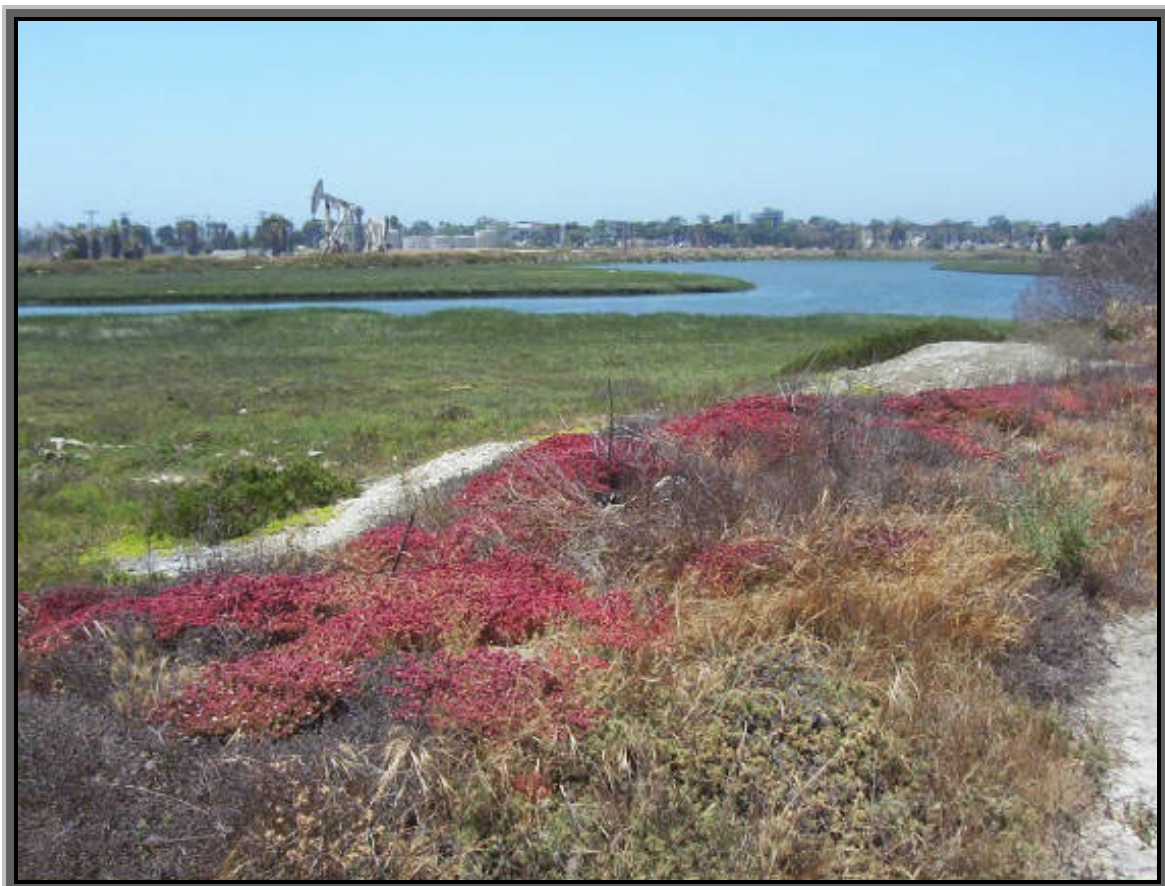




Los Cerritos Wetlands Authority

Annual Financial Report

For the Fiscal Year Ended September 30, 2024



Los Cerritos Wetlands Authority

Our Mission Statement

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

Our Governing Board

Members

City of Long Beach

Chair: Kristina Duggan

Alternate: Vacant

City of Seal Beach

Vice-Chair: Lisa Landau

Alternate: Joe Kalmick

State Coastal Conservancy

Member: Amy Hutzell

Alternate: Megan Cooper

Alternate: Sally Gee

Rivers and Mountains Conservancy

Member: Roberto Uranga

Alternate: Vacant

Los Cerritos Wetlands Authority

Annual Financial Report

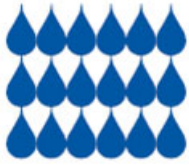
For the Fiscal Year Ended September 30, 2024

Los Cerritos Wetlands Authority
Annual Financial Report
For the Fiscal Year Ended September 30, 2024

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Financial Section



C.J. Brown & Company CPAs

An Accountancy Corporation

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

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

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

Independent Auditor's Report

Governing Board
Los Cerritos Wetlands Authority
Long Beach, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities of Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Authority, as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

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

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

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As described in note 6 to the financial statements, the Authority has restated its net position for land contributions which were not properly recorded on the Authority's books in the prior fiscal years ending September 30, 2007, and September 30, 2010, respectively.

