

**BREA PUBLIC FINANCING AUTHORITY
BREA, CALIFORNIA**

FINANCIAL STATEMENTS

JUNE 30, 2014

BREA PUBLIC FINANCING AUTHORITY
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BREA PUBLIC FINANCING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brea Public Financing Authority
Brea, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Brea Public Financing Authority (the Authority) as of and for the year ended June 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



To the Board of Directors
Brea Public Financing Authority

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 the General Fund of the Brea Public Financing Authority as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lance, Solt & Lughard, LLP

Brea, California
December 15, 2014

BREA PUBLIC FINANCING AUTHORITY

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Receivables:	
Accrued interest	\$ 1,627,635
Loans	16,670,000
Leases	12,295,000
Installment sale	<u>35,350,000</u>
Total Assets	<u>65,942,635</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	<u>1,260,167</u>
Total Deferred Outflows of Resources	<u>1,260,167</u>
Liabilities:	
Accrued interest	1,627,635
Noncurrent liabilities:	
Due within one year	2,980,000
Due in more than one year	<u>61,114,544</u>
Total Liabilities	<u>65,722,179</u>
Net Position:	
Restricted	<u>1,480,623</u>
Total Net Position	<u>\$ 1,480,623</u>

BREA PUBLIC FINANCING AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>
Assets:	
Receivables:	
Loans	\$ 16,670,000
Leases	12,295,000
Installment sale	<u>35,350,000</u>
Total Assets	<u>\$ 64,315,000</u>
Deferred Inflows of Resources and Fund Balances:	
Deferred Inflows of Resources:	
Unavailable revenues	<u>\$ 64,315,000</u>
Total Deferred Inflows of Resources	<u>64,315,000</u>
Fund Balances:	
Restricted	<u>-</u>
Total Fund Balances	<u>-</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 64,315,000</u>

BREA PUBLIC FINANCING AUTHORITY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balance - total governmental funds	\$	-
Amounts reported for governmental activities in the statement of net position are different because:		
Accrued interest receivable on the long-term loans, leases and installment sales has not been reported in the governmental funds.		1,627,635
The issuance of long-term debt provides financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatments of long-term debt and related items:		
2004 Lease Revenue Refunding Bonds	\$	(2,415,000)
2008 Tax Allocation Bonds, Series A and B		(16,670,000)
2009 Water Revenue Bonds, Series A and B		(23,940,000)
2010 Water Revenue Bonds, Series A and B		(11,410,000)
2010 Lease Revenue Bonds		(2,760,000)
2010 Refunding Lease Revenue Bonds		(7,120,000)
Loss on defeasance		1,260,167
Bond premiums		(240,049)
Bond discounts		460,505
		<u>(62,834,377)</u>
Accrued interest payable for the current portion of interest due on tax allocation bonds has not been reported in the governmental funds.		(1,627,635)
Revenues reported as unavailable revenues in the governmental funds and recognized in the statement of activities.		<u>64,315,000</u>
Net position of governmental activities	\$	<u>1,480,623</u>

BREA PUBLIC FINANCING AUTHORITY

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>
Revenues:	
Use of money and property	\$ 6,649,961
Total Revenues	<u>6,649,961</u>
Expenditures:	
Debt service:	
Principal retirement	2,865,000
Interest and fiscal charges	3,784,961
Total Expenditures	<u>6,649,961</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>
Net Change in Fund Balances	-
Fund Balances, Beginning of Year	<u>-</u>
Fund Balances, End of Year	<u><u>\$ -</u></u>

BREA PUBLIC FINANCING AUTHORITY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ -

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

The issuance of long-term debt provides financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatments of long-term debt and related items:

Principal payments:

2004 Lease Revenue Refunding Bonds	\$ 255,000	
2008 Tax Allocation Bonds, Series A and B	885,000	
2009 Water Revenue Bonds, Series A and B	520,000	
2010 Water Revenue Bonds	455,000	
2010 Refunding Lease Revenue Bonds	750,000	
Deferred charges on refunding	(180,024)	
Bond discount and bond premium amortization	<u>(1,977)</u>	
		2,682,999

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 45,282

Revenues reported as unavailable revenues in the governmental funds and recognized in the statement of activities. (2,910,282)

Change in net position of governmental activities \$ (182,001)

BREA PUBLIC FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

Note 1: Organization and Summary of Significant Accounting Policies

The basic financial statements of the Brea Public Financing Authority (the Authority), a component unit of the City of Brea, California (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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 significant accounting policies of the Authority are described below:

a. Description of Reporting Entity

The Authority was created by a joint exercise of joint powers agreement between the City of Brea (the City) and the former Brea Redevelopment Agency (the Agency) on November 17, 1987. The Authority is governed by a five-member Board, which consists of all members of the City Council. In April 1988, the Brea-Olinda Unified School District (the District) became an associate member of the Authority. The purpose of the Authority is to provide, through the issuance of debt, financing necessary for the construction of various public improvements.

