

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION

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WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
JOINT POWERS AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 BASIC FINANCIAL STATEMENTS
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Letter of Transmittal

West Sacramento Area Flood Control Agency

December 8, 2012

To the West Sacramento Area Flood Control Area (WSAFCA) Board and Citizens served by the Agency:

It is a pleasure to submit for your information the Comprehensive Annual Financial Report of the West Sacramento Area Flood Control Agency for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the WSAFCA management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Agency. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

FORMAL TRANSMITTAL OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

State law requires that every general government publish within six months of the end of each fiscal year a complete set of audited financial statements. The firm Maze and Associates was selected to audit the Agency's financial records. The auditor's report on the basic financial statement is included in the financial section of this report.

The Comprehensive Annual Financial Report is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the independent public accounting firm of Maze and Associates. Organization of the financial report follows the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA). In accordance with the above-mentioned guidelines, the Comprehensive Annual Financial Report is divided into three sections.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The WSAFCA's MD&A can be found immediately following the report of the independent auditors.

INTERNAL CONTROLS

WSAFCA's management is responsible for establishing and maintaining internal controls designed to ensure that the Agency's assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls are designed to provide reasonable, but not absolute, assurance

that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Management relies on and is confident that the internal controls in place are adequate to ensure the accuracy of the financial data provided herein.

As a recipient of federal, state, and local financial assistance, the Agency is also responsible for ensuring that adequate internal controls are in place to ensure document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by management and staff of the City of West Sacramento Finance Department.

In addition, the Agency maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved the Agency Board. Activities for all funds are included in the annual appropriated budget.

As demonstrated by the statements and schedules included in the financial section of this report, the Agency continues to meet its responsibility for sound financial management.

PROFILE OF THE GOVERNMENT

The West Sacramento Area Flood Control Agency (WSFACA) operates under a board-manager form of government and provides flood protection to the City of West Sacramento's residents, businesses and assets. The Agency provides services related to the construction, maintenance, and regulation of West Sacramento's levee system. Services include the capital expansion and improvement of levee facilities, regulatory services to fulfill legal requirements associated with federal and state programs that relate to the Agency's activities, surveying and mapping services, and planning services that relate to and provide for the public's health and safety in regard to flood prevention, control, and emergency response. This report includes all funds of the WSAFCA.

GOVERNMENT STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The West Sacramento Area Flood Control Agency (WSAFCA, the "Agency"), is a joint powers authority created by agreement made between the City of West Sacramento (the "City"), Reclamation District No. 900 and Reclamation District No. 537. The three member WSAFCA Board formulates and enacts policy for the Agency. The elected boards of RD 900, RD 537, and the West Sacramento City Council each appoint a director and alternate director to serve as a member of the WSAFCA Board.

The Directors formulate and direct policy, establish goals and set priorities for the Agency.

The Agency is required to adopt by resolution a final biennial budget by June 30th. The current budget was adopted on June 9, 2011. The biennial budget serves as the foundation for the Agency's financial planning and control. The Agency's budget is prepared by fund and activity or appropriation level within each category present in the financial statements. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted

amounts are originally adopted and further amended as required by the WSAFCA Board. The legal level of control, the level at which expenditures may not exceed budget, is the fund. Budget information is presented for the General and Special Revenue Funds in the fund financial statements. Appropriations, except open project appropriations and unexpended grant appropriations, lapse at the end of each biennial cycle.

At this point in time, the Agency is focused on an ambitious capital improvement of the levee system as outlined in the West Sacramento Levee Improvement Program (WSLIP). Typically, staff develops budget proposals for Board consideration based on project hierarchy and phase as identified by the WSLIP with allocation requests reflecting the design, environmental, and construction activity of the selected projects.

ECONOMIC CONDITION

LOCAL/REGIONAL ECONOMY

The rate of annual job gains or losses in the six-county Sacramento region, of which the City of West Sacramento is an integral part, is an essential component of the local/regional economic analysis. The region experienced positive annual job growth for the quarter ending June 30, 2012. The region posted 1.3 percent employment growths between June 2011 and June 2012, equating to an annual gain of 10,900 jobs. Since the beginning of 2011, the region's job growth held a relatively flat pattern, with a slight upward movement in June 2011 and continuing into the end of Fiscal Year 2012. The large government sector is currently experiencing annual job declines with losses across federal, state, and local entities. With the exception of educational and health services, all of the Sacramento region's large private sector activities saw periods of negative job growth in the past 12 months, but rebounded to positive job growth by the end of the second quarter. The Sacramento region's unemployment rate continued to move down through the end of June 30, 2012. This rate reflects a total of nearly 129,000 (11.7 percent) unemployed residents out of a 1.1 million-person regional labor force.

