

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
JOINT POWERS AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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 each major fund of the West Sacramento Area Flood Control Agency Joint Powers Authority as of and for the year ended June 30, 2011 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, 2011 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.

As of July 1, 2010, the Authority adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 6 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

The West Sacramento Area Flood Control Agency Joint Powers Authority has not presented Management Discussion and Analysis that Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Maze & Associates

November 4, 2011

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**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, 2011

ASSETS

Cash in City treasury (Note 2)	\$4,457,304
Cash with fiscal agents (Note 2)	13,695,260
Accounts receivable	79,104
Due from other governments	182,305
Capital assets, non-depreciable (Note 4)	<u>21,704,379</u>
Total Assets	<u>40,118,352</u>

LIABILITIES

Accounts payable	718,215
Long term debt (Note 5)	
Due within one year	175,000
Due in more than one year	<u>22,855,000</u>
Total Liabilities	<u>23,748,215</u>

NET ASSETS (Note 6)

Invested in capital assets, net of related debt	10,811,196
Unrestricted	<u>5,558,941</u>
Total Net Assets	<u><u>\$16,370,137</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, 2011

Program Expenses:	
Salaries and benefits	\$147,469
Operations and maintenance	1,359,722
Interest and fiscal charges	1,274,196
Contributions to other agencies	13,018,269
Pass-thru	<u>2,107,073</u>
Total program expenses	<u>17,906,729</u>
Program revenues:	
Special benefit assessment for operations	4,194,636
Contributions from developers and homeowners	13,166,726
Reimbursements	1,617,011
Intergovernmental	<u>2,342,240</u>
Net program revenue	<u>3,413,884</u>
General revenues	
Other	<u>55,980</u>
Change in Net Assets	3,469,864
Net Assets-Beginning	<u>12,900,273</u>
Net Assets-Ending	<u><u>\$16,370,137</u></u>

See accompanying notes to financial statements

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

FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

General Fund – 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.

Debt Service Fund - to account for the accumulation of resources and payments of bond principal and interest of the Assessment Revenue Bonds issued to finance the construction of certain public capital improvements related to flood protection.

DWR/Flood Protection Grant/WSAFCA Special Revenue Fund - to account for revenues and expenditures associated with the grant funds received from the State of California Department of Water Resources.

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 BALANCE SHEET
 JUNE 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>DWR/Flood Protection Grant Special Revenue Fund</u>	<u>Total</u>
ASSETS				
Cash in City treasury (Note 2)	\$4,207,716	\$37,018	\$212,570	\$4,457,304
Cash with fiscal agent (Note 2)	12,136,817	1,558,443		13,695,260
Accounts receivable	79,104			79,104
Due from other governments	182,305			182,305
Total Assets	<u><u>\$16,605,942</u></u>	<u><u>\$1,595,461</u></u>	<u><u>\$212,570</u></u>	<u><u>\$18,413,973</u></u>
LIABILITIES				
Accounts payable	\$717,700		\$515	718,215
Total Liabilities	<u><u>717,700</u></u>		<u><u>515</u></u>	<u><u>718,215</u></u>
FUND EQUITY				
Fund balance (Note 6)				
Restricted		\$1,595,451	212,416	1,807,867
Unassigned	15,887,891			15,887,891
Total Fund Equity	<u><u>\$15,887,891</u></u>	<u><u>\$1,595,451</u></u>	<u><u>\$212,416</u></u>	<u><u>17,695,758</u></u>
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.				21,704,379
LONG-TERM LIABILITIES				
Long-term liabilities are not due and payable in the current portion period and therefore not reported in the Funds. Those liabilities consist of:				
Bonds payable				<u>(23,030,000)</u>
TOTAL NET ASSETS				<u><u>\$16,370,137</u></u>

