

Antioch Area Public Facilities Financing Agency

Antioch, California

*Basic Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2010

Antioch Area Public Facilities Financing Agency

Table of Contents

	<u>Page</u>	
Independent Auditors' Report	1	
Management's Discussion and Analysis (Required Supplementary Information)	3	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	12	
Statement of Activities and Changes in Net Assets	13	
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet.....	16	
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	17	
Statement of Revenues, Expenditures and Changes in Fund Balances	18	
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statements of Activities and Changes in Net Assets	19	
Notes to Basic Financial Statements	21	
Supplemental Information:		
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:		
Redemption Fund	30	
Reserve Fund	31	
Community Facilities District Fund	32	
Construction Fund	33	
Administration Fund.....	34	
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>		35



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of the
Antioch Area Public Facilities Financing Agency
Antioch, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Antioch Area Public Financing Agency (Agency), as of and for the fiscal year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Agency, as of June 30, 2010, and the respective changes in financial positions, thereof for the fiscal year then ended, in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 read in conjunction with this report in considering the results of our audit.

Members of the Board of the
Antioch Area Public Facilities Financing Agency
Antioch, California
Page 2

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cappucci & Larson, Inc.

San Francisco, California
December 22, 2010

Antioch Area Public Facilities Financing Agency

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2010

As management of the Antioch Area Public Facilities Financing Agency (Agency) of the Antioch Unified School District (School District) and the City of Antioch (City), we offer readers of the Agency's basic financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Agency's financial statements, which begin on page 9.

Financial Highlights

- The assets of the Agency were less than its liabilities at the close of the most recent fiscal year by \$52,703,935 (negative net assets).
- As of the close of the current fiscal year, the Agency's governmental funds reported ending fund balances of \$33,522,068.
- The Agency had general revenues of \$14,985,464 and program expenses of \$16,668,504 for the year ended June 30, 2010.
- The Agency's reimbursements to the City and School District for public facilities for the year were \$11,139,974.

Overview of the Basic Financial Statements

The discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the Agency that is principally supported by special tax revenues. The Agency's function is to finance the construction of five elementary schools, two middle schools, one high school and one City park. These facilities are needed to maintain the quality of public services as Antioch expands.

The government-wide financial statements can be found on pages 11 and 13 of this report.

Antioch Area Public Facilities Financing Agency

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2010

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The debt service and capital projects funds are governmental funds used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Agency maintains major governmental funds for: Redemption Fund, Reserve Fund, Community Facilities District Fund, Construction Fund and Administration Fund in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*. The governmental fund financial statements can be found on pages 15 through 19 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 27 of this report.

Other Information

The individual fund schedules of revenues, expenditures, and changes in fund balance-budget and actual-are presented immediately following the notes to the basic financial statements and can be found on pages 29 through 34 of this report.

Antioch Area Public Facilities Financing Agency

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2010

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets were less than liabilities by \$52,703,935 at the close of fiscal year 2009-2010.

Statement of Net Assets June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets:		
Current and other assets	\$ 38,463,395	\$ 48,868,652
Liabilities:		
Current and other liabilities	4,268,500	2,951,003
Long-term liabilities	<u>86,898,830</u>	<u>96,938,544</u>
Total liabilities	<u>91,167,330</u>	<u>99,889,547</u>
Net assets:		
Restricted	31,996,394	43,502,145
Unrestricted	<u>(84,700,329)</u>	<u>(94,523,040)</u>
Total net assets	<u><u>\$ (52,703,935)</u></u>	<u><u>\$ (51,020,895)</u></u>

Analysis of Net Assets

The largest portion of the Agency's net assets reflects its funds available for project construction. In the past, the Agency sold construction bonds to help finance the construction of the facilities mentioned earlier. The special taxes collected are used to make bond payments or pay directly for the facilities. These taxes are not used for operating expenses or salaries of either the School District or the City, except for the direct costs of administering the Community Facilities District. The Agency has an unrestricted deficit of \$84,700,329 resulting from the recording of long-term debt on the statement of net assets.

Current and other assets decreased approximately \$10.4 million from the prior year primarily due to a decrease in restricted cash and investment from reduced interest earnings and increased debt service payments and construction expenditures. Total liabilities decreased by approximately \$8.7 million due to scheduled debt service payments.

