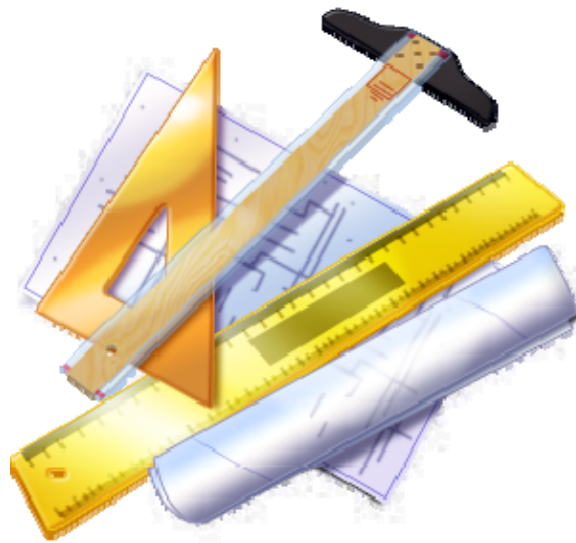


# **Sunnyvale Financing Authority**

**Sunnyvale, California**



**Basic Financial Statements  
and Independent Auditor's Report**  
*Fiscal Year Ended June 30, 2017*

**Sunnyvale Financing Authority**  
**Basic Financial Statements**  
**and Independent Auditor's Report**  
Fiscal Year Ended June 30, 2017



Sunnyvale

**City of Sunnyvale**  
650 West Olive Avenue  
Sunnyvale, CA 94086  
(408) 730-7600

Prepared by the Department of Finance  
Timothy J. Kirby, Director of Finance

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***Fiscal Year Ended June 30, 2017***

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## **Independent Auditor's Report**

Governing Board of the  
Sunnyvale Financing Authority  
Sunnyvale, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale, California, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2017, and the respective changes in financial position for the fiscal year then ended in accordance 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 the management's discussion and analysis as listed in the table of contents 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.

*Macias Gini & O'Connell LLP*

Walnut Creek, California  
December 4, 2017

## *Management's Discussion and Analysis*

***Management's Discussion and Analysis (Unaudited)***  
***Fiscal Year Ended June 30, 2017***

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This analysis of the Sunnyvale Financing Authority (Authority) of the City of Sunnyvale's (City) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying basic financial statements and the accompanying notes to basic financial statements.

**A. FINANCIAL HIGHLIGHTS**

- At June 30, 2017, the Authority's net position is \$0. The Authority receives lease payments from the City and makes debt service payments to the fiscal agent when due. The fiscal agent (trustee of bond reserve funds) handle such transactions for the Authority.
- At June 30, 2017, other than the funds held by the fiscal agent as security for the bondholders, the Authority's major asset includes the lease receivable from the City, which should be sufficient to pay off the outstanding bonds payable in the remaining years. Any excess reserve (primarily interest earned and accrued) can be applied by the City to reduce future lease payments to the Authority.
- The 2009 Government Center Certificates of Participation is the only outstanding debt of the Authority at the end of fiscal year 2017.

**B. OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to basic financial statements.

The Authority's main function is the issuance and service of debt for the benefit of the City. The Authority's revenue sources are lease payments from the City and interest income from bond reserve proceeds held by the fiscal agent.

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position.

***Management's Discussion and Analysis (Unaudited), Continued***  
***Fiscal Year Ended June 30, 2017***

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***B. OVERVIEW OF FINANCIAL STATEMENTS, Continued***

The statement of activities presents information about how the Authority's net position changed during the year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

**Governmental Fund Financial Statements**

The governmental fund financial statements include statements for the governmental funds which are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they become measurable and available. Revenues are considered available when they are collectible within the current period or soon enough (within 60 days of the end of the current fiscal period) thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for debt service expenditures which are recorded when payment is due.

The 2009 Government Center Certificates of Participation Fund is presented as a major debt service fund.

