

**CALIFORNIA ENTERPRISE  
DEVELOPMENT AUTHORITY**

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

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2012 AND 2011**

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**JUNE 30, 2012 AND 2011**

---

**BOARD OF DIRECTORS**

Gurbax Sahota	Chair
Cindy Trobitz-Thomas	Vice Chair
Larry Cope	Secretary/Treasurer
Kevin Ham	Member
D-B Heusser	Member
Kathy Millison	Member
Randy Starbuck	Member
Bruce Stenslie	Member

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**TABLE OF CONTENTS**

---

	<b><u>PAGE</u></b>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statements of Net Assets	6
Statements of Revenues, Expenses and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9
Other Auditor's Report	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12



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

*Accounting, Auditing, Consulting, and Tax*

---

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
California Enterprise Development Authority  
Sacramento, California

We have audited the accompanying basic financial statements of the California Enterprise Development Authority (the "Authority") as of and for the fiscal years ended June 30, 2012 and 2011 as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Enterprise Development Authority as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

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 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 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.

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

James Marta & Company  
Certified Public Accountants  
August 21, 2012

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

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

---

### **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, 2012. 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**

As noted in prior audits, CEDA has experienced uneven growth. This is mainly due to the current bond environment, including the limited number of banks that are willing to provide letters of credit for potential projects. Revenues in 2011-2012 were \$112,861 down from \$827,779 in 2010-2011. 2010-2011 was an unusually busy year for CEDA due to the Recovery Zone Bonds CEDA marketed and issued, as well as the extraordinarily large number of non-profit deals. The Recovery Zone program and bond provisions ended on December 31, 2010, and our activity decreased considerably.

Expecting a slower year, we also made an effort to reduce costs, including cutting our management and operating costs. At the end of the fiscal year, we did approve an additional \$12,000 payment to our managing entity, CALED, for the additional staff time and resources invested in negotiating a partnership with Figtree to create a California PACE program that CEDA members could participate in. We expect that this partnership will allow us to work with commercial (and possibly residential) owners on financing property assessed clean energy upgrades to their buildings as explained in AB 811.

Expenses for 2011-2012 were \$117,215, down from \$419,920 in 2010-2011. The decrease is due in part to cost-cutting measures we implemented, but we also did not make large contributions to our reserve accounts or provide matching funds to any grants like in 2010-2011.

At the end of June 2012, our net assets were \$473,327 as compared with \$477,681. We are pleased the change is minimal compared to the significant slow down in the industry.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

---

**Overview of the financial statements**

The annual financial report consists of four parts: the independent auditor's report, management's discussion and analysis, the basic financial statements including notes, and supplementary information. This section of the report, Management's Discussion and Analysis, is where CEDA's activities are analyzed at a summary level for financial statement users. The analysis is based on current facts and conditions.

The basic financial statements include a Statement of Net Assets, Statement of Activities and Statement of Cash Flows. These statements provide an overall financial picture of CEDA as a whole and can be used to assess the overall financial performance of the reported fiscal year. The notes to the basic financial statement are an integral part of the financial statements and provide details on significant accounting policies, capital assets, debt, and other financial information contained in the statements.

**Condensed Statement of Net Assets for the Years Ended June 30:**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$ 485,800	\$ 477,981	\$ 386,347
Current Liabilities	<u>12,473</u>	<u>300</u>	<u>316,525</u>
Net assets, unrestricted	<u>\$ 473,327</u>	<u>\$ 477,681</u>	<u>\$ 69,822</u>

**Condensed Statement of Activities for the Years Ended June 30:**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues	\$ 112,861	\$ 827,779	\$ 176,620
Expenses	<u>117,215</u>	<u>419,920</u>	<u>149,666</u>
Change in Net Assets	<u>\$ (4,354)</u>	<u>\$ 407,859</u>	<u>\$ 26,954</u>



**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

---

**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.

The bond market in which CEDA operates continues to be impacted by the general economic downturn. Banks have been struggling with their own issues and have not been willing to provide a letter of credit needed for IDB issuances. Additionally, this business sector has been suffering from lower manufacturing demand and consequently has not been investing in large capital purchases like real estate and capital equipment.

Like last year, it is our hope to continue to grow our presence in the 501(c)(3) market as well as look for ways to expand CEDA's ability to issue into other areas. Additionally, we believe that our CA PACE program will start seeing successes and we will start issuing bonds to finance these projects as well.

## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF NET ASSETS**

**JUNE 30, 2012 AND 2011**

---

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 482,825	\$ 402,909
Accounts receivable	2,700	72,100
Due from affiliated entity	-	2,972
Prepaid expenses	275	-
	<u>485,800</u>	<u>477,981</u>
Total assets		
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	28	-
Due to affiliated entity	12,445	-
Performance deposit	-	300
	<u>12,473</u>	<u>300</u>
Total liabilities		
<b>NET ASSETS</b>		
Net assets, unrestricted	<u>\$ 473,327</u>	<u>\$ 477,681</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES</b>		
Fee revenues	\$ 112,625	823,849
Miscellaneous income	-	1,500
Total operating revenues	112,625	825,349
<b>OPERATING EXPENSES</b>		
Management fees	87,000	156,000
Contribution to economic development	3,500	75,000
Direct program expenses	26,715	38,920
Grant match	-	150,000
Total operating expenses	117,215	419,920
Operating income	(4,590)	405,429
<b>NONOPERATING REVENUES</b>		
Interest income	236	2,430
<b>Change in net assets</b>	(4,354)	407,859
Net assets, July 1	477,681	69,822
Net assets, June 30	\$ 473,327	\$ 477,681

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

---

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash receipts from fees charged	\$ 181,725	\$ 782,317
Cash receipts for performance deposits	-	314,625
Cash paid to return performance deposits	-	(614,625)
Cash paid for economic development	(75,083)	(250,197)
Cash paid for direct program expenses	(26,962)	(38,920)
Cash paid for grant match	-	(150,000)
	<u>79,680</u>	<u>43,200</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Interest income received	<u>236</u>	<u>2,430</u>
Increase in cash	79,916	45,630
Beginning cash and cash equivalents	<u>402,909</u>	<u>357,279</u>
Ending cash and cash equivalents	<u>\$ 482,825</u>	<u>\$ 402,909</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (4,590)	\$ 405,429
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	69,400	(43,032)
Due from affiliated entity	2,972	(2,972)
Prepaid expenses	(275)	-
Increase (decrease) in:		
Accounts payable	28	-
Due to affiliated entities	12,445	(16,225)
Performance deposits	(300)	(300,000)
	<u>79,680</u>	<u>43,200</u>
Net cash provided by operating activities		

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

---

**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 and issuance 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.

The Authority presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, and has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989.

**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, 2012 AND 2011**

---

**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, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Cash in banks	<u>\$ 482,825</u>	<u>\$ 402,909</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, 2012 and 2011, the Authority's balances per the bank of \$482,945 and \$403,022, 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, 2012 and 2011, the Authority was holding the following performance deposits:

	<u>2012</u>	<u>2011</u>
Pocino Foods	<u>\$ -</u>	<u>\$ 300</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

---

**4. 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, 2012 and 2011, the Authority entered into a management agreement with CALED, an affiliated entity, for an annual fee of \$87,000 and \$156,000, respectively. CALED provides administrative oversight, office space and other related expenses and services under the management agreement.

For the year ended June 30, 2011, the Authority paid \$150,000 to CALED as a source of matching funds for a grant that CALED applied for which required contributing matching funds.

As of June 30, 2012, there was a balance due to CALED in the amount of \$12,445, which represents expenses paid by CALED on behalf of the Authority. As of June 30, 2011, there was a balance due from CALED in the amount of \$2,972, which represents advances to CALED to pay expenses on behalf of the Authority.

**5. 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, 2012, 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
2012	4	\$ 56,250,000	\$ 55,823,636	\$ 60,625
2011	32	520,747,271	407,117,083	762,170
2010	7	73,684,455	59,509,526	137,886
2009	6	45,500,000	39,421,568	80,000
2008	13	188,192,839	172,451,287	297,680
2007	3	40,065,000	27,760,403	101,525
Totals	<u>65</u>	<u>\$ 924,439,565</u>	<u>\$ 762,083,503</u>	<u>\$ 1,439,886</u>



## **SUPPLEMENTARY INFORMATION**



**James Marta & Company**  
*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 the financial statements of California Enterprise Development Authority as of and for the year ended June 30, 2012 and 2011, and have issued our report thereon dated August 21, 2012. 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.

*Internal Control over Financial Reporting*

Management of California Enterprise Development Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered California Enterprise Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Enterprise Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of California Enterprise Development Authority's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*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*.

This report is intended for the information and use of the board of directors and management 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". The signature is written in a cursive, flowing style.

James Marta & Company  
Certified Public Accountants  
August 21, 2012