Antioch Area Public Facilities Financing Agency

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2010

Statement of Activities For the Years Ended June 30, 2010 and 2009

	2010	2009
Revenues:		
General revenues:		
Special tax	\$ 14,762,334	\$ 14,672,091
Investment earnings	223,130	402,816
Total revenues	14,985,464	15,074,907
Expenses:		
General government	134,343	160,650
Public facilities	11,139,974	3,468,356
Interest	5,394,187	6,196,020
Total expenses	16,668,504	9,825,026
Change in net assets	(1,683,040)	5,249,881
Net assets, beginning of year	(51,020,895)	(56,270,776)
Net assets, end of year	\$ (52,703,935)	\$ (51,020,895)

Analysis of Changes in Net Assets

Agency revenues decreased by \$89,443 over the prior fiscal year. This can be attributed to decreased investment earnings.

The Agency's total expenditures increased by \$6,843,478 over the prior fiscal year. This is primarily due to increased facility construction expenditures.

Fund Financial Analysis

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's governmental funds are discussed below:

Antioch Area Public Facilities Financing Agency

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2010

Governmental Funds

The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported ending fund balances of \$33,522,068. The fund balance primarily represents unspent debt proceeds and special tax revenues. The fund balance is restricted for facilities construction and debt service.

	2010	2009	Total Dollar Change	Total Percentage Change
Revenues:				
Special tax	\$ 14,762,334	\$ 14,672,091	\$ 90,243	0.62%
Investment income	223,130	402,816	(179,686)	-44.61%
Total revenues	14,985,464	15,074,907	(89,443)	-0.59%
Expenditures:				
General government:				
Administration	134,343	160,650	(26,307)	-16.38%
Capital outlay:				
City projects	11,098,200	3,326,847	7,771,353	233.60%
School district projects	41,774	141,509	(99,735)	-70.48%
Debt service:				
Principal retirements	11,265,000	20,480,000	(9,215,000)	-45.00%
Interest and fiscal charges	4,144,216	5,109,513	(965,297)	-18.89%
Total expenditures	26,683,533	29,218,519	(2,534,986)	-8.68%
Excess (deficiency) of revenues over (under) expenditures	(11,698,069)	(14,143,612)	(2,445,543)	-17.29%
Other Financing Sources (Uses):				
Transfers in	11,775,612	6,330,279	5,445,333	86.02%
Transfers out	(11,775,612)	(6,330,279)	(5,445,333)	86.02%
Total other financing sources (uses)	-	-	-	0.00%
Change in fund balances	\$ (11,698,069)	\$ (14,143,612)	\$ (2,445,543)	17.29%

The Agency's total revenues decreased by \$89,443 over the prior fiscal year. The primary reason for this is due to decreased investment income.

Antioch Area Public Facilities Financing Agency

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2010

The Agency's total expenditures decreased by \$2,534,986 over the prior fiscal year. This is primarily due to the net effect of increased facility construction costs and decreased debt service payments.

Capital Asset and Debt Administration

CAPITAL ASSETS

The Agency accounts for the costs of facilities as capital expenditures but does not record these capital assets, as they become capital assets of the School District or the City.

LONG-TERM DEBT

The Agency has \$88,910,000 in Special Tax Bonds outstanding as of June 30, 2010. Total long term liabilities decreased by \$11,265,000 due to debt service payments.

For additional information, see Note 5 in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Agency's budget for the 2010-2011 fiscal year:

- Special taxes are collected by the County. The amount of the special taxes that may be levied in any year is limited to the maximum rates approved by the qualified electors within the District. Special taxes are increasing moderately due to the construction slowdown in the housing market.
- Construction expenditures for the School District are expected to be approximately \$840,925 in 2010-2011. Most of the future costs are related to bringing some of the earlier constructed schools up to parity with the later schools, especially in the area of technology. All of the schools authorized under by the Agency have been opened and are operating. Construction expenditures for the City are expected to be up to \$9.8 million in the coming years. This is the remaining amount of funds available to complete Prewett Community Park.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer/Comptroller of the Antioch Area Public Facilities Financing Agency, P.O. Box 5007, Antioch, California 94531-5007.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Antioch Area Public Facilities Financing Agency