Reconciliation of the fund financial statements to the government-wide financial statements is provided in the basic financial statements to explain the differences created by the integrated approach.

**Notes to the Basic Financial Statements**

The notes provide additional information that explain the data provided in the government-wide and governmental fund financial statements.



**Management's Discussion and Analysis (Unaudited), Continued  
Fiscal Year Ended June 30, 2017****C. GOVERNMENT-WIDE FINANCIAL ANALYSIS****Statement of Net Position**

The following are the condensed comparative statements of net position at June 30, 2017 and 2016.

	2017	2016
<b>Assets:</b>		
Current Assets	\$ 1,758	\$ 1,724
Noncurrent Assets	9,865	10,500
<b>Total Assets</b>	<b>11,623</b>	<b>12,224</b>
<b>Liabilities:</b>		
Current Liabilities	638	609
Noncurrent Liabilities	10,985	11,615
<b>Total Liabilities</b>	<b>11,623</b>	<b>12,224</b>
<b>Net Position:</b>		
Restricted for Debt Service	\$ -	\$ -

The liabilities will be funded from lease payments by the City, with credits of the interest earned from the reserve funds, and excess reserve. The reduction in assets and liabilities was mainly due to collection of lease revenues from the City to pay the scheduled debt service payments for the 2009 Government Center Certificates of Participation.

**Management's Discussion and Analysis (Unaudited), Continued**  
**Fiscal Year Ended June 30, 2017****C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued****Statement of Activities**

The following are the condensed comparative statements of activities for the fiscal years ended June 30, 2017 and 2016.

<b>Sunnyvale Financing Authority</b>		
<b>Condensed Statements of Activities</b>		
<b>(Amounts in Thousands)</b>		
	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services -		
Lease Revenue	\$ 86	\$ 12
General Revenues:		
Investment Earnings	-	5
<b>Expenses:</b>		
Interest Expense and Fiscal Charges	<u>(86)</u>	<u>(17)</u>
Change in Net Position	-	-
Net Position - Beginning of Year	<u>-</u>	<u>-</u>
Net Position - Ending of Year	<u>\$ -</u>	<u>\$ -</u>

The interest expense increased due to interest rate fluctuations affecting variable rate debt. The average interest rate in this fiscal year was 0.40% compared to 0.11% in the prior year. The increase in interest expense caused a corresponding increase in lease and installment revenues from the City. Most of the funds are invested in fixed income securities which are subject to changes in fair market value. Securities purchased during the low interest period decrease in fair market value as interest rates rise. Investment earnings were reduced this year due to a decrease in fair market value of the investment securities. The decrease in fair market value is an unrealized loss since the investments are held to maturity.

***Management's Discussion and Analysis (Unaudited), Concluded  
Fiscal Year Ended June 30, 2017***

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***D. GOVERNMENTAL FUND FINANCIAL STATEMENT ANALYSIS***

The focus of the Authority's governmental fund is to provide information on the inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

As of the end of fiscal year 2017, the Authority's governmental fund reported an ending fund balance of \$1.1 million. All of the fund balance were restricted for the purposes of meeting future debt service requirements.

***E. LONG-TERM OBLIGATIONS***

At June 30, 2017, the only outstanding debt issues of the Authority is the 2009 Government Center Certificates of Participation in the amount of \$11,615,000.

For more information on the Authority's long-term debt, see Note 4 to the basic financial statements.

***F. REQUEST FOR INFORMATION***

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Finance Department of the City of Sunnyvale, 650 W. Olive Avenue, Sunnyvale, California 94086.

