

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

**REGULAR MEETING  
\*\*\*TELECONFERENCE MEETING NOTICE and AGENDA\*\*\*  
LOCATIONS LISTED BELOW**

**10:30 A.M.  
Thursday, October 27, 2016  
Teleconference Phone Information  
(712) 775-7031 - Conference Code: 895081223**

**Call to Order and Roll Call  
Statement of Disclosure**

**Action Items**

1. Approve Minutes from the Regular Meeting on October 20, 2016.
2. Review and Approval of Audit and Audit Findings.

**Public Comment  
Chair Report  
PACE Report  
Other Business  
Adjournment**

Members of CEDA and members of the public may access this meeting at the following locations:

California Association for Local  
Economic Development  
(contact Helen Schaubmayer)  
550 Bercut Drive, Suite G  
Sacramento, CA 95811

City of Vista  
(contact Kevin Ham or  
Reception)  
200 Civic Center Dr.  
Vista, CA 92084

Economic Development  
Collaborative-Ventura County  
(contact Bruce Stenslie  
or Kelly Noble)  
1601 Carmen Drive, #215  
Camarillo, CA 93010

City of Santa Clarita  
(contact Jason Crawford or  
Marilyn Sourgose)  
23920 Valencia Blvd., Suite 100  
Santa Clarita, CA 91355

Fresno State  
(contact Mike Dozier or Reception)  
550 East Shaw Ave., Suite 230  
Fresno, CA 93710

Los Angeles County  
Economic Development  
Corporation (LAEDC)  
(contact Carrie Rogers or  
Linden Johnson)  
444 S. Flower St., 37<sup>th</sup> Floor  
Los Angeles, CA 90071

Southern California Edison,  
Economic Development Services  
(contact Mike Nuby by phone:  
626-812-7351)  
6040-B N. Irwindale Ave.  
Irwindale, CA 91702

This agenda can be obtained at [www.ceda.caed.org](http://www.ceda.caed.org). The California Enterprise Development Authority complies with the Americans with Disabilities Act (ADA) by ensuring that the facilities are accessible to persons with disabilities and by providing this notice and information in alternative formats when requested. If you need further assistance, you may contact us before the meeting at (916) 448-8252, ext. 16.

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

**MINUTES**  
**Regular Meeting**  
**\*\*\*TELECONFERENCE MEETING \*\*\***  
**CEDA BOARD OF DIRECTORS**  
**Thursday, October 20, 2016**

## Teleconference Locations

California Association for Local  
Economic Development  
550 Bercut Drive, Suite G  
Sacramento, CA 95811

City of Santa Clarita  
23920 Valencia Blvd., Suite 100  
Santa Clarita, CA 91355

City of Vista  
200 Civic Center Dr.  
Vista, CA 92084

Fresno State  
550 East Shaw Ave., Suite 230  
Fresno, CA 93710

Economic Development Collaborative-  
Ventura County  
1601 Carmen Drive, #215  
Camarillo, CA 93010

Los Angeles County Economic  
Development Corporation (LAEDC)  
444 S. Flower St., 37th Floor  
Los Angeles, CA 90071

Southern California Edison,  
Economic Development Services  
6040-B N. Irwindale Ave.  
Irwindale, CA 91702

## Call to Order

Kevin Ham, Vice-Chair of the California Enterprise Development Authority, called the meeting to order at 10:31 am.

## Roll Call

Members Present: Kevin Ham  
Jason Crawford  
Carrie Rogers

CALED Management/Staff

Present: Helen Schaubmayer

Public Present: Sam Balisy  
James Stout\*

\* joined late

## Statement of Disclosure

None

## Action Items

1. Approve Minutes from the Regular Meeting on October 6, 2016.

**Motion:** Board Member Jason Crawford made the motion to approve minutes from the meeting on October 6, 2016. Board Member Carrie Rogers seconded the motion on the floor. The motion passed with the following roll call vote:

Kevin Ham	Aye
Jason Crawford	Aye
Carrie Rogers	Aye

2. Approve Resolution No. 16-102 Authorizing the Issuance and Sale of California Enterprise Development Authority Revenue Bonds (Cares Community Health Project), Series 2016, for the Purpose of Refinancing Facilities for the Benefit of Cares Community Health, a California Nonprofit Public Benefit Corporation, and/or a Related or Successor Entity; Providing the Terms and Conditions for the Sale and Issuance of Said Bonds and Other Matters Relating Thereto and Authorizing the Execution of Certain Documents Herein Specified.

