

**WEST SACRAMENTO AREA FLOOD
CONTROL AGENCY
JOINT POWERS AUTHORITY**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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<p>WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY BASIC FINANCIAL STATEMENTS JUNE 30, 2008</p>

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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

Members of the Board of the
West Sacramento Area Flood Control Agency Joint Powers Authority
West Sacramento, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the West Sacramento Area Flood Control Agency Joint Powers Authority as of and for the year ended June 30, 2008 which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the West Sacramento Area Flood Control Agency Joint Powers Authority as of June 30, 2008 and the respective changes in the financial position, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Maze & Associates

December 5, 2008

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
JOINT POWERS AUTHORITY**

**STATEMENT OF NET ASSETS
AND
STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarize the Authority's entire financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all of the Authority's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all of the Authority's transactions are taken into account, regardless of whether or when cash changes hands.

The Statement of Net Assets reports the difference between the Authority's total assets and the Authority's total liabilities, including all the Authority's capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the Authority's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Authority's Governmental Activities in a single column. The Authority's Governmental Activities include the activities of its General Fund.

The Statement of Activities reports increases and decreases in the Authority's net assets. It is also prepared on the full accrual basis, which means it includes all the Authority's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the Authority's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The Authority's general revenues are then listed in the Governmental Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
JOINT POWERS AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Accounts Receivable	\$249,321
Capital assets (Note 3)	<u>6,362,402</u>
Total Assets	<u>6,611,723</u>

LIABILITIES

Accounts payable	186,956
Due to other governments	160,369
Interest Payable	838,022
Long-term liabilities (Note 4)	<u>1,254,265</u>
Total Liabilities	<u>2,439,612</u>

NET ASSETS (Note 5)

Unrestricted net assets	<u>4,172,111</u>
Total Net Assets	<u><u>\$4,172,111</u></u>

See accompanying notes to financial statements

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008

Program Expenses:	
Administration	\$890,150
Interest and fiscal charges	<u>122,679</u>
Total program expenses	<u>1,012,829</u>
Program revenues:	
Special benefit assessment for operations	3,809,758
Contributions from developers and homeowners	<u>952,301</u>
Net program revenue	<u>3,749,230</u>
General revenues and (expenses):	
Use of money	42,840
Other	<u>1,951</u>
Change in Net Assets	3,794,021
Net Assets-Beginning	<u>378,090</u>
Net Assets-Ending	<u><u>\$4,172,111</u></u>

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The Authority's only fund, the General Fund, is also its Major Fund.

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 BALANCE SHEET
 JUNE 30, 2008

ASSETS

Accounts Receivable	\$249,321
Total Assets	249,321
Accounts payable	186,956
Due to other governments	160,369
Interest payable	838,022
Long-term liabilities (Note 4)	1,254,265
Total Liabilities	2,439,612

FUND EQUITY (Note 4)

Fund balance (Deficit)	(2,190,291)
Total Fund Equity (Deficit)	(2,190,291)

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds.	6,362,402
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TOTAL NET ASSETS	\$4,172,111
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See accompanying notes to financial statements

WEST SACRAMENTO AGREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2008

REVENUES	
Special benefit assessment for operations	\$3,809,758
Contributions from developers and homeowners	952,301
Use of money	42,840
Other	<u>1,951</u>
Total Revenues	<u>4,806,850</u>
EXPENDITURES	
Administration	890,150
Capital outlay	3,062,403
Interest and fiscal charges	<u>122,679</u>
Total Expenditures	<u>4,075,232</u>
NET CHANGE IN FUND BALANCE	731,618
Fund balance (deficit) at beginning of year	<u>(2,921,909)</u>
Fund balance (deficit) at end of year	<u><u>(\$2,190,291)</u></u>

See accompanying notes to financial statements

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
JOINT POWERS AUTHORITY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$731,618

Amounts reported for governmental activities in the Statement of Activities
are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However,
in the Statement of Activities the cost of those assets is capitalized and allocated over
their estimated useful lives and reported as depreciation expense.

