

PRELIMINARY OFFICIAL STATEMENT, DATED JANUARY 21, 2015

NEW ISSUE — FULL BOOK-ENTRY ONLY

BOND RATING: S&P: AA-

(See “**RATING**” herein).

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “**TAX MATTERS**” herein.*

\$22,500,000*

CITY OF ANTIOCH PUBLIC FINANCING AUTHORITY

Lease Revenue Refunding Bonds (Municipal Facilities Project), Series 2015A

Dated: Date of Delivery

Due: May 1, as shown on the inside cover hereof

The City of Antioch Public Financing Authority Lease Revenue Refunding Bonds (Municipal Facilities Project), Series 2015A (the “Bonds”) will be issued in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Ownership interests in the Bonds will be in denominations of \$5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds purchased, but will receive a credit balance on the books of the nominees of such purchasers. Interest on the Bonds is payable semiannually on May 1 and November 1, commencing November 1, 2015 (the “Interest Payment Dates”). Principal of, premium, if any, and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”) to DTC, which in turn will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See “**APPENDIX G—BOOK-ENTRY ONLY SYSTEM**” herein.

The Bonds are being issued to refund certain outstanding bonds of the Authority, to prepay certain outstanding obligations of the City and to pay costs of issuance incurred in connection with the issuance, sale and delivery of the Bonds. See “**REFUNDING PLAN**” herein.

The Bonds are special, limited obligations of the Authority payable solely from Revenues, consisting primarily of Base Rental Payments to be made by the City to the Authority pursuant to a Facility Lease, dated as of February 1, 2015 (the “Facility Lease”) pursuant to which the City will lease police facilities (the “Facilities”) from the Authority. See “**THE FACILITIES**” herein. The City has covenanted in the Facility Lease to take such action as may be necessary to include Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets, and to make necessary annual appropriations therefor. See “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” herein. The Base Rental Payments are subject to abatement as described herein. See “**RISK FACTORS**” herein.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY). THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, AND THE INTEREST THEREON, ONLY FROM THE REVENUES DESCRIBED ABOVE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY) TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are subject to redemption prior to maturity as described herein. See “**THE BONDS—Redemption**” herein.

Maturity Schedule located on inside front cover

THIS COVER PAGE CONTAINS INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney of the City of Antioch. Orrick, Herrington & Sutcliffe LLP will serve as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, Counsel to the Underwriter. It is expected that the Bonds will be delivered through the facilities of DTC on or about February __, 2015, in New York, New York, against payment therefor.

Dated: _____, 2015



RBC Capital Markets®

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

(Base CUSIP† _____)

| <u>Maturity (May 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP†</u> |
|-----------------------------|-----------------------------|---------------------------|----------------|---------------|
| \$ _____ | _____ % | Term Bond due May 1, 20__ | Yield: _____ % | CUSIP† _____ |
| \$ _____ | _____ % | Term Bond due May 1, 20__ | Yield: _____ % | CUSIP† _____ |

* Preliminary, subject to change.

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CITY OF ANTIOCH PUBLIC FINANCING AUTHORITY

Governing Board and Mayor and City Council

Wade Harper
Mayor

Lori Ogorchock
Mayor Pro Tem

Mary Helen Rocha
Council Member

Tony G. Tiscareno
Council Member

Monica E. Wilson
Council Member

Authority Staff/City Staff

Steven Duran
City Manager

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Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information contained in this Official Statement has been furnished by the City, the Authority and other sources which are deemed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement, nor any sale hereunder, shall under any circumstances create an implication that there has been no change in the affairs of the City, the Authority or any other matter described herein since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Authority nor the City plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in the Act. The Bonds have not been registered or qualified under the securities laws of any state.

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OFFICIAL STATEMENT

\$22,500,000*

CITY OF ANTIOCH PUBLIC FINANCING AUTHORITY Lease Revenue Refunding Bonds (Municipal Facilities Project), Series 2015A

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used, but not otherwise defined, herein, shall have the meanings ascribed thereto in “**APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—CERTAIN DEFINITIONS.**”

General

The purpose of this Official Statement, which includes the cover page, inside cover, table of contents and appendices hereto is to provide certain information concerning the issuance, sale and delivery by the City of Antioch Public Financing Authority (the “Authority”) of its Lease Revenue Refunding Bonds (Municipal Facilities Project), Series 2015A (the “Bonds”), in the aggregate principal amount of \$22,500,000*.

The Authority

The Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, by and between the City of Antioch (the “City”) and the Antioch Development Agency (now known as the Successor Agency to the Antioch Development Agency), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”).

Purpose of the Bonds

The Bonds are being issued to refund certain outstanding bonds of the Authority, to prepay certain outstanding obligations of the City and to pay the costs of issuance of the Bonds. See “**REFUNDING PLAN.**”

Authority for Issuance

The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and a trust agreement dated as of February 1, 2015 (the “Trust Agreement”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”).

Sources of Payment for the Bonds

In general, the City is required under the Facility Lease to pay semiannual lease payments (the “Base Rental Payments”) for the use and occupancy of the Facilities, which amounts are designed to be sufficient in both time and amount to pay, when due, the principal of, redemption premium (if any) and interest on the Bonds. The Facilities consist of the City’s police headquarters and animal shelter located at 300 “L” Street in the City. In the Facility Lease, the City has covenanted that it will take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. The obligation of the City

* Preliminary, subject to change.

to make Base Rental Payments, however, is subject to abatement in the event of material damage or destruction of the Facilities or the taking of the Facilities in whole or in part. The obligation of the City to pay Base Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental Payments does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Bonds Constitute Limited Obligations; Lease Not Debt

The Bonds are limited obligations of the Authority payable solely from Revenues, consisting primarily of Base Rental Payments to be made by the City, and amounts on deposit in certain funds and accounts held under the Trust Agreement. The Bonds do not constitute a debt or liability of the State of California or of any political subdivision thereof (including any member of the Authority). The Authority shall be obligated to pay the principal of the Bonds, and the interest thereon, only from the Revenues described above, and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof (including any member of the Authority) is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State of California or any political subdivision thereof (including any member of the Authority) to levy or pledge any form of taxation. The Authority has no taxing power.

Abatement

The obligation of the City under the Facility Lease to make Base Rental Payments is in consideration for the beneficial use and possession of the Facilities. The obligation of the City to make Base Rental Payments (other than to the extent that funds are available in the Revenue Fund or from the proceeds of rental interruption insurance, if available) may be abated in whole or in part if the City does not have full use and possession of the Facilities. See **“RISK FACTORS—Abatement.”**

The City

The City of Antioch is located in Contra Costa County (the “County”) on the south shore of the San Joaquin River. The City has an area of approximately 29 square miles and had a population of 106,455 as of January 1, 2014. See **“THE CITY”** and **“APPENDIX A—CITY OF ANTIOCH FINANCIAL AND DEMOGRAPHIC INFORMATION”** herein.

Description of the Bonds

The Bonds will be issued as fully-registered current interest bonds without coupons in denominations of \$5,000 principal amount each, or any integral multiple thereof, and will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. See **“APPENDIX G—BOOK-ENTRY ONLY SYSTEM”** herein. Interest on the Bonds is payable semiannually each May 1 and November 1, commencing November 1, 2015. Principal of the Bonds is payable on May 1 in each year due, as set forth on the inside cover page hereof.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See **“TAX MATTERS”** herein.

Continuing Disclosure

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to annually provide certain financial information and operating data relating to the City (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material. See “**CONTINUING DISCLOSURE**” and “**APPENDIX E—FORM OF CONTINUING DISCLOSURE AGREEMENT**” herein.

Summaries Not Definitive

Brief descriptions of the Bonds, the security and sources of payment for the Bonds, the Authority, the City and the Facilities are included in this Official Statement together with summaries of the Trust Agreement, the Site Lease and the Facility Lease. Such descriptions do not purport to be comprehensive or definitive. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in “**APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS,**” and if not therein, then in Trust Agreement, the Site Lease or the Facility Lease. All references herein to the Trust Agreement, the Site Lease and the Facility Lease are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof, copies of all of which are available for inspection at the principal corporate trust office of the Trustee.

Other Information

Copies of documents referred to herein and information concerning the Bonds are available from the Finance Director, City of Antioch, P.O. Box 5007, Antioch, California 94531-5007 telephone (925) 779-7055. The City may impose a charge for copying, mailing and handling.

REFUNDING PLAN

The Authority will cause a portion of the proceeds from the sale of the Bonds, together with certain other available moneys, to be deposited into the redemption fund held under the Trust Agreement (the “Prior Trust Agreement”), dated as of March 1, 2002, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Prior Trustee”). The moneys deposited with the Prior Trustee will either be held in cash or invested in United States Treasury – State and Local Government Series, the principal of and interest on which will be in an amount sufficient to pay the interest on, and redemption price of, the Authority’s Lease Revenue Bonds (Municipal Facilities Project), Series 2002A and Series 2002B (the “2002 Bonds”) on their redemption date of March __, 2015.