*Government-Wide Financial Statements*

**Statement of Net Position**  
**June 30, 2017**

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Current Assets	
Restricted Cash and Investments Held by Fiscal Agent	\$ 1,120,424
Interest Receivable	7,590
Lease Receivable	630,610
Total Current Assets	<u>1,758,624</u>
Noncurrent Assets	
Lease Installment Receivable	<u>9,864,766</u>
<b>Total Assets</b>	<u><b>11,623,390</b></u>
<b>Liabilities:</b>	
Current Liabilities	
Accrued Expenses	8,390
Long-Term Debt - Due within One Year	630,000
Total Current Liabilities	<u>638,390</u>
Noncurrent Liabilities	
Long-Term Debt - Due in More Than One Year	<u>10,985,000</u>
<b>Total Liabilities</b>	<u><b>11,623,390</b></u>
<b>Net Position:</b>	
Restricted for Debt Service	<u><u>\$ -</u></u>

**Statement of Activities**  
**Year Ended June 30, 2017**

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	<u><b>Governmental Activities</b></u>
<b>Program Expenses:</b>	
Interest Expense and Fiscal Charges	\$ (85,554)
<b>Program Revenues:</b>	
Charges for Services - Lease Revenue	86,194
<b>General Revenues:</b>	
Investment Earnings	<u>(640)</u>
<b>Change in Net Position</b>	-
<b>Net Position - Beginning of Year</b>	<u>-</u>
<b>Net Position - End of Year</b>	<u><u>\$ -</u></u>

## ***Governmental Fund Financial Statements***

***The 2009 Government Center Certificates of Participation Fund*** is used to account for the Reserve Fund activity and the receipts and disbursements of lease payments from the City for debt service by the fiscal agent. A Lease Agreement, dated as of June 1, 2009, between the City and the Sunnyvale Financing Authority, was made concurrently with the refunding of the 2001 Certificates of Participation for the Government Center Site Acquisition Project.

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**Sunnyvale Financing Authority**

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**Balance Sheet  
Governmental Funds  
June 30, 2017**

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		<b>Major Funds</b>
		<b>2009</b>
		<b>Government Center Certificates of Participation</b>
<b>Assets:</b>		
Restricted Cash and Investments Held by Fiscal Agent	\$	1,120,424
Interest Receivable		7,590
Lease Receivable		10,495,376
Total Assets	\$	11,623,390
<b>Liabilities:</b>		
Accrued Expenses	\$	8,390
<b>Deferred Inflows of Resources:</b>		
Lease Revenue to be Collected		10,495,376
<b>Fund Balances:</b>		
Restricted for Debt Service		1,119,624
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	\$	11,623,390

See Accompanying Notes to the Basic Financial Statements.



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**Sunnyvale Financing Authority**

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**Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Position  
June 30, 2017**

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**Total Fund Balances - Total Governmental Funds** \$ 1,119,624

Amounts reported for governmental activities in the statement of net position are different because:

Lease receivable reported in the funds are not available to pay for current expenditures and are deferred in the fund financial statements. 10,495,376

Long-term debt are not due and payable in the current period and therefore they are not reported in the governmental fund balance sheet. (11,615,000)

**Net Position of Governmental Activities** -

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**Sunnyvale Financing Authority**

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**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017**

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	<b>Major Funds</b>
	<b>2009</b>
	<b>Government Center Certificates of Participation</b>
<b>Revenues:</b>	
Lease Revenue	\$ 690,584
Investment Earnings	(640)
<b>Total Revenues</b>	<b>689,944</b>
<b>Expenditures:</b>	
Debt Service:	
Principal Retirement	605,000
Interest and Fiscal Charges	85,554
<b>Total Expenditures</b>	<b>690,554</b>
<b>Net Change in Fund Balances</b>	<b>(610)</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,120,234</b>
<b>Fund Balances - End of Year</b>	<b>\$ 1,119,624</b>

See Accompanying Notes to the Basic Financial Statements.