3,062,403

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$3,794,021

See accompanying notes to financial statements

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special benefit assessment for operations			\$3,809,758	\$3,809,758
Contributions from developers and homeowners			952,301	952,301
Use of money			42,840	42,840
Other			1,951	1,951
Total Revenues	<u>0</u>	<u>0</u>	<u>4,806,850</u>	<u>4,806,850</u>
EXPENDITURES				
Administration			890,150	(890,150)
Capital outlay			3,062,403	
Interest and fiscal charges			122,679	(122,679)
Total Expenditures	<u>0</u>	<u>0</u>	<u>4,075,232</u>	<u>(1,012,829)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u>731,618</u>	<u><u>\$731,618</u></u>
Fund balance at beginning of year			<u>(2,921,909)</u>	
Fund balance at end of year			<u><u>(\$2,190,291)</u></u>	

See accompanying notes to financial statements

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WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. *Organization and Purpose*

The West Sacramento Area Flood Control Agency Joint Powers Authority (the "Authority") was created in July, 1994, under the provisions of Chapter 5 of Division 7 of the Title 1 of the California Government Code (commencing with section 6500) for the purpose of controlling and conserving waters for the protection of life and property that would or could be damaged by being inundated by still or flowing water.

The Authority's Governing Board is comprised of one representative from each charter member agency. The charter member agencies are the City of West Sacramento, Reclamation District No. 900, and Reclamation District No. 537. Each representative of the governing board has one vote. The members are appointed by the respective City Council or Board of Directors.

The accounting records of the Authority are maintained by the City of West Sacramento. The Authority has no employees and substantially all staff services are performed by City of West Sacramento personnel. Cost incurred by the City of West Sacramento to provide such services are reimbursed by the Authority.

The Authority is considered to be a separate legal entity and is not a component unit of the above members. However, it is reported as an Agency Fund in the City of West Sacramento's basic financial statements.

B. *Basis of Presentation*

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

Authority-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Authority's governmental activities. Governmental activities generally are financed through intergovernmental revenues. The Authority is the only entity included in these financial statements.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) special benefit assessments for operations of the programs, (b) contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the Authority. The emphasis of fund financial statements is on major individual governmental funds. The Authority has only one fund, the General Fund.

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. This fund is used to pay all administrative, operating and other expenditures incurred by the Authority, and to account for special benefit assessment and contribution revenues.

C. *Basis of Accounting*

The Authority-wide financial statements are reported using the economic resources measurement *focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, may include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes, special benefit assessments, is recognized in the fiscal year for which the taxes are levied. Revenue from contributions from developers and homeowners is recognized in the fiscal year in which all eligibility requirements have been satisfied.

D. *Budgets and Budgetary Accounting*

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budget amounts in the financial statements are as originally adopted, or as amended by the Board. Individual amendments were not material in relation to the original appropriations.

Formal budgetary integration is employed as a management control device. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year.

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - CASH AND INVESTMENTS

The Authority pools cash from all sources with the City of West Sacramento so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The City's investment policy and the California Government Code permit investments in Securities of the U.S. Government or its agencies, Certificates of Deposit, Negotiable Certificates of Deposit, Medium-Term Notes, Commercial Paper, Banker's Acceptances, Commercial Paper, the State of California Local Authority Investment Fund (LAIF Pool), Repurchase Agreements, and Passbook Savings Account Demand Deposits.

NOTE 3 - CAPITAL ASSETS

Capital assets used in governmental fund type operations are accounted for in the Statement of Net Assets, rather than in governmental funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Balance at June 30, 2008</u>
Capital Assets, not being depreciated:			
Construction in progress	<u>\$3,299,999</u>	<u>\$3,062,403</u>	<u>\$6,362,402</u>
Total Capital Assets, not being depreciated	<u>3,299,999</u>	<u>3,062,403</u>	<u>6,362,402</u>
Agency Activities Capital Assets	<u><u>\$3,299,999</u></u>	<u><u>\$3,062,403</u></u>	<u><u>\$6,362,402</u></u>

NOTE 4 - LONG-TERM LIABILITIES

	<u>Balance June 30, 2007</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
Agency Activity Debt:			
Loans Payable			
Flood Control	\$4,832,027	\$4,494,620	\$337,407
Flood Control RD 537 & RD 900	<u>916,857</u>		<u>916,857</u>
Total Agency Activity Debt	<u><u>\$5,748,884</u></u>	<u><u>\$4,494,620</u></u>	<u><u>\$1,254,264</u></u>

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 – NET ASSETS AND FUND BALANCES

Net Assets is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. *Net Assets*

Net Assets is the excess of all the Authority's assets over all its liabilities, regardless of fund. Net Assets are divided into two captions. These captions apply only to Net Assets as determined at the Authority-wide level, and are described below:

Unrestricted describes the portion of Net Assets which is not restricted as to use.

B. *Fund Balances*

In the Fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

NOTE 6 – SUBSEQUENT EVENT

On August 27, 2008 the Authority issued \$10,000,000 of Assessment Revenue Bonds in order to finance the construction of capital improvements related to levee improvements and flood control. The bonds are payable from annual assessments for capital facilities.