See accompanying notes to financial statements

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Debt Service Fund	DWR/Flood Protection Grant Special Revenue Fund	Total
REVENUES				
Special benefit assessment for operations	\$4,194,636			\$4,194,636
Contributions from developers and homeowners	12,498,500	\$668,226		13,166,726
Reimbursements	2,342,240			2,342,240
Intergovernmental			\$1,617,011	1,617,011
Other	51,312		4,668	55,980
Total Revenues	19,086,688	668,226	1,621,679	21,376,593
EXPENDITURES				
Salaries and benefits	147,469			147,469
Operations and maintenance	1,359,722			1,359,722
Capital outlay	6,562,461			6,562,461
Interest and fiscal charges	668,236	775,960		1,444,196
Contributions to other agencies	650,748	12,367,521		13,018,269
Pass-thru to other agencies			2,107,073	2,107,073
Total Expenditures	9,388,636	13,143,481	2,107,073	24,639,190
Proceeds from issuance of debt		13,360,000		13,360,000
NET CHANGE IN FUND BALANCE	9,698,052	884,745	(485,394)	10,097,403
Fund balance at beginning of year	6,189,839	710,706	697,810	7,598,355
Fund balance at end of year	<u>\$15,887,891</u>	<u>\$1,595,451</u>	<u>\$212,416</u>	<u>\$17,695,758</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, 2011

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	\$10,097,403
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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, if any.	6,562,461
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.	<u>(13,190,000)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$3,469,864</u></u>
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See accompanying notes to financial statements

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Special benefit assessment for operations	\$4,115,656	\$4,115,656	\$4,194,636	\$78,980
Contributions from developers and homeowners			12,498,500	12,498,500
Reimbursements			2,342,240	2,342,240
Other	40,000	40,000	51,312	11,312
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>19,086,688</u>	<u>14,931,032</u>
EXPENDITURES				
Personnel Services	350,000	350,000	147,469	202,531
Operations and maintenance	1,821,300	1,821,300	1,359,722	461,578
Capital outlay	35,357,963	35,357,963	6,562,461	28,795,502
Interest and fiscal charges			668,236	(668,236)
Contributions to other agencies	619,140	619,140	650,748	(31,608)
Total Expenditures	<u>38,148,403</u>	<u>37,529,263</u>	<u>9,388,636</u>	<u>29,459,611</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$38,108,403)</u></u>	<u><u>(\$37,489,263)</u></u>	9,698,052	<u><u>\$47,187,315</u></u>
Fund balance at beginning of year			<u>6,189,839</u>	
Fund balance at end of year			<u><u>\$15,887,891</u></u>	

See accompanying notes to financial statements

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions from developers and homeowners			\$668,226	\$668,226
Total Revenues			<u>668,226</u>	<u>668,226</u>
EXPENDITURES				
Interest and fiscal charges			775,960	(775,960)
Contributions to other agencies			<u>12,367,521</u>	<u>(12,367,521)</u>
Total Expenditures			<u>13,143,481</u>	<u>(13,143,481)</u>
Proceeds from issuance of debt	<u>\$16,000,000</u>	<u>\$16,000,000</u>	<u>13,360,000</u>	<u>2,640,000</u>
NET CHANGE IN FUND BALANCE	<u><u>16,000,000</u></u>	<u><u>16,000,000</u></u>	884,745	<u><u>(\$15,115,255)</u></u>
Fund balance at beginning of year			<u>710,706</u>	
Fund balance at end of year			<u><u>\$1,595,451</u></u>	

See accompanying notes to financial statements

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$2,453,250	\$2,453,250	\$1,617,011	(\$836,239)
Other			4,668	4,668
Total Revenues	<u>2,453,250</u>	<u>2,453,250</u>	<u>1,621,679</u>	<u>(831,571)</u>
EXPENDITURES				
Pass-Thru	<u>2,453,250</u>	<u>2,453,250</u>	<u>2,107,073</u>	<u>346,177</u>
Total Expenditures	<u>2,453,250</u>	<u>2,453,250</u>	<u>2,107,073</u>	<u>346,177</u>
NET CHANGE IN FUND BALANCE			<u>(485,394)</u>	<u>(\$485,394)</u>
Fund balance at beginning of year			<u>697,810</u>	
Fund balance at end of year			<u>\$212,416</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
FOR THE YEAR ENDED JUNE 30, 2011**

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
FOR THE YEAR ENDED JUNE 30, 2011**

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.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payments of bond principal and interest of the Assessment Revenue Bonds issued to finance the construction of certain public capital improvements related to flood protection.

