



WEST BASIN MUNICIPAL WATER DISTRICT
17140 S. Avalon Blvd., Suite 210
Carson, CA 90746

NOVEMBER 12, 2008 – Finance Committee
Gray (Chair), Smith
NOVEMBER 24, 2008 – Board Meeting
Prepared by: Margaret Moggia
Submitted by: Margaret Moggia
Approved by: Rich Nagel

CONSENT CALENDAR

DRAFT WEST BASIN MUNICIPAL WATER DISTRICT AUDITED
FINANCIAL STATEMENTS FOR THE FISCAL YEAR JUNE 30, 2008

SUMMARY:

Mayer Hoffman McCann PC has completed the audit for the West Basin Municipal Water District (West Basin) for Fiscal Year 2007-08 (FY 2007-08) ending on June 30, 2008. No audit adjustments were recommended and West Basin has received an unqualified opinion.

The financial audit is incorporated within the Comprehensive Annual Financial Report (CAFR) (Exhibit "A"). The CAFR is comprised of three (3) sections. Staff has updated the Introductory and Statistical Sections and has reviewed and commented on the audited financial statements in the Financial Section. A brief description of the content of each section is provided below.

- Introductory Section, presents general information about West Basin, its projects and finances;
- Financial Section, includes the Independent Auditor's Report on the Basic Financial Statement, Management's Discussion and Analysis, and the basic financial statements; and
- Statistical Section, includes a 10-year history of financial and statistical data necessary to give a historical understanding to this fiscal year's financial statements.

Of particular note is the debt coverage summary found within the statistical section that shows that West Basin achieved the legal debt coverage for both senior and subordinate debt coverage. In addition, West Basin restructured its variable rate debt that resulted in the actual subordinate debt coverage exceeding the Budget. Although, due to high water recycling operating costs, the actual senior debt coverage fell short of the Budget for FY 2007-08.

	<u>Legal</u>	<u>Budget</u>	<u>Actual</u>
Senior Debt Coverage	1.15	1.74	1.60
Subordinate Debt Coverage	1.15	1.31	1.50

As a result of receiving federal funding, West Basin was also subject to a Single Audit (Exhibit "B"). The Schedule of Expenditures of Federal Awards showed that West Basin received \$3,318,844 of which \$3,255,188 is from the non-cash capital contributions from the US Army Corps of Engineers for the Harbor/South Bay Project. No findings were noted from the Single Audit procedures.

Staff has also received a Management Letter Report. The report does provide internal control improvements for which management has responded on how they will mitigate these issues. The report is provided in Exhibit "C".

Mayer Hoffman McCann will be present at the Finance Committee on November 12, 2008 to discuss the audit. Once reviewed, the audit will be finalized and the CAFR will be completed. Staff intends to submit the CAFR to the Government Finance Officers Association Excellence in Financial Reporting Awards Program, which West Basin has received the last three (3) years.

STRATEGIC BUSINESS PLAN IMPLEMENTATION:

Goal 8, Finance – Manage finances to optimize the public's investment return and minimize risk.

COMMITMENT STATEMENT:

Sound Financial and Resource Management – West Basin is committed to efficient business operations, financial planning, and asset management.

FISCAL IMPACTS:

Funds for audit fees are included in the Fiscal Year 2008-09 Finance and Support Services Operating Budget.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on November 12, 2008 and agenda'd to the November 24, 2008 Board meeting Consent Calendar.

RECOMMENDED MOTION:

This item is for information only.

EXHIBITS:

- Exhibit "A" – Draft Comprehensive Annual Financial Report (CAFR)
- Exhibit "B" – Draft Single Audit Report on Federal Awards
- Exhibit "C" – Draft Recommendations for Consideration (Management Letter Report)