In addition, the Authority will cause a portion of the proceeds from the sale of the Bonds, together with certain other available moneys, to be transferred to Wells Fargo Bank, National Association to refund the City’s portion of the Association of Bay Area Governments Lease Revenue Bonds, 2001 Series A (California Capital Projects) (the “ABAG Bonds”) issued by the Association of Bay Area Governments to finance or refinance the Lone Tree Golf Course clubhouse and certain other public capital improvements of the City. It is expected that the City’s portion of the ABAG Bonds will be redeemed on or about March __, 2015.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

| Estimated Sources and Uses of Funds | |
|---------------------------------------|----------|
| Sources of Funds | |
| Principal Amount of Bonds | \$ _____ |
| Reoffering [Premium/Discount] | _____ |
| | |
| Uses of Funds | |
| Refund Prior Obligations | _____ |
| Costs of Issuance Fund ⁽¹⁾ | _____ |
| Underwriter's Discount | _____ |
| Total Uses | \$ _____ |

⁽¹⁾ Costs of Issuance includes amounts to pay legal fees, rating agency fees, printing costs, title insurance premiums and other issuance costs.

THE BONDS

General

The Bonds will be dated the date of delivery and will be issued in fully registered form, without coupons, in the denominations of \$5,000 or any integral multiple thereof. Only such Bonds as shall bear thereon a certificate of authentication, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Trust Agreement.

The Bonds will be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York ("DTC"), which has been appointed depository for the Bonds, and registered ownership may not thereafter be transferred except as provided in the Trust Agreement. See "**APPENDIX G—BOOK-ENTRY ONLY SYSTEM**" herein.

Principal of and premium, if any, on the Bonds will be paid by the Trustee at maturity or redemption to DTC, which in turn will remit such principal and premium, if any, to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "**APPENDIX G—BOOK-ENTRY ONLY SYSTEM**" herein. Interest on the Bonds will be payable semiannually on May 1 and November 1, commencing November 1, 2015, to DTC in the same manner as described in the preceding sentence. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

Redemption*

Optional Redemption. The Bonds maturing before May 1, 2026 are not subject to optional redemption prior to maturity. The Bonds maturing on or after May 1, 2026 are subject to optional redemption prior to maturity on or after May 1, 2025 at the option of the Authority, on any date in whole or in part and among such maturities as are designated by the Authority to the Trustee, from funds derived by the Authority from any source at a redemption

* Preliminary, subject to change.

price equal to 100% of the principal amount of the Bonds called for redemption plus accrued but unpaid interest to the redemption date.

Sinking Fund Redemption. The Bonds maturing on May 1, 20__ are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking fund payments in the following amounts, commencing on May 1, 20__ according to the following schedule:

**Schedule of Mandatory Sinking Fund Payments
Bonds Maturing May 1, 20__**

| Redemption Date (May 1) | Principal Amount |
|------------------------------------|-----------------------------|
|------------------------------------|-----------------------------|

*Maturity

The Bonds maturing on May 1, 20__ are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking fund payments in the following amounts, commencing on May 1, 20__ according to the following schedule:

**Schedule of Mandatory Sinking Fund Payments
Bonds Maturing May 1, 20__**

| Redemption Date (May 1) | Principal Amount |
|------------------------------------|-----------------------------|
|------------------------------------|-----------------------------|

*Maturity

Special Mandatory Redemption. The Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole or in part by lot, from payments made by the City from funds received by the City due to a taking of the Facilities or portions thereof under the power of eminent domain, from the net proceeds of insurance received for material damage to or destruction of the Facilities or portions thereof under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and Facility Lease, or from the proceeds of title insurance in the event of defective title to the Facilities as provided for in the Facility Lease, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

Procedure for and Notice of Redemption. The Trustee will cause notice of each redemption to be given to the Owner of any Bonds designated for redemption at the address which appears upon the registration books of the Trustee by mailing a copy of the redemption notice at least 30 but not more than 60 days prior to the redemption date. The failure of any Owner to receive such notice or any defect in such notice will not affect the validity of the redemption of any Bonds.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds are to be redeemed as described above under “—**Special Mandatory Redemption**”, the Trustee shall select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds which shall be payable after such redemption date shall be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such redemption date. Whenever less than all the Bonds of any one maturity are to be redeemed, the Trustee will select Bonds of such maturity for redemption by lot.

Cancellation of Notice. The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

Effect of Notice of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of the Trust Agreement shall be canceled by the Trustee and shall be destroyed with a certificate of destruction furnished to the Authority upon its request and shall not be reissued.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligation

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES, CONSISTING PRIMARILY OF BASE RENTAL PAYMENTS TO BE MADE BY THE CITY AND FROM AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE TRUST AGREEMENT. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY). THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, AND THE INTEREST THEREON, ONLY FROM THE REVENUES DESCRIBED ABOVE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY) TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

Covenant to Appropriate Funds for Rental Payments

The City has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets and to make the necessary annual appropriations therefor. The obligation of the City to make Base Rental Payments, however, is subject to abatement in the event of material damage or destruction of the Facilities or the taking of the Facilities in whole or in part.

Action on Default

Should the City default under the Facility Lease, the Trustee may terminate the Facility Lease and recover certain damages from the City, or may retain the Facility Lease and hold the City liable for all Base Rental Payments thereunder as the same become due. Base Rental Payments may not be accelerated upon a default under the Facility Lease. See “**RISK FACTORS**” herein.

For a description of the events of default and permitted remedies of the Trustee contained in the Facility Lease and the Trust Agreement, see “**APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Facility Lease—Defaults and Remedies**” and “**—Trust Agreement—Events of Default; Remedies of Bondholders**” herein.

Base Rental Payments

For the right to the use and occupancy of the Facilities, the Facility Lease requires the City to make Base Rental Payments from lawfully available funds. To secure the payment of the Base Rental Payments, the City will pay to the Trustee, for deposit into the Revenue Fund, on each April 25 and October 25, an amount sufficient to pay the principal of and interest on the Bonds due on the following May 1 and November 1, respectively.

Pursuant to the Trust Agreement, on or before each Interest Payment Date and each Principal Payment Date, the Trustee will transfer amounts in the Revenue Fund as are necessary to the Interest Account and the Principal Account to provide for the payment of the interest and principal in respect of the Bonds. See “**APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—Establishment of Funds and Accounts; Flow of Funds**” herein.

Debt Service on the Bonds is set forth below under the heading “**DEBT SERVICE.**”

Additional Payments

The Facility Lease requires the City to pay all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facility Lease, the Trust Agreement, the Authority’s interest in the Facilities and the lease of the Facilities to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, and the Facilities, including without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Bonds.

Insurance

The Facility Lease requires the City to cause to be maintained casualty insurance insuring the Facilities against fire, lightning and all other risks covered by an extended coverage endorsement in an amount equal to the lesser of 100% of the replacement cost of the Facilities or 100% of the outstanding principal amount of the Bonds. The City may, subject to the restrictions contained in the Facility Lease, self-insure against such risks. The Facility Lease does not require that insurance be maintained for earthquake or flood risks.

The Facility Lease requires the City to cause to be maintained, throughout the term of the Facility Lease, rental interruption insurance to cover the Authority’s loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Facilities as a result of any of the hazards covered by the insurance described in the preceding paragraph, in an amount sufficient at all times to pay maximum annual Base Rental for any two year period.

The City is also required to obtain certain public liability and property damage insurance coverage in protection of the Authority and the City and worker’s compensation insurance.

See “**APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Facility Lease,**” for additional information regarding the insurance requirements contained in the Facility Lease.

Additional Bonds; Substitution; Release

The Authority may at any time issue Additional Bonds payable from the Revenues and secured by a pledge of and charge and lien upon the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement, subject to, among other things, the following specific conditions:

1. The Authority shall be in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default shall have occurred and be continuing.
2. The Supplemental Trust Agreement shall require that the proceeds of the sale of such Additional Bonds shall be applied to the refunding or repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds.
3. The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.
4. The Facility Lease shall have been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each fiscal year shall at least equal Debt Service, including Debt Service on the Additional Bonds, in each fiscal year.

(See “**APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement**”).

In addition, the City and the Authority may substitute or release real property for all or part of, or may release a part of, the Facilities for purposes of the Site Lease and the Facility Lease, but only after the City has filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

1. Executed copies of the Site Lease and the Facility Lease or amendments thereto containing the amended description of the Facilities, including the legal description of any real property component of the Facilities as modified, if necessary.
2. A Written Certificate of the City, certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost or insured value of such facility to the City) of the Facilities that will constitute the Facilities after such substitution or release will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year. At the sole discretion of the City, in the alternative, in the event of a substitution only, the Written Certificate of the City will certify that the annual fair rental value of the new Facility is at least equal to that of the substituted Facility.
3. With respect to an addition or substitution of property, a leasehold owner’s title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Facilities after such substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority in such property subject only to such exceptions as do not substantially interfere with the City’s right to use and occupy such property and as will not result in an abatement of Base Rental Payments payable by the City under the Facility Lease.
4. A Written Certificate of the City stating that such substitution or release, as applicable, does not adversely affect the City’s use and occupancy of the Facilities.
5. With respect to the substitution of property, a Written Certificate of the City stating that the useful life of the property to be substituted is at least equal to the useful life of the property being released.