The Redevelopment Agencies were dissolved as of January 31, 2012, through the Supreme Court decision on Assembly Bill 1X 26. The City of Brea has elected to become the Successor Agency of the former Redevelopment Agency of the City of Brea (Successor Agency). The Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment Agency and make payments due on enforceable obligations.

The Authority is a component unit of the City and its financial activities have been blended with the financial activities of the City of Brea for financial reporting purposes.

b. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on all activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for compensated absences and claims and judgments that are recorded when due.

Internally dedicated resources are reported as general revenues rather than as program revenues.

The Authority adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which established accounting and financial reporting standards for financial statements of state and local governments.

d. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources

Receivables

All receivables are shown net of an allowance for uncollectibles.

Interest Payable

In the Government-Wide Financial Statements, interest payable on the debt is recognized as the liability is incurred. In the Fund Financial Statements, interest payable on the debt is not reported as a liability since it does not require the use of current financial resources.

Long-Term Obligations

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. The Fund Financial Statements do not present long-term debt. Accordingly, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from long term receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue

The activities of the Authority are financed by payments received from loans, leases and installment sale payments received from the City and the Successor Agency. These payments are recorded as use of property and money revenue in the accompanying financial statements.

Expenditures

Expenditures of the Authority consist of loans, leases and installment sales made to the City of Brea and the Successor Agency, bond issuance costs and interest paid on long-term debt. Loans made to the City for construction are recorded as development services expenditures.

e. Net position

In the Government-Wide Financial Statements, net position are classified as follows:

Restricted Net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Net position flow assumption

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first.

f. Fund Balance

In the Fund Financial Statements, the governmental fund reports restricted fund balances which encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

BREA PUBLIC FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Fund balance flow assumptions

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

g. Budgetary Reporting

Annual budgets of revenues and expenditures are not applicable to the Authority, unlike other governmental entities, where the adoption of budgets is required. This is due to the legal structure of the bond indentures, which specifically directs the timing of amounts of all receipts and disbursements.

Note 2: Receivables

Loans

Pursuant to the issuance of the 2008 Tax Allocation Revenue Bonds, Series A and B, the Brea Public Financing Authority (the "Authority") and the former Brea Redevelopment Agency (the "Agency") entered into three loan agreements each dated November 1, 2008 to 1) refund the Agency's outstanding Redevelopment Project Area C 1997 Senior Lien Tax Allocation Bonds and Redevelopment Project Area C 1997 Subordinate Lien Tax Allocation Bond, 2) finance additional projects benefiting the Agency's Redevelopment Project Area C, including projects in furtherance of the Agency's low and moderate income housing program, and 3) fund deposits into the Reserve Account relating to the respective series of Bonds and pay costs of issuance of the bonds. Payments to be made by the Successor Agency with respect to the loan agreements are secured by a lien on tax revenues consisting of a portion of the tax increment allocated to the Successor Agency sufficient to meet the debt service requirements on the tax allocation revenue bonds. The outstanding balance on the loans at June 30, 2014, was \$16,670,000.

Leases

The City and the Agency entered into the Brea Civic/Cultural Center Ground Lease on May 1, 1978, pursuant to which the City leased to the Agency, for a rent of \$1, the four acres comprising the site upon which the Civic/Cultural Center was constructed. The Agency, in an assignment agreement entered into on November 1, 1991, assigned all of its right, title and interest under the 1978 Ground Lease and 1978 Sublease over to the Authority. The City has agreed in an amended and restated sublease agreement adopted December 1, 1998, which supersedes the sublease agreement adopted November 1, 1991, to lease the completed facilities from the Authority and to make semi-annual base rental payments, beginning June 15, 1999. The City has agreed, in the second supplement, to the amended and restated sublease agreement adopted April 15, 1995, to make additional semi-annual lease rental payments. On November 1, 2004, the City agreed to an amended and restated lease supplement made

BREA PUBLIC FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Receivables (Continued)

between the Authority and the City. The 2004 Lease Supplement is a supplement to the amended and restated sublease agreement adopted December 1, 1998, and supersedes the second supplement to the amended and restated sublease agreement adopted April 15, 1995. The lease agreement was further amended by the Amended and Restated Sublease Agreement dated December 1, 2010. Simultaneously, the City and Agency entered into the Fourth Supplement to the Amended and Restated Reimbursement Agreement. The base rental payments are sufficient to meet the debt service requirements of the lease revenue bonds. The City is also responsible for operation and maintenance, payment of taxes, if any, insurance premiums and other costs of the Authority incurred in financing the facilities. Upon termination of the master sublease and the ground lease, fee title to the facilities will vest with the City. The outstanding receivable balance at June 30, 2014, was \$9,535,000.

