

**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, 2018

**CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY
BASIC FINANCIAL STATEMENTS
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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 (Authority), a component unit of the City of Concord, California, as of and for the year ended June 30, 2018, 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 Authority, as of June 30, 2018, 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.

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 21, 2018, 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 solely 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 operating effectiveness of the Authority's 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 21, 2018,

BASIC FINANCIAL STATEMENTS

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Statement of Net Position
June 30, 2018**

	Governmental Activities
ASSETS	
Cash and investments held by trustee	\$ 497,952
Net investment in leases	<u>9,890,000</u>
Total Assets	<u>10,387,952</u>
LIABILITIES	
Bonds interest payable	262,065
Long-term debt:	
Due in one year	1,317,000
Due in more than one year	<u>8,573,000</u>
Total Liabilities	<u>10,152,065</u>
NET POSITION	
Restricted for:	
Debt service	5,105
Unrestricted	<u>230,782</u>
Total Net Position	<u>\$ 235,887</u>

See accompanying notes to financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Statement of Activities
For the Year Ended June 30, 2018**

Expenses:

Interest on long-term debt	\$ 627,012
Total Program Expenses	<u>627,012</u>

Program Revenue:

Lease interest revenue	<u>526,959</u>
Total Program Revenues	<u>526,959</u>

General Revenue:

Investment earnings	<u>4,925</u>
Total General Revenues	<u>4,925</u>

Change in net position	(95,128)
Net Position, Beginning	<u>331,015</u>
Net Position, Ending	<u><u>\$ 235,887</u></u>

See accompanying notes to financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Fund Financial Statements
For the Year Ended June 30, 2018**

The funds described below were determined to be Major Funds by the Authority for fiscal year 2018:

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.

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.

2018 WASTEWATER REFUNDING REVENUE BONDS DEBT SERVICE FUND

To account for the expenditure of capital outlay financed with the bond proceeds of the refunded 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, 2018**

	Major Funds			Total
	Pavilion Expansion	Refunding Lease Agreement	2018 Wastewater Refunding Bond	
Assets				
Cash and investments	\$ 497,952	\$ -	\$ -	\$ 497,952
Net investment in leases	875,000	1,095,000	7,920,000	9,890,000
Total Assets	\$ 1,372,952	\$ 1,095,000	\$ 7,920,000	\$ 10,387,952
Deferred inflows of Resources				
Unavailable revenue	\$ 875,000	\$ 1,095,000	\$ 7,920,000	\$ 9,890,000
Total Deferred Inflows of Resources	875,000	1,095,000	7,920,000	9,890,000
Fund Balances				
Restricted for:				
Debt service	497,952	-	-	497,952
Total Fund Balances	497,952	-	-	497,952
Total Deferred Inflows of Resources and Fund Balances	\$ 1,372,952	\$ 1,095,000	\$ 7,920,000	

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

9,890,000

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

(9,890,000)

Interest Payable

(262,065)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 235,887

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, 2018**

	Major Funds				Total
	Pavilion Expansion	Refunding Lease Agreement	2007 Waste water Improvements	2018 Waste water Refunding Bond	
Revenues					
Lease revenue	\$ 434,514	\$ 568,780	\$ 1,523,665	\$ 7,920,000	\$ 10,446,959
Use of money and property	4,925	-	-	-	4,925
Total Revenues	<u>439,439</u>	<u>568,780</u>	<u>1,523,665</u>	<u>7,920,000</u>	<u>10,451,884</u>
Expenditures					
Debt service:					
Principal	345,000	520,000	9,055,000	-	9,920,000
Interest and fiscal changes	89,334	48,780	388,665	-	526,779
Total Expenditures	<u>434,334</u>	<u>568,780</u>	<u>9,443,665</u>	<u>-</u>	<u>10,446,779</u>
Transfer In	-	-	7,920,000	-	7,920,000
Transfer Out	-	-	-	(7,920,000)	(7,920,000)
Net Change in Fund Balances	5,105	-	-	-	5,105
Fund Balances at Beginning of Year	492,847	-	-	-	492,847
Fund Balances at End of Year	<u>\$ 497,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 497,952</u>

See accompanying notes to financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Reconciliation of Net Change in Fund Balances Total Governmental Funds
with Statement of Activities
For the Year Ended June 30, 2018**

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 Position 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 \$ 5,105

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

Repayment of bond principal is an expenditure in the Governmental Funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of Debt Principal	(9,920,000)
Refunding Debt	7,920,000

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in Governmental Funds (net change):

Unavailable Revenue	2,000,000
Interest Payable	(100,233)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (95,128)

See accompanying notes to financial statements.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

Notes to the Basic Financial Statements June 30, 2018

NOTE 1 – DESCRIPTION OF REPORT 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 (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

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.