6. An opinion of bond counsel stating that any amendment executed in connection with such substitution or release, as the case may be, (i) is authorized or permitted under the Facility Lease; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iii) will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

The Facilities or portion thereof for which other real property is substituted, pursuant to the Facility Lease, shall be released from the Site Lease and the Facility Lease, and shall no longer be encumbered thereby or by the Trust Agreement at such time as the City shall have caused said substitution.

DEBT SERVICE

Set forth below are the annual principal, interest and total debt service requirements for the Bonds, assuming no redemptions:

| Debt Service | | | |
|------------------------------|------------------|-----------------|--------------|
| Fiscal Year <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| | | | |
| Total | \$ | \$ | \$ |

THE FACILITIES

The Facilities consist of land and a two-story police facilities building consisting of approximately 67,000 square feet, a pistol range, sixteen holding cells, offices, and an evidence room, central dispatching, a 911-communications center, a sally port and an animal shelter. The Facilities were completed in 1992 and house the City's central police headquarters. It is constructed of a combination of light steel frame with metal decking and exterior brick and concrete masonry. It has been designed to accommodate the police facility needs for a population of over 100,000, consistent with long-term growth projections made at the time of its construction. The Facilities are located on a six-acre site at the northwest corner of Fourth and "L" Streets in the City, four blocks west of City Hall.

Subject to certain conditions contained in the Facility Lease, the City may remove or substitute facilities so long as the facilities at the time of substitution or release have an annual fair rental value at least equal to 100% of the maximum amount of annual Base Rental Payments (see "**APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**").

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations - Security for the Bonds

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Facility Lease to pay the Base Rental Payments and Additional Payments from any source of legally available funds and the City has covenanted in the Facility Lease that it will take such action as may be necessary to include all rental payments due under the Facility Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The City is currently liable and will become liable on other obligations payable from general fund revenues.

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Facility Lease.

Abatement

Base Rental Payments and Additional Payments are paid by the City in each rental period for and in consideration of the right to use and occupy the Facilities during each such period. Pursuant to the Facility Lease, during any period in which, by reason of material damage to, or destruction or condemnation of, the Facilities, or any defect in title to the Facilities, there is substantial interference with the City's right to use and occupy any portion of the Facilities, rental payments due under the Facility Lease will be abated proportionately. Such abatement will continue for the period commencing on the date of such interference resulting from such damage, destruction, condemnation, or title defect, and ending, with respect to damage to or destruction of the Facilities, upon the substantial completion of the work of repair or replacement of the Facilities, or portion thereof, so damaged or destroyed.

In the event that such portion of the Facilities, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Facilities or prepayment of the Bonds, there could be insufficient funds to make payments to Owners in full.

In the event of any such substantial interference, the Facility Lease continues in full force and effect, and the City waives any right to terminate the Facility Lease by virtue of such substantial interference. The Trustee cannot terminate the Facility Lease in the event of such substantial interference. Abatement of Base Rental Payments and Additional Payments is not an event of default under the Facility Lease and the Trustee is not permitted in such event to take any action or avail itself of any remedy against the City. See "**APPENDIX D — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Facility Lease—Rental Abatement**" herein.

Seismic Considerations

The City is located in an area of significant seismic activity and, therefore, could sustain extensive damage to its facilities in a major earthquake, both from ground motion and possible liquefaction of underlying soils. Damage could include pavement and foundation displacement, distortions to pavement grades, breaks in utility, drainage and sewage lines, displacement or collapse of buildings, rupture of gas fuel lines, all or any of which could, in the worst case, necessitate the closing of one or more of the City's facilities for extended periods of time.

In October 1989, an earthquake measuring 7.1 on the Richter scale and with an epicenter approximately 75 miles south of the City struck the San Francisco Bay Area. There was no material structural damage to the City's facilities. The City's contingency plans for such emergencies were implemented immediately. As a result, although the City's facilities were closed for inspection, the facilities were reopened to the public within two hours.

In August of 2014, an earthquake measuring 6.0 on the Richter scale and with an epicenter approximately 33 miles north of the City struck the San Francisco Bay Area. There was no material structural damage to the City's facilities.

The Facilities met all seismic requirements applicable to police station facilities at the time of construction.

Limited Recourse on Default

If the City defaults on its obligations to make rental payments with respect to the Facilities, the Trustee may retain the Facility Lease and hold the City liable for all rental payments on an annual basis and will also have the right to re-enter and re-let the Facilities. In the event such re-letting occurs, the City would be liable for any resulting deficiency in rental payments (without acceleration). Alternatively, the Trustee may terminate the Facility Lease with respect to the Facilities and proceed against the City to recover damages pursuant to the Facility Lease.

Due to the governmental function of the Facilities, the Site Lease and the Facility Lease, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting of the Facilities. In any case, due to the specialized nature of the Facilities, no assurance can be given that the Trustee would be able to re-let the Facilities so as to provide rental income sufficient to make principal and interest payments on the Bonds in a timely manner, and the Trustee is not empowered to sell the fee interest in the Facilities for the benefit of the Owners of the Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such re-letting will not adversely affect the exclusion of any interest on the Bonds from federal or state income taxation.

No Acceleration Upon Default

If the City defaults on its obligation to make Base Rental Payments, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Facility Lease. The City will only be liable

for Base Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds, as a result of acts or omissions of the City in violation of its covenants in the Facility Lease or of the Authority in violation of its covenants in the Trust Agreement. Should such an event of taxability occur, the Bonds would not be subject to a special redemption and would remain outstanding until maturity or until redeemed under the redemption provisions contained in the Trust Agreement.

Remedies and Bankruptcy

The rights of the Owners of the Bonds are subject to certain limitations on legal remedies against cities and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Bonds may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Bonds if the bankruptcy court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The adjustment of similar obligations is currently being litigated in federal court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. The Adjustment Plans in these cities propose significant reductions in the amounts payable by the cities under lease revenue obligations substantially similar to the Bonds. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, if the Facility Lease was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose to reject the Facility Lease despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Facility Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Facility Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Facility Lease to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Bonds.

Among other qualifications, the legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the Bonds, the Trust Agreement, the Facility Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities and cities in the State.

STATE OF CALIFORNIA BUDGET INFORMATION

State Budget

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2014-15

According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget to the State Legislature (the "Legislature") no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Prior to fiscal year 2010-11, the State budget had to be adopted by a two-thirds vote of each house of the Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

The Governor signed the fiscal year 2014-15 State budget (the "2014-15 State Budget") on June 20, 2014. The 2014-15 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years, setting aside reserves and implementing a funding plan for the State Teachers' Retirement System ("CalSTRS"). The 2014-15 State Budget provides for \$109.4 billion in revenues and transfers for fiscal year 2014-15 (which amount includes a \$3.9 billion prior year general fund balance from fiscal year 2013-14), \$108.0 billion in expenditures and a balance of \$450 million in the general fund traditional reserve and \$1.6 billion in a rainy day fund (the "Rainy Day Fund"). Revenues and expenditures for fiscal year 2013-14, as revised under the 2014-15 State Budget, were \$104.6 billion (which amount includes a \$2.4 billion prior year general fund balance from fiscal year 2012-13) and \$100.7 billion, respectively.

The 2014-15 State Budget projects that budgetary debt, which was approximately \$35 billion at the end of fiscal year 2010-11 and \$26 billion at the end of fiscal year 2013-14, will be eliminated by the end of fiscal year 2017-18. For fiscal year 2014-15, specifically, the 2014-15 State Budget dedicates to paying down more than \$10 billion of budgetary debt, including approximately \$5 billion to pay down the deferral of payments to schools.

Future State Budgets

No prediction can be made by the City as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the

impact that such budgets will have on City finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures.

On January 9, 2015, the Governor released the 2015-16 Proposed State Budget, which projects fiscal year 2014-15 General Fund revenues and transfers of \$108.0 billion, total expenditures of \$111.7 billion and a year-end surplus of \$1.4 billion (inclusive of the \$5.1 billion fund balance in the State's General Fund from fiscal year 2013-14), of which \$971 million would be reserved for the liquidation of encumbrances and \$452 billion would be deposited in a reserve for economic uncertainties. As required by the fiscal year 2014-15 California State budget, the Governor is proposing to pay local governments \$533 million for pre-2004 mandated debt. The City is currently evaluating the Governor's proposed budget. The impact of the Governor's proposed budget on the City's finances cannot be determined at this time. The Governor will be releasing a revised Proposed State Budget in May 2015.

CONSTITUTIONAL AND STATUTORY LIMITATIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

Article XIII A of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of ad valorem tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIII A) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the consumer price index or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

If property values decline, the County of Contra Costa may review the assessed values of properties. In fiscal years 2008-09 through 2012-13, the County Assessor proactively reviewed properties in the County, including Antioch, and reduced the assessed values on such properties. See "APPENDIX A".