Statement of Net Assets

June 30, 2010

	Governmental Activities
	<u> </u>
ASSETS	
Restricted investments with fiscal agent (Note 2)	\$ 36,239,505
Prepaid items	3,180
Interest receivable	12,165
Taxes receivable	10,044
Deferred charges	2,198,501
Total assets	<u>38,463,395</u>
LIABILITIES	
Accounts payable	2,742,826
Interest payable	1,525,674
Long-term debt (Note 5):	
Due within one year	9,164,714
Due in more than one year	77,734,116
Total liabilities	<u>91,167,330</u>
NET ASSETS	
Restricted for:	
Facilities acquisition and construction	10,462,848
Debt service	21,533,546
Unrestricted deficit	(84,700,329)
Total net assets (deficit)	<u>\$ (52,703,935)</u>

See accompanying Notes to Basic Financial Statements.

Antioch Area Public Facilities Financing Agency
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

	<u>Governmental Activities</u>
Expenses:	
General government	\$ 134,343
Public Facilities	11,139,974
Interest	<u>5,394,187</u>
Total Expenses	<u>16,668,504</u>
General revenues:	
Taxes:	
Special tax	<u>14,762,334</u>
Total taxes	14,762,334
Investment earnings	<u>223,130</u>
Total general revenues	<u>14,985,464</u>
Change in net assets	(1,683,040)
Net assets - beginning of year	<u>(51,020,895)</u>
Net assets - end of year	<u>\$ (52,703,935)</u>

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Antioch Area Public Facilities Financing Agency
Balance Sheet
Governmental Funds
June 30, 2010

	Debt Service		Capital Projects Fund			Total
	Redemption Fund	Reserve Fund	Community Facilities District Fund	Construction Fund	Administration Fund	
ASSETS						
Restricted investments with fiscal agent	\$ 13,135,353	\$ 9,898,526	\$ 9,582,421	\$ 3,546,058	\$ 77,147	\$ 36,239,505
Prepaid items	3,180	-	-	-	-	3,180
Taxes receivable	10,044	-	-	-	-	10,044
Interest receivable	103	12,014	1	46	1	12,165
Total assets	\$ 13,148,680	\$ 9,910,540	\$ 9,582,422	\$ 3,546,104	\$ 77,148	\$ 36,264,894
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,721,686	\$ 21,140	\$ 2,742,826
Total liabilities	-	-	-	2,721,686	21,140	2,742,826
Fund balances:						
Reserved for:						
Facilities acquisition and construction	-	-	9,582,422	824,418	56,008	10,462,848
Debt service	13,148,680	9,910,540	-	-	-	23,059,220
Total fund balances	13,148,680	9,910,540	9,582,422	824,418	56,008	33,522,068
Total liabilities and fund balances	\$ 13,148,680	\$ 9,910,540	\$ 9,582,422	\$ 3,546,104	\$ 77,148	\$ 36,264,894

See accompanying Notes to Basic Financial Statements.

Antioch Area Public Facilities Financing Agency
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds \$ 33,522,068

Amounts reported for governmental activities in the Statement of Net Assets were reported differently because:

Bond issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.

Deferred charges, net of amortization 2,198,501

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (1,525,674)

Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt - current portion (net) (9,164,714)

Long-term debt - non-current portion (net) (77,734,116)

Total long-term liabilities (86,898,830)

Net Assets of Governmental Activities \$ (52,703,935)