During the fiscal year September 30, 2024, the Authority identified the missing parcels during its research for the purpose of removing the property ("OTD parcel") exchanged in the land exchange agreement (See note 7). As a result, the Authority has restated its net position. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Authority's fiscal year end September 30, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025, 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 22 through 23.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
October 14, 2025

Los Cerritos Wetlands Authority
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2024
With Comparative Amounts as of September 30, 2023

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, 2024. 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 increased 63.44% or \$12,683,293 from \$19,991,079 to \$32,674,372 as a result of ongoing operations. In 2024, the Authority adjusted its net position by \$8,285,000 from \$11,850,078 to \$20,135,078. Please see note 6 for further information.
- The Authority's total revenues increased 2,880.95% or \$16,283,644 from \$565,218 to \$16,848,862.
- The Authority's total expenses increased 487.35% or \$3,456,352 from \$709,217 to \$4,165,569.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies.

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

Los Cerritos Wetlands Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended September 30, 2024
With Comparative Amounts as of September 30, 2023

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 13 through 20.

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

	<u>2024</u>	<u>As Restated 2023</u>	<u>Change</u>
Assets:			
Current assets	\$ 1,666,339	934,151	732,188
Capital assets, net	<u>31,460,000</u>	<u>19,285,000</u>	<u>12,175,000</u>
Total assets	<u>33,126,339</u>	<u>20,219,151</u>	<u>12,907,188</u>
Liabilities:			
Current liabilities	<u>451,967</u>	<u>228,072</u>	<u>223,895</u>
Total liabilities	<u>451,967</u>	<u>228,072</u>	<u>223,895</u>
Net position:			
Net investment in capital assets	31,460,000	19,285,000	12,175,000
Unrestricted	<u>1,214,372</u>	<u>706,079</u>	<u>508,293</u>
Total net position	<u>\$ 32,674,372</u>	<u>19,991,079</u>	<u>12,683,293</u>

Los Cerritos Wetlands Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended September 30, 2024
With Comparative Amounts as of September 30, 2023

Government-wide Financial Analysis, continued

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 \$32,674,372 as of September 30, 2024. At the end of fiscal year 2024, the Authority shows a positive balance in its unrestricted net position of \$1,214,372.

Condensed Statements of Activities

<i>Governmental Activities</i>	2024	As Restated 2023	Change
Expenses:			
Authority operations	\$ 1,101,313	709,217	392,096
General expenses, net	3,064,256	-	3,064,256
Total expenses	4,165,569	709,217	3,456,352
Revenues:			
Program revenues	16,848,862	493,190	16,355,672
General revenues, net	-	72,028	(72,028)
Total revenues	16,848,862	565,218	16,283,644
Change in net position	12,683,293	(143,999)	12,827,292
Net position – beginning of year, as previously stated	19,991,079	11,850,078	8,141,001
Prior period adjustments	-	8,285,000	(8,285,000)
Net position – beginning of year, as restated	19,991,079	20,135,078	(143,999)
Net position – end of year, as restated	\$ 32,674,372	19,991,079	20,968,293

The Statement of Activities shows how the government's net position changed during the fiscal year. In the case of the Authority, net position increased by \$12,683,293 during the fiscal year ended September 30, 2024.

A closer examination reveals that:

The Authority's total revenues from all sources increased 2,880.95% or \$16,283,644 to \$16,848,862. Program revenues increased 3,316.30% or \$16,355,672 to \$16,848,862, due to increases of \$15,310,000 in a land contribution sourcing from execution of the land transfer agreement (See note 7), \$816,581 in capital grants sourcing from private agencies, \$114,770 in land transfer agreement reimbursements, and \$114,321 in capital grants sourcing from state and county agencies. General revenues, net decreased 100% or \$72,028, due to a loss on the disposal of land of \$3,135,000 and a decrease of \$10,563 in rental income, which were offset by increases of \$8,890 in miscellaneous income and \$389 in interest earnings as compared to the prior year.