Article XIII B of the State Constitution

On October 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual

appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B provided that the “base year” for establishing an appropriations limit was fiscal year 1978-79, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in fiscal year 1990-91 each appropriation limit must be recalculated using the actual fiscal year 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitations of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to all tax revenues plus the proceeds to an entity of government from (a) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (b) the investment of tax revenues, and (c) certain subventions received from the State. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If any entity’s revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. Amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs. Appropriations for “qualified capital outlays” are excluded from the limits of Proposition 111.

Section 7900 et. seq. of the California Government Code defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. Relying on these definitions and Chapter 60, Statutes of 1990 effective August 1, 1990, which implemented Proposition 111. The City has estimated that its appropriations limit for “proceeds of taxes” for fiscal year 2014-15 is \$108,633,898. Estimated appropriations for fiscal year 2014-15 for the City subject to the limitation total \$44,755,865.

Articles XIII C and XIII D of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of a local agency to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of a local agency require a majority vote and taxes for specific purposes, even if deposited in the general fund, require a two-thirds vote. Further, any general purpose tax which the local agency imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held prior to November 5, 1998. The voter approval requirements of Article XIII C reduce a local agency’s flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D contains several provisions making it generally more difficult for local agencies to levy and maintain “assessments” for municipal services and programs. “Assessment” is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several provisions affecting a “fee” or “charge,” defined for purposes of Article XIII D to mean “any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and existing property related fees and charges must conform to requirements

prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The local agency must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the local agency may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as “property related” for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City has two enterprise funds that are self-supporting from fees and charges, which could, depending upon judicial interpretation of Proposition 218, ultimately be determined to be property related for purposes of Article XIII D. In the event that fees and charges cannot be appropriately increased, or are reduced pursuant to exercise of the initiative power (described in the following paragraph), the City may have to decide whether to support any deficiencies in these enterprise funds with moneys from the general fund or to curtail service, or both.

In addition to the provisions described above, Article XIII C removes prohibitions and limitations on the initiative power in matters of any “local tax, assessment, fee or charge.” Consequently, the voters of the City could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. “Assessment,” “fee” and “charge,” are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. If the Article XIII D definitions are not held to limit the scope of Article XIII C initiative powers, then the Article XIII C initiative power could potentially apply to revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity’s legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the “Santa Clara decision”), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a “special tax” as required by Proposition 62. The Santa Clara decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley*, 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the Santa Clara decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the Santa Clara decision.

Following the California Supreme Court’s decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra et. al.* In this case, the court held that the public agency’s continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 1A

The California Constitution and existing statutes give the Legislature authority over property taxes, sales taxes and the vehicle license fee (the “VLF”). The Legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State mandates a new local program or higher level of service. Due to the ongoing financial difficulties of the State in recent years, it has not provided reimbursements for many mandated costs. In other cases, the State has suspended mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A, which amended the California Constitution to, among other things, reduce the State Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local government’s property, sales and vehicle license fee revenues. Proposition 1A generally prohibits the shift of property tax revenues from cities, counties and special districts, except to address a “severe state financial hardship,” which must be approved by a two-thirds vote of both houses of the Legislature, and only then if, among other things, such amounts were agreed to be repaid with interest within three years. The measure also (a) protects the property tax backfill of sales tax revenues diverted to pay the State’s economic recovery bonds, and the reinstatement of the sales tax revenues once such bonds are repaid, and (b) protects local agency vehicle license fee revenue (or a comparable amount of backfill payments from the State).

If the State reduces the VLF rate below its current level of 0.65 percent of the vehicle value, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. First, the State may shift to schools and community colleges up to 8 percent of local government property tax revenues if the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for the diversion of their property tax revenues, with interest, within three years. Second, Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. If the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A restricts the State’s authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

Proposition 22

Proposition 22 (“Proposition 22”) which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being

loaned for cash–flow or budget balancing purposes to the State General Fund or any other State fund. The City is unable to predict how Proposition 22 will be interpreted, or to what extent the measure will affect the revenues in the general fund of local agencies, although it could eventually provide greater stability in local agency revenues.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26 (“Proposition 26”), revising certain provisions of Articles XIII A and XIII C of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two–thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two–thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two–thirds vote. In addition, for State–imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two–thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re–adoption by the requisite two–thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase, rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Article XIII D. Fees, charges and payments that are made pursuant to a voluntary contract that are not “imposed by a local government” are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two–thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Further Initiatives

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City, or the City’s ability to expend revenues. Neither the Authority nor the City can anticipate the nature or impact of such measures.

THE AUTHORITY

Organization and Membership

The Authority was formed pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and the Joint Exercise of Powers Agreement,

dated as of April 27, 1993 (the “JPA Agreement”), by and between the City and the Antioch Development Agency (now known as the Successor Agency to the Antioch Development Agency) (the “Agency”). The Authority was formed by and between the City and the Agency to assist in the financing of public capital improvements.

The Authority functions as a public entity, separate and apart from the City and the Agency, and is administered by a five-member governing board consisting of the members of the City Council acting *ex officio*. The City Attorney serves as counsel to the Authority. The Authority has no employees and all staff work is performed by the City or consultants.

Powers

Under the JPA Agreement, the Authority is empowered to assist in the financing of public capital improvements through the issuance of bonds in accordance with the Act. To exercise its powers, the Authority is authorized, in its own name, to do all necessary acts, including but not limited to making and entering into contracts; employing agents and employees; and to sue or be sued in its own name.

THE CITY

Information with respect to the City, including financial information and certain economic and demographic information relating to the City is provided in “**APPENDIX A—CITY OF ANTIOCH FINANCIAL AND DEMOGRAPHIC INFORMATION**” attached hereto. A copy of the financial statements of the City for the fiscal year ended June 30, 2014 is attached hereto as Appendix B and should be read in its entirety.

RATING

Standard & Poor’s Ratings Services (“S&P”) has assigned its municipal bond rating of “AA-” to the Bonds. Such ratings reflect only the view of S&P, and an explanation of the significance of such ratings may be obtained from only S&P. The City and the Authority furnished to the rating agency certain information and materials concerning the Bonds and the City. Generally, the rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds.

FINANCIAL STATEMENTS

The City’s financial statements for the fiscal year ended June 30, 2014, included in Appendix B hereto, have been audited by Badawi & Associates, independent auditors, as stated in their report appearing in Appendix B hereto. Badawi & Associates has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Badawi & Associates with respect to any event subsequent to its report dated December 8, 2014.

LITIGATION

At the time of delivery of and payment for the Bonds, officials of the City and Authority will certify that to the best of such officials’ knowledge there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served or threatened, against the Authority or City, respectively, or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Bonds or the payments of the Base Rental Payments or challenging the validity or enforceability of the Facility Lease or the Trust Agreement.

At all times, including the date of this Official Statement, there are certain other claims and disputes that arise in the normal course of the City’s activities. Such matters could, if determined adversely to the City, affect expenditures by the City, and in some cases, its revenues. The City believes that no pending actions are likely to

have a material adverse effect on the City's ability to pay the Base Rental Payments when due under the Facility Lease. For a summary of certain litigation, see "**APPENDIX A—Litigation**".

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in **APPENDIX F** hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences

depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, proposals made in 2014 included one by the then Chair of the House Ways and Means Committee that would subject interest on the Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and another by the Obama Administration that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Certain matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP. Orrick, Herrington & Sutcliffe LLP will serve as Disclosure Counsel. The proposed form of opinion of Bond Counsel is set forth in **APPENDIX F** hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

The underwriter of the Bonds is RBC Capital Markets (the "Underwriter"). Pursuant to a Bond Purchase Agreement between the Authority, the City and the Underwriter, the Bonds are being purchased by the Underwriter at a purchase price equal to the principal amount of Bonds being issued [plus/less] a net original issue [premium/discount] of \$ _____ and less an Underwriter's discount of \$ _____. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase, if made, being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at a price other than the offering price. The offering price may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of Bond Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine months following the end of the City’s fiscal year (currently ending June 30) (the “Annual Report”), commencing with the report for the fiscal year ending June 30, 2015, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of enumerated events will be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in “**APPENDIX E—FORM OF CONTINUING DISCLOSURE AGREEMENT.**” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

During the past five years, the City failed to comply in certain respects with continuing disclosure undertakings related to outstanding indebtedness. With respect to the Authority’s Water Revenue Refunding Bonds, Series 2003 (the “Water Bonds”): (1) the City did not provide the reserve fund balance in the annual reports for the Water Bonds, and (2) although the City’s audited financial statements were available on EMMA, such financial statements were not tied to the CUSIPs for the Water Bonds.

ADDITIONAL INFORMATION

References made herein to certain documents and reports are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or the Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the City.