**Motion:** Board Member Carrie Rogers made the motion to approve Resolution No. 16-102. Board Member Jason Crawford seconded the motion on the floor. The motion passed with the following roll call vote:

Kevin Ham	Aye
Jason Crawford	Aye
Carrie Rogers	Aye

**Discussion:** Helen briefed the Board that Cares Community Health is a Federally Qualified private, non-profit health center providing low cost healthcare services for the greater Sacramento area. This health center's team of professionals use a medical home model of care, including preventive care, routine checkups, immunizations and management of acute and chronic illnesses offering comprehensive health services such as medical and dental care, health education, among others. Cares Community Health requests the Authority to issue bonds not to exceed \$10,000,000 for the purposes of financing and refinancing acquisition and general development and improvement costs of its health care center facilities in Sacramento.

3. Approve Resolution No. 16-103 of the California Enterprise Development Authority Authorizing and Approving a Loan Agreement Pursuant to Which the California Enterprise Development Authority Will Make a Loan for the Purpose of Refinancing the Cost of Acquisition, Construction, Renovation, Equipping and Furnishing of Certain Facilities for the Benefit of St. Paul's Episcopal Home, Inc., St. Paul's Retirement Homes Foundation, St. Paul's Villa, Inc. and Community Eldercare Of San Diego, Providing the Terms and Conditions for Such Loan Agreement and Other Matters Relating Thereto Herein Specified.

**Motion:** Board Member Jason Crawford made the motion to approve Resolution No. 16-103. Board Member Carrie Rogers seconded the motion on the floor. The motion passed with the following roll call vote:

Kevin Ham	Aye
Jason Crawford	Aye
Carrie Rogers	Aye

**Discussion:** Helen briefed the Board that since 1960, St. Paul's has been dedicated to serving the physical, spiritual and social needs of the elderly and community through independent, assisted living and skilled nursing communities as well as an intergenerational day care program and Program of All-inclusive Care for the Elderly

(PACE). The borrower requests loan(s) in the aggregate principal amount not to exceed \$56,000,000 for the purpose of refinancing existing debt obligations.

4. Approve Resolution No. 16-104 Authorizing the Issuance of the California Enterprise Development Authority Commercial Property Assessed Clean Energy (Pace-M1) Limited Obligation Improvement Bonds, Series 2016-4, Authorizing the Execution and Delivery of a Supplemental Indenture and Bond Purchase Agreement, and Authorizing the Execution and Delivery of Other Related Documents and Actions Necessary to the Delivery of Such Bonds.

**Motion:** *Board Member Carrie Rogers made the motion to approve Resolution No. 16-104. Board Member Kevin Ham seconded the motion on the floor. The motion passed with the following roll call vote:*

Kevin Ham	Aye
Jason Crawford	Aye
Carrie Rogers	Aye

**Discussion:** Helen briefed the Board that the series of the bonds are in an amount not to exceed \$3,500,000 to make property-assessed energy efficiency improvements to parcels within the PACE District. Properties in this issuance include one in Yuba City and one in Dublin, CA.

**Public Comment**

**Chair Report**

**PACE Report**

James Stout stated that the residential PACE program is scheduled to be launched on November 1<sup>st</sup>. Currently there are three pilot residential projects which will be funded early next week.

**Other Business**

Helen Schaubmayer stated that there will be a meeting next week, October 27<sup>th</sup>, with a presentation from CEDA's auditor about the final audit report.

**Adjournment**

**Motion:** *Board Member Jason Crawford moved to adjourn the meeting. Board Member Carrie Rogers seconded the motion. The motion passed unanimously by voice vote.*

Board Vice-Chair, Kevin Ham, adjourned the meeting at 10:44 am.



