

WEST AND CENTRAL BASIN FINANCING AUTHORITY
FINANCIAL STATEMENTS
Year ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

WEST AND CENTRAL BASIN FINANCING AUTHORITY

We have audited the accompanying basic financial statements of the West and Central Basin Financing Authority ("Authority") as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the West and Central Basin Financing Authority for the year ended June 30, 2007 and, in our report dated October 10, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West and Central Basin Financing Authority at June 30, 2008 and the changes in its financial position and cash flows of the West and Central Basin Financing Authority for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 3 to the financial statements, the West and Central Basin Financing Authority was dissolved on August 28, 2007.

Irvine, California
October XX, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the West and Central Basin Financing Authority's ("Authority") financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2008 with comparative totals for 2007. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the Authority's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The Authority's financial statements include four components: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows, and Notes to Basic Financial Statements.

The statement of net assets includes all the Authority's assets and liabilities, with the difference between the two reported as net assets. The statement of net assets provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Authority.

The statement of revenues, expenses and changes in net assets presents information which shows how the Authority's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net assets measures the success of the Authority's operations over the past year and determines whether the Authority has recovered its costs.

The statement of cash flows provides information regarding the Authority's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories: operating, noncapital financing, capital financing and investing. This statement differs from the statement of revenues, expenses and changes in net assets because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

During the year ended June 30, 2008, the Authority's total assets and liabilities both decreased by \$3,157,122. This decrease is primarily due to the Board of Directors approving the dissolution of the Authority. The action provided the staff and officers to take the necessary step to dissolve and terminate the activities of the entity.

In review of the Statement of Revenues, Expenses and Changes in Net Assets, the most notable change is the decline in operating expenses. The reduction in operating costs was the result of the building equipment and other building related costs being assumed by each member district.

Financial Analysis of the Financial Statements

Net Assets

Total assets and total liabilities decreased this year by \$3,157,122. These decreases represent the Authority's dissolving the entity. The balance in current assets was divided equally among the member districts. Noncurrent assets represented capital assets and those items were handled per the settlement agreement. The following is a summary of the Authority's statement of net assets at June 30:

| | <u>2007</u> | <u>2008</u> | <u>Change</u> |
|---------------------|------------------|-------------|--------------------|
| <u>Assets:</u> | | | |
| Current assets | \$ 390,799 | \$ - | \$ (390,799) |
| Noncurrent assets | <u>2,766,323</u> | <u>-</u> | <u>(2,766,323)</u> |
| Total Assets | <u>3,157,122</u> | <u>-</u> | <u>(3,157,122)</u> |
| <u>Liabilities:</u> | | | |
| Current liabilities | <u>3,157,122</u> | <u>-</u> | <u>(3,157,122)</u> |
| Total Liabilities | <u>3,157,122</u> | <u>-</u> | <u>(3,157,122)</u> |
| Net Assets: | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Revenues, Expenses and Changes in Net Assets

The Authority reported total revenues and expense of \$42,783 for the year ended June 30, 2008. This amount is a decrease of \$1,435,867 when compared to the year ended June 30, 2007 and is caused by the following: a) termination of certain leases resulting in lower rental income; b) certain operating costs assumed by member districts in 2007; and (c) the Authority was dissolved in August 2008. The following is a summary of the Authority's statement of revenues, expenses and changes in net assets at June 30:

| | <u>2007</u> | <u>2008</u> | <u>Change</u> |
|-------------------------------|------------------|---------------|--------------------|
| Operating revenues | \$ 82,415 | \$ 7,157 | \$ (75,258) |
| Nonoperating revenues | <u>1,396,235</u> | <u>35,626</u> | <u>(1,360,609)</u> |
| Total Revenues | <u>1,478,650</u> | <u>42,783</u> | <u>(1,435,867)</u> |
| Operating expenses | 412,615 | 42,781 | (369,834) |
| Nonoperating expenses | <u>1,066,035</u> | <u>2</u> | <u>(1,066,033)</u> |
| Total Expenses | <u>1,478,650</u> | <u>42,783</u> | <u>(1,435,867)</u> |
| Change in Net Assets | - | - | - |
| NET ASSETS, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>-</u> |
| NET ASSETS, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Capital Assets

At June 30, 2008, the Authority had \$0 invested in capital assets, including land, buildings, building improvements, and furniture and equipment. For the year ended June 30, 2008, there were no capital additions. The following is a summary of the capital assets at June 30:

| | <u>2007</u> | <u>2008</u> | <u>Change</u> |
|---------------------------------------|--------------------|-------------|----------------------|
| Capital Assets Not Being Depreciated: | | | |
| Land | <u>\$ 401,650</u> | <u>\$ -</u> | <u>\$ (401,650)</u> |
| Capital Assets Being Depreciated: | | | |
| Buildings | 2,687,967 | - | (2,687,967) |
| Building improvements | 1,055,181 | - | (1,055,181) |
| Furniture and equipment | <u>20,745</u> | <u>-</u> | <u>(20,745)</u> |
| Total Expenses | <u>3,763,893</u> | <u>-</u> | <u>(3,763,893)</u> |
| Total Capital Assets | <u>\$4,165,543</u> | <u>\$ -</u> | <u>\$(4,165,543)</u> |

Long-Term Liabilities

At June 30, 2008, the Authority had no long-term liabilities.

