

**CITY OF CONCORD
JOINT POWERS FINANCING AUTHORITY**

**A COMPONENT UNIT OF THE
CITY OF CONCORD, CALIFORNIA
BASIC FINANCIAL STATEMENTS,**

**FOR THE YEAR ENDED
JUNE 30, 2014**

**CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY
BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
City of Concord Joint Powers Financing Authority
Concord, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Concord Joint Powers Financing Authority (the Authority), a component unit of the City of Concord, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 City of Concord Joint Powers Financing Authority, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement 65 – *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted management’s discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the City of Concord Joint Powers Financing Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Concord Joint Powers Financing Authority’s internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 15, 2014

BASIC FINANCIAL STATEMENTS

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Statement of Net Position
June 30, 2014**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments Held by Trustee (Note 3)	\$ 2,323,753
Net Investment in Leases (Note 4)	<u>21,454,500</u>
Total Assets	<u>23,778,253</u>
LIABILITIES	
Bonds Interest Payable	354,114
Long-Term Debt (Note 5)	
Due in One Year	2,200,500
Due in More Than One Year	<u>19,254,000</u>
Total Liabilities	<u>21,808,614</u>
NET POSITION (Note 2)	
Restricted for:	
Debt Service	2,323,753
Unrestricted	<u>(354,114)</u>
Total Net Position	<u><u>\$ 1,969,639</u></u>

See accompanying notes to financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Statement of Activities
For the Year Ended June 30, 2014**

Expenses:	
Interest on Long-Term Debt	<u>\$ 1,017,661</u>
Total Program Expenses	<u>1,017,661</u>
Program Revenue:	
Lease Interest Revenue	<u>1,091,868</u>
General Revenue:	
Investment Earnings	<u>5,472</u>
Total General Revenues	<u>5,472</u>
Change in Net Position	79,679
Net Position, Beginning	<u>1,889,960</u>
Net Position, Ending	<u><u>\$ 1,969,639</u></u>

See accompanying notes to financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Fund Financial Statements
For the Year Ended June 30, 2014**

The funds described below were determined to be Major Funds by the Authority for fiscal year 2014:

POLICE FACILITY DEBT SERVICE FUND

To account for the accumulation of lease revenue for payment of interest and principal on the Police Facility lease revenue bonds issued in 1993.

PAVILION EXPANSION DEBT SERVICE FUND

To account for the accumulation of revenue provided for payment of interest and principal on the Pavilion lease revenue bonds issued in 1995.

PARKING STRUCTURE DEBT SERVICE FUND

To account for the accumulation of resources for payment of interest and principal on the Parking Structure lease revenue bonds issued in 2001.

REFUNDING LEASE AGREEMENT DEBT SERVICE FUND

To account for the accumulation of lease revenue for payment of interest and principal on the Refunding Lease Agreement issued in 2010.

2007 WASTEWATER IMPROVEMENTS DEBT SERVICE FUND

To account for the expenditure of capital outlay financed with Wastewater System Improvements Certificates of Participation issued in 2007 and debt service thereon.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Balance Sheet – Governmental Funds

June 30, 2014

	<u>Major Funds</u>					<u>Total</u>
	<u>Police Facility</u>	<u>Pavilion Expansion</u>	<u>Parking Structure</u>	<u>Refunding Lease Agreement</u>	<u>2007 Wastewater Improvements</u>	
Assets						
Cash and investments (Note 4)	\$ 195,578	\$ 1,380,301	\$ 747,874	\$ -	\$ -	\$ 2,323,753
Net Investment in Leases (Note 5)	-	2,440,000	5,230,000	\$ 3,484,500	\$ 10,300,000	21,454,500
Total assets	<u>\$ 195,578</u>	<u>\$ 3,820,301</u>	<u>\$ 5,977,874</u>	<u>\$ 3,484,500</u>	<u>\$ 10,300,000</u>	<u>\$ 23,778,253</u>
Deferred inflows of Resources						
Unavailable Revenue (Note 5)	\$ -	\$ 2,440,000	\$ 5,230,000	\$ 3,484,500	\$ 10,300,000	\$ 21,454,500
Total deferred inflows of resources	<u>-</u>	<u>2,440,000</u>	<u>5,230,000</u>	<u>3,484,500</u>	<u>10,300,000</u>	<u>21,454,500</u>
Fund Balances (Note 2)						
Restricted for:						
Debt Service	195,578	1,380,301	747,874	-	-	2,323,753
Total Fund Balances	<u>195,578</u>	<u>1,380,301</u>	<u>747,874</u>	<u>-</u>	<u>-</u>	<u>2,323,753</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 195,578</u>	<u>\$ 3,820,301</u>	<u>\$ 5,977,874</u>	<u>\$ 3,484,500</u>	<u>\$ 10,300,000</u>	