CITY OF ANTIOCH PUBLIC FINANCING AUTHORITY

By: _____
Chair

CITY OF ANTIOCH

By: _____
City Manager

APPENDIX A

CITY OF ANTIOCH FINANCIAL AND DEMOGRAPHIC INFORMATION

General

The City of Antioch (the “City”) is located in eastern Contra Costa County (the “County”) and is a crossroads linking the San Francisco/East Bay region to Sacramento and the Central Valley. The City is a growing community with plentiful recreational and cultural facilities of Northern California and the Bay Area. It is located on the south shore of the San Joaquin River, north of Mount Diablo. Eastern Contra Costa County’s economy has historically been comprised of several major industrial complexes and agricultural businesses. In recent years, however, a more diversified employment base has emerged, including hospitals, car dealers and retail to serve the growing population. Predominantly a bedroom community, the City is expected to continue to grow due to the widening of State Route 4, which will be complete in 2015 and the advent of an “e-BART” station that is fully funded and scheduled for completion in 2018. The City covers an area of approximately 29 square miles and has a population of 106,455 as of January 1, 2014, as reported by the State Department of Finance. Developable land within the City remains that is suitable for housing, industrial, office and retail uses.

The City provides all municipal services except for fire protection and sewage treatment which are provided by the Contra Costa County Fire Protection District and a regional treatment plant operated by Delta Diablo, respectively.

City Management

The City operates under the Council-Manager form of government and has done so since 1872. The City Council decides matters of policy, while the City Manager directs the implementation of that policy, appoints department heads on the basis of experience, knowledge and ability, and conducts the daily business of the City. The Mayor and four council members are elected to four-year overlapping terms, with elections held every two years.

The current City Manager, Steven Duran, has been with the City since January 2014. Prior to his employment with the City, Mr. Duran served as the City Manager for the City of Hercules from 2011 to 2014, the Community & Economic Development Agency Director for the City of Richmond from 2002 to 2011 and the Downtown Development & Implementation Manager for the San Jose Redevelopment Agency from 1998 to 2002. Mr. Duran brings over 15 years of experience in local government and holds an Associate of Science degree in Real Estate from Contra Costa College, a Bachelor of Science degree in Business Administration from California State University at Hayward, and a Master of Business Administration degree in Management from Golden Gate University.

The Finance Director oversees the management, safekeeping, and accounting of the City’s financial assets. The current Finance Director is Dawn Merchant, C.P.A., who has been with the City since 1999 and was appointed the Finance Director position in 2007. Ms. Merchant has 18 years of public financial experience including service with Maze & Associates LLP auditing government agencies. Ms. Merchant holds a Bachelor of Science degree in Business Administration from California State University, Sacramento.

Accounting Policies and Financial Reporting

The City institutes a Fiscal Year beginning July 1 and ending June 30 of each year (a “Fiscal Year”). The following financial information has been extracted from the City’s audited financial statements for Fiscal Year 2014 (the most recent audited financial statements), as provided by the City’s Finance Department. The most recent audited financial statements of the City are included in “**APPENDIX B**” hereto. See “**APPENDIX B—CITY OF ANTIOCH CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.**”

The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting method in governmental accounting. The three broad fund categories include governmental, proprietary and fiduciary funds. The operations of different funds are accounted for with separate sets of self-balancing accounts with assets, liabilities, fund balance or net position, and revenues and expenses. The basis of accounting for all funds is more fully explained in the Notes to Basic Financial Statements contained in "APPENDIX B".

Budgetary Process

The City adopts an annual budget for all funds under its control. Major governmental funds include the General Fund, Housing and Community Development Special Revenue Fund, Gas Tax Special Revenue Fund and Housing Successor Special Revenue Fund. Major enterprise funds include Water Fund, Sewer Fund and Marina Fund. Annual appropriations for all funds lapse at the end of the year. Budgets are prepared on the same basis of accounting as the associated financial statements.

The budget process begins each January with the submittal of preliminary department budgets to the Finance Department. Department meetings are conducted throughout January and February and in March the City Manager approves the draft budget and workshops and presentations begin on the budget. Budget presentations continue through May and a public hearing is scheduled in June for adoption of the budget. The Fiscal Year 2014-15 budget was adopted on June 10, 2014.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with accounting principles generally accepted in the United States (GAAP). The Debt Service Funds are governed by the appropriate bond indentures. The Capital Projects Funds adopt a five year Capital Improvement Program each year coinciding with the budget and annual project budgets are incorporated into the annual budget document. Expenditures are controlled at the department level for all budgets within the City. Budget amendments which increase departmental appropriations must be approved by the City Council by majority vote. Changes within approved departmental budgets above \$50,000 are approved by the City Manager and Department Heads can approve changes under \$50,000. Encumbrances and project budgets outstanding at the end of the Fiscal Year are brought to Council for consideration to be re-appropriated into the new year.

Comparison of Budget to Actual Performance

The following table summarizes the City's adopted budgets for Fiscal Years 2009-10 through 2014-15, and sets forth actual revenues and expenditures for each Fiscal Year for purposes of comparison.

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CITY OF ANTIOCH
General Fund
Comparison of Budgeted and Actual
Revenues, Expenditures and Fund Balances
for Fiscal Years 2009-2010 through 2014-2015

| | 2009-2010 | | 2010-2011 | | 2011-2012 | | 2012-2013 | | 2013-14 | | 2014-15 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget |
| REVENUES: | | | | | | | | | | | |
| Taxes | \$26,403,168 | \$26,674,472 | \$25,713,218 | \$26,025,840 | \$25,725,241 | \$26,174,328 | \$26,719,024 | \$26,906,812 | \$28,882,304 | \$29,425,088 | \$35,426,141 |
| Licenses & permits | 914,040 | 856,569 | 799,552 | 797,729 | 985,493 | 1,096,177 | 1,489,541 | 1,654,916 | 1,293,474 | 1,302,768 | 1,157,500 |
| Fines and penalties | 215,000 | 164,803 | 100,000 | 102,170 | 79,000 | 73,216 | 34,605 | 38,400 | 45,419 | 67,615 | 35,100 |
| Investment income and rentals | 304,348 | 357,898 | 394,000 | 431,132 | 454,350 | 462,671 | 530,000 | 506,259 | 495,415 | 536,639 | 498,510 |
| Revenue from other agencies | 1,487,470 | 1,335,727 | 1,001,855 | 1,002,567 | 886,707 | 909,801 | 1,771,304 | 1,750,049 | 349,218 | 393,402 | 1,124,572 |
| Current service charges | 8,175,059 | 8,321,651 | 7,545,149 | 7,376,864 | 6,866,850 | 6,951,544 | 6,468,634 | 6,457,045 | 7,226,877 | 7,232,934 | 2,146,880 |
| Other | 789,341 | 939,136 | 1,407,003 | 1,346,089 | 911,590 | 939,981 | 970,747 | 1,048,165 | 871,312 | 724,731 | 1,245,545 |
| TOTAL REVENUES: | \$38,288,426 | \$38,650,256 | \$36,960,777 | \$37,082,391 | \$35,909,231 | \$36,607,718 | \$37,983,855 | \$38,361,646 | \$39,164,019 | \$39,683,177 | \$41,634,248 |
| EXPENDITURES: | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| General government | 7,445,765 | 6,968,092 | 6,267,091 | 6,070,536 | 5,581,090 | 5,693,013 | 5,315,767 | 5,328,117 | 5,930,417 | 5,584,813 | 1,029,716 |
| Public works | 5,781,684 | 5,102,632 | 5,392,636 | 5,147,120 | 5,030,279 | 4,990,012 | 6,122,908 | 5,702,997 | 6,724,668 | 5,898,150 | 6,381,551 |
| Public safety | 28,677,829 | 28,378,758 | 26,163,052 | 25,992,459 | 25,030,783 | 25,176,810 | 26,164,776 | 26,072,270 | 27,931,378 | 27,359,962 | 31,998,332 |
| Parks and recreation | 2,224 | 22,959 | 14,291 | 14,202 | - | - | - | - | - | - | - |
| Community development | 2,385,341 | 2,388,339 | 1,874,925 | 1,732,803 | 1,843,580 | 1,760,471 | 1,932,709 | 1,880,201 | 2,201,508 | 2,021,135 | 3,279,479 |
| Capital outlay | - | - | - | - | - | - | - | - | - | - | 214,000 |
| Total expenditures | \$44,290,619 | \$42,860,780 | \$39,711,995 | \$38,957,120 | \$37,485,732 | \$37,620,306 | \$39,536,160 | \$38,983,585 | \$42,787,971 | \$40,864,060 | \$42,903,078 |
| REVENUES OVER (UNDER) EXPENDITURES | (6,002,193) | (4,210,524) | (2,751,218) | (1,874,729) | (1,576,501) | (1,012,588) | (1,552,305) | (621,939) | (3,623,952) | (1,180,883) | (1,268,830) |
| Transfers in | 5,397,110 | 5,400,088 | 3,765,087 | 3,652,148 | 3,698,483 | 3,687,512 | 3,894,362 | 3,837,855 | 3,734,473 | 3,770,395 | 3,786,641 |
| Transfers (out) | 1,588,889 | (1,578,911) | (1,063,980) | (739,372) | -1,124,609 | (970,879) | (1,669,917) | (1,595,133) | (1,797,150) | (1,864,801) | (1,852,787) |
| Bond Proceeds | - | 850,000 | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | \$5,397,110 | \$4,671,177 | \$2,701,107 | \$2,912,776 | \$2,573,874 | \$2,716,633 | \$2,224,445 | \$2,242,722 | \$1,937,323 | \$1,905,594 | \$1,933,854 |
| Net change in fund balances | (605,083) | 460,653 | (50,111) | 1,038,047 | 997,373 | 1,704,045 | 672,140 | 1,620,783 | (1,686,629) | 724,711 | 665,024 |
| FUND BALANCES: | | | | | | | | | | | |
| Beginning of year | 5,891,439 | 5,286,356 | 5,747,009 | 5,747,009 | 6,785,056 | 6,785,056 | 8,489,101 | 8,489,101 | 10,109,884 | 10,109,884 | \$10,834,595 |
| End of year | \$5,286,356 | \$5,747,009 | \$5,696,898 | \$6,785,056 | \$7,782,429 | \$8,489,101 | \$9,161,241 | \$10,109,884 | \$8,423,255 | \$10,834,595 | \$11,499,619 |

Source: City of Antioch.