**CALIFORNIA ENTERPRISE  
DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2016 AND 2015**

**JAMES MARTA & COMPANY LLP**  
701 HOWE AVENUE, E3  
SACRAMENTO, CA

(916) 993-9494  
(916) 993-9489 FAX

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**JUNE 30, 2016**

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**BOARD OF DIRECTORS**

Gurbax Sahota	Chair
Kevin Ham	Vice Chair
Bruce Stenslie	Treasurer
Carrie Rogers	Secretary
Jason Crawford	Member
Mike Dozier	Member
Mike Nuby	Member

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

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**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
California Enterprise Development Authority  
Sacramento, California

**Report on the Financial Statements**

We have audited the accompanying statement of net position of California Enterprise Development Authority (the Authority) as of June 30, 2016 and 2015 and the related statement of revenues, expenses and changes in net position, statement of cash flows and related notes to the financial statements for the years then ended.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these basic 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the basic 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of California Enterprise Development Authority as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

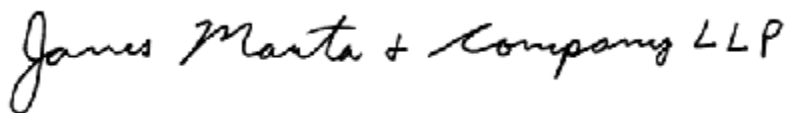
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016 on our consideration of California Enterprise Development Authority's internal control over financial reporting and our tests of its compliance with 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 the 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 California Enterprise Development Authority internal control over financial reporting and compliance.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
October 20, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

## STATEMENTS OF NET POSITION

JUNE 30, 2016 AND 2015

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### **Overview**

This section of the California Enterprise Development Authority (CEDA) annual financial report presents management's discussion and analysis of its financial performance during the fiscal year that ended on June 30, 2016. It is being provided for the purpose of enhancing the information in the financial audit and should be reviewed in concert with that report.

CEDA is a joint powers authority created in 2006. The Authority has a governing Board of seven members who comprise the Executive Committee of the California Association for Local Economic Development (CALED) and the President/CEO of CALED. Public agency members of CEDA join to facilitate the issuance of private activity bonds for the purpose of economic and community development.

### **Guiding Principles for Budget Development**

CEDA prepares a budget using the following principles to align its financial resources with its mission and organizational priorities:

- CEDA's financial and administrative activities are governed by means of a Management Agreement with CALED.
- Programs and services are funded within the limits of fee revenue derived from bond issuance.
- Two reserve funds (operating budget and legal) are budgeted and shown in the adopted budget. At the end of the year, excess funds may be committed to the reserves.

### **Financial Highlights**

In 2015-16, CEDA issued 14 bonds for a total of \$113,606,718. This is slightly lower than in 2014-15 which saw a total dollar amount of authorized bonds at \$114,130,080 and 17 deals closed. Fee Revenues were strong this year and higher than the previous year with \$312,691 in 2015-16 versus \$263,038 in 2014-15 due to higher issuance fees (from larger-sized deals) and increased total annual fee revenue as a result of more deals approved and outstanding.

The increased management fee paid to CALED (\$168,000), that was approved by the CEDA board in 2014-15, remained the same in 2015-16. On June 23, 2016, the Board adopted the action to cap the legal reserve to \$300,000 and adopted a policy that the operating reserve would match the Management Fee, both effective in the current fiscal year. Reserves are currently fully funded.

The success of CEDA's conduit-bond issuances is best seen in the contributions made to economic development. CEDA was formed in 2006 with the specific mission of supporting economic development in California. This year CEDA gave \$13,500 to help economic developers attend training events and further support economic development. Due to CEDA's strong year in revenues, additional contributions to economic development were approved by the CEDA Board to be directed to CALED and the California Academy for Economic Development, totaling \$67,500.

At the end of June 2016, net position was \$674,548 compared to \$650,804 in June 2015, which is further evidence of CEDA's success and increased viability in 2016.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2016 AND 2015**

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**Condensed Statement of Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 677,920	\$ 683,538	\$ 612,602
Current Liabilities	<u>3,372</u>	<u>32,734</u>	<u>246</u>
Net Position, unrestricted	<u>\$ 674,548</u>	<u>\$ 650,804</u>	<u>\$ 612,356</u>

**Condensed Statement of Activities**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues	\$ 312,835	\$ 263,260	\$ 281,534
Expenses	<u>289,091</u>	<u>224,812</u>	<u>239,258</u>
Change in Net Position	<u>\$ 23,744</u>	<u>\$ 38,448</u>	<u>\$ 42,276</u>

**Economic Factors Affecting the Future**

Primary sources of revenue are derived from application, issuance and annual fees. Primary expenditures are the Management Agreement with CALED, various direct expenses (such as travel), and contributions of excess funds to CALED for economic development purposes.