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.

2018 Wastewater Refunding Revenue Bonds – In 2018, the Authority issued \$7,920,000 original principal amount of bonds to provide funds to refund, on a current basis, the outstanding 2007 Wastewater System Improvements Certificates of Participation.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Notes to the Basic Financial Statements
June 30, 2018**

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.

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.

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.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Notes to the Basic Financial Statements
June 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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.

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.

2018 WASTEWATER REFUNDING REVENUE BONDS FUND

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

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 unavailable revenue. As lease revenues are received, both the lease receivable and unavailable revenue balances are reduced.

E. 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.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Notes to the Basic Financial Statements
June 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on the next page.

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 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.

G. 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.

H. Fair Value Measurement

The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority is a participant in the City of Concord Treasurer's Pool (City Pool). The City Pool is an investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The City of Concord's City Council conducts City Pool oversight. Cash and investments on deposit in the City Pool at June 30, 2018, is stated at fair value. The City Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the City Pool, refer to the City of Concord Comprehensive Annual Financial Report.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Notes to the Basic Financial Statements
June 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. *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, 2018:

Effective in Current Fiscal Year

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The Authority has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for reporting periods beginning after December 15, 2016. The Authority has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. The Authority has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. 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, 2018**

NOTE 3 – CASH AND INVESTMENTS

All of the Authority’s investments at June 30, 2018, 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:

Authorized Investment Type	Maximum Maturity	Maximum Credit Quality
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

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, 2018, the Authority’s investments are as follows:

Investment Type	12 Months or Less	Total
Money Market Mutual Funds	\$ 497,952	\$ 497,952
Total Investments	\$ 497,952	\$ 497,952

Money Market Mutual Funds are available for withdrawal on demand.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Notes to the Basic Financial Statements
June 30, 2018**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2018, the Authority held \$497,952 in Union Bank money market funds, which is held at amortized cost.

The Authority adjusts the carrying value of its investments 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, 2018, 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 money market mutual funds as of June 30, 2018 are not rated. At June 30, 2018, the Authority’s investments are as follows:

<u>Investment Type</u>	<u>Total</u>
Not Rated:	
Money Market Mutual Funds	\$ 497,952
Total Investments	\$ 497,952

NOTE 4 – NET INVESTMENT IN LEASES AND UNAVAILABLE REVENUE

The Authority’s net investment in the Pavilion Expansion, 2018 Wastewater Improvements and 2010 Refunding Lease Agreement leases at June 30, 2018 amounted to \$9,890,000 calculated as follows:

	<u>Pavilion Expansion</u>	<u>Refunding Lease Agreement</u>	<u>2018 Wastewater Refunding Bond</u>	<u>Total</u>
Total Minimum Lease Payments to be Received	\$ 1,054,632	\$ 1,134,798	\$ 10,715,770	\$ 12,905,200
Less Future Interest Payments	(179,632)	(39,798)	(2,795,770)	(3,015,200)
Net Investment in Leases and Unavailable Revenue	\$ 875,000	\$ 1,095,000	\$ 7,920,000	\$ 9,890,000

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.

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Notes to the Basic Financial Statements
June 30, 2018**

NOTE 5 – LONG –TERM DEBT

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

Authority's Debt Activity:	Original Principal Amount	June 30, 2017	Additions	Retirements	June 30, 2018	Current Portion
Lease Revenue Bonds:						
1995 Performing Arts Lease Revenue Bonds, 6.33-8.24%, due 08/01/20	\$ 18,700,000	\$ 1,220,000	\$ -	\$ 345,000	\$ 875,000	\$ 315,000
Refunding Lease Agreement:						
3.6%, due 09/01/19	5,073,500	1,615,000	-	520,000	1,095,000	537,000
Certificates of Participation - Wastewater:						
2007 System Improvement, 3.75-4.50% due 2/01/32	12,820,000	9,055,000	-	9,055,000	-	-
2018 Revenue Refunding 1.25-3.24% due 2/1/2032	7,920,000	-	7,920,000	-	7,920,000	465,000
Total Long-Term Debt- Governmental Activities		<u>\$ 11,890,000</u>	<u>\$ 7,920,000</u>	<u>\$ 9,920,000</u>	<u>\$ 9,890,000</u>	<u>\$ 1,317,000</u>