Antioch Area Public Facilities Financing Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Debt Service		Capital Projects Fund			Total
	Redemption Fund	Reserve Fund	Community Facilities		Administration Fund	
			District Fund	Construction Fund		
REVENUES:						
Special tax	\$ 14,762,334	\$ -	\$ -	\$ -	\$ -	\$ 14,762,334
Investment income	1,127	221,313	286	395	9	223,130
Total revenues	14,763,461	221,313	286	395	9	14,985,464
EXPENDITURES:						
General government:						
Administration	10,100	-	-	-	124,243	134,343
Public facilities:						
City projects	-	-	-	11,098,200	-	11,098,200
School district projects	-	-	-	41,774	-	41,774
Debt service:						
Principal retirements	11,265,000	-	-	-	-	11,265,000
Interest and fiscal charges	4,144,216	-	-	-	-	4,144,216
Total expenditures	15,419,316	-	-	11,139,974	124,243	26,683,533
REVENUES OVER (UNDER) EXPENDITURES	(655,855)	221,313	286	(11,139,579)	(124,234)	(11,698,069)
OTHER FINANCING SOURCES (USES):						
Transfers in	1,275,612	-	-	10,330,000	170,000	11,775,612
Transfers out	(500,000)	(1,275,612)	(10,000,000)	-	-	(11,775,612)
Total other financing sources (uses)	775,612	(1,275,612)	(10,000,000)	10,330,000	170,000	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	119,757	(1,054,299)	(9,999,714)	(809,579)	45,766	(11,698,069)
FUND BALANCES:						
Beginning of year	13,028,923	10,964,839	19,582,136	1,633,997	10,242	45,220,137
End of year	\$ 13,148,680	\$ 9,910,540	\$ 9,582,422	\$ 824,418	\$ 56,008	\$ 33,522,068

See accompanying Notes to Basic Financial Statements.

Antioch Area Public Facilities Financing Agency
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (11,698,069)
Repayment of bond Principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government -Wide Statement of Net Assets.	11,265,000
Bonds issuance cost are expensed on the fund statements. However, in the government-wide statement of activities, the bonds issuance cost are allocated over the life of the bonds.	
Current year amortization	(217,003)
Bond discounts and premiums are expensed or recognized as revenue on the fund statements. However, in the government-wide statement of activities, the bond discounts and premiums are allocated over the life of the bonds.	
Current year amortization	(19,241)
Losses on refunding of bonds are expenditures on the fund statements. However, in the government-wide statement of activities, the losses on refunding of bonds are allocated over the life of the bonds.	
Current year amortization	(1,206,045)
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The following amount represents the change in accrued interest from the prior year	<u>192,318</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (1,683,040)</u></u>

See accompanying Notes to Basic Financial Statements.

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Antioch Area Public Facilities Financing Agency
Notes to Basic Financial Statements
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Antioch Area Public Financing Agency (Agency) is a component unit of the City of Antioch, California (City). The financial statements are intended to present the financial position and results of operations of the Agency and not those transactions of the City as a whole.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures. Agency 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.

Government-Wide Financial Statements - The Agency Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Agency. The Agency 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 of the Agency's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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. The types of transactions reported as revenues for the Agency are operating grants and contributions and general revenues such as property tax increment and investment earnings. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. In the Statement of Activities, interfund transfers have been eliminated.

The Agency applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) to the governmental activities.

Governmental Fund Financial Statements - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements. The Agency has presented all funds as major funds.

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 present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax increment and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Antioch Area Public Facilities Financing Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

C. Use of Restricted/Unrestricted Net Assets

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

D. Cash and Investments

Restricted investments with fiscal agent are carried at fair value. The fair value of investments is determined annually and is based on current market prices.

E. Long-Term Liabilities

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

F. Special Revenue Tax

Special tax revenue is recognized, subject to availability, in the fiscal year for which the special tax is levied. The special tax is levied against developed property after issuance of a building permit and is based upon the square footage of the unit. The County of Contra Costa bill collects special taxes for the Agency under the County's "Teeter Plan" (with the exception of supplemental taxes which are billed directly to developers by the Agency). The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Special taxes are levied on July 1. Special taxes are due in two installments, on November 1 and February 1. The special taxes become delinquent after December 10 and April 10, respectively.

Antioch Area Public Facilities Financing Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Net Assets and Fund Equity

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets" as defined above.

Fund Financial Statements

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditures.

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The Agency cannot modify or remove these restrictions or reserves. In addition, the Agency Board may reserve funds by resolution to set aside funds which are not available for current appropriation or expenditure.

Designations are imposed by the Agency Board to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Agency Board action.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. RESTRICTED INVESTMENTS WITH FISCAL AGENT

A. Investment with Fiscal Agent

All of the Agency's investments at June 30, 2010 were held by trustees or fiscal agents. These funds have been invested only as permitted by specific state statutes governing their investment or applicable Agency ordinance, resolution or bond indenture. These investments have been classified as restricted on the statement of net assets/balance sheet because their use is limited by bond covenants.