On April 1, 2010, the City and Authority entered into a Community Center site lease agreement to provide funding in the way of lease payments pledged as security for repayment of the 2010 Lease Revenue Bonds, the proceeds of which provided funding to finance the costs of installation of photovoltaic energy systems and energy efficient improvements. The outstanding receivable balance at June 30, 2014, was \$2,760,000.

Installment Sales

In May 2009, the Authority and the City entered into an installment sale agreement, whereby the City agreed to make installment payments to refund the remaining outstanding 1998 Water Revenue Bonds and finance the acquisition of additional water rights and various capital projects relating to the Water System with the proceed of the Brea Public Financing Authority, 2009 Water Revenue Bonds. Installment payments to the Authority are due semi-annually, beginning July 1, 2010. The outstanding receivable balance at June 30, 2014, was \$23,940,000.

In April 2010, the Authority and the City entered into an installment sale agreement, whereby the City agreed to make installment payments to pay debt service on the 2010 Water Revenue Bonds which were issued to finance a portion of the costs of installation of photovoltaic energy systems and energy efficient improvements. Installment payments to the Authority are due semi-annually, beginning July 1, 2010. The outstanding receivable balance at June 30, 2014, was \$11,410,000.

BREA PUBLIC FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3: Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year	Due more than one year
2004 Lease Revenue Refunding Bonds	\$ 2,670,000	\$ -	\$ 255,000	\$ 2,415,000	\$ 265,000	\$ 2,150,000
2008 Tax Allocation Bonds	17,555,000	-	885,000	16,670,000	930,000	15,740,000
2009 Water Revenue Bonds	24,460,000	-	520,000	23,940,000	535,000	23,405,000
2010 Water Revenue Bonds	11,865,000	-	455,000	11,410,000	480,000	10,930,000
2010 Lease Revenue Bonds	2,760,000	-	-	2,760,000	-	2,760,000
2010 Refunding Lease Revenue Bonds	7,870,000	-	750,000	7,120,000	770,000	6,350,000
Totals	<u>\$ 67,180,000</u>	<u>\$ -</u>	<u>\$ 2,865,000</u>	64,315,000	<u>\$ 2,980,000</u>	<u>\$ 61,335,000</u>
			Unamortized bond discount/premium	(220,456)		
			Total Long-Term Debt	<u>\$ 64,094,544</u>		

2004 Lease Revenue Refunding Bonds

The \$4,330,000 principal amount of the 2004 Lease Revenue Refunding Bonds was issued by the Brea Public Financing Authority in November 2004, to advance refund the Brea Public Financing Authority's 1995 Lease Revenue Bonds.

Bonds maturing in the years 2005 to 2021, are serial bonds payable in annual installments ranging from \$165,000 to \$345,000. The bonds bear interest at 3.000% to 4.500%. Bonds maturing on or after July 1, 2015, may be called before maturity and redeemed at the option of the Authority in whole or in part on any date after July 1, 2014, at a redemption price equal to 100% of the principal amount of the bonds redeemed.

Bonds are payable from the lease payments to be made by the City of Brea for the subleasing of certain real property pursuant to a lease agreement dated November 1, 2004.

A financial guarantee insurance policy has been issued, and accordingly, no cash reserve balance is required to be established. The bonds are a special obligation of the Authority payable solely from revenues, consisting primarily of lease payments to be made by the City. The amount of bonds outstanding as of June 30, 2014, totaled \$2,415,000.

2008 Tax Allocation Revenue Bonds

In October 2008, the Brea Public Financing Authority issued its 2008 Tax Allocation Revenue Bonds, Series A and 2008 Tax Allocation Revenue Bonds, Series B in the amount of \$18,900,000 and \$2,025,000 respectively to make three separate loans to the former Redevelopment Agency pursuant to three loan agreements dated November 1, 2008. The proceeds of the loans were used to current refund the Agency's outstanding 1997 Senior Lien Tax Allocation Bonds in the amount of \$9,825,000, to current refund the 1997 Subordinate Lien Tax Allocation Bonds in the amount of \$2,235,000, to finance additional projects benefiting the Agency's Project Area C including low and moderate income housing programs.