Special Revenue Fund –Special Revenue Funds are used to account for specific revenues that are restricted by law or administrative action to expenditures for particular purposes.

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.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control.

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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.

E. Excess Expenditures over Appropriations

The following funds had expenditures and transfers in excess of the final appropriation for the fiscal year ended June 30, 2011.

Fund	Excess Expenditures
Debt Service Fund	\$13,143,481

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.

In fiscal year ended June 30, 2011 the Authority issued \$13,360,000 in assessment revenue bonds. In doing so the Authority received an influx of money which was invested as follows:

Cash and investments in City Treasury	\$4,457,304
Cash and investments with Fiscal Agents	
Money Market Mutual Funds	13,695,260
Total	\$18,152,564

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 - CASH AND INVESTMENTS (Continued)

A. Investments Authorized by the California Government Code and the City's Investment Policy

The Authority has adopted the City's investment policy for all investments with the exception of investments held by bond trustees that are governed by the provisions of the debt agreements of the Authority's, rather than the Authority's investment policy. The City's investment policy may be found in the notes to the City's basic financial statements.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
California Local Agency Investment Fund	N/A	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Issues	5 years	N/A	None	None
Bankers Acceptances	180 days	N/A	40%	40%
Collateralized Certificates of Deposit with Banks or Savings & Loans	5 years	N/A	30%	30%
Negotiable Certificates of Deposit	5 years	N/A	30%	30%
Commercial Paper	270 days	A1	30%	30%
Repurchase Agreements	1 year	N/A	None	None
Reverse Repurchase Agreements	92 days	N/A	20% of base value	None
California Local Agency Debt	5 years	N/A	None	None
Local Agency Bonds	5 years	N/A	None	None
Medium Term Notes	5 years	A	30%	30%
Mutual Funds	5 years	AAA	20%	20%
Mortgage Pass-Through Security	5 years	AA	20%	20%
Money Market Mutual Funds	N/A	N/A	20%	20%

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Authority resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
California Local Agency Investment Fund	N/A	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Issues	5 years	N/A	None	None
Bankers Acceptances	180 days	N/A	40%	40%
Collateralized Certificates of Deposit				
with Banks or Savings & Loans	5 years	N/A	30%	30%
Negotiable Certificates of Deposit	5 years	N/A	30%	30%
Commercial Paper	270 days	A1	30%	30%
Repurchase Agreements	1 year	N/A	None	None
Reverse Repurchase Agreements	92 days	N/A	20% of base value	None
California Local Agency Debt	5 years	N/A	None	None
Local Agency Bonds	5 years	N/A	None	None
Medium Term Notes	5 years	A	30%	30%
Mutual Funds	5 years	AAA	20%	20%
Mortgage Pass-Through Security	5 years	AA	20%	20%
Money Market Mutual Funds	N/A	N/A	20%	20%

The debt agreements also authorize debt proceeds to be invested in guaranteed investment contracts that are guaranteed by a financial institution which has an unsecured rating or the agreement itself is rated in one of the two highest rating categories by two or more rating agencies and is secured at all times by security consisting of United States Obligations with a market value of 105% of the principal amount of the obligation. The debt agreements do not specify a maximum percentage of the portfolio or maximum amount in one issuer for guaranteed investment contracts.

C. Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of year end, the weighted average maturity of the investments contained in the LAIF investment pool was approximately 237 days.

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type	Total 12 Months or less
City of West Sacramento Investment Pool	\$4,457,304
Money Market Funds	13,695,260
Total Investments	\$18,152,564

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	AAA	Total
<i>Rated:</i>		
Money Market Mutual Funds	\$13,695,260	\$13,695,260
<i>Not rated:</i>		
City of West Sacramento Investment Pool		4,457,304
Total	\$13,695,260	\$18,152,564

NOTE 3 – LOAN RECEIVABLE

In August of 2008, the West Sacramento Area Flood Control Agency (WSAFCA) JPA Board approved the issuance of their first flood bond for the purpose of flood protection and improvements. As listed in the bond indenture, one of the authorized use of the sources of funds was to make a loan to the City Drainage Impact Fee Fund to complete the financing plan of the Main Drain Pump Station. Interest of 3% is due from the City annually on July 1 for a term of 20 years. The City repaid this loan in its' entirety during the fiscal year ended June 30, 2011.