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable in the governmental funds because they are not available currently are taken into revenue in the Statement of Activities

21,454,500

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-Term Debt
Interest Payable

(21,454,500)
(354,114)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,969,639

See accompanying notes to financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014**

	<u>Major Funds</u>					<u>Total</u>
	<u>Police Facility</u>	<u>Pavilion Expansion</u>	<u>Parking Structure</u>	<u>Refunding Lease Agreement</u>	<u>2007 Wastewater Improvements</u>	
Revenues						
Lease Revenue	\$ 497,731	\$ 700,832	\$ 739,494	\$ 531,115	\$ 836,753	\$ 3,305,925
Use of Money and Property	102	2,973	2,397	-	-	5,472
Total revenues	<u>\$ 497,833</u>	<u>\$ 703,805</u>	<u>\$ 741,891</u>	<u>\$ 531,115</u>	<u>\$ 836,753</u>	<u>\$ 3,311,397</u>
Expenditures						
Debt Service:						
Principal	\$ 485,000	480,000	450,000	398,500	385,000	2,198,500
Interest and Fiscal Changes	14,731	229,763	291,582	132,615	451,753	1,120,444
Total expenditures	<u>499,731</u>	<u>709,763</u>	<u>741,582</u>	<u>531,115</u>	<u>836,753</u>	<u>3,318,944</u>
Net Change in Fund Balances	(1,898)	(5,958)	309	-	-	(7,547)
Fund balances at Beginning of Year	<u>197,476</u>	<u>1,386,259</u>	<u>747,565</u>	<u>-</u>	<u>-</u>	<u>2,331,300</u>
Fund Balances at End of Year	<u>\$ 195,578</u>	<u>\$ 1,380,301</u>	<u>\$ 747,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,323,753</u>

See accompanying notes to financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1- DESCRIPTION OF REPORTY ENTITY

General Description – The City of Concord Joint Powers Financing Authority is a joint powers authority organized by the City of Concord and the former Concord Redevelopment Agency (the Agency) under the laws of the State of California. The Authority was organized to provide financial assistance to the City by financing real and personal properties and improvements for the benefit of the residents of the City and surrounding areas. Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City. Such expenses are insignificant to the Authority's operations. The Authority obtains financing for City and the former Agency sponsored projects using leases signed by the City or former Agency as collateral. The amounts of the leases are calculated to provide sufficient resources to repay the debt incurred to finance the projects.

The Authority obtained financing for City and the Agency sponsored projects using leases signed by the City or Agency as collateral. The amounts of the leases were calculated to provide sufficient resources to repay the debt incurred to finance the projects.

The Authority is a component unit of the City of Concord, California (as defined by the Governmental Accounting Standards Board) and, as such, is included in the Comprehensive Annual Financial Report of the City. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Although a legally separate entity, it is reported on a blended basis as part of the primary government (the City of Concord) because the City Council sits as the Authority's governing board and otherwise meets the criteria set forth by generally accepted accounting principles because of the financial benefit/ burden relationship of their activities.

Projects-

Policy Facility – In 1993, the Authority issued \$9,700,000 original principal amount of Lease Revenue Bonds, the proceeds of which were used to finance in part the construction of the City's new Police Facility located on the southeast corner of Laguna and Galindo Streets in downtown Concord. The project was completed in the fall of 1997 and the Authority incurred costs of \$9,209,792, which included its share of construction costs of the new facility and demolition of the old; the balance of the project was funded by a cash contribution from the Concord Redevelopment Agency. The Authority leases the Police Facility to the City under an agreement which provides funds from the Agency to service the Authority's Lease Revenue Bonds debt service requirements (see Note 5). Upon full payment of the outstanding Bonds, the Facility will become the property of the City.