The region's residential real estate market continued to see reductions in the median home price, largely as an ongoing influence of the high rate of foreclosures. Home sale prices in the Sacramento region declined 4.1 percent in the second quarter of 2012, reaching \$172,000 for a median home price, one of the lowest levels in the past several years. Sacramento's growth was significantly lower than the statewide average of 0.7 percent. Although California's and Sacramento's housing markets are still depressed, other parts of the country are still experiencing market deterioration. The Sacramento region is again one of the most affordable housing regions in the state. With 84 percent of homes sold in the second quarter of 2012 affordable to a family earning a median income, Sacramento ranks well above the statewide averages of 68 percent and below just two of the major and neighboring regions in the state, Stockton and Solano.

Discounted foreclosure properties are pulling down the market prices throughout the state. Nearly one out of every 399 housing units in West Sacramento received a foreclosure filing in October 2012, according to a report published by RealtyTrac.com. However, year over year, the volume of foreclosures has decreased 16.32 percent from Q1 2011 to Q1 2012.

LONG-TERM FINANCIAL PLANNING

WSAFCA's long-term financial planning is funded through an annual flood assessment levied on real property and which was enacted by voters in 2007. The assessment serves as the debt financing mechanism that pays WSAFCA's cost share for levee improvements under the West Sacramento Levee Improvement Program (WSLIP). Long-term planning strategy has a two-goal focus. The first goal is maximum utilization of funding under the State of California Early Implementation Program. The Program provides cost share funding through a decision matrix that defines the level of state interest in a prospective project. A higher state interest generates a higher state cost share. The second goal is the completion of a USACOE General Reevaluation Report (GRR). In addition to other benefits, the GRR identifies federal interest in the WSLIP and 221 credit for work performed in advance of the GRR. The overall long-term financial plan is to structure WSAFCA's financial capacity to maximize state and federal cost share participation of the WSLIP. Respective cost share for the WSLIP as outlined in the 2007 Engineer's Report are WSAFCA 21 percent, state 29 percent, and federal 50 percent. Capital projects and work on the GRR are funded through bond proceeds secured by assessment revenue.

RESERVE POLICIES

The WSAFCA currently maintains a cash reserve for the General Fund equal to the annual debt service payment. The WSAFCA will seek to increase the current cash reserve in the General Fund up to 20 percent of the annual assessment revenues.

MAJOR INITIATIVES

During the fiscal year the Agency completed its second and third major projects under the state's Early Implementation Program (EIP).

Rivers Phase 1

The levee segment selected for improvement is approximately 3,000 feet long and is located along the right bank of the Sacramento River, starting at the downstream end of the State of California Department of Water Resources maintenance yard located in the neighborhood of Bryte and terminates in the widened levee section just before the waterside homes on River Crest Drive.

The area surrounding the project site is primarily residential suburban development. The project site consists of an earthen levee with a crown width of approximately 20 feet and a waterside berm that varies in width from 100 to 400 feet. The elevation of the existing levee throughout the project extent ranges from approximately 39.8 feet to 44.1 feet (NAVD88). In all cases, this elevation is more than 3 feet higher than the 200-year design water surface elevation of 36.5 feet for this location in the Sacramento River. Numerous utility penetrations through the levee were identified within the project limits; and several waterside residences exist within the downstream portion of the site.

The levee improvement plan included a combination of levee reconstruction measures necessary to correct seepage, stability, levee geometry, vegetation, and encroachment issues.

The primary levee reconstruction measures included installation of a seepage cutoff barrier along the entire extent of the project, as well as levee grading, including slope flattening, to correct identified slope stability issues. Encroachments and vegetation within the project site were removed or reconfigured, as necessary, to comply with current Army Corps and Central Valley Flood Protection Board policy.

Sacramento River Bypass-CHP Academy Project

The levee segment selected for improvement is approximately 6,000 feet. It extends from the Sacramento Weir 6,000 feet west along the south levee of the Sacramento Bypass. The area south of the project site is occupied by the California Highway Patrol (CHP) Academy. The project site consists of an earthen levee with a crown width of approximately 20 feet. The levee segment along the Sacramento Bypass has a landside berm constructed as part of the USACE West Sacramento Project Levee Reconstruction Project Contract B, 1999. Other Contract B levee improvements that fall within the extents of the CHP Academy EIP site include a waterside toe soil bentonite cutoff wall and an interior drain. The elevation of the existing levee along the Sacramento Bypass ranges from approximately 38.1 feet to 40.3 feet (NAVD88). In all cases, this elevation is more than 3 feet higher than the 200-year design water surface elevation for the Sacramento Bypass. The 200-year design elevation for the TOL is below the previously authorized and accepted TOL for the West Sacramento Project.