General Fund Financial Summary

The information contained in the following tables of audited revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity is summarized from audited financial statements for Fiscal Years ending June 30, 2009 through June 30, 2014. The City's audited General Purpose Financial Statements for the Fiscal Year ended June 30, 2014 is attached as "**APPENDIX B—CITY OF ANTIOCH CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014**" hereto.

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CITY OF ANTIOCH
General Fund Revenue, Expenditures and Fund Balances
for Fiscal Years 2008-2009 through 2013-2014

| | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| REVENUES: | | | | | | |
| Taxes | \$31,363,965 | \$26,674,472 | \$26,025,840 | \$26,174,328 | \$26,906,812 | \$29,425,088 |
| Licenses & permits | 735,121 | 856,569 | 797,729 | 1,096,177 | 1,654,916 | 1,302,768 |
| Fines and penalties | 214,866 | 164,803 | 102,170 | 73,216 | 38,400 | 67,615 |
| Investment income and rentals | 519,576 | 357,898 | 431,132 | 462,671 | 506,259 | 536,639 |
| Revenue from other agencies | 591,147 | 1,335,727 | 1,002,567 | 909,801 | 1,750,049 | 393,402 |
| Current service charges | 9,568,469 | 8,321,651 | 7,376,864 | 6,951,544 | 6,457,045 | 7,232,934 |
| Other | 654,491 | 939,136 | 1,346,089 | 939,981 | 1,048,165 | 724,731 |
| TOTAL REVENUES: | \$43,647,635 | \$38,650,256 | \$37,082,391 | \$36,607,718 | \$38,361,646 | 39,683,177 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | 8,973,882 | 6,968,092 | 6,070,536 | 5,693,013 | 5,328,117 | 5,584,813 |
| Public works | 5,776,452 | 5,102,632 | 5,147,120 | 4,990,012 | 5,702,997 | 5,898,150 |
| Public safety | 30,162,704 | 28,378,758 | 25,992,459 | 25,176,810 | 26,072,270 | 27,359,962 |
| Parks and recreation | 24,315 | 22,959 | 14,202 | - | - | - |
| Community development | 5,992,037 | 2,388,339 | 1,732,803 | 1,760,471 | 1,880,201 | 2,021,135 |
| Total expenditures | \$50,929,390 | \$42,860,780 | \$38,957,120 | \$37,620,306 | \$38,983,585 | 40,864,060 |
| REVENUES OVER (UNDER) EXPENDITURES | (7,281,755) | (4,210,524) | (1,874,729) | (1,012,588) | (621,939) | (1,180,883) |
| Transfers in | 5,152,117 | 5,400,088 | 3,652,148 | 3,687,512 | 3,837,855 | 3,770,395 |
| Transfers (out) | (1,990,204) | (1,578,911) | (739,372) | (970,879) | (1,595,133) | (1,864,801) |
| Bond Proceeds | - | 850,000 | - | - | - | - |
| Total other financing sources (uses) | \$3,161,913 | \$4,671,177 | \$2,912,776 | \$2,716,633 | \$2,242,722 | 1,905,594 |
| Net change in fund balances | (4,119,842) | 460,653 | 1,038,047 | 1,704,045 | 1,620,783 | 724,711 |
| FUND BALANCES: | | | | | | |
| Beginning of year | \$9,406,198 | 5,286,356 | 5,747,009 | 6,785,056 | 8,489,101 | 10,109,884 |
| End of year | \$5,286,356 | \$5,747,009 | \$6,785,056 | \$8,489,101 | \$10,109,884 | \$10,834,595 |

Source: City of Antioch, Comprehensive Annual Financial Report.

CITY OF ANTIOCH
General Fund Comparative Balance Sheet
for Fiscal Years 2008-2009 through 2013-2014

| | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS: | | | | | | |
| Cash and investments | \$4,425,754 | \$4,500,283 | \$4,952,441 | \$9,333,410 | \$9,301,053 | \$9,797,554 |
| Receivables (net): | | | | | | |
| Accounts | 461,358 | 735,923 | 583,631 | 1,331,124 | 464,443 | 615,519 |
| Taxes | 1,887,968 | 1,921,419 | 2,138,656 | 2,195,320 | 2,051,570 | 2,727,781 |
| Interest | 440,007 | 267,349 | 249,106 | 261,299 | 164,639 | 138,137 |
| Due from other funds | 2,832,632 | 3,724,852 | 3,257,865 | 879,276 | 2,412,437 | 1,925,835 |
| Prepaid items | 205,373 | 238,658 | 32,773 | 58,717 | 89,992 | 204,058 |
| Loans receivable | 1,122,165 | 1,122,165 | 1,122,165 | 1,122,165 | 1,122,165 | 1,122,165 |
| Total assets | \$11,375,257 | \$12,510,649 | \$12,336,637 | \$15,181,311 | \$15,606,299 | \$16,531,049 |
| LIABILITIES | | | | | | |
| Accounts payable | \$1,499,891 | \$1,277,947 | \$915,131 | \$1,362,248 | \$1,246,802 | \$1,284,950 |
| Accrued payroll | 778,051 | 728,688 | 706,905 | 995,432 | 852,908 | 1,025,462 |
| Deposits | 2,667,971 | 2,634,379 | 2,724,415 | 2,571,442 | 2,274,540 | 2,217,622 |
| Unavailable revenue | 1,122,165 | 2,122,626 | 1,205,130 | 1,763,088 | 1,122,165 | - |
| Total liabilities | \$6,088,901 | \$6,763,640 | \$5,551,581 | \$6,692,210 | \$5,496,415 | \$4,528,034 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable sales tax receipts | - | - | - | - | - | 46,255 |
| Unavailable loan receipts | - | - | - | - | - | 1,122,165 |
| Total deferred inflows of resources | - | - | - | - | - | 1,168,420 |
| FUND BALANCES | | | | | | |
| Nonspendable | - | - | 34,393 | 60,337 | 91,612 | 205,758 |
| Committed | - | - | 101,500 | 94,030 | 601,640 | 1,497,275 |
| Assigned | - | - | 92,420 | 298,173 | 276,667 | 125,549 |
| Unassigned | - | - | 6,556,743 | 8,036,561 | 9,139,965 | 9,006,013 |
| Total fund balances | \$5,286,356 | \$5,757,009 | \$6,785,056 | \$8,489,101 | \$10,109,884 | \$10,834,595 |
| Total liabilities, deferred inflows of resources and fund balances | \$11,375,257 | \$12,510,649 | \$12,336,637 | \$15,181,311 | \$15,606,299 | \$16,531,049 |

Source: City of Antioch, Comprehensive Annual Financial Report.

Tax Receipts

Taxes and revenues received by the City include sales and use taxes, property taxes, business license taxes, transient occupancy taxes, permits revenues, intergovernmental revenues and others. Of such taxes, sales taxes and property taxes constitute the major sources of General Fund revenues.

The following table sets forth tax revenues received by the City, by source:

**CITY OF ANTIOCH
General Fund Tax Revenue by Source
for Fiscal Years 2008-2009 through 2013-2014**

| | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Property Tax | 9,933 | 7,350 | 7,054 | 6,740 | 6,730 | 7,316 |
| Sales and Use tax | 9,909 | 9,476 | 9,340 | 10,476 | 11,074 | 12,486 |
| Motor Vehicle in Lieu Tax | 7,538 | 5,928 | 5,823 | 5,025 | 4,977 | 5,330 |
| Transient Lodging Tax | 169 | 79 | 59 | 84 | 81 | 95 |
| Franchise Tax | 2,358 | 2,412 | 2,485 | 2,518 | 2,566 | 2,664 |
| Business Tax | 1,024 | 1,084 | 1,010 | 1,048 | 1,165 | 1,171 |
| Property Transfer Tax | 432 | 344 | 255 | 283 | 313 | 363 |
| TOTAL | 31,363 | 26,673 | 26,026 | 26,174 | 26,906 | 29,425 |

Source: City of Antioch.