Pavilion Expansion – In 1995 the Authority issued \$18,700,000 original principal amounts of Lease Revenue Bonds, the proceeds of which were used to finance the refunding of the Concord Performing Arts Center Authority's 1973 Revenue Bonds and finance in part the renovation and expansion of the Pavilion at Concord. The Authority leases the Pavilion to the City under an agreement which provides the funds to service the Authority's Lease Revenue Bonds debt service requirements (see Note 5). Upon full payment of the outstanding Bonds, the Pavilion will become the property of the City.

Parking Structure – In 2001 the Authority issued \$9,580,000 original principal amount of Lease Revenue Bonds, the proceeds of which were used to finance the design and construction, and to equip and landscape a new three-level, 432 space parking structure which is leased by the City from the Authority. The Authority leases the parking structure to the City under the agreement which provides funds from the Agency to service the Authority's Lease Revenue Bonds debt service requirements (see Note 5). Upon full payment of the outstanding Bonds, the parking structure will become the property of the City.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1- DESCRIPTION OF REPORTY ENTITY (CONTINUED)

Refunding Lease Agreement – In 2010 the Authority entered into a Refunding Lease Agreement in the principal amount of \$5,073,500. The proceeds from the Agreement were used to partially refund the Police Facility Lease Revenue Bonds and to refund certain other City obligations. The Authority leases the Corporation Yard to the City under an agreement which provides the funds from both the City and the Agency to service the Authority's Refunding

Lease Agreement debt service requirements (see Note 5). Upon full payment of the outstanding Agreement, the Corporation Yard will become the property of the City.

2007 Wastewater System Improvements – In 2007 the Authority issued \$12,820,000 original principal amount of Certificates of Participation, the proceeds of which were used to finance the next phase of the wastewater system improvement project to install pipelines from the Concord pump station to the intersection of Meridian Park Boulevard and Galaxy Way. The Authority leases the improvements to the City under an agreement which provides the funds to service the Authority's Certificates of Participation debt service requirements (see Note 5). Upon full payment of the outstanding COPs, the improvements will become the property of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *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.

Government-Wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities, if necessary.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's 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) charges paid the recipients of goods or services offer by the programs and (b) grants and 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The Government-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 in which the liabilities are incurred, regardless of when the related cash flows take place, on these new Government-Wide Financial Statements.

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, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

C. Major Funds

The Authority's major governmental type funds are identified and presented separately in the fund financial statements. The Authority reported all its Governmental Funds as major funds in the accompanying financial statements:

POLICE FACILITY DEBT SERVICE FUND

To account for the accumulation of lease revenue provided for payment of interest and principal on the Police Facility lease revenue bonds issued in 1993.

PAVILION EXPANSION DEBT SERVICE FUND

To account for the accumulation of revenue provided for payment of interest and principal on the Pavilion lease revenue bonds issued in 1995.

PARKING STRUCTURE DEBT SERVICE FUND

To account for the accumulation of resources for payment of interest and principal on the Parking Structure lease revenue bonds issued in 2001.

REFUNDING LEASE AGREEMENT DEBT SERVICE FUND

To account for the accumulation of lease revenue for payment of interest and principal on the Refunding Lease Agreement issues in 2010.

2007 WASTEWATER IMPROVEMENTS DEBT SERVICE FUND

To account for the expenditure of capital outlay financed with Wastewater System Improvements Certificates of Participation issued in 2007 and debt service thereon.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. *Net Investment in Leases and Unavailable Revenue* reflects the present value of remaining future lease payments. Since lease payments are not available to fund current operations, the lease receivable has been offset by deferred revenue. As lease revenues are received, both the lease receivable and deferred revenue balances are reduced.

E. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. *Net Position and Fund Balance*

Net Position is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

Net Position is the excess of all the Authority's assets over all its liabilities. The Authority's Net Position is divided into two captions. These captions are described below:

Restricted Net Position describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, enabling legislation or other restrictions which the Authority cannot unilaterally alter. These principally include unspent bond proceeds and debt service requirements.

Unrestricted describes the portion of Net Position which are not restricted as to use.

The Authority's 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 Authority 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.

All of the Authority's fund balance is classified as Restricted. 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.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. *Deferred Outflows/ Inflows of Resources*

In addition to assets, the Statements of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then.

In addition to liabilities, the balance sheet of the governmental funds reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until that time.