Antioch Area Public Facilities Financing Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

3. SPECIAL TAX REVENUES

A special tax is levied on developed property to the extent necessary to repay Agency indebtedness and to pay for all other authorized costs and expenditures of CFD 1989-1.

All developed property is subject to a maximum special tax for each fiscal year up to and including 30 years from the date of issuance of the final series of bonds of CFD 1989-1. All of the maximum tax rates increased by 2% annually through the fiscal year 1999-2000, after which they were no longer subject to increase.

Except as provided in the bond resolution, the special tax is subject to the same penalties and the same procedures, sale and lien priority in the case of delinquency as is provided for ad valorem property taxes.

Any delinquent special taxes levied by the Agency for supplemental tax levies will be collected by Contra Costa County when the parcels are included on the tax rolls. All tax receipts received by the Agency are forwarded to the fiscal agent for deposit into the trust account as required by the bond resolution.

The special tax applicable to each parcel in CFD 1989-1 is levied and collected according to the tax liability determined by the Agency Board, through the application of the appropriated amount or rate for all parcels in CFD 1989-1 for which a building permit has been issued as of June 30 of the prior fiscal year. Different rates of special tax are designated for developed property, depending on whether the developed property is classified as "Single Family-Detached" or "Attached Residential" and depending on residence size in square feet.

4. INTERFUND TRANSFERS

Transfers between individual funds during the fiscal year ended June 30, 2010 are presented below:

		Transfers In			Total
		Mello-Roos Debt Service	Mello-Roos Administration	Mello-Roos Construction	
Transfers Out	Mello-Roos Reserve	\$ 1,275,612	\$ -	\$ -	\$ 1,275,612
	Mello-Roos Redemption	-	170,000	330,000	500,000
	Mello-Roos CFD	-	-	10,000,000	10,000,000
		\$ 1,275,612	\$ 170,000	\$ 10,330,000	\$ 11,775,612

5. LONG-TERM DEBT

A. Special Tax Bonds

The Agency is authorized to issue special tax bonds in the amount of \$250,000,000 to finance the construction and acquisition of facilities specified in the Resolution of Formation. The bonds are special obligations of the Agency secured by an irrevocable first pledge of the special tax.

Antioch Area Public Facilities Financing Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

B. Current Year Activity

The following summarizes the special tax bond activity for the fiscal year ended June 30, 2010.

Special Tax Bond Series	Interest Rate	Maturity Date	Original Issue Amount	June 30, 2009	Retirements	June 30, 2010	Amounts Due Within One Year
1998	4.6-5.0%	8/1/23	10,000,000	\$ 1,070,000	\$ 340,000	\$ 730,000	\$ 410,000
1999	4.3-5.6%	8/1/20	17,165,000	35,000	35,000	-	-
2001	5.0-6.0%	8/1/25	36,105,000	775,000	245,000	530,000	260,000
2002	2.0-5.2%	8/1/25	34,190,000	14,620,000	2,820,000	11,800,000	2,930,000
2003	2-4.13%	8/1/18	18,545,000	15,040,000	-	15,040,000	-
2005	3-4.25%	8/1/25	61,985,000	44,905,000	7,120,000	37,785,000	6,025,000
2006	3.4-5%	8/1/25	24,830,000	23,730,000	705,000	23,025,000	765,000
Total special tax bonds payable			<u>\$ 202,820,000</u>	100,175,000	11,265,000	88,910,000	10,390,000
Less unamortized original issue discounts				(866,167)	61,593	(804,574)	(61,593)
Plus unamortized original issue premium				719,990	(42,352)	677,638	42,352
Less unamortized loss on refunding of bonds				(3,090,279)	1,206,045	(1,884,234)	(1,206,045)
Total bonds payable				<u>\$ 96,938,544</u>	<u>\$ 12,490,286</u>	<u>\$ 86,898,830</u>	<u>\$ 9,164,714</u>