No industrial development bonds (IDBs) were issued in the 2015-16 fiscal year, compared to three approved in 2014-15. CEDA continues to market this financing tool which supports growth in the statewide manufacturing industry. Additionally, CEDA has been involved in providing public comment regarding the process and fee structure for IDBs at the statewide approval level and hopes to make progress in removing road blocks to this program in 2016-17.

Non-Profit 501(c)(3) bonds continued to drive CEDA's growth this past year and likely will continue to make up the majority of issuances in the coming fiscal year. These deals are a combination of new projects and refinances.

The California PACE program is still becoming a larger component of CEDA's bond portfolio, although bond issuance totals were stronger in the previous year. In 2015-16, CEDA issued approximately \$3.5 million commercial PACE bonds compared to about \$5.4 million in 2014-15. In 2015-2016, CEDA's PACE partner placed a significant effort on incorporating residential PACE into its portfolio through a merger with another entity. The structure and process of the residential PACE program offered through CEDA is still being finalized, but will commence in 2016-17 and should increase CEDA's revenue associated with PACE bond issuances.

## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2016 AND 2015**

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	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 623,689	\$ 634,271
Accounts receivable	3,000	-
Prepaid expenses	<u>51,231</u>	<u>49,267</u>
Total assets	<u>677,920</u>	<u>683,538</u>
<b>LIABILITIES</b>		
Current Liabilities		
Due to affiliated entity	3,372	4,734
Performance deposit	<u>-</u>	<u>28,000</u>
Total liabilities	<u>3,372</u>	<u>32,734</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 674,548</u>	<u>\$ 650,804</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

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	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Fee revenues	\$ 312,691	\$ 263,038
Total operating revenues	312,691	263,038
<b>OPERATING EXPENSES</b>		
Management fees	168,000	168,000
Contribution to economic development	13,500	14,500
Contribution to CALED	68,719	-
Direct program expenses	38,872	42,312
Total operating expenses	289,091	224,812
Operating income	23,600	38,226
<b>NONOPERATING REVENUES</b>		
Interest income	144	222
<b>Change in net position</b>	23,744	38,448
Net position, July 1	650,804	612,356
Net position, June 30	\$ 674,548	\$ 650,804

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

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	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash receipts from fees charged	\$ 309,691	\$ 291,435
Cash receipts from deposits held	(28,000)	28,000
Cash paid for management fees and economic development	(251,581)	(178,012)
Cash paid for direct program expenses	<u>(40,836)</u>	<u>(91,125)</u>
Net cash provided by operating activities	<u>(10,726)</u>	<u>50,298</u>
Cash flows from investing activities:		
Interest income received	<u>144</u>	<u>222</u>
Increase in cash	(10,582)	50,520
Beginning cash and cash equivalents	<u>634,271</u>	<u>583,751</u>
Ending cash and cash equivalents	<u>\$ 623,689</u>	<u>\$ 634,271</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 23,600	\$ 38,226
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(3,000)	28,397
Prepaid expenses	(1,964)	(48,813)
Increase (decrease) in:		
Due to affiliated entities	(1,362)	4,488
Performance deposits	<u>(28,000)</u>	<u>28,000</u>
Net cash provided by operating activities	<u>\$ (10,726)</u>	<u>\$ 50,298</u>



**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

California Enterprise Development Authority (the "Authority") is a joint powers agency formed on June 1, 2006 pursuant to the provisions of Title I, Division 7, Chapter 5, Article I of the Government Code of the State of California. The purpose of the Authority is to assist the members, for-profit and non-profit organizations located within the jurisdictions of the members in financing industrial and commercial development projects and other public purpose projects.

The Authority issues conduit debt for the express purpose of providing capital financing for a specific third party that is not part of the Authority's financial reporting entity. Although the conduit debt obligations may bear the name of California Enterprise Development Authority, the Authority has no obligation for such debt beyond the resources provided by a lease or a loan with the third party on whose behalf they are issued.