The levee improvement plan included levee reconstruction measures necessary to correct seepage and stability deficiencies. The project included slope flattening and installation of a cutoff wall to correct for stability and seepage deficiencies, respectively. Vegetation within the project extents was modified, as needed, to comply with current Army Corps policy.

Southport Sacramento River EIP

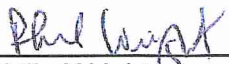
WSAFCA has identified the Sacramento River right levee between levee mile 2.2 and 7.8 as the next levee improvement project in its ongoing upgrade of the West Sacramento flood protection system. The reach under consideration is a federal project levee that extends from the termination of the U.S. Army Corps of Engineers Sacramento River Erosion Repair Site RM 57.2R levee project south 5.6 miles to the South Cross Levee. What distinguishes this project from others is that, unlike WSAFCA's recently completed levee upgrades and those planned for the near future, the Southport Sacramento River EIP presents potential opportunities for ecosystem restoration and recreation beyond the primary program objective of improving flood protection in the City of West Sacramento. These factors combine with the potential for elimination of seismic deficiencies and a reduction in erosion related operation and maintenance costs. Project development is expected to attain its 65 percent design point in March 2013 with completion of the Environmental Impact Statement/Report in mid-2013.

Relevant Financial Policies


The Agency's cash and investments, stated at fair value, are on account with and pooled with other governmental agencies by the City of West Sacramento's Finance Division for the purpose of capital preservation through conservative investment activity. Union Bank of California Trust Services serves as the Agency's fiscal agent for special assessment debt, i.e. bond proceeds that fund capital projects

The preparation of this report would not have been possible without the efficient and dedicated staff of the City of West Sacramento Public Works and Administrative Services Departments.

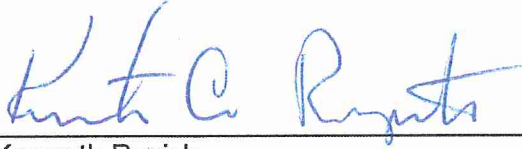
Respectfully submitted,



Philip Wright
Director of Administrative Services/
Flood JPA Treasurer



Nitish Sharma
Budget Manager
Administrative Services Department



Kenneth Ruzich
General Manager, WSAFCA

FINANCIAL SECTION

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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 (Authority) as of and for the year ended June 30, 2012 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, 2012 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 this information in accordance with generally accepted auditing standards 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the City of West Sacramento Area Flood Control Agency Joint Powers Authority's financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section are presented for purposes of additional analyses and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have 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 on them.

Maye & Associates

November 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

As management of the West Sacramento Area Flood Control Agency (WSAFCA), a Joint Powers Authority, we offer readers of the WSAFCA's financial statements this narrative overview and analysis of the financial activities of the WSAFCA for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii to viii of this report.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in three major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information,
- 2) **Financial section**, the Management's Discussion and Analysis (this section), the Basic Financial Statements, which include the Government-wide and Fund Financial Statements, along with the notes to these Financial Statements, and
- 3) **Statistical section.**

The Basic Financial Statements

The Basic Financial Statements consist of the Government-wide Financial Statements and the Fund Financial Statements, which provide two different views of the Agency's financial activities and financial position.

The Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the Agency's activities as a whole, and consist of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Agency as a whole, including all its capital assets and long-term liabilities on the full-accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the Agency's revenues and all its expenses, also on the full-accrual basis, with the emphasis on measuring net revenues or expenses of each of the Agency's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

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

The format of the Statement of Activities presents the Authority's expenses first, listed by program. Program revenues are then deducted from program expenses to arrive at the change in net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The WSAFCA, like other state and local agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. WSAFCA utilizes three fund categories, each with a distinct purpose.

The **General Fund** is used for all financial resources other than those that require accounting in another fund. The General Fund is used to pay all administrative, operating, and other expenditures incurred by the Agency, and to account for special benefit assessment and contribution revenues.

The **Debt Service Fund** accounts for the accumulation of resources and payments of bond principal and interest of the Assessment Revenue Bonds (2008 and 2011) to finance construction of certain public capital improvements related to flood protection.