H. *New Accounting Pronouncements*

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Authority's financial reporting process. The Authority became subject to the following GASB Statements for the year ended June 30, 2014:

Effective in Current Fiscal Year

GASB Statement No. 65 – In March 2013, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement was implemented effective July 1, 2013.

GASB Statement No. 66 – In March 2013, GASB issued Statement No. 66, *Technical Corrections – 2013 – and amendment of GASB Statements No. 10 and 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Authority has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 67 – In June 2013, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The Authority has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 70 – In April 2013, GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The Authority has determined that this statement did not have a material effect on the financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 3 – CASH AND INVESTMENTS

All of the Authority’s investments at June 30, 2014 were held by trustees or fiscal agents. These funds have been invested only as permitted by specific State statutes governing their investment or applicable Authority resolution or bond indenture.

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, call the *book entry* system. In order to maximize security, the Authority employs the Trust Department of a bank as the custodian of all Authority managed investments, regardless of their form.

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 unexpected bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents along with certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Credit Quality</u>
Federal Agency Securities	5 years	Top rating category
State of California Local Agency Investment Fund	None	None
Commercial Paper	270 days	Top rating category
Negotiable Certificate of Deposits	180 days	Top rating category
Bank Deposits	None	FDIC insured
US Government Treasury Obligations	None	None
State/Local Obligations	None	Top rating category
Federal Securities	None	Top rating category
Corporate Notes	None	Top rating category
Money Market and Mutual Funds	1 year	Top rating category
Repurchase Agreements	None	Top rating category
Investment Agreements	None	Top rating category

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Usually, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. At June 30, 2014, the Authority's investments are as follows:

Investment Type	12 Months or less	Total
Money Market Mutual Funds	\$ 1,389,634	\$ 1,389,634
Pooled Cash	934,120	934,120
Total Investments	<u>\$ 2,323,754</u>	<u>\$ 2,323,753</u>

Money Market Mutual Funds are available for withdrawal on demand.

GASB Statement 31 requires governments to present investments at fair value. The Authority adjusts the carrying value of its investment to reflect the fair value at each fiscal year-end, and it includes the effect of this adjustment in income for that fiscal year. At June 30, 2014, the fair value market value of investments approximates the Authority's cost. The Authority's policy is to hold investments to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2014 for the Money Market Mutual Funds are AAAM as provided by Standard and Poor's investment ratings service. At June 30, 2014, the Authority's investments are as follows:

Investment Type	AAAM	Total
Money Market Mutual Funds	\$ 1,389,634	\$ 1,389,634
Totals	<u>\$ 1,389,634</u>	<u>\$ 1,389,634</u>

Not Rated:		
Pooled Cash		<u>934,120</u>
Total Investments		<u>\$ 2,323,754</u>

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 4 – NET INVESTMENT IN LEASES AND UNAVAILABLE REVENUE

The Authority’s net investment in the Police Facility, Pavilion Expansion, Parking Garage, 2007 Wastewater Improvements and 2010 Refunding Lease Agreement leases at June 30, 2014 amounted to \$21,454,500 calculated as follows:

	<u>Pavilion Expansion</u>	<u>Parking Garage</u>	<u>Refunding Lease Agreement</u>	<u>2007 Wastewater Improvements</u>	<u>Total</u>
Total minimum lease payments to be received	\$ 3,077,776	\$ 6,654,475	\$ 3,834,627	\$ 15,052,961	\$ 28,619,839
Less future interest payments	(637,776)	(1,424,475)	(350,127)	(4,752,961)	(7,165,339)
Net investment in leases and unavailable revenue	<u>\$ 2,440,000</u>	<u>\$ 5,230,000</u>	<u>\$ 3,484,500</u>	<u>\$ 10,300,000</u>	<u>\$ 21,454,500</u>

Anticipated receipts of principal and interest on the Lease Revenue Bonds, Certificates of Participation and the Refunding Lease Agreement are scheduled to mirror the schedule of Repayment Requirements as shown at Note 5.