BREA PUBLIC FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3: Long-Term Debt (Continued)

The Series A Serial Bonds totaling \$9,715,000 have principal repayments ranging from \$710,000 to \$1,070,000 with interest rates ranging from 4.25% to 6.5%. The Series A Term Bonds totaling \$4,710,000 due September 1, 2023, have sinking fund maturities ranging from \$1,060,000 to \$1,300,000 with interest at 7.0%. The Series A Term Bonds totaling \$4,475,000 due September 1, 2026, have sinking fund maturities ranging from \$1,390,000 to \$1,595,000 with interest at 7.125%. The outstanding balance at June 30, 2014, was \$14,975,000

The Series B Term Bonds totaling \$330,000 due September 1, 2013, have sinking fund maturities ranging from \$55,000 to \$80,000 with interest at 7.25%; the Series B Term Bonds totaling \$445,000 due September 1, 2018, have sinking fund maturities ranging from \$75,000 to \$105,000 with interest at 8.375%; and the Series B Term Bonds totaling \$1,250,000 due September 1, 2016, have sinking fund maturities ranging from \$115,000 to \$205,000 with interest at 9.0%. The outstanding balance at June 30, 2014, was \$1,695,000.

The required reserve for the Series A and Series B bonds is \$1,829,853 and \$202,500, respectively. As of June 30, 2014, the reserve amount was \$1,964,858 and \$214,551 respectively. The amount of bonds outstanding at June 30, 2014, totaled \$16,670,000.

2009 Water Revenue Bonds

In May of 2009, the Brea Public Financing Authority sold \$25,800,000 of 2009 Water Revenue Bonds structured into two series: The \$12,855,000 2009 Water Revenue Refunding Bond Series A and the \$12,945,000 2009 Water Revenue Bonds, Series B. The proceeds from Series A bonds was used to currently refund all of the remaining outstanding 1998 Water Revenue Bonds and proceeds from the Series B Bonds financed the acquisition of additional water rights and various capital projects relating to the Water System. Proceeds were also used to fund a debt service reserve fund and pay cost of issuance expenses.

Series A bonds consist of \$12,855,000 serial bonds and term bonds. Bonds maturing in the years 2010 through 2027 are serial bonds payable in annual installments of \$335,000 to \$885,000 and bear interest at 2.0% to 4.75%. Bonds maturing July 1, 2029, in the amount of \$1,375,000 are term bonds and bear interest at 4.75%.

Series B bonds consist of \$12,945,000 term bonds. Bonds mature from 2029 through 2039 in annual installments of \$525,000 to \$1,495,000 and bear interest at 6.75%.

The required reserve for the 2009 Water Revenue Bonds is \$1,819,094. As of June 30, 2014, the reserve was \$1,882,420 being held in the Water Fund of the City of Brea. The amount of bonds outstanding as of June 30, 2014, totaled \$23,940,000.

The bonds are secured by revenue consisting primarily of installment payment made by the City pursuant to an installment sale agreement between the Authority and the City.

Payment obligations of the City under this agreement are payable solely from net annual revenue of the Water Fund.

BREA PUBLIC FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3: Long-Term Debt (Continued)

2010 Water Revenue Bonds

In April of 2010, the Authority sold \$12,295,000 of water revenue bonds into two series. Both Series A and B were issued to finance a portion of the costs of the installation of photovoltaic energy systems and energy efficient improvements at the City. Proceeds were also used to fund a debt service reserve fund and pay issuance costs and capitalized interest on the bonds through the end of the construction phase.

Series A bonds consist of \$2,410,000 of tax exempt serial bond maturing on July 1 of each year beginning in 2012 through 2016. Annual principal installments range from \$430,000 to \$540,000. Interest is payable July 1 and January 1 of each year and range from 2% and 4%.

Series B bonds consist of \$9,885,000 of federally taxable- "Build America Bonds." \$2,195,000 of these bonds are serial bonds maturity on July 1 of each year beginning in 2017 through 2025. Annual principal installments range from \$125,000 to \$385,000. Interest payments are due July 1 and January 1 of each year and range from 4.37% and 5.99%. The remaining \$7,690,000 are term bonds due to maturing on July 1, 2030 and July 1, 2036 in the amounts of \$2,685,000 and \$5,005,000. The Series B bonds are also subject to mandatory sinking fund requirements. These "Build America Bonds: under Section 54AA(g)(1) of the Tax Code make the Authority eligible for cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. These are referred to as "refundable credits" in the bond indenture and are recorded as federal interest subsidy revenue in the City's basic financial statements. These refundable credits are pledged for the payment of the bonds.

The required reserve for the 2010 Water Revenue Bonds, Series A and B is \$233,579 and \$958,060, respectively. As of June 30, 2014, the reserve amount was \$257,291 and \$1,055,210, respectively, being held in the Water Fund of the City.