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

Because the focus of the Governmental Funds Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds as similarly presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Governmental Funds Financial Statements provide detailed information about the Agency's most significant funds, called the *major funds*. The concept of *major funds*, and the determination of which are *major funds*, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each *major fund* is presented individually, with all *non-major funds* summarized and presented only in a single column. Subordinate schedules present the detail of these *non-major funds*. *Major funds* present the major activities of the Agency for the year, and may change from year to year as a result of changes in the pattern of the Agency's activities. For the fiscal year ending June 30, 2012, the WSAFCA's *major Governmental funds* are as follows:

- General Fund – Fund 870
- Debt Service Funds – Fund 881 and Fund 882
- Special Revenue Fund – Fund 257

The Board, on a multi-year basis, has initially covenanted debt service and projects with bond proceeds. Other projects in the capital projects funds are budgeted by the Board on a multi-year basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Notes to the 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 financial statements can be found on pages 21 to 29 of this report.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to the Financial Statements. The Individual fund statement for the Debt Service Fund can be found on page 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year the Authority has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

For comparison purposes, three years of financial information are provided in the GASB 34 format.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the WSAFCA, assets exceeded liabilities by \$33.9 million as of June 30, 2012, \$16.3 million as of June 30, 2011, and \$12.9 million as of June 30, 2010. The increase of \$17.6 million in FY 2012 is due to a combination of factors, including a grant from the State of California for the flood program of \$22.0 million, an increase in the reimbursement from the trustee for flood project expenditures not covered by the grant receipts of \$7.0 million, and an increase in flood program capital expenditures of \$12.0 million. The increase in FY 2011 is primarily due to the proceeds from the issuance of the 2011 WSAFCA bonds of \$13.3 million. The increase in FY2010 is primarily due to the grant received from the State of California for the design and construction of the I Street bridge levee project.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
SUMMARY OF NET ASSETS
AS OF JUNE 30, 2012, 2011 and 2010

	Governmental Activities		
	2012	2011	2010
Current and other assets	\$18,208,153	\$18,413,973	\$7,992,996
Capital assets	45,341,979	21,704,379	15,141,918
Total Assets	63,550,132	40,118,352	23,134,914
Current and other liabilities	7,104,037	893,215	564,641
Non-current liabilities	22,570,000	22,855,000	9,670,000
Total Liabilities	29,674,037	23,748,215	10,234,641
Invested in capital assets, net of related debt	27,079,075	10,811,196	7,021,107
Unrestricted	6,797,020	5,558,971	5,879,166
Total Net Assets	\$33,876,095	\$16,370,137	\$12,900,273

Governmental Activities

Special flood assessments have increased by 2% each year since FY 2008. The special assessment levied on each parcel is a direct tax that is not subject to any changes in the property value. In Fiscal Year 2012, the State of California invested over \$22.1 million for the design of the Southport EIP and the construction of the Rivers EIP and the CHP Bypass EIP. The contribution from developers and homeowners are reimbursements received from the bond fiscal agent trustee for the flood program expenditures.

Total governmental activities expenses have increased by \$13.4 million in the current year. This is due to a combination of factors including the construction of the Rivers EIP project and the construction of CHP Bypass Levee EIP project. Total governmental expenditures increased by \$14.0 million in Fiscal Year 2011. The increase can be attributable to the design expenditures related to the Rivers EIP and CHP Bypass Levee EIP projects. Total governmental expenditures decreased by \$7.5 million in Fiscal Year 2010. The decrease is due to the issuance of the 2008 Flood Control bonds in Fiscal Year 2009 that was expensed in the same period for \$10.4 million. The net flood program expenditures increased by \$2.9 million. The increase is primarily due to the design/construction of the I Street levee project.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Activities		
	2012	2011	2010
REVENUES			
Program revenues:			
Special benefit assessment for operations	\$4,242,967	\$4,194,636	\$3,982,367
Contributions from developers and homeowners	1,650,340	13,166,726	1,742,861
Reimbursements	20,884,414	1,617,011	2,443,192
Intergovernmental	22,092,638	2,342,240	1,745,389
General revenues:			
Other	1,899	55,980	37,593
TOTAL REVENUES	48,872,258	21,376,593	9,951,402
EXPENSES			
Program expenses:			
Operations and maintenance	4,204,326	1,507,171	295,206
Interest and fiscal charges	969,456	1,274,196	1,204,424
Contributions to other agencies	1,157,128	13,018,269	634,598
Pass-thru	25,035,390	2,107,073	1,745,382
TOTAL EXPENSES	31,366,300	17,906,729	3,879,610
INCREASE IN NET ASSETS	17,505,958	3,469,864	6,071,792
Net assets at July 1	16,370,137	12,900,273	6,828,481
NET ASSETS AT JUNE 30	\$33,876,095	\$16,370,137	\$12,900,273

Financial Analysis of the Agency Funds

The WSAFCA uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the Agency government, reporting the Agency's operations in more detail than the Government-wide financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Governmental Funds

At the fiscal year-end June 30, 2012, the Agency's governmental fund reported a combined fund balances of \$11.4 million, a decrease of \$6.3 million. The General Fund reported a decrease in Fund Balance of \$3.3 million, or 20.1%. The decrease in General Fund is primarily due to offsetting factors including the construction expenditures related to the Rivers EIP project and CHP Bypass Levee EIP project (\$23.7 million) and an increase in revenues from the State of California (\$20.8 million). At the fiscal year-end June 30, 2011, the Agency's governmental funds reported a net increase of \$10.1 million. The increase reported in General Fund was \$9.7 million. The increase can be attributable to the issuance of the 2011 WSAFCA bonds with net proceeds of \$13.3 million and an increase in expenditures related to the design of the Rivers EIP, Southport EIP and CHP Bypass Levee EIP projects of \$4.2 million. At the fiscal year-end June 30, 2010, the Agency's governmental funds reported a net increase of \$1.3 million. The General Fund reported an increase of \$0.6 million. The increase was primarily due to the reimbursement from the State of California for the I Street EIP project.