NOTE 5 – LONG –TERM DEBT

A. The Authority’s long-term debt activity and balances comprise:

Authority's Debt Activity:	<u>Original Principal Amount</u>	<u>June 30, 2013</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Current Portion</u>
Lease Revenue Bonds:					
1993 Lease Revenue Bonds, 2.70-5.25%, due 08/01/13	\$ 9,700,000	\$ 485,000	\$ 485,000	\$ -	\$ -
1995 Performing Arts Lease Revenue Bonds, 6.33-8.24%, due 08/01/20	\$ 18,700,000	2,920,000	480,000	2,440,000	440,000
2001 Lease Revenue Bonds, 4.0-5.13% due 03/01/23	\$ 9,580,000	5,680,000	450,000	5,230,000	475,000
Refunding Lease Agreement:					
3.6%, due 09/01/19	\$ 5,073,500	3,883,000	398,500	3,484,500	885,500
Certificates of Participation - Wastewater:					
2007 System Improvement, 3.75-4.50% due 2/01/32	\$ 12,820,000	<u>10,685,000</u>	<u>385,000</u>	<u>10,300,000</u>	<u>400,000</u>
Total Long-Term Debt- Governmental Activities		<u>\$ 23,653,000</u>	<u>\$ 2,198,500</u>	<u>\$ 21,454,500</u>	<u>\$ 2,200,500</u>

B. Lease Revenue Bonds

On September 9, 1993 the Authority issued Lease Revenue Bonds in the principal amount of \$9,700,000, bearing interest at rates ranging from 2.7% to 5.25%. Proceeds from the Bonds were used to finance a portion of the Police Facility Project which is leased by the City from the Authority. Interest payments are due semi-annually each August 1 and February 1, principal payments are due each August 1 through 2013. On June 24, 2010 the Authority entered into a Refunding lease agreement and the proceeds were used to retire \$3,520,000 of the bonds.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 5 – LONG –TERM DEBT (CONTINUED)

B. Lease Revenue Bonds (Continued)

On August 1, 1995 the Authority issued Lease Revenue Bonds in the principal amount of \$18,700,000, bearing interest at rates ranging from 6.33% to 8.24%. Proceeds from the Bonds were used to refund the Concord Performing Arts Center Authority’s 1973 Revenue Bonds and finance in part the renovation and expansion of Concord Pavilion which is leased by the City from the Authority. Interest payments are due semi-annually each August 1 and February 1, principal payments are due each August 1 through 2020. On September 21, 2009 the City issued a tender offer for the 1995 Performing Arts Lease Revenue Bonds for up to \$8.5 million. As a result, the City purchased its \$8.235 million of the bonds at an 8% premium and made a payment in the amount to retire a portion of the bonds.

On April 4, 2001 the Authority issued Lease Revenue Bonds in the principal amount of \$9,580,000, bearing interest at rates ranging from 4.0% to 5.125% due March 1, 2023. The Bonds are collateralized by revenue received from the City to the Authority under the Civic Center and Corporation Yard lease agreement and by the Authority’s interest in the site and facilities lease. Proceeds from the Bonds were used to finance the design and construction, and to equip and landscape a new three-level, 432-space parking structure, which is leased by the City from the Authority. Interest payments are due semi-annually each March 1 and September 1, principal payments are due each March 1 through 2023.

Future principal and interest payments on the Lease Revenue Bonds are as follows for the years ended June 30, 2014

Year	Principal	Interest
2015	\$ 915,000	\$ 448,509
2016	900,000	390,539
2017	895,000	333,653
2018	895,000	277,989
2019	890,000	222,610
2020-2023	3,175,000	388,951
Total	<u>\$ 7,670,000</u>	<u>\$ 2,062,251</u>

C. Refunding Lease Agreement

On June 24, 2010 the Authority entered into a Refunding Lease Agreement (Agreement) in the amount of \$5,073,500. The proceeds from the Agreement were used to retire a portion of the outstanding Police Facility Lease Revenue Bonds and to refund certain other City obligations. As part of the Agreement the Authority leases the Corporation Yard to the City which provides the funds to service the Authority’s debt service requirements for the Agreement. The Agreement bears interest at 3.6% and is due semi-annually on March 1 and September 1. Principal payments are due annually on September 1 until September 1, 2019.