Economic Factors and Budget

In August 2007, the Authority's Board of Directors approved a resolution to dissolve the Authority. As a result, there was no budget adopted for the Authority for fiscal year 2007/2008.

Contacting the Authority

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Margaret Moggia, Chief Financial Officer at West and Central Basin Financing Authority.

WEST AND CENTRAL BASIN FINANCING AUTHORITY

STATEMENT OF NET ASSETS

Year ended June 30, 2008

(With comparative totals for June 30, 2007)

ASSETS

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|-------------|------------------|
| CURRENT ASSETS | | |
| Unrestricted assets: | | |
| Cash and cash equivalents (note 2) | \$ - | \$ 384,882 |
| Accrued interest receivable | - | 5,088 |
| Accounts receivable | - | 829 |
| TOTAL CURRENT ASSETS | <u>-</u> | <u>390,799</u> |
| NONCURRENT ASSETS | | |
| Unrestricted assets: | | |
| Capital assets, net (note 3) | - | 2,766,323 |
| Total unrestricted assets | - | 2,766,323 |
| TOTAL NONCURRENT ASSETS | <u>-</u> | <u>2,766,323</u> |
| TOTAL ASSETS | <u>-</u> | <u>3,157,122</u> |

LIABILITIES

| | | |
|---|-------------|------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | - | 4,471 |
| Due to other governments - West Basin Municipal Water District | - | 1,382,465 |
| Due to other governments - Central Basin Municipal Water District | - | 1,770,186 |
| TOTAL CURRENT LIABILITIES | <u>-</u> | <u>3,157,122</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>3,157,122</u> |
| TOTAL NET ASSETS | <u>\$ -</u> | <u>\$ -</u> |

See notes to financial statements.

WEST AND CENTRAL BASIN FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

| | <u>2008</u> | <u>2007</u> |
|---|-----------------|------------------|
| OPERATING REVENUES | | |
| Rental income | \$ 7,157 | \$ 82,415 |
| TOTAL OPERATING REVENUES | <u>7,157</u> | <u>82,415</u> |
| OPERATING EXPENSES | | |
| Rental expenses | 23,577 | 268,565 |
| General and administrative | - | 26,217 |
| Depreciation | 19,204 | 117,833 |
| TOTAL OPERATING EXPENSES | <u>42,781</u> | <u>412,615</u> |
| OPERATING INCOME (LOSS) | <u>(35,624)</u> | <u>(330,200)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest earned | 51 | 1,336,015 |
| Miscellaneous income | 35,575 | 23,960 |
| Unrealized gain (loss) on investment | - | 36,260 |
| Trustee fees | (2) | (389) |
| Amortization | - | (102,843) |
| Interest expense | - | (962,803) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>35,624</u> | <u>330,200</u> |
| CHANGE IN NET ASSETS | - | - |
| NET ASSETS, BEGINNING OF YEAR | <u>-</u> | <u>-</u> |
| NET ASSETS, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> |

See notes to financial statements.

WEST AND CENTRAL BASIN FINANCING AUTHORITY
STATEMENT OF CASH FLOWS

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

| | <u>2008</u> | <u>2007</u> |
|---|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from rental income | \$ 7,986 | \$ 125,315 |
| Nonoperating miscellaneous revenue received | 35,575 | 23,960 |
| Cash paid to employees for services | - | (9,196) |
| Cash paid to suppliers of goods and services | <u>(28,048)</u> | <u>(345,805)</u> |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | <u>15,513</u> | <u>(205,726)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Cash received from member districts | - | 2,272,159 |
| Cash paid to member districts | <u>(405,534)</u> | <u>(2,326,210)</u> |
| NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES | <u>(405,534)</u> | <u>(54,051)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal paid on capital-related debt | - | (1,835,000) |
| Interest paid on capital-related debt | <u>-</u> | <u>(1,454,862)</u> |
| NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>-</u> | <u>(3,289,862)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 5,139 | 1,336,025 |
| Proceeds from investment sales and maturities | <u>-</u> | <u>1,971,260</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>5,139</u> | <u>3,307,285</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (384,882) | (242,354) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>384,882</u> | <u>627,236</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ -</u> | <u>\$ 384,882</u> |

(Continued)

See notes to financial statements.

WEST AND CENTRAL BASIN FINANCING AUTHORITY
STATEMENT OF CASH FLOWS

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

(Continued)

| | <u>2008</u> | <u>2007</u> |
|---|------------------|----------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (35,624) | \$ (330,200) |
| Depreciation | 19,204 | 117,833 |
| Nonoperating miscellaneous revenue | 35,575 | 23,960 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 829 | 48,712 |
| (Increase) decrease in prepaid expense | - | 550 |
| (Increase) decrease in accrued interest | - | 7,908 |
| Increase (decrease) in accounts payable | (4,471) | (68,677) |
| Increase (decrease) in deferred rent | - | (5,812) |
| | <hr/> | <hr/> |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | <u>\$ 15,513</u> | <u>\$ (205,726)</u> |
| Noncash capital, financing and investing activities: | | |
| Defeasance of debt by Central Basin MWD | <hr/> | <hr/> |
| | - | 19,554,937 |
| | <hr/> | <hr/> |
| | <u>\$ -</u> | <u>\$ 19,554,937</u> |

See notes to financial statements.