General Fund Budgetary Highlights

The Agency has historically adopted two budgets. The first is an operational biennial budget that includes operational costs, staffing, and minor departmental capital expenditures. The second is a capital improvement program approved by the Agency Board separately from the original operating budget on a project-by-project basis. The capital program prioritizes projects by their ability to minimize risk to the community and leverage available grant funding opportunities at the state and federal levels.

Actual capital expenditures were \$65.1 million less than final budget amounts, mainly due to the Agency expending only \$27.7 million out of \$92.8 million in capital improvement projects in the Fiscal Year 2012. Total capital improvement budget includes the construction costs related to the Southport EIP project. The project is currently under design and is planned to begin construction in Fiscal Year 2014, depending on available resources.

Actual assessment revenues were \$0.1 million lower than the final budget amounts. The actual assessment revenues were adjusted for the write-off associated with accounts with delinquent balances over 90 days.

Capital Assets

The WSAFCA's investment in capital assets, net of depreciation, for its governmental activities as of June 30, 2012, June 30, 2011, and June 30, 2010, were \$27.1 million, \$10.8 million, and \$7.0 million, respectively. The Agency's capital assets were reported as construction in progress in each of the last three years.

Major capital asset events during the year included governmental infrastructure improvements including the Rivers EIP, Southport EIP, CHP-Sacramento Bypass Levee and the General Re-evaluation Report (GRR).

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Long-term Debt

The Agency's debt financing of capital assets for its governmental activities as of June 30, 2012, June 30, 2011, and June 30, 2010, were \$22.5 million, \$22.8 million, and \$9.6 million, respectively.

More detail of the long-term liabilities and current transactions can be found in Note 7 of the Financial Statements.

Economic Outlook

We believe the economy is slowly recovering from the downturn we experienced for the past five years. West Sacramento has recently experienced significant growth in the industrial and commercial sectors. We anticipate that the Agency will experience an increase in the flood assessment revenue from the growth. The special assessment will continue to increase on an average of 2% each year due to the anticipated increase in the flood program.

Requests for Information

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the WSAFCA Administrative Services Department, 1110 West Capitol Avenue, West Sacramento, CA 95691, or visit the Agency's web page at <http://www.cityofwestsacramento.org/city/flood/default.asp>.

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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, 2012

ASSETS

Cash in City treasury (Note 2)	\$6,480,900
Cash with fiscal agents (Note 2)	6,150,597
Accounts receivable	83,202
Grants receivable	2,813,657
Due from other funds	2,492,258
Due from other governments	187,539
Capital assets, non-depreciable (Note 3)	<u>45,341,979</u>
Total Assets	<u>63,550,132</u>

LIABILITIES

Accounts payable	1,511,346
Salaries and benefits payable	1,776
Unearned revenue	2,813,657
Due to other funds	2,492,258
Long-term debt (Note 4)	
Due within one year	285,000
Due in more than one year	<u>22,570,000</u>
Total Liabilities	<u>29,674,037</u>

NET ASSETS (Note 5)

Invested in capital assets, net of related debt	27,079,075
Unrestricted	<u>6,797,020</u>
Total Net Assets	<u><u>\$33,876,095</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, 2012

Program Expenses:	
Operations and maintenance	\$4,204,326
Interest and fiscal charges	969,456
Contributions to other agencies	1,157,128
Pass-thru	<u>25,035,390</u>
Total Program Expenses	<u>31,366,300</u>
Program revenues:	
Special benefit assessment for operations	4,242,967
Contributions from developers and homeowners	1,650,340
Reimbursements	20,884,414
Intergovernmental	<u>22,092,638</u>
Total Program Revenues	<u>48,870,359</u>
Net Program Revenue	<u>17,504,059</u>
General revenues	
Other	<u>1,899</u>
Change in Net Assets	17,505,958
Net Assets-Beginning	<u>16,370,137</u>
Net Assets-Ending	<u><u>\$33,876,095</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, 2012

