. General revenues decreased 4.35% or \$2,921, primarily due to a decrease of \$3,327 in miscellaneous income, offset by an increase of \$1,157 in rental income.

The Authority's total expenses decreased 1.53%, or \$11,008 to \$707,172, due to decreases of \$26,088 in consulting fees, \$9,811 in land transfer agreement expenses, \$6,768 in grant management, and \$2,417 in grant materials, which were offset by increases of \$28,663 in legal fees and \$5,328 in audit fees from 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, 2020, the Authority's General Fund reported a fund balance of \$152,499. Of the fund balance reported, an amount of \$7,812 is designated as *non-spendable* as it has already been spent towards prepaid insurance. The remaining balance of \$144,687 constitutes the Authority's *unassigned fund balance* that is available for future Authority expenditures.

**Los Cerritos Wetlands Authority**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended September 30, 2020**  
**With Comparative Amounts as of September 30, 2019**

**General Fund Budgetary Highlights**

At fiscal year-end, actual expenditures for the General Fund were \$909,901 less than final budgeted expenditures and actual revenues were \$961,341 less than final budgeted revenues. This was principally due to lower than anticipated grant funding in the amount of \$1,158,932 from state and county sources and operating contributions of \$18,670, which were offset by higher than anticipated grant funding in the amount of \$224,624 from private agencies.

**Capital Asset Administration**

At the end of fiscal year 2020, 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 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2020</b>
Land	\$ 11,000,000	-	-	11,000,000
Total capital assets, net	\$ 11,000,000			11,000,000

**Conditions Affecting Current Financial Position**

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Authority and the duration cannot be estimated at this time.

Management is unaware of any other 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, 2020**

	<u><b>2020</b></u>
<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 133,688
Accounts receivable, net of allowance for doubtful accounts (note 3)	152,870
Prepaid insurance	<u>7,812</u>
Total current assets	<u>294,370</u>
<b>Non-current assets:</b>	
Capital assets, net (note 4)	<u>11,000,000</u>
Total assets	<u>11,294,370</u>
<b>Current liabilities:</b>	
Accounts payable	139,971
Security deposit	<u>1,900</u>
Total current liabilities	<u>141,871</u>
Total liabilities	<u>141,871</u>
<b>Net position:</b>	
Net investment in capital assets	11,000,000
Unrestricted	<u>152,499</u>
Total net position	<u><u>\$ 11,152,499</u></u>

See the accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2020**

<i>Governmental Activities:</i>	<u>2020</u>
<b>Expenses:</b>	
Authority operations	\$ <u>707,172</u>
<b>Total expenses</b>	<u>707,172</u>
<b>Program revenues:</b>	
Contributions – operating	30,000
Capital grants – state and county	314,800
Capital contributions – private agency	<u>246,759</u>
<b>Total program revenues</b>	<u>591,559</u>
<b>Net program expense</b>	<u>115,613</u>
<b>General revenues:</b>	
Rental income	62,637
Interest earnings	24
Miscellaneous income	<u>1,512</u>
<b>Total general revenues</b>	<u>64,173</u>
<b>Change in net position</b>	(51,440)
<b>Net position – beginning of year</b>	<u>11,203,939</u>
<b>Net position – end of year</b>	<u>\$ <u>11,152,499</u></u>

See 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, 2020**

	<b>General Fund</b>	<b>Reclassifications &amp; Eliminations</b>	<b>Statement of Net Position</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 133,688	-	133,688
Accounts receivable, net	152,870	-	152,870
Prepaid insurance	7,812	-	7,812
Total current assets	294,370	-	294,370
<b>Non-current assets:</b>			
Capital assets, net	-	11,000,000	11,000,000
<b>Total assets</b>	\$ 294,370	11,000,000	11,294,370
<b>Current liabilities:</b>			
Accounts payable	\$ 139,971	-	139,971
Security deposit	1,900	-	1,900
Total current liabilities	141,871	-	141,871
<b>Total liabilities</b>	141,871	-	141,871
<b>Fund balance: (note 5)</b>			
Nonspendable	7,812	(7,812)	-
Unassigned	144,687	(144,687)	-
<b>Total fund balance</b>	152,499	(152,499)	-
<b>Total liabilities and fund balance</b>	\$ 294,370		
<b>Net position:</b>			
Net investment in capital assets		11,000,000	11,000,000
Unrestricted		152,499	152,499
<b>Total net position</b>		\$ 11,152,499	11,152,499

**Reconciliation:**

Fund balance of governmental funds	\$	152,499
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.		11,000,000
Net position of governmental activities	\$	11,152,499

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 Statement of Activities**  
**For the Fiscal Year Ended September 30, 2020**

	<b>General Fund</b>	<b>Reclassifications &amp; Eliminations</b>	<b>Statement of Activities</b>
<b>Expenditures/Expenses:</b>			
Authority operations	\$ 707,172	-	707,172
<b>Total expenditures/expenses</b>	707,172	-	707,172
<b>Program revenues:</b>			
Contributions – operating	30,000	-	30,000
Capital grant – state and county	314,800	-	314,800
Capital grant – private agency	246,759	-	246,759
<b>Total program revenues</b>	591,559	-	591,559
<b>Net program expense</b>			115,613
<b>General revenues:</b>			
Rental income	62,637	-	62,637
Interest earnings	24	-	24
Miscellaneous income	1,512	-	1,512
<b>Total general revenues</b>	64,173	-	64,173
<b>Total revenues</b>	655,732	-	
<b>Excess of revenues over expenditures</b>	(51,440)	51,440	-
<b>Change in net position</b>	-	(51,440)	(51,440)
<b>Fund deficit/Net position – beginning of year</b>	203,939	-	11,203,939
<b>Fund balance/Net position</b>	\$ 152,499	-	11,152,499

**Reconciliation:**

Net changes in fund balance of governmental fund	\$ (51,440)
Change in net position of governmental activities	\$ (51,440)

See accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2020**

**(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, 2020**

**(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, 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 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.