Los Cerritos Wetlands Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended September 30, 2024
With Comparative Amounts as of September 30, 2023

Government-wide Financial Analysis, continued

The Authority's total expenses increased 487.35%, or \$3,456,352 to \$4,165,569, primarily due to a loss on the disposal of land of \$3,135,000, along with increases of \$256,209 in consulting fees, \$144,531 in land transfer agreement expense, and \$8,020 in grant management expenses, which were offset by decreases of \$11,594 in legal fees and \$6,368 in admin fees as compared to the prior year.

Governmental Funds Financial Analysis

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

As of September 30, 2024, the Authority's General Fund reported a fund balance of \$1,214,372. Of the fund balance reported, an amount of \$8,245 is designated as *non-spendable* as it has already been spent towards prepaid insurance. The remaining balance of \$1,206,127 constitutes the Authority's *unassigned fund balance* which is available for future Authority expenditures.

General Fund Budgetary Highlights

At fiscal year-end, actual expenditures for the General Fund were \$231,123 more than final budgeted expenditures. This was primarily due to higher than anticipated capital outlay costs of \$278,425 which were offset by lower than anticipated services and supplies costs of \$47,302. At fiscal year-end, actual revenues were \$739,416 more than final budgeted revenues. This was primarily due to higher than anticipated grant funding from private agencies of \$824,064 and higher than anticipated revenue from land transfer agreement reimbursements of \$99,873, which were offset by lower than anticipated grant funding from state and county sources of \$179,931.

Capital Asset Administration

At the end of fiscal year 2024, the Authority's investment in capital assets amounted to \$31,460,000. This investment in capital assets includes land that is managed by the Authority.

Changes in capital assets for the year were as follows:

	As Restated			Balance
	2023	Additions	Deletions	2024
Land	\$ 19,285,000	15,310,000	(3,135,000)	31,460,000
Total capital assets, net	\$ 19,285,000	15,310,000	(3,135,000)	31,460,000

For further information please see note 4 for further information.

Conditions Affecting Current Financial Position

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

Los Cerritos Wetlands Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended September 30, 2024
With Comparative Amounts as of September 30, 2023

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, 2024

	<u>2024</u>
Current assets:	
Cash and cash equivalents (note 2)	\$ 1,087,883
Accounts receivable (note 3)	570,211
Prepaid insurance	<u>8,245</u>
Total current assets	<u>1,666,339</u>
Non-current assets:	
Capital assets, net (note 4)	<u>31,460,000</u>
Total assets	<u>33,126,339</u>
Current liabilities:	
Accounts payable	<u>451,967</u>
Total current liabilities	<u>451,967</u>
Total liabilities	<u>451,967</u>
Net position:	
Net investment in capital assets	31,460,000
Unrestricted	<u>1,214,372</u>
Total net position	<u>\$ 32,674,372</u>

See the accompanying notes to the basic financial statements

Los Cerritos Wetlands Authority
Statement of Activities
For the Fiscal Year Ended September 30, 2024

<i>Governmental Activities:</i>	<u>2024</u>
Expenses:	
Authority operations	\$ <u>1,101,313</u>
Total expenses	<u>1,101,313</u>
Program revenues:	
Contributions – operating	50,000
Capital grants – state and county	448,965
Capital grants – private agency	914,064
Contribution – capital land	15,310,000
Land transfer agreement reimbursements	<u>125,833</u>
Total program revenues	<u>16,848,862</u>
Net program revenue	<u>15,747,549</u>
General (expenses) revenues, net:	
Loss on land disposal (note 4)	(3,135,000)
Rental income	60,397
Interest earnings	1,377
Miscellaneous income	<u>8,970</u>
Total general expenses, net	<u>(3,064,256)</u>
Change in net position	12,683,293
Net position – beginning of year, as restated (note 6)	<u>19,991,079</u>
Net position – end of year	\$ <u><u>32,674,372</u></u>

See the accompanying notes to the basic financial statements

Los Cerritos Wetlands Authority
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
September 30, 2024