	General Fund	Debt Service Fund	DWR/Flood Protection Grant Special Revenue Fund	Total
ASSETS				
Cash in City treasury (Note 2)	\$6,445,208	\$35,692		\$6,480,900
Cash with fiscal agent (Note 2)	4,592,096	1,558,501		6,150,597
Accounts receivable	83,202			83,202
Grants receivable			\$2,813,657	2,813,657
Due from other funds	2,492,258			2,492,258
Due from other governments	187,539			187,539
	<u>\$13,800,303</u>	<u>\$1,594,193</u>	<u>\$2,813,657</u>	<u>\$18,208,153</u>
LIABILITIES				
Accounts payable	\$1,197,201		\$314,145	\$1,511,346
Salaries and benefits payable	1,406		370	1,776
Deferred revenue			2,813,657	2,813,657
Due to other funds			2,492,258	2,492,258
	<u>1,198,607</u>		<u>5,620,430</u>	<u>6,819,037</u>
FUND BALANCE (Note 5)				
Restricted		\$1,594,193		1,594,193
Unassigned	12,601,696		(2,806,773)	9,794,923
	<u>\$12,601,696</u>	<u>\$1,594,193</u>	<u>(\$2,806,773)</u>	11,389,116
<p>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:</p>				
CAPITAL ASSETS				
Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds.				45,341,979
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				(22,855,000)
TOTAL NET ASSETS				<u>\$33,876,095</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, 2012

	General Fund	Debt Service Fund	DWR/Flood Protection Grant Special Revenue Fund	Total
REVENUES				
Special benefit assessment for operations	\$4,242,967			\$4,242,967
Contributions from developers and homeowners	517,126	\$1,133,214		1,650,340
Reimbursements	22,092,638			22,092,638
Intergovernmental			\$20,884,414	20,884,414
Other	1,586	39	274	1,899
Total Revenues	26,854,317	1,133,253	20,884,688	48,872,258
EXPENDITURES				
Salaries and benefits				
Operations and maintenance	150,589	850		151,439
Capital outlay	27,690,487			27,690,487
Interest and fiscal charges	10,795	1,133,661		1,144,456
Contributions to other agencies	1,157,128			1,157,128
Pass-thru to other agencies	1,131,513		23,903,877	25,035,390
Total Expenditures	30,140,512	1,134,511	23,903,877	55,178,900
NET CHANGE IN FUND BALANCE	(3,286,195)	(1,258)	(3,019,189)	(6,306,642)
Fund balance at beginning of year	15,887,891	1,595,451	212,416	17,695,758
Fund balance (deficit) at end of year	<u>\$12,601,696</u>	<u>\$1,594,193</u>	<u>(\$2,806,773)</u>	<u>\$11,389,116</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, 2012

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	(\$6,306,642)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense, if any.	23,637,600
LONG-TERM DEBT TRANSACTIONS	
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. Repayment of debt principal is added back to fund balance.	<u>175,000</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$17,505,958</u></u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Special benefit assessment for operations	\$4,383,919	\$4,383,919	\$4,242,967	(\$140,952)
Contributions from developers and homeowners	25,000	25,000	517,126	492,126
Reimbursements			22,092,638	22,092,638
Other	12,000	12,000	1,586	(10,414)
Total Revenues	<u>4,420,919</u>	<u>4,420,919</u>	<u>26,854,317</u>	<u>22,443,812</u>
EXPENDITURES				
Operations and maintenance			150,589	(150,589)
Capital outlay		92,765,995	27,690,487	65,075,508
Interest and fiscal charges			10,795	(10,795)
Contributions to other agencies			1,157,128	(1,157,128)
Pass through to other agencies			1,131,513	(1,131,513)
Total Expenditures		<u>92,765,995</u>	<u>30,140,512</u>	<u>62,625,483</u>
NET CHANGE IN FUND BALANCE	<u>\$4,420,919</u>	<u>(\$88,345,076)</u>	<u>(3,286,195)</u>	<u>\$85,058,881</u>
Fund balance at beginning of year			<u>15,887,891</u>	
Fund balance at end of year			<u>\$12,601,696</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental		\$16,565,010	\$20,884,414	\$4,319,404
Other			274	274
Total Revenues		16,565,010	20,884,688	4,319,678
EXPENDITURES				
Pass-Thru		16,565,010	23,903,877	(7,338,867)
Total Expenditures		16,565,010	23,903,877	(7,338,867)
NET CHANGE IN FUND BALANCE			(3,019,189)	(\$3,019,189)
Fund balance at beginning of year			212,416	
Fund balance (deficit) at end of year			(\$2,806,773)	

See accompanying notes to financial statements

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012

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 the following funds:

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) except for the debt service fund. 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, 2012**

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, 2012:

Fund	Excess Expenditures
Debt Service Fund	\$1,134,511
Special Revenue Fund	7,338,867

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.

