



**CALIFORNIA ENTERPRISE
DEVELOPMENT AUTHORITY**

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

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

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CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

JUNE 30, 2016

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

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.

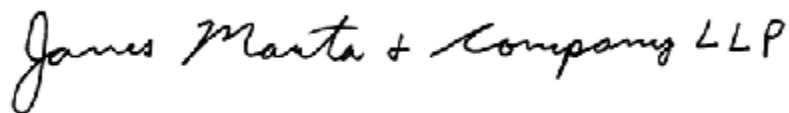
Other Matters

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

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

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

	<u>2016</u>	<u>2015</u>
ASSETS		
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>
LIABILITIES		
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>
NET POSITION		
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

	2016	2015
OPERATING REVENUES		
Fee revenues	\$ 312,691	\$ 263,038
Total operating revenues	312,691	263,038
OPERATING EXPENSES		
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
NONOPERATING REVENUES		
Interest income	144	222
Change in net position	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

	<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

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

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

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

**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.

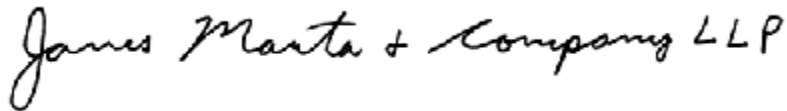
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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