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 – 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, 2010</u>	<u>Additions</u>	<u>Balance at June 30, 2011</u>
Capital Assets, not being depreciated:			
Construction in progress	<u>\$15,141,918</u>	<u>\$6,562,461</u>	<u>\$21,704,379</u>
Authority Activities Capital Assets	<u>\$15,141,918</u>	<u>\$6,562,461</u>	<u>\$21,704,379</u>

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Current Portion</u>
Assessment Revenue Bonds					
2008 Assessment Revenue Bonds					
3.75%-5.50%, due 9/1/38	\$9,840,000		\$170,000	\$9,670,000	\$175,000
2011 Assessment Revenue Bonds					
2.25%-5.25%, due 9/1/41		<u>\$13,360,000</u>		<u>13,360,000</u>	
Total Authority Activity Debt	<u>\$9,840,000</u>	<u>\$13,360,000</u>	<u>\$170,000</u>	<u>\$23,030,000</u>	<u>\$175,000</u>

- A. **West Sacramento Area Flood Control Agency Assessment Revenue Bonds** – On August 13, 2008 the West Sacramento Area Flood Control Agency JPA (Agency) issued \$10,000,000 to finance the construction of certain public capital improvements related to flood protection. The bonds are payable solely from annual assessment installments for capital facilities to be levied by the Agency on all parcels in the City of West Sacramento, CA. Principal payments of \$160,000 to \$635,000 are due annually on September 1 through September 1, 2038. Interest payments of \$17,463 to \$259,350 are due semi-annually on March 1 through September 1, 2038. Interest rates range from 3.75% to 5.5%.

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 – LONG-TERM LIABILITIES (Continued)

B. West Sacramento Area Flood Control Agency Assessment Revenue Bonds, Series 2011 – As presented to the Board on April 14, 2011, the West Sacramento Area Flood Control Agency JPA (Agency) is recommending an additional bond issuance to fund construction of WSLIP repair projects, and fund planning, environmental, and engineering program costs related to the Southport Sacramento River Levee EIP Project. The bonds are payable solely from manual assessment installments for capital facilities to be levied by the Agency on all parcels in the City of West Sacramento, CA. Principal payments of \$175,000 to \$9,030,000 are due annually on September 1 through September 1, 2041. Interest payments of \$15,290 to \$245,884 are due semi-annually on March 1 through September 1, 2041. Interest rates range from 2.25% to 5.25%.

C. Debt Service Requirements

The annual debt service requirements at June 30, 2011 are as follows:

Year Ending June 30	Principal	Interest
2012	\$175,000	\$1,319,783
2013	285,000	1,315,339
2014	440,000	1,308,309
2015	450,000	1,293,490
2016	465,000	1,277,991
2017-2021	2,535,000	6,108,862
2022-2026	3,140,000	5,423,047
2027-2031	4,075,000	4,409,045
2032-2036	5,420,000	2,968,489
2037-2041	6,045,000	1,072,001
Total	<u>\$23,030,000</u>	<u>\$26,496,356</u>

NOTE 6 – 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. *Unrestricted* describes the portion of Net Assets which is not restricted as to use.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of those assets reduce the balance in this category.

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 – NET ASSETS AND FUND BALANCES (Continued)

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Authority's which may be altered only by formal action of the Authority's. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Governing Board or its designee and may be changed at the discretion of the Governing Board or its designee. This category includes encumbrances; Nonspendables, when it is the intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 7 – COMMITMENTS

A. Long-Term Commitments

The Authority had the following significant contract commitments as of June 30, 2011:

	<u>Appropriations</u>	<u>Expended thru June 30,2011</u>	<u>Commitments</u>
Flood Projects	<u>\$110,784,000</u>	<u>\$21,188,004</u>	<u>\$89,595,996</u>