



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

AGENDA NO. 10

NOVEMBER 16, 2009 – Finance
Smith (Chair), Dear
NOVEMBER 23, 2009 – Board Meeting
Prepared by: Margaret Moggia
Submitted by: Margaret Moggia
Approved by: Rich Nagel

CONSENT CALENDAR

AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2008-09

SUMMARY:

Mayer Hoffman McCann PC (Auditor) has completed the audit for the West Basin Municipal Water District (West Basin) for Fiscal Year (FY) 2008-09 ending on June 30, 2009. During the exit conference, the Auditor indicated they had no audit adjustments or management comments and provided an unqualified opinion.

The financial audit is incorporated within the Comprehensive Annual Financial Report (CAFR) (Exhibit "A"). The CAFR is comprised of three sections. Staff has updated section 1 and 3 and has reviewed and commented on Section 2 (the audited financial statements).

- Introductory Section, which presents general information about West Basin, its projects and finances;
- Financial Section, which includes the Independent Auditor's Report on the Basic Financial Statement, Management's Discussion and Analysis, and the basic financial statements; and
- Statistical Section, which 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, which shows that West Basin achieved the legal debt coverage for both senior and subordinate debt coverage. However, the financial results of FY 2009-10 are lower than the budgeted debt coverage. The coverage levels were impacted by lower water sales due to conservation and allocation messaging and interest rate exposure on its variable rate debt when the financial market collapsed in fall 2008.

	<u>Legal</u>	<u>Budget</u>	<u>Actual</u>
Senior Debt Coverage	1.15	1.70	1.51
Subordinate Debt Coverage	1.15	1.55	1.17

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 West Basin received \$4,743,461, of which

\$4,643,659 is from the non-cash capital contributions from the U.S. Army Corps of Engineers for the Harbor/South Bay Project. No findings were noted from the Single Audit procedures.

Mayer Hoffman McCann will be present at the Finance Committee on November 16, 2009 to discuss the results of the audit. Once reviewed by the Board, the audit will be finalized and staff will submit the CAFR to the Government Finance Officers Association's (GFOA) Excellence in Financial Reporting Awards Program. West Basin has received the Excellence in Financial Reporting each of the last four years when it has submitted to the GFOA.

STRATEGIC BUSINESS PLAN IMPLEMENTATION:

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

COMMITMENT STATEMENT:

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

FISCAL IMPACTS:

Audit fees have been included in the FY 2009-10 Finance and Support Services Operating Budget.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on November 16, 2009 and agendized to the November 23, 2009 Board meeting Consent Calendar.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

- Exhibit "A" – Draft Comprehensive Annual Financial Report (CAFR)
- Exhibit "B" – Draft Single Audit Report on Federal Awards
- Exhibit "C" – Draft Statements on Auditing Standards (SAS) 114 Report