The Authority follows the practice of pooling cash and investment of all funds. Cash and investment as of June 30, 2012 are classified in the accompanying financial statements as follows:

Cash and investments in City Treasury	\$6,480,900
Cash and investments with Fiscal Agents:	
Money Market Mutual Funds	6,150,597
Total	\$12,631,497

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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
Banker's 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, 2012**

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:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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
Banker's 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 268 days.

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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	\$6,480,900
Money Market Funds	6,150,597
Total Investments	\$12,631,497

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	\$6,150,597	\$6,150,597
<i>Not rated:</i>		
City of West Sacramento Investment Pool		6,480,900
Total	\$6,150,597	\$12,631,497

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 using straight-line method. 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.

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal year was as follows:

	Balance at June 30, 2011	Additions	Balance at June 30, 2012
Capital Assets, not being depreciated:			
Construction in progress	\$21,704,379	\$23,637,600	\$45,341,979
Authority Activities Capital Assets	<u>\$21,704,379</u>	<u>\$23,637,600</u>	<u>\$45,341,979</u>

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance June 30, 2011	Retirements	Balance June 30, 2012	Current Portion
Assessment Revenue Bonds				
2008 Assessment Revenue Bonds 3.75%-5.50%, due 9/1/38	\$9,670,000	\$175,000	\$9,495,000	\$185,000
2011 Assessment Revenue Bonds 2.25%-5.25%, due 9/1/41	13,360,000		13,360,000	100,000
Total Authority Activity Debt	<u>\$23,030,000</u>	<u>\$175,000</u>	<u>\$22,855,000</u>	<u>\$285,000</u>

- A. *West Sacramento Area Flood Control Agency Assessment Revenue Bonds, Series 2008*** – 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. 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 and September 1 through September 1, 2038. Interest rates range from 3.75% to 5.5%.
- B. *West Sacramento Area Flood Control Agency Assessment Revenue Bonds, Series 2011*** – In 2011, the Authority issued revenue bonds 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 annual assessment installments for capital facilities to be levied by the Agency on all parcels in the City of West Sacramento. 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 and September 1 through September 1, 2041. Interest rates range from 2.25% to 5.25%.

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

C. Debt Service Requirements

The annual debt service requirements at June 30, 2012 are as follows:

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	475,000	1,261,547
2018-2022	2,625,000	5,998,264
2023-2027	3,300,000	5,246,692
2028-2032	4,305,000	4,158,214
2033-2037	5,765,000	2,621,901
2038-2042	4,745,000	694,826
	\$22,855,000	\$25,176,573
Total	22,855,000	25,176,573

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.

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.

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

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 Authority 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:

**WEST SACRAMENTO AREA FLOOD CONTROL AGENCY JOINT POWERS AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 5 – NET ASSETS AND FUND BALANCES (Continued)

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 (i.e. Board resolution or budget adoption) of the Authority’s Board which may be altered only by formal action of the Authority’s Board. 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.

NOTE 6 – COMMITMENTS

Long-Term Commitments

The Authority had the following significant contract commitments as of June 30, 2012:

	<u>Appropriations</u>	<u>Expended thru June 30, 2012</u>	<u>Commitments</u>
Flood Projects	<u>\$113,954,000</u>	<u>\$48,883,492</u>	<u>\$65,070,508</u>

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SUPPLEMENTAL SECTION

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY
 JOINT POWERS AUTHORITY
 DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions from developers and homeowners			\$1,133,214	\$1,133,214
Other			39	39
Total Revenues			<u>1,133,253</u>	<u>1,133,253</u>
EXPENDITURES				
Operations and maintenance			850	(850)
Interest and fiscal charges			<u>1,133,661</u>	<u>(1,133,661)</u>
Total Expenditures			<u>1,134,511</u>	<u>(1,134,511)</u>
NET CHANGE IN FUND BALANCE			<u>(1,258)</u>	<u>(\$1,258)</u>
Fund balance at beginning of year			<u>1,595,451</u>	
Fund balance at end of year			<u><u>\$1,594,193</u></u>	

STATISTICAL SECTION

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY

NET ASSETS BY COMPONENTS
 LAST THREE FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
GOVERNMENTAL ACTIVITIES			
Invested in capital assets, net of related debt	\$ 27,079,075	\$ 10,811,196	\$ 7,021,107
Restricted	-	-	-
Unrestricted	6,797,020	5,558,941	5,879,166
Total governmental activities net assets	\$ 33,876,095	\$ 16,370,137	\$ 12,900,273

NOTE: Agency has not tracked this information from FY 2008 to FY 2009, but will present prospectively.