B. Lease Revenue Bonds

On August 1, 1995, the City of Concord Joint Powers Financing Authority issued Lease Revenue Bonds in the principal amount of \$18,700,000, bearing interest at rates ranging from 6.33 percent to 8.24 percent due August 1, 2020. The Bonds are collateralized by revenue received from the City by the Authority under the Concord Pavilion lease agreement and by the Authority's interest in the site and facilities lease. Proceeds from the Bonds were used to repay the Concord Performing Arts Center Authority's 1973 Revenue Bonds, due in 1999, and partially finance the renovation and expansion of Concord Pavilion which is leased by the City from the Authority.

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 \$8.235 million of the bonds at an 8 percent premium and made a payment to retire that portion of the bonds. As a result of this transaction, the City has lowered its interest liability from 8.24 percent to bondholders to LAIF plus 0.5 percent interest to the Concord Housing Fund and the Sewer Enterprise Fund of the City. As of June 30, 2018, the principal balance outstanding was \$875,000.

Future principal and interest payments on the Lease Revenue Bonds are as follows for the years ended June 30, 2018:

Year	Principal	Interest
2019	\$ 315,000	\$ 86,314
2020	270,000	59,122
2021	290,000	34,196
Total	<u>\$ 875,000</u>	<u>\$ 179,632</u>

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Notes to the Basic Financial Statements
June 30, 2018**

NOTE 5 – LONG –TERM DEBT (CONTINUED)

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 percent and is due semi-annually on March 1 and September 1. Principal payments are due annually on September 1 until September 1, 2019. As of June 30, 2018, the principal balance outstanding was \$1,095,000.

Future principal and interest payments on the Refunding Lease Agreement are as follows for the years ended June 30, 2018:

Year	Principal	Interest
2019	\$ 537,000	\$ 29,754
2020	558,000	10,044
Total	\$ 1,095,000	\$ 39,798

D. Certificates of Participation

On February 27, 2018, the Authority issued Wastewater Revenue Refunding Bonds, Series 2018 in the original principal amount of \$7,920,000 plus premium of \$980,219 at interest rates that range from 2.00 percent to 5.00 percent to provide for a refunding of the Authority’s outstanding 2007 Certificates of Participation Wastewater System Improvement Bonds. Principal and interest payments are paid annually on February 1, through 2032. Repayment of these bonds is from a pledge of revenue from the Sewer Enterprise Fund. As of June 30, 2018, the principal balance outstanding was \$7,920,000. The Authority recognized loss on refunding of \$66,899.

Future principal and interest payments on the Certificates of Participation are as follows for the years ended June 30, 2018:

Year	Principal	Interest
2019	\$ 465,000	\$ 302,570
2020	430,000	335,400
2021	450,000	318,200
2022	465,000	300,200
2023	490,000	276,950
2024-2028	2,830,000	993,250
2029-2032	2,790,000	269,200
Total	\$ 7,920,000	\$ 2,795,770

CITY OF CONCORD JOINT POWERS FINANCING AUTHORITY

**Notes to the Basic Financial Statements
June 30, 2018**

NOTE 6 – INTERFUND TRANSACTIONS

Fund Receiving Transfers	Fund Making Transfers	Purpose	Amount Transferred
2007 Wastewater Improvements	2018 Wastewater Refunding Revenue Bonds	To refund the 2007 Wastewater Improvement bonds	\$ 7,920,000

NOTE 7 – 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:

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority has not determined the effect of this Statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. The Authority has not determined the effect of this Statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. The Authority has not determined the effect of this Statement.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities government should include when disclosing information related to debt.

This Statement is effective for reporting periods beginning after June 15, 2018. The Authority has not determined the effect of this Statement.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019. The Authority has not determined the effect of this Statement.

GASB Statement No. 90 – In June 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statements are to improve the consistency and comparability of a reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018. The Authority has not determined the effect of this Statement.

OTHER REPORT



**INDEPENDENT AUDITORS' 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 (Authority), a component unit of the City of Concord, California, as of and for the year ended June 30, 2018, 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 21, 2018.

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 21, 2018