C. Repayment Requirements

Future debt service requirements for the special tax bonds, including sinking fund payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 10,390,000	\$ 3,447,922	\$ 13,837,922
2012	4,810,000	3,135,438	7,945,438
2013	5,355,000	2,929,555	8,284,555
2014	5,280,000	2,708,616	7,988,616
2015	5,460,000	2,488,414	7,948,414
2016-2020	30,800,000	8,821,183	39,621,183
2021-2025	25,145,000	1,945,310	27,090,310
2026-2028	1,670,000	706,674	2,376,674
Total	<u>\$ 88,910,000</u>	<u>\$ 26,183,112</u>	<u>\$ 115,093,112</u>

Antioch Area Public Facilities Financing Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

6. CAPITAL OUTLAY

The Agency is required by its bond resolution to expend the proceeds of the Special Tax Bonds on facilities, which become the property of the City and the District. The Agency is authorized to acquire or construct facilities costing up to \$250,000,000. In fiscal year 2005/06, the Agency adopted a revised estimate for its portion of the cost of these facilities in the amount of \$261,592,560 (including State reimbursement). The Agency accounts for the costs of these facilities as capital expenditures but does not record these capital assets, as they become capital assets of the District or the City.

At June 30, 2010, the Agency had the following projects under construction:

	Total Estimated Project Cost(1)	Portion Funded by the State	Portion Funded by the Agency	Actual Expended by the Agency through June 30, 2010(2)	Remaining Budget to Complete Projects as of June 30, 2010
Antioch Unified School District Projects:					
Jack London Elementary School(2)	\$ 10,817,099	\$ 3,788,420	\$ 7,028,679	\$ 7,028,679	\$ -
Deer Valley High School(2)	73,254,620	46,423,960	26,830,660	26,830,660	-
Black Diamond Middle School(2)	20,469,162	7,906,310	12,562,852	12,562,852	-
Dallas Ranch Middle School(2)	31,858,117	9,923,101	21,935,016	21,935,016	-
Mno Grant Elementary School(2)	18,187,379	6,300,910	11,886,469	11,886,469	-
Diablo Vista Elementary School(2)	16,060,656	5,182,532	10,878,124	10,878,124	-
Lone Tree Elementary School(2)	17,248,795	5,192,256	12,056,539	12,056,539	-
Carmen Dragon Elementary School	17,983,340	5,234,600	12,748,740	12,748,740	-
Administrative Services Facility	1,000,000	-	1,000,000	1,000,000	-
Support Services Facility	1,459,065	-	1,459,065	1,459,065	-
Interim Housing Lease	2,372,000	-	2,372,000	2,372,000	-
School Technology Project	882,327	-	882,327	41,402	840,925
Total School Projects	211,592,560	89,952,089	121,640,471	120,799,546	-
City of Antioch Projects:					
Prewett Park	50,000,000	-	50,000,000	40,152,891	9,847,109
Total Project Costs	\$ 261,592,560	\$ 89,952,089	\$ 171,640,471	\$ 160,952,437	\$ 9,847,109

An inflationary factor based on one or more construction price indexes has been factored into those projects that are incomplete or not yet under construction.

- (1) Total estimated project costs for the Dallas Ranch Middle School, Lone Tree Elementary School, and Carmen Dragon Elementary School include a provision for inflation through the estimated date of completion. The provision for inflation was based upon construction price indexes and approximates four percent. The project costs include all assessments.
- (2) The column above titled - "Actual Expended by the Agency Through June 30, 2010" - is net of the amounts reimbursed by the state. All State reimbursements are shown in the column labeled "Portion Funded by the State".

Antioch Area Public Facilities Financing Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2010

7. RELATED PARTY ADMINISTRATION EXPENDITURES

The City and District provide administration services to the Agency. For the year ended June 30, 2010 the Agency incurred charges of \$41,200 and \$38,000 for current year administration services provided by the City and the District, respectively.

8. RISK MANAGEMENT

The Agency no longer carries any professional liability or general liability insurance for its board members. There is no legal actions pending nor have there ever been any legal actions against the Agency. Since the Agency is only a financing agency, it has no involvement in the operations of any of the financed projects. The board members from the District and the City are covered under those entity's insurance policies or programs.