Source: City Finance Department

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY

CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
PROGRAM EXPENSES			
Salaries and benefits	\$ -	\$ 147,469	\$ 280,651
Operations and maintenance	4,204,326	1,359,722	14,555
Interest and fiscal charges	969,456	1,274,196	1,204,424
Contributions to other agencies	1,157,128	13,018,269	634,598
Pass-thru	25,035,390	2,107,073	1,745,382
	<u>31,366,300</u>	<u>17,906,729</u>	<u>3,879,610</u>
PROGRAM REVENUES			
Special benefit assessment for operations	4,242,967	4,194,636	3,982,367
Contributions from developers and homeowners	1,650,340	13,166,726	1,742,861
Reimbursements	20,884,414	1,617,011	2,443,192
Intergovernmental	22,092,638	2,342,240	1,745,389
	<u>\$ 48,870,359</u>	<u>\$ 21,320,613</u>	<u>\$ 9,913,809</u>
NET (EXPENSES) REVENUES	<u>\$ 17,504,059</u>	<u>\$ 3,413,884</u>	<u>\$ 6,034,199</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Miscellaneous	1,899	55,980	37,593
Total governmental activities	<u>\$ 1,899</u>	<u>\$ 55,980</u>	<u>\$ 37,593</u>
Changes in Net Assets			
Governmental activities	<u>17,505,958</u>	<u>3,469,864</u>	<u>6,071,792</u>

NOTE: Agency has not tracked this information from FY 2008 to FY 2009, but will present prospectively.

Source: City Finance Department

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS

(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
GENERAL FUND			
Restricted	\$ -	\$ -	\$ 967
Unassigned	12,602	15,888	5,222
TOTAL GENERAL FUND	\$ 12,602	\$ 15,888	\$ 6,189
ALL OTHER GOVERNMENTAL FUNDS			
Restricted	\$ (1,213)	\$ 1,808	\$ -
Unassigned	-	-	698
Special revenue funds	-	-	711
Debt service funds	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ (1,213)	\$ 1,808	\$ 1,409
TOTAL GOVERNMENTAL FUNDS	\$ 11,389	\$ 17,696	\$ 7,598

NOTE: Agency has not tracked this information from FY 2008 to FY 2009, but will present prospectively.

Source: City Finance Department

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY

SPECIAL TAX LEVIES AND COLLECTIONS
LAST THREE FISCAL YEARS

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount ⁽¹⁾	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 4,034,957	\$ 3,979,302	98.6%	N/A	\$ 3,979,302	98.6%
2011	\$ 4,263,400	\$ 4,194,636	98.4%	N/A	\$ 4,194,636	98.4%
2012	\$ 4,314,952	\$ 4,242,967	98.3%	N/A	\$ 4,242,967	98.3%

NOTE: Agency has not tracked this information from FY 2008 to FY 2011, but will present prospectively.

(1) Secured role revenue

Sources: City Finance Department

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY

RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST THREE FISCAL YEARS
 (dollars in thousands, except per capita)

Fiscal Year Ended June 30	Flood Special Assessment		Percentage of Personal Income		Per Capita
	Bonds				
2010	\$ 9,840		1.01%		\$ 206
2011	\$ 23,030		2.42%		\$ 472
2012 ^[1]	\$ 22,855		2.44%		\$ 466

NOTE: Agency has not tracked this information from FY 2008 to FY 2011, but will present prospectively.

Source: City Finance Department

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY

PLEDGED-REVENUE COVERAGE - CITY
LAST THREE FISCAL YEARS
(dollars in thousands)

Fiscal Year	Flood Special Assessment Bonds					
	Special Tax Assessment Revenues ⁽¹⁾	Less Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	\$ 3,979	\$ 2,676	\$ 1,303	\$ 160	\$ 504	1.96
2011	\$ 4,195	\$ 2,254	\$ 1,941	\$ 170	\$ 498	2.91
2012	\$ 4,243	\$ 2,451	\$ 1,792	\$ 175	\$ 957	1.58

⁽¹⁾ Total special assessments and other revenues

⁽²⁾ Total operating expenses, excluding depreciation and amortization.

NOTE : Agency has not tracked this information from FY 2008 to FY 2009, but will present prospectively.

Source: City Finance Department

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST THREE FISCAL YEARS

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2010	47,782	\$ 974,759	\$ 20,400	11.6%
2011	48,744	\$ 951,471	\$ 19,519	12.2%
2012	49,045	\$ 937,725	\$ 19,120	9.7%

NOTE : Agency has not tracked this information from FY 2008 to FY 2009, but will present prospectively.

Sources: State Department of Finance and City Finance Department

WEST SACRAMENTO AREA FLOOD CONTROL AGENCY

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST THREE FISCAL YEARS

Function/Program	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
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Note: The Agency does not track this information; however, will present prospectively.