**B. BASIS OF ACCOUNTING**

The Authority is accounted for as an enterprise fund and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority include application, issuance and annual fees. Operating expenses of the Authority include the cost of providing the services, administrative expenses and management fees. All revenues and expenses not meeting this definition are reported as non-operating revenue and expense.

**C. CASH AND CASH EQUIVALENTS**

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**D. INCOME TAXES**

The Authority is a tax-exempt corporation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

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**E. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash in banks	<u>\$ 623,689</u>	<u>\$ 634,271</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Cash and cash equivalents include deposits with financial institutions. As of June 30, 2016 and 2015, the Authority's balances per the bank of \$623,690 and \$682,952, respectively, are entirely insured or collateralized. Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts, by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by governmental units.

**3. PERFORMANCE DEPOSIT**

Any organization applying for Industrial Development Bonds is required to submit a performance deposit to the Authority equal to 0.5% of the amount of the Qualified Private Activity Bond Allocation being requested, not to exceed \$100,000. Upon issuance of the Bonds, the state notifies the Authority who returns the performance deposit to the applicant. As of June 30, 2016 and 2015, the Authority was holding \$0 and \$28,000, respectively, in performance deposits.

**4. SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2016 through October 20, 2016, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

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**5. RELATED PARTY TRANSACTIONS**

The Joint Powers Agreement has designated California Association for Local Economic Development (CALED), a California nonprofit corporation, as the administrator and executor of the agreement. The agreement also designates the Executive Committee of the Board of Directors of CALED and the President of CALED as the Board of Directors of the Authority.

For the years ended June 30, 2016 and 2015, the Authority entered into a management agreement with CALED, an affiliated entity, for an annual fee of \$168,000 and \$168,000, respectively. CALED provides administrative oversight, office space and other related expenses and services under the management agreement.

As of June 30, 2016 and 2015, there was a balance due to CALED in the amount of \$3,372 and \$4,734, respectively, which represents expenses paid by CALED on behalf of the Authority.

**6. CONDUIT DEBT OBLIGATIONS**

The Authority has issued Industrial Development Bonds to provide financial assistance to organizations for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the organization served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016, the Authority had the following number of Conduit Bonds authorized, related authorized bond issue amount, related aggregate principal balance due as of June 30 and related fees charged:

Fiscal Year Ended June 30:	Number of Bonds Authorized	Dollar Amount of Bonds Authorized	Outstanding Principal Balance	Issuance Fees
2016	14	\$ 113,606,718	\$ 113,606,718	\$ 199,665
2015	17	114,130,080	102,372,552	169,157
2014	16	209,824,479	181,858,882	208,162
2013	10	203,300,000	163,932,621	196,625
2012	4	70,650,000	61,370,764	65,625
2011	32	522,247,271	320,513,467	762,170
2010	7	82,184,455	40,579,251	147,886
2009	5	37,000,000	28,120,000	70,000
2008	13	188,192,839	88,020,189	292,715
2007	3	40,065,000	12,366,951	65,525
Totals	121	\$ 1,581,200,842	\$ 1,112,741,395	\$ 2,177,530



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**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  
California Enterprise Development Authority  
Sacramento, 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 Standards* issued by the Comptroller General of the United States, the basic financial statements of California Enterprise Development Authority (the “Authority”), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 20, 2016.

**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 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.

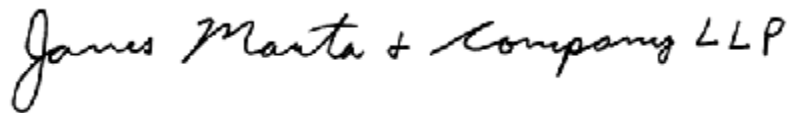
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether California Enterprise Development Authority's financial statements are free of 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.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
October 20, 2016



## **James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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### **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Board of Directors  
California Enterprise Development Authority  
Sacramento, California

We have audited the financial statements of the California Enterprise Development Authority (CEDA) for the years ended June 30, 2016 and 2015 and have issued our report thereon dated October 20, 2016. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter dated August 30, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of CEDA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Organization's Significant Accounting Practices**

### Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by CEDA is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We are not aware of any significant estimates in the financial statements.

### Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the California Enterprise Development Authority's financial statements relate to the conduit debt obligations in Note 6 to the financial statements.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We are not aware of any uncorrected misstatements as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We are not aware of any material misstatements as a result of our audit procedures. However, we did make certain reclassification entries noted in attachment 1.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to California Enterprise Development Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated October 20, 2016.

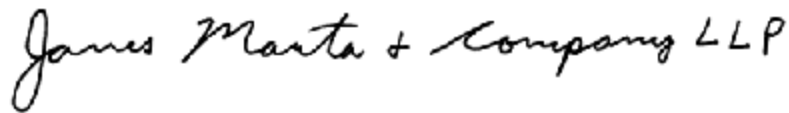
### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Findings or Issues**

In the normal course of our professional association with California Enterprise Development Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

This report is intended solely for the use of the Board of Directors and management of California Enterprise Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
October 20, 2016



# Attachment 1

Account	Description	W/P Ref	Debit	Credit
<b>Reclassifying Journal Entries JE # 1</b>				
To reclassify set-aside funds to equity				
2350	Budget Reserve set aside		57,272.00	
8010	Budget Reserve set aside			57,272.00
<b>Total</b>			<b><u>57,272.00</u></b>	<b><u>57,272.00</u></b>
<b>Adjusting Journal Entries JE # 2</b>				
To adjust equity to prior year audit.				
6090	Miscellaneous Expense		70.00	
3000	Retained Earnings			70.00
<b>Total</b>			<b><u>70.00</u></b>	<b><u>70.00</u></b>
<b>Reclassifying Journal Entries JE # 3</b>				
To reclass cash received booked in AR				
1000	CEDA-Wells Fargo Checking		7,500.00	
1100	Accounts Receivable			7,500.00
<b>Total</b>			<b><u>7,500.00</u></b>	<b><u>7,500.00</u></b>



## MANAGEMENT REPRESENTATION LETTER

October 20, 2016

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California

This representation letter is provided in connection with your audit of the Statement of Financial Position, Statement of Activities and Statement of Cash Flows of (CEDA) as of and and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 20, 2016:

### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 30, 2015, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

  
 \_\_\_\_\_  
 Gurbax Sahota, Chair

  
 \_\_\_\_\_  
 Helen Schaubmayer, Assistant Secretary



## **James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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### **MANAGEMENT LETTER**

To the Board of Directors  
California Enterprise Development Authority  
Sacramento, California

We have recently completed the audit of the financial statements of California Enterprise Development Authority (the "Authority") and have issued our report thereon dated October 20, 2016. In planning and performing our audit of your financial statements for year ended June 30, 2016, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Although our audit was not designed to provide assurance on the internal control structure and its operation, we are following up on items noted in the June 30, 2015 audit. This letter does not affect our report dated October 20, 2016 on the financial statements of the Authority.

#### **Current Year Recommendations**

##### 2016-1 – Accounts Receivable

There were two receivables outstanding totaling \$3,000 that have been outstanding since last year. One is for \$500 invoiced in July 2015 and the other for \$2,500 invoiced in August 2015. Management should investigate these receivables to determine the collectability. All receivables should be monitored on a timely basis and accounts outstanding over 60 days should be reported to the board for further direction.

##### 2016-2 – Bank Signers

The bank account of the Authority currently only has one authorized signer. While limiting the number of authorized bank signers is a good internal control practice, we feel it would be prudent to add a second authorized signer in the event the current signer is unable or unavailable to sign checks or handle other bank account matters.

#### **Prior Year Recommendations**

Management currently enters all accounts payable as a journal entry in the accounting system. We recommend that accounts payable amounts be entered in the appropriate module in the Quick Books accounting software. This will allow management to track and reconcile accounts payable with the general ledger postings. It can also provide an aging of accounts payable to ensure amounts are paid in a timely manner.

Status – Not Implemented

We believe that the implementation of this recommendation will provide the Authority with a stronger system of internal accounting control while also making its operations more efficient.

This report is intended solely for the information and use of the Board of Directors, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

*James Marta & Company LLP*

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
October 20, 2016