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, 2020**

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

**C. 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 and liabilities and disclosures of contingent assets and liabilities 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. Uncertainty**

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 the Authority's net position during the reporting period. Actual results could differ from those estimates.

**3. 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.

**4. 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.

**5. Prepaids**

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.

**6. 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.

**7. 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 and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2020**

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

**C. Financial Statement Elements, continued**

**7. Net Position/Fund Balances, continued**

- **Unrestricted** – Consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

**8. Fund Equity**

The financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Authority is bound to honor constraints on how specific amounts can be spent.

- **Non-spendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the Authority’s highest level of decision-making authority (the 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 fund balance** – amounts that are constrained by the Authority’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the Authority’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the Authority’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The 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, 2020**

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

**C. Financial Statement Elements, continued**

**9. 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, consist of the following:

		<u>2020</u>
Deposits held with financial institutions	\$	<u>133,688</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 \$133,688 as of September 30, 2020. 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, consist of the following:

		<u>2020</u>
Accounts receivable	\$	22,663
Accounts receivable – member agencies		46,979
Accounts receivable – grants		<u>108,228</u>
Subtotal accounts receivable		177,870
Allowance for doubtful accounts		<u>(25,000)</u>
Total accounts receivable, net	\$	<u>152,870</u>

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2020**

**(4) Capital Assets**

Changes in capital assets for the year were as follows:

	<b>Balance 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2020</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: Non-spendable, restricted, committed, assigned, and unassigned (See Note (1)C.8 for a description of these categories). A detailed schedule of fund balance and their funding composition at September 30, 2020, is as follows:

<b>Fund Balance Category</b>	
Nonspendable:	
Prepaid insurance	\$ 7,812
Unassigned fund balance:	144,687
Total fund balance	\$ 152,499

**(6) 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.

**(7) 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, 2020, 2019, and 2018. 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, 2020, 2019, and 2018.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2020**

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to September 30, 2020, that have effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic:

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2020**

**(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 89, continued***

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

***Governmental Accounting Standards Board Statement No. 90***

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2020**

**(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 91***

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 92***

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2020**

**(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 93***

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 94***

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2020**

**(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 96***

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 97***

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2020**

**(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.

***COVID-19 Pandemic***

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Authority could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Authority has not included any contingencies in the financial statements specific to this issue.

**(10) Subsequent Events**

Events occurring after September 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of March 22, 2021, which is the date the financial statements were available to be issued.

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## **Required Supplementary Information**



**Los Cerritos Wetlands Authority**  
**Budgetary Comparison Schedule – General Fund**  
**For the Fiscal Year Ended September 30, 2020**

	<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	\$ 114,324	-	114,324	-	114,324
Capital outlay	1,502,749	-	1,502,749	707,172	795,577
<b>Total expenditures/expenses</b>	<u>1,617,073</u>	<u>-</u>	<u>1,617,073</u>	<u>707,172</u>	<u>909,901</u>
<b>Program revenues:</b>					
Contributions – operating	48,670	-	48,670	30,000	(18,670)
Capital grant – state and county	1,473,732	-	1,473,732	314,800	(1,158,932)
Capital grant – private agency	22,135	-	22,135	246,759	224,624
<b>Total program revenues</b>	<u>1,544,537</u>	<u>-</u>	<u>1,544,537</u>	<u>591,559</u>	<u>(952,978)</u>
<b>General revenues:</b>					
Rental income	72,536	-	72,536	62,637	(9,899)
Interest earnings	-	-	-	24	24
Miscellaneous income	-	-	-	1,512	1,512
<b>Total general revenues</b>	<u>72,536</u>	<u>-</u>	<u>72,536</u>	<u>64,173</u>	<u>(8,363)</u>
<b>Total revenues</b>	<u>1,617,073</u>	<u>-</u>	<u>1,617,073</u>	<u>655,732</u>	<u>(961,341)</u>
<b>Excess(deficiency) of revenues         over(under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,440)</u>	<u>(1,871,242)</u>
<b>Fund balance – beginning of year</b>	<u>203,939</u>		<u>203,939</u>	<u>203,939</u>	
<b>Fund balance – end of year</b>	<u>\$ 203,939</u>		<u>203,939</u>	<u>152,499</u>	

**Notes to Required Supplementary Information**

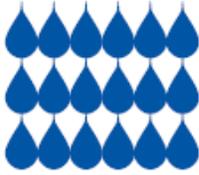
**(1) Budgets and Budgetary Data**

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**





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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, 2020, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated March 22, 2021.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

**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**

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
March 22, 2021