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SUPPLEMENTAL INFORMATION

Antioch Area Public Facilities Financing Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Redemption Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Special tax	\$ 34,600	\$ 14,757,711	\$ 14,762,334	\$ 4,623
Investment income	22,000	1,024	1,127	103
Total revenues	56,600	14,758,735	14,763,461	4,726
EXPENDITURES:				
General government				
Administration	10,200	10,100	10,100	-
Debt service:				
Principal retirement	9,675,000	11,265,000	11,265,000	-
Interest and fiscal charges	4,228,062	4,144,216	4,144,216	-
Total expenditures	13,913,262	15,419,316	15,419,316	-
REVENUES OVER (UNDER) EXPENDITURES	(13,856,662)	(660,581)	(655,855)	4,726
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,275,612	1,275,612
Transfers out	(500,000)	(500,000)	(500,000)	-
Total other financing sources (uses)	(500,000)	(500,000)	775,612	1,275,612
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (14,356,662)	\$ (1,160,581)	119,757	\$ 1,280,338
FUND BALANCE:				
Beginning of year			13,028,923	
End of year			<u>\$ 13,148,680</u>	

Antioch Area Public Facilities Financing Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Reserve Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ 300,000	\$ 216,328	\$ 221,313	\$ 4,985
OTHER FINANCING (USES):				
Transfers out	-	(1,275,612)	(1,275,612)	-
Total other financing (uses)	-	(1,275,612)	(1,275,612)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ 300,000</u>	<u>\$ (1,059,284)</u>	(1,054,299)	<u>\$ 4,985</u>
FUND BALANCE:				
Beginning of year			10,964,839	
End of year			<u>\$ 9,910,540</u>	

Antioch Area Public Facilities Financing Agency

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Community Facilities Fund

For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ 80,000	\$ 285	\$ 286	\$ 1
Total revenues	<u>80,000</u>	<u>285</u>	<u>286</u>	<u>1</u>
OTHER FINANCING (USES):				
Transfers out	(15,000,000)	(10,000,000)	(10,000,000)	-
Total other financing (uses)	<u>(15,000,000)</u>	<u>(10,000,000)</u>	<u>(10,000,000)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ (14,920,000)</u>	<u>\$ (9,999,715)</u>	(9,999,714)	<u>\$ 1</u>
FUND BALANCE:				
Beginning of year			<u>19,582,136</u>	
End of year			<u>\$ 9,582,422</u>	

Antioch Area Public Facilities Financing Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Construction Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ 6,000	\$ 350	\$ 395	\$ 45
Total revenues	6,000	350	395	45
EXPENDITURES:				
Public facilities:				
City projects	20,976,531	11,098,200	11,098,200	-
School district projects	952,660	41,774	41,774	-
Total expenditures	21,929,191	11,139,974	11,139,974	-
REVENUES OVER (UNDER) EXPENDITURES	(6,593,191)	(809,624)	(809,579)	45
OTHER FINANCING SOURCES:				
Transfers in	15,330,000	10,330,000	10,330,000	-
Total other financing sources	15,330,000	10,330,000	10,330,000	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 15,336,000	\$ 10,330,350	10,330,395	\$ 45
FUND BALANCE:				
Beginning of year			1,633,997	
End of year			\$ 824,418	

Antioch Area Public Facilities Financing Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Administration Fund
For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ 600	\$ 9	\$ 9	\$ -
EXPENDITURES:				
General government:				
Administration	180,700	124,242	124,243	(1)
REVENUES OVER (UNDER) EXPENDITURES	(180,100)	(124,233)	(124,234)	(1)
OTHER FINANCING SOURCES:				
Transfers in	170,000	170,000	170,000	-
Total other financing sources	170,000	170,000	170,000	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ (10,100)	\$ 45,767	45,766	\$ (1)
FUND BALANCE:				
Beginning of year			10,240	
End of year			\$ 56,006	



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**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**

Members of the Board of the
Antioch Public Facilities Financing Agency
Antioch, California

We have audited the basic financial statements of the governmental activities and each major fund of the Antioch Public Facilities Financing Agency (Agency) as of and for the year ended June 30, 2010 and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with generally accepted auditing standards in the United States 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

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our audit 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 the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's 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.

Members of the Board of the
Antioch Public Facilities Financing Agency
Antioch, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Agency Board, management, and the California State Controller's office. However, this report is a matter of public record and its distribution is not limited.

Capricci & Larson, Inc.

San Francisco, California
December 22, 2010