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**Sunnyvale Financing Authority**

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***Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Government-Wide Statement of Activities  
Year Ended June 30, 2017***

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Net Change in Fund Balances - Total Governmental Funds	\$	(610)
Negative investment earnings on the debt service reserve account, due to change in fair value of investments, is applied to increasing lease receivable from the City for financial reporting purposes.		610
Lease revenues received are recognized as revenues in the fund financial statements during the year but recognized as revenues in the government-wide financial statements in the prior years.		(605,000)
Repayment of principal on the bonds is reported in the fund financials as expenditures.		<u>605,000</u>
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>-</u>

***Notes to Basic Financial Statements***  
***Fiscal Year Ended June 30, 2017***

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale, California (City), have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

***A. Reporting Entity***

The Authority was established on September 29, 1992 by the Joint Exercise of Powers Agreement between the City and the former Redevelopment Agency of the City of Sunnyvale.

The Authority is administered by a Board of Directors consisting of seven persons, each serving in his or her individual capacity as a Director of the Authority. The sitting members of the City Council constitute the Directors of the Authority until such time as they cease to be members of the City Council.

Additionally, the Authority shall have four officers as follows:

Chairperson – Mayor of the City  
Vice-Chairperson – Vice-Mayor of the City  
Executive Director – City Manager  
Treasurer – Director of Finance

The City Attorney shall serve as General Counsel to the Authority and the City Clerk shall serve as Secretary. In addition to having the same governing board, the City is financially accountable for the Authority and conducts management activities of the Authority. Though legally a separate entity, the Authority is, in substance, a component unit of the City and is blended into the City's Comprehensive Annual Financial Report.

The Board of Directors of the Authority is required to hold at least one regular meeting each year.

***B. Basis of Accounting and Measurement Focus***

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

***Notes to Basic Financial Statements, Continued***  
***Fiscal Year Ended June 30, 2017***

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Government-Wide Financial Statements**

The Authority's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the Authority. The Authority has no business-type activities.

The government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all current and non-current assets and liabilities are included in the statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Revenues for the Authority includes lease revenues received from the City and investment earnings.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances. An accompanying schedule is presented to reconcile and to explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are lease revenues from the City and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is liquidated.

For the year ended June 30, 2017, the Authority reported the following major governmental fund for the activities of its only remaining outstanding debt:

- The *2009 Government Center Certificates of Participation Fund* is a debt services fund used to account for the resources accumulated for the repayment of the remaining principal and interest.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain their differences.

***Notes to Basic Financial Statements, Continued***  
***Fiscal Year Ended June 30, 2017***

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued**

***C. Restricted Cash and Investments Held by Fiscal Agent***

Restricted cash and investments held by the fiscal agent could include unexpended bond proceeds and reserves established in accordance with related bond indentures. The Authority's investments are stated at fair value.

***D. Net Position and Fund Balance***

Restricted net position and fund balance represent external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Authority's net position and fund balance are restricted for debt service purposes.

***E. Deferred Inflows of Resources***

Deferred inflows of resources represent an acquisition of net position or fund balances that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. On the governmental funds balance sheet, the unavailable lease revenues from the City corresponding to the lease receivable are recorded as deferred inflows of resources since the balances are not current financial resources.

***F. Effects of New Pronouncements***

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statements are effective for reporting periods beginning after June 15, 2017.

**Notes to Basic Financial Statements, Continued**  
**Fiscal Year Ended June 30, 2017****NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures and expenses. Actual results could differ from these estimates and assumptions.

**NOTE 2 – RESTRICTED CASH AND INVESTMENTS HELD BY FISCAL AGENT**

At June 30, 2017, the Authority had the following cash and investments held by fiscal agent:

<b>Investments</b>	<b>Credit Ratings S&amp;P/Moody's</b>	<b>Maturity (in years)</b>			<b>Total Fair Value</b>	<b>Fair Value Input Hierarchy</b>
		<b>1 year or less</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>		
Federal National Mortgage Association	AA+/Aaa	\$ -	\$ -	\$ 747,415	\$ 747,415	Level 2
Federal Home Loan Banks	AA+/Aaa	-	-	357,645	357,645	Level 2
Treasury Obligation Mutual Funds	Not Rated	15,364	-	-	15,364	*
Total		\$ 15,364	\$ -	\$ 1,105,060	\$ 1,120,424	

\* Short-term, highly liquid investments are not subject to the fair value hierarchy disclosure requirements of GASB Statement No. 72.