During fiscal 2009-2010, \$3,073,280 of Refunding Lease proceeds was transferred to the Police Facility Lease Revenue Bond trustee which was used to retire an equivalent amount of Police Facility Lease Revenue Bonds.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 5 – LONG –TERM DEBT (CONTINUED)

C. Refunding Lease Agreement

Future principal and interest payments on the Refunding Lease Agreement are as follows for the years ended June 30, 2014:

Year	Principal	Interest
2015	\$ 885,500	\$ 109,503
2016	482,500	84,879
2017	501,500	67,167
2018	520,000	48,780
2019	537,000	29,754
2020	558,000	10,044
Total	<u>\$ 3,484,500</u>	<u>\$ 350,127</u>

D. Certificates of Participation

On February 1, 2004 the Authority issued Certificates of Participation (COPs) in the principal amount of \$12,605,000, bearing interest at rates ranging from 2.0% to 4.625% due February 1, 2029. Proceeds from the COPs will be used to finance the first phase of wastewater system capital improvement projects. Interest payments are due semi-annually each August 1 and February 1, principal payments are due each February 1 through 2029. The City issued refunding revenue bonds in fiscal year 2013, the proceeds of which were used to fully defease the 2004 COPS.

On October 18, 2007, the Authority issued Certificates of Participation (COPs) in the principal amount of \$12,820,000, bearing interest rates ranging from 3.75% to 4.50%. Proceeds from the COPs were used to fund the next phase of the wastewater system improvement project to install pipelines from the Concord pump station to the intersection of Meridian Park Boulevard and Galaxy Way. Principal is payable annually on February 1 and interest is payable semi-annually February 1 and August 1 through 2032.

Under related installment agreements, the City remits installments to the Authority which are used to repay debt service on the 2007 COPS. The City has pledged Wastewater System Net Revenues defined as gross revenues less operating and maintenance expenses, to be used to make required installments. The pledge of future Net Revenues ends upon repayment of the \$15,052,961 in remaining debt service on the COPS which is scheduled to occur in 2032. As disclosed in the originating offering documents, projected net revenues are expected to provide coverage over debt service of 3.40 over the life of the bonds. For fiscal year 2014, Wastewater System Revenues including operating revenues and non-operating interest earnings amounted to \$22,301,111 and maintenance and operating costs amounted to \$21,663,031. Payments made to the Central Contra Costa Sanitary District for the City of Concord’s share of district capital projects are treated as expenses in the Sewer Enterprise Fund since the related capital assets are not owned by the City. In recognition of the capital nature of these expenses, the covenants expressly exclude these payments from the calculation of maintenance and operating costs for coverage purposes. In fiscal year 2014 these costs totaled \$3,820,858. Adjusted Net Revenues available for debt service amounted to \$4,458,938 which represented coverage of 5.33 over the \$836,353 in debt service.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements

June 30, 2014

NOTE 5 – LONG –TERM DEBT (CONTINUED)

D. Certificates of Participation (Continued)

Future principal and interest payments on the Certificates of Participation are as follows for the years ended June 30, 2014:

Year	Principal	Interest
2015	\$ 400,000	\$ 436,353
2016	415,000	420,353
2017	430,000	404,790
2018	450,000	388,665
2019	465,000	371,790
2020-2024	2,625,000	1,561,810
2025-2029	3,215,000	959,275
2030-2032	2,300,000	209,925
Total	\$ 10,300,000	\$ 4,752,961

NOTE 6 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards, any of which may have a significant impact on the Authority’s financial reporting process. Future new standards which may impact the Authority include the following:

Governmental Accounting Standard No. 68

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective for financial statements for periods beginning after June 15, 2014. This statement’s objective is to improve financial reporting by state and local governmental pension plans. The Authority has not determined its effect on the financial statements.

Governmental Accounting Standard No. 69

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for financial statements for periods beginning after December 15, 2013. The objective of this statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. The Authority has not determined its effect on the financial statements.

Governmental Accounting Standard No. 71

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for financial statements for periods beginning after June 15, 2014. This statement’s objective is to address an issue regarding application of the transition provisions of *Statement No. 68, Accounting and Financial Reporting for Pensions* and improve financial reporting by state and local governmental pension plans. The Authority has not determined its effect on the financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the City of Concord
Joint Powers Financing Authority
Concord, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Concord Joint Powers Financing Authority (the Authority), a component unit of the City of Concord, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2014. Our report included an emphasis of a matter paragraph regarding the Authority's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65 – *Items Previously Reported As Assets and Liabilities*, effective July 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 15, 2014