Sales Taxes

Sales tax receipts provide one of the largest tax revenue sources for the City, contributing 26% of the total General Fund revenues during Fiscal Year 2012-13 and 29% in Fiscal Year 2013-14. A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. The statewide tax rate is currently 7.50%. An additional 1.00% is collected in Contra Costa County for transportation purposes. Additionally, in November 2013, voters passed “Restoring Antioch Services Sales Tax” (known as “Measure C”), which approved a half-cent sales tax effective April 1, 2014. Although this is a general tax measure, the current City Council has committed the funds to Public Safety and Code Enforcement. The State collects and administers the tax, and makes distributions on taxes within the City as follows:

**CITY OF ANTIOCH
Sales Tax Rates**

| | |
|---------------------------------------|-------------|
| State (General Fund): | 3.9375% |
| State (Fiscal Recovery Fund): | 0.25 |
| State (Local Revenue Fund): | 1.5625 |
| State (Local Public Safety Fund): | 0.50 |
| State (Education Protection Account): | 0.25 |
| Local: | |
| County transportation: | 0.25 |
| City and County Operations: | 0.75 |
| Local (City General Fund) | 0.50 |
| County (Transportation): | <u>1.00</u> |
| Total: | 9.00 |

The allocation of 0.25 percent sales tax to the payment of economic recovery bonds became effective July 1, 2004, as part of the “triple flip” in the Governor’s 2004-05 Budget and pursuant to State Proposition 57, approved by the voters on March 2, 2003. Proposition 57 authorized the issuance of up to \$15 billion of economic recovery bonds secured by the 0.25% sales tax allocation. Prior to July 1, 2004, this sales tax was available to cities

and counties for general purposes. Under the legislation implementing the “triple flip,” the lost sales tax is replaced by increased property tax revenues, equal to the lost sales tax revenues.

Senate Constitutional Amendment No. 4, approved by the voters as Proposition 1A in the November 2004 election, amended the State Constitution to, among other things, reduce the Legislature’s authority over local government revenue sources by restricting the State from lowering the local sales tax rate or changing the allocation of local sales tax revenues without meeting certain conditions. See “**CONSTITUTIONAL AND STATUTORY LIMITATIONS AFFECTING CITY REVENUES AND APPROPRIATIONS—Proposition 1A**” in the forepart of this Official Statement.

The State’s actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

A history of taxable sales in the City during calendar years 2008 through 2013 (first and second quarter) are shown below:

CITY OF ANTIOCH
Taxable Transactions by Type of Business
For Calendar Years 2008 through 2013
(Amounts in thousands)

| Type of Business | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013*</u> |
|---|-------------|-------------|-------------|-------------|-------------|--------------|
| Motor Vehicle and Parts Dealers | \$148,915 | \$109,620 | \$103,855 | \$128,820 | \$143,712 | \$79,702 |
| Home Furnishings and Appliance Stores | 15,365 | 14,811 | 15,342 | 17,871 | 19,544 | 9,553 |
| Bldg. Matrl. and Garden Equip. and Supplies | # | 62,050 | 54,660 | # | # | # |
| Food and Beverage Stores | 42,457 | 50,134 | 49,716 | 47,109 | 48,826 | 23,841 |
| Gasoline Stations | 102,078 | 75,723 | 84,379 | 110,574 | 113,217 | 56,335 |
| Clothing and Clothing Accessories Stores | \$34,355 | 34,568 | 34,473 | 33,241 | 34,128 | 17,189 |
| General Merchandise Stores | 245,213 | 223,463 | 232,407 | 245,407 | 254,456 | 116,150 |
| Food Services and Drinking Places | 91,158 | 89,082 | 85,286 | 87,276 | 92,104 | 46,613 |
| Other Retail Group | 141,561 | 63,696 | 63,340 | 119,854 | 122,637 | 64,665 |
| Total Retail and Food Services | \$821,103 | \$723,147 | \$723,459 | \$790,153 | \$828,624 | \$414,048 |
| All Other Outlets | 109,942 | 80,563 | 83,084 | 84,235 | 131,204 | 58,508 |
| Totals All Outlets | \$931,045 | \$803,710 | \$806,543 | \$874,388 | \$959,828 | \$472,556 |

Notes:

Indicates sales omitted because their publication would result in the disclosure of confidential information.

*First two quarters of 2013 only.

Detail may not compute due to rounding.

Source: California State Board of Equalization.

Property Taxes

Property tax is currently the City’s other largest revenue source of the General Fund. It accounted for 28% of the General Fund revenue in Fiscal Year 2013 and 29% in Fiscal Year 2014. Property tax revenue grew in Fiscal Year 2014 by 8.1%, an increase of over \$947,000 from Fiscal Year 2013.

Assessed Valuation. The valuation of property in the City is established by the Contra Costa County Assessor, except for public utility property, which is assessed by the State Board of Equalization (the “SBE”). Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of the property. See “**CONSTITUTIONAL AND STATUTORY LIMITATIONS AFFECTING CITY REVENUES AND APPROPRIATIONS**” in the forepart of this Official Statement.

Two types of State-reimbursed exemptions affect the valuation of property. The first currently exempts 100% of the full value of business inventories from taxation. The second exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. Revenue estimated to be lost to local taxing agencies due to the above exemptions has in the past been reimbursed from State sources. Reimbursement is based upon total taxes due upon such exemption values and therefore is not reduced by any estimated amount of actual delinquencies.

The following table sets forth assessed valuations for Fiscal Years 2007-08 through 2014-15.

CITY OF ANTIOCH Assessed Valuations for Fiscal Years 2007-08 through 2014-15

| | <u>Local Secured</u> | <u>Utility</u> | <u>Unsecured</u> | <u>Total</u> | <u>% Change</u> |
|---------|----------------------|----------------|------------------|----------------|---------------------|
| 2007-08 | \$10,424,868,849 | \$3,186,154 | \$166,824,654 | 10,594,879,657 | |
| 2008-09 | 9,475,894,635 | 3,186,154 | 179,099,347 | 9,658,180,136 | -8.84% |
| 2009-10 | 7,369,971,866 | 3,186,154 | 186,635,464 | 7,559,793,484 | -21.73% |
| 2010-11 | 7,013,457,104 | 3,584,217 | 173,763,216 | 7,190,804,537 | -4.88% |
| 2011-12 | 6,510,513,217 | 3,584,217 | 163,375,715 | 6,677,473,149 | -7.14% |
| 2012-13 | 6,448,072,614 | 3,584,217 | 158,266,417 | 6,609,923,248 | -1.01% |
| 2013-14 | 6,933,832,844 | 3,584,217 | 157,653,132 | 7,095,070,193 | 7.34% |
| 2014-15 | 8,211,483,861 | 4,207,773 | 143,687,619 | 8,359,379,253 | 17.82% |

Source: California Municipal Statistics, Inc.

The following table sets forth assessed valuation of single family homes for Fiscal Year 2014-15.

CITY OF ANTIOCH
Per Parcel 2014-15 Assessed Valuation of Single Family Homes

| | | | | |
|---------------------------|---------------------------|---|---|--|
| | <u>No. of Parcels</u> | <u>2014-15 Assessed Valuation</u> | <u>Average Assessed Valuation</u> | <u>Median Assessed Valuation</u> |
| Single Family Residential | 28,458 | \$6,570,042,146 | \$230,868 | \$224,701 |

| <u>2014-15 Assessed Valuation</u> | <u>No. of Parcels ⁽¹⁾</u> | <u>% of Total</u> | <u>Cumulative % of Total</u> | <u>Total Valuation</u> | <u>% of Total</u> | <u>Cumulative % of Total</u> |
|---------------------------------------|--|-----------------------|----------------------------------|----------------------------|-----------------------|----------------------------------|
| \$0 - \$24,999 | 6 | 0.02% | 0.02% | \$111,601 | 0.00% | 0.00% |
| \$25,000 - \$49,999 | 434 | 1.525 | 1.546 | 18,831,407 | 0.287 | 0.288 |
| \$50,000 - \$74,999 | 1,441 | 5.064 | 6.61 | 89,216,961 | 1.358 | 1.646 |
| \$75,000 - \$99,999 | 1,165 | 4.094 | 10.703 | 101,787,316 | 1.549 | 3.196 |
| \$100,000 - \$124,999 | 1,482 | 5.208 | 15.911 | 168,064,509 | 2.558 | 5.754 |
| \$125,000 - \$149,999 | 2,005 | 7.045 | 22.957 | 275,764,048 | 4.197 | 9.951 |
| \$150,000 - \$174,999 | 2,409 | 8.465 | 31.422 | 392,214,228 | 5.97 | 15.921 |
| \$175,000 - \$199,999 | 2,704 | 9.502 | 40.923 | 506,884,093 | 7.715 | 23.636 |
| \$200,000 - \$224,999 | 2,614 | 9.185 | 50.109 | 555,467,135 | 8.455 | 32.09 |
| \$225,000 - \$249,999 | 2,589 | 9.098 | 59.207 | 613,785,412 | 9.342 | 41.432 |
| \$250,000 - \$274,999 | 2,462 | 8.651 | 67.858 | 645,427,380 | 9.824 | 51.256 |
| \$275,000 - \$299,999 | 2,002 | 7.035 | 74.893 | 573,853,995 | 8.734 | 59.991 |
| \$300,000 - \$324,999 | 1,966 | 6.908 | 81.801 | 612,616,189 | 9.324 | 69.315 |
| \$325,000 - \$349,999 | 1,363 | 4.79 | 86.591 | 458,775,510 | 6.983 | 76.298 |
| \$350,000 - \$374,999 | 1,128 | 3.964 | 90.555 | 407,516,819 | 6.203 | 82.5 |
| \$375,000 - \$399,999 | 855 | 3.004 | 93.559 | 331,163,048 | 5.041 | 87.541 |
| \$400,000 - \$424,999 | 665 | 2.337 | 95.896 | 273,529,591 | 4.163 | 91.704 |
| \$425,000 - \$449,999 | 462 | 1.623 | 97.519 | 201,397,406 | 3.065 | 94.77 |
| \$450,000 - \$474,999 | 323 | 1.135 | 98.654 | 149,125,242 | 2.27 | 97.039 |
| \$475,000 - \$499,999 | 191 | 0.671 | 99.325 | 92,917,496 | 1.414 | 98.454 |
| \$500,000 and greater | <u>192</u> | <u>0.675</u> | 100 | <u>101,592,760</u> | <u>1.546</u> | 100 |
| Total | 28,458 | 100.00% | | \$6,570,042,146 | 100.00% | |

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

The following table sets forth the assessed valuation and parcels by land use for Fiscal Year 2014-15.