**Notes to Basic Financial Statements, Continued**  
**Fiscal Year Ended June 30, 2017****NOTE 2 – RESTRICTED CASH AND INVESTMENTS HELD BY FISCAL AGENT, Continued**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's investment options for the debt service reserve are specified by the trust indenture.

**NOTE 3 - LEASE RECEIVABLE**

In accordance with a Lease Agreement for the 2009 Government Center Variable Rate Demand Refunding Certificates of Participation (2009 COPs), debt service is funded with lease payments made by the City to the Authority. The City has covenanted to make payments in amounts corresponding to the Authority's debt service requirements to the extent that funds are unexpended upon completion of all projects, such funds will be used to retire outstanding debt and the lease payments required from the City will be reduced accordingly.

Using an annualized variable interest rate of 0.40% at June 30, 2017 for 2009 COPs, the estimated future lease payments from the City as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 630,000	\$ 104,535
2019	655,000	98,865
2020	680,000	92,970
2021	710,000	86,850
2022	740,000	80,460
2023-2027	4,180,000	296,820
2028-2031	4,020,000	92,250
Total Outstanding	11,615,000	<u>\$ 852,750</u>
Unexpended bond reserve and excess reserve	<u>(1,119,624)</u>	
Lease Receivable - governmental funds	<u>10,495,376</u>	

**NOTE 4 – LONG-TERM DEBT**

Following is a summary of long-term debt transactions during the fiscal year ended June 30, 2017:

<u>Description</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Retirement</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due in More</u> <u>than One</u> <u>Year</u>
2009 Government Center					
Certificates of Participation	<u>\$ 12,220,000</u>	<u>\$ (605,000)</u>	<u>\$ 11,615,000</u>	<u>\$ 630,000</u>	<u>\$ 10,985,000</u>



**Notes to Basic Financial Statements, Continued**  
**Fiscal Year Ended June 30, 2017****NOTE 4 – LONG-TERM DEBT, Continued****\$15,865,000 2009 Government Center Variable Rate Demand Refunding Certificates of Participation**

Due in original annual installments of \$470,000-\$1,065,000 through April 1, 2031, initially bearing interest at a weekly interest rate as determined by the remarketing agent (based on an examination of tax-exempt obligations comparable to the Certificates under then-prevailing market conditions). Repayments are made from lease payments from the City.

In connection with the issuance of the 2009 COPs, the City obtained an irrevocable letter of credit as a credit facility with Union Bank, NA for the COPs. The City's repayment of unreimbursed draws made on the credit facilities bears interest at rates as defined in the reimbursement agreement of 12% per annum. The City is required to pay an annual facility fee of 0.50%, payable quarterly in arrears, based on the available amount in effect, from the date of issuance of the letter of credit until the stated termination date, as defined in the amended reimbursement agreement supported by the credit facility. For the year ended June 30, 2017, the City incurred credit facility fees in the amount of \$65,144, which was in addition to \$17,665 in service fees to trustee, remarketing agent, and rating agencies. The letter of credit with Union Bank, NA will expire on June 1, 2018. Any outstanding draws are due at the expiration of the letter of credit. The City is seeking renewal of this credit facility and has started the credit process with Union Bank.

At June 30, 2017, the annualized interest rate for the 2009 COPS was 0.40%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations. The future debt service requirements for the 2009 COPs at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 630,000	\$ 104,535	\$ 734,535
2019	655,000	98,865	753,865
2020	680,000	92,970	772,970
2021	710,000	86,850	796,850
2022	740,000	80,460	820,460
2023-2027	4,180,000	296,820	4,476,820
2028-2031	4,020,000	92,250	4,112,250
	<u>\$ 11,615,000</u>	<u>\$ 852,750</u>	<u>\$ 12,467,750</u>