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Net Position</u>
Current assets:			
Cash and cash equivalents	\$ 1,087,883	-	1,087,883
Accounts receivable, net	570,211	-	570,211
Prepaid insurance	8,245	-	8,245
Total current assets	<u>1,666,339</u>	<u>-</u>	<u>1,666,339</u>
Non-current assets:			
Capital assets, net	<u>-</u>	31,460,000	31,460,000
Total assets	<u>\$ 1,666,339</u>	<u>31,460,000</u>	<u>33,126,339</u>
Current liabilities:			
Accounts payable	\$ 451,967	-	451,967
Total current liabilities	<u>451,967</u>	<u>-</u>	<u>451,967</u>
Total liabilities	<u>451,967</u>	<u>-</u>	<u>451,967</u>
Fund balance: (note 5)			
Nonspendable	8,245	(8,245)	-
Unassigned	<u>1,206,127</u>	<u>(1,206,127)</u>	<u>-</u>
Total fund balance	<u>1,214,372</u>	<u>(1,214,372)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,666,339</u>		
Net position:			
Net investment in capital assets		31,460,000	31,460,000
Unrestricted		<u>1,214,372</u>	<u>1,214,372</u>
Total net position		<u>\$ 32,674,372</u>	<u>32,674,372</u>
Reconciliation:			
Fund balance of governmental funds			\$ 1,214,372
Amounts reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.			<u>31,460,000</u>
Net position of governmental activities			<u>\$ 32,674,372</u>

See the accompanying notes to the basic financial statements

Los Cerritos Wetlands Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2024

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Authority operations	\$ 1,101,313	-	1,101,313
Total expenditures/expenses	<u>1,101,313</u>	<u>-</u>	<u>1,101,313</u>
Program revenues:			
Contributions – operating	50,000	-	50,000
Capital grants – state and county	448,965	-	448,965
Capital grants – private agency	914,064	-	914,064
Capital contribution – land	-	15,310,000	15,310,000
Land transfer agreement reimbursements	125,833	-	125,833
Total program revenues	<u>1,538,862</u>	<u>15,310,000</u>	<u>16,848,862</u>
Net program expense			<u>(15,747,549)</u>
General revenues (expenses):			
Loss on land disposal (note 4)	-	(3,135,000)	(3,135,000)
Rental income	60,397	-	60,397
Interest earnings	1,377	-	1,377
Miscellaneous income	8,970	-	8,970
Total general revenues (expenses)	<u>70,744</u>	<u>(3,135,000)</u>	<u>(3,064,256)</u>
Total revenues	<u>1,609,606</u>	<u>12,175,000</u>	
Excess of revenues over expenditures	508,293	(508,293)	-
Change in net position	-	508,293	12,683,293
Fund balance/Net position – beginning of year	<u>706,079</u>	<u>-</u>	<u>19,991,079</u>
Fund balance/Net position	\$ <u><u>1,214,372</u></u>	<u><u>-</u></u>	<u><u>32,674,372</u></u>
Net change in fund balance of governmental fund			\$ <u>12,683,293</u>
Change in net position of governmental activities			\$ <u><u>12,683,293</u></u>

See the accompanying notes to the basic financial statements

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2024

(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, 2024

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Under a modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the Authority are interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The Authority reports the following major governmental fund:

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

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended September 30, 2024

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

C. Financial Reporting

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

D. Financial Statement Elements

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Accounts Receivable and Allowance for Doubtful Accounts

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

4. 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.

5. Capital Assets

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

6. Net Position/Fund Balances

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

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

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended September 30, 2024

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

D. Financial Statement Elements, continued

7. Fund Equity

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

- **Nonspendable** – consists of amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted** – consists of amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed** – consists of amounts that can only be used for specific purposes determined by formal action of the Authority’s highest level of decision-making authority (the Governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** – consists of amounts that are constrained by the Authority’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the Authority’s special revenue funds.
- **Unassigned** – consists of the residual classification for the Authority’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Governing Board established, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Fund Balance Policy

The Authority believes that sound financial management principles require that sufficient funds be retained by the Authority to provide a stable financial base at all times. To retain this stable financial base, the Authority needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the Authority and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the Authority’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended September 30, 2024

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

D. Financial Statement Elements, continued

8. 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, 2024 consisted of the following:

	<u>2024</u>
Deposits held with financial institutions	\$ <u><u>1,087,883</u></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 \$1,097,963 as of September 30, 2024. 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, 2024 consists of the following:

	<u>2024</u>
Accounts receivable	\$ 99,523
Accounts receivable – grants	<u>470,688</u>
Total accounts receivable, net	\$ <u><u>570,211</u></u>

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended September 30, 2024

(4) Capital Assets

Changes in capital assets for the year were as follows:

	As Restated 2023	Additions	Deletions	Balance 2024
Land	\$ 19,285,000	15,310,000	(3,135,000)	31,460,000
Total capital assets, net	\$ 19,285,000	15,310,000	(3,135,000)	31,460,000

In 2024, the Authority recorded land additions of \$15,310,000 and land disposals of \$3,135,000 sourcing from the Land Option and Exchange Agreement. Please see note 7.