The amount of bonds outstanding as of June 30, 2014, totaled \$11,410,000.

2010 Lease Revenue Bonds

The \$2,835,000 principal amount of the 2010 Lease Revenue Bonds was issued by the Authority in April 2010. The proceeds will be used to finance a portion of the costs of the installation of photovoltaic energy systems and energy efficient improvements on City property.

The Authority elected to treat the bonds as "Build America Bonds" under Section 54AA(g)(2) of the Tax Code which made the Authority eligible for cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. These are referred to as "refundable credits" in the bond indenture and are recorded as intergovernmental revenue in the City's basic financial statements. These refundable credits are pledged for the payment of the bonds.

Bonds maturing on April 1, 2011 are serial bonds payable in one annual installment of \$75,000 bearing interest of 1.31%. bonds maturing on April 1, 2030, in the amount of \$1,260,000 are term bonds and bear interest at 6.734%. Installments are \$380,000, \$420,000 and \$460,000 and are due in 2028, 2029, and 2030. Bonds maturing on April 1, 2036, in the amount of \$1,500,000, are term bonds and bear interest at 6.884%. Installments range from \$165,000 to \$410,000 every year from 2031 to 2036.

BREA PUBLIC FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3: Long-Term Debt (Continued)

Bonds are payable from the lease payments to be made by the City for the leasing of certain real property pursuant to the lease agreement dated April 1, 2010.

The required reserve for the 2010 lease revenue bonds is \$261,807. As of June 30, 2014, the reserve amount was \$263,162. The amount of bonds outstanding as of June 30, 2014, totaled \$2,760,000.

2010 Refunding Lease Revenue Bonds

The \$9,460,000 principal amount of the 2010 Refunding Lease Revenue Bonds was issued by the Authority in December 2010, to current refund the Authority's 1998 Lease Revenue Refunding Bonds.

Bonds maturing in the years 2011 to 2021 are serial bonds payable in annual installments ranging from \$865,000 to \$1,015,000. The bonds bear interest at 2% to 4%, due semi-annually on January 1 and July 1. Bonds maturing on July 1, 2021, may be redeemed at the option of the Authority in whole or in part on any date after July 1, 2020, at a redemption price equal to 100% of the principal amount if the bonds redeemed.

Bonds are payable from the lease payments to be made by the City for the right to use and occupy certain property pursuant to a lease agreement dated December 1, 1998, and further amended by Amended and Restated Sublease Agreement date December 1, 2010.

The amount of bonds outstanding as of June 30, 2014, totaled \$7,120,000.

BREA PUBLIC FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3: Long-Term Debt (Continued)

Debt Service Requirements to Maturity

Annual requirements to amortize outstanding long-term debt of the Authority as of June 30, 2014, were as follows:

Fiscal Year Ending June 30	Lease Revenue Bonds		Tax Allocation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 1,035,000	\$ 546,878	\$ 930,000	\$ 1,120,447
2016	1,075,000	505,881	985,000	1,064,991
2017	1,120,000	462,877	1,045,000	1,004,366
2018	1,165,000	417,717	1,105,000	937,635
2019	1,210,000	370,592	1,175,000	864,222
2020-2024	3,930,000	1,183,117	6,385,000	3,063,056
2025-2029	800,000	914,953	5,045,000	572,522
2030-2034	1,510,000	406,843	-	-
2035-2039	450,000	47,155	-	-
	<u>\$ 12,295,000</u>	<u>\$ 4,856,013</u>	<u>\$ 16,670,000</u>	<u>\$ 8,627,239</u>

Fiscal Year Ending June 30	Water Bonds		Total	
	Principal	Interest	Principal	Interest
2015	\$ 1,015,000	\$ 2,003,652	\$ 2,980,000	\$ 3,670,977
2016	1,060,000	1,970,508	3,120,000	3,541,380
2017	1,110,000	1,930,614	3,275,000	3,397,857
2018	715,000	1,896,041	2,985,000	3,251,393
2019	760,000	1,866,558	3,145,000	3,101,372
2020-2024	4,635,000	8,784,762	14,950,000	13,030,935
2025-2029	6,420,000	7,470,641	12,265,000	8,958,116
2030-2034	8,865,000	5,190,836	10,375,000	5,597,679
2035-2039	9,275,000	1,931,708	9,725,000	1,978,863
2040-2044	1,495,000	50,456	1,495,000	50,456
	<u>\$ 35,350,000</u>	<u>\$ 33,095,776</u>	<u>\$ 64,315,000</u>	<u>\$ 46,579,028</u>