(5) Fund Balance

Fund balances are presented in the following categories: Nonspendable, restricted, committed, assigned, and unassigned (See Note (1) D.7 for a description of these categories). A detailed schedule of fund balance and their funding composition at September 30, 2024, is as follows:

Fund Balance Category	
Nonspendable:	
Prepaid insurance	\$ 8,245
Unassigned fund balance:	1,206,127
Total fund balance	\$ 1,214,372

(6) Adjustments to Net Position

In fiscal year 2024, the Authority identified two misstatements relating to prior year reported capital asset balances. Below is a summary of the identified misstatements:

During the fiscal year, the Authority identified two land contributions for the OTD parcel property and Southern Area property dated May 2, 2007, and December 7, 2010, respectively. These land contributions were not properly recognized on the Authority's books during the fiscal years ended September 30, 2007, and September 30, 2011, respectively.

The OTD parcel contribution was received from the State Coastal Conservancy in February 2007 at no cost to the Authority. The OTD parcel land was transferred on May 2, 2007, and subsequently appraised on April 6, 2010, at a value of \$3,135,000.

The Southern Area land contribution was received from Hellman Properties on December 7, 2010, at a value of \$5,150,000. The total of the two land contributions, understated reported capital assets in the amount of \$8,285,000. As a result, the Authority has recorded two adjustments to restate net position as of September 30, 2022.

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended September 30, 2024

(6) Adjustments to Net Position, continued

In fiscal year 2024, the adjustments to net position were as follows:

Net position at September 30, 2022, as previously reported	\$ 11,850,078
Effect of adjustment to include the OTD parcel land contribution from February 2007, which was not appraised until April 2010	3,135,000
Effect of adjustment to include Southern Area land contribution from December 2010	<u>5,150,000</u>
Total adjustments to net position	<u>8,285,000</u>
Net position at September 30, 2022, as restated	<u>\$ 20,135,078</u>

(7) Land Option and Exchange Agreement

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

As of September 30, 2020, the Authority and the LLC had exercised the right to extend the term of the Land Exchange Agreement option to September 2, 2024.

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

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

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

(8) Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased various commercial insurance policies to manage the potential liabilities that may occur from the previously named sources.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Authority's insurance coverage during the years ending September 30, 2024, 2023, and 2022. 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, 2024, 2023, and 2022.

Los Cerritos Wetlands Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended September 30, 2024

(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.

(10) Subsequent Events

Events occurring after September 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of October 14, 2025, which is the date the financial statements were available to be issued. The Authority is not aware of any subsequent events that would require disclosure in the financial statements.

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Required Supplementary Information

Los Cerritos Wetlands Authority
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended September 30, 2024

	<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	\$ 307,346	-	307,346	260,044	47,302
Capital outlay	502,844	60,000	562,844	841,269	(278,425)
Total expenditures/expenses	<u>810,190</u>	<u>60,000</u>	<u>870,190</u>	<u>1,101,313</u>	<u>(231,123)</u>
Program revenues:					
Contributions – operating	40,000	-	40,000	50,000	10,000
Capital grants – state and county	393,896	235,000	628,896	448,965	(179,931)
Capital grants – private agency	205,000	(115,000)	90,000	914,064	824,064
Land transfer agreement reimbursements	85,960	(60,000)	25,960	125,833	99,873
Total program revenues	<u>724,856</u>	<u>60,000</u>	<u>784,856</u>	<u>1,538,862</u>	<u>754,006</u>
General revenues:					
Rental income	67,334	7,000	74,334	60,397	(13,937)
Interest earnings	-	-	-	1,377	1,377
Miscellaneous income	18,000	(7,000)	11,000	8,970	(2,030)
Total general revenues	<u>85,334</u>	<u>-</u>	<u>85,334</u>	<u>70,744</u>	<u>(14,590)</u>
Total revenues	<u>810,190</u>	<u>60,000</u>	<u>870,190</u>	<u>1,609,606</u>	<u>739,416</u>
Excess(deficiency) of revenues over(under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>508,293</u>	<u>970,539</u>
Fund balance – beginning of year	<u>706,079</u>		<u>706,079</u>	<u>706,079</u>	
Fund balance – end of year	\$ <u><u>706,079</u></u>		<u><u>706,079</u></u>	<u><u>1,214,372</u></u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

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

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Report on Internal Controls and Compliance



C.J. Brown & Company CPAs
An Accountancy Corporation

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

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

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

**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, 2024, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated October 14, 2025.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 audits 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
October 14, 2025