CITY OF ANTIOCH
Assessed Valuation and Parcels by Land Use

| | 2014-15 <u>Assessed Valuation</u> ⁽¹⁾ | <u>% of Total</u> | <u>No. of Parcels</u> | <u>% of Total</u> |
|------------------------------------|---|-----------------------|---------------------------|-----------------------|
| <u>Non-Residential:</u> | | | | |
| Agricultural/Rural | \$33,828,116 | 0.41% | 61 | 0.19% |
| Commercial/Office | 727,357,612 | 8.86 | 486 | 1.48 |
| Vacant Commercial | 36,798,811 | 0.45 | 98 | 0.3 |
| Industrial | 208,885,009 | 2.54 | 122 | 0.37 |
| Vacant Industrial | 37,462,276 | 0.46 | 70 | 0.21 |
| Recreational | 25,022,108 | 0.3 | 7 | 0.02 |
| Government/Social/Institutional | 87,359,173 | 1.06 | 856 | 2.62 |
| Miscellaneous | <u>7,820,925</u> | <u>0.1</u> | <u>65</u> | <u>0.2</u> |
| Subtotal Non-Residential | \$1,164,534,030 | 14.18% | 1,765 | 5.39% |
| <u>Residential:</u> | | | | |
| Single Family Residence | \$6,570,042,146 | 80.01% | 28,458 | 86.94% |
| Condominium | 100,884,514 | 1.23 | 1,165 | 3.56 |
| Mobile Home | 9,707,668 | 0.12 | 196 | 0.6 |
| 2-4 Residential Units | 85,452,877 | 1.04 | 416 | 1.27 |
| 5+ Residential Units/Apartments | 247,026,153 | 3.01 | 99 | 0.3 |
| Vacant Residential | <u>33,836,473</u> | <u>0.41</u> | <u>635</u> | <u>1.94</u> |
| Subtotal Residential | \$7,046,949,831 | 85.82% | 30,969 | 94.61% |
| Total | \$8,211,483,861 | 100.00% | 32,734 | 100.00% |

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Ad Valorem Property Taxes. Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property, the taxes on which are a lien on real property sufficient to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The following table sets forth the largest taxpayers located within the City in terms of their assessed value for Fiscal Year 2014-15.

**CITY OF ANTIOCH
Largest 2014-15 Taxpayers (Secured Roll)**

| | <u>Property Owner</u> | <u>Primary Land Use</u> | <u>Assessed Valuation</u> | <u>Total ⁽¹⁾</u> |
|----|-------------------------------------|-----------------------------|-------------------------------|-----------------------------|
| 1 | Sequoia Equities-Cross Pointe | Apartments | \$33,355,921 | 0.41% |
| 2 | The Macerich Partnership LP | Shopping Center | 27,914,431 | 0.34 |
| 3 | Runaway Bay LLC | Apartments | 27,700,000 | 0.34 |
| 4 | Gabriel H. Chiu, Trustee | Shopping Center | 27,274,012 | 0.33 |
| 5 | Camden Village LLC | Shopping Center | 25,180,100 | 0.31 |
| 6 | ESC Skepner LLC | Shopping Center | 24,419,900 | 0.3 |
| 7 | Bluerock Center Partners LLC | Medical Buildings | 21,186,548 | 0.26 |
| 8 | LBUBS 2004-C8 Wilbur Ave. Ltd. | Industrial | 21,095,340 | 0.26 |
| 9 | Costco Wholesale Corporation | Commercial | 20,442,000 | 0.25 |
| 10 | Lakeshore Anitoch | Apartments | 18,668,352 | 0.23 |
| 11 | Target Corporation | Shopping Center | 17,832,632 | 0.22 |
| 12 | Deer Creek Partnership | Apartments | 17,500,877 | 0.21 |
| 13 | Chiu Family LLC | Shopping Center | 17,427,861 | 0.21 |
| 14 | Lowe's HIW Inc. | Commercial | 16,591,683 | 0.2 |
| 15 | Dow Chemical Company | Industrial | 16,511,345 | 0.2 |
| 16 | Realty Income Properties 12 | Health Club | 15,728,082 | 0.19 |
| 17 | Twin Creeks AFK LLC | Apartments | 15,658,187 | 0.19 |
| 18 | Wal-Mart Real Estate Business Trust | Shopping Center | 15,450,502 | 0.19 |
| 19 | DS Founders LLC | Commercial | 15,200,000 | 0.19 |
| 20 | Commons at Dallas Ranch LLC | Assisted Living Facility | <u>13,807,009</u> | <u>0.17</u> |
| | | | \$408,944,782 | 4.98% |

⁽¹⁾ 2014-15 Local Secured Assessed Valuation: \$8,211,483,861
Source: California Municipal Statistics, Inc.

Tax Rates

The basic tax rate for all taxing entities within a particular tax code area is \$1 per \$100 of assessed valuation in accordance with Article XIII A of the State Constitution. To this may be added whatever tax rates are necessary to meet debt service on indebtedness approved by the voters.

Tax Levies, Collections and Delinquencies

Property taxes on the secured roll are due in two installments, on January 1st and June 1st of the Fiscal Year. If unpaid, such taxes become delinquent on December 10th and April 10th, respectively, and a 10 percent penalty attaches to any delinquent payment. On July 1, an additional 1½ percent per month is levied on delinquencies for five years. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30th five years after the delinquency occurs. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1st lien date and become delinquent, if unpaid, on August 31st. A six percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one percent per month begins to accrue beginning November 1st of the Fiscal Year.

Beginning in Fiscal Year 1978-79, Proposition 13 and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The total tax levies and year-end delinquencies for Fiscal Years 2009-10 through 2013-14 are set forth in the following table.

CITY OF ANTIOCH Secured Tax Charges and Delinquencies

| <u>Tax Year</u> | <u>Secured Tax Charge ⁽¹⁾</u> | <u>Amt. Del. 30-Jun</u> | <u>% Del. 30-Jun</u> |
|-----------------|--|-----------------------------|--------------------------|
| 2009-10 | \$7,931,311.40 | \$212,294.21 | 2.68% |
| 2010-11 | 7,556,810.67 | 129,777.26 | 1.72 |
| 2011-12 | 7,085,018.23 | 192,490.97 | 2.72 |
| 2012-13 | 6,887,582.86 | 66,790.20 | 0.97 |
| 2013-14 | 7,475,344.93 | 63,210.24 | 0.85 |

⁽¹⁾ 1% General Fund apportionment.

Source: California Municipal Statistics, Inc.

Teeter Plan

The City is located within Contra Costa County (the “County”), which follows the “Teeter Plan” (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive) (the “Law”), commonly referred to as the “Teeter Plan.” The Law has authorized the use of the Teeter Plan for over 60 years.

Under the Teeter Plan, taxing entities in the County may receive their total secured tax levies regardless of actual payments and delinquencies. The County establishes a delinquency reserve and assumes responsibility for all secured delinquencies. Thus, so long as the County maintains its policy of collecting assessments pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual installments levied without regard to actual collections.

The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County, in which event the City would bear its share of delinquencies and share in any penalties and interest collected, if the rate of secured tax and assessment delinquency for that agency in any year exceeds 3% of the total of all taxes and assessment levied on the secured rolls for that agency. There is no assurance that the County Board of Supervisors will maintain its policy of apportioning assessments pursuant to the aforementioned procedures.

Long-Term Obligations

As of June 30, 2014, the City had total long-term obligations of \$18,142,322. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, claims and judgments are generally liquidated by the General Fund, and a majority of compensated absences are generally liquidated by the General Fund.

Outstanding Long-Term Obligations June 30, 2014

| | <u>Governmental Activities</u> | | | <u>Business-Type Activities</u> | | | <u>Total</u> | | | |
|-----------------------|--------------------------------|-------------------|-----------------|---------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
| | <u>2013</u> | <u>2014</u> | <u>% Change</u> | <u>2013</u> | <u>2014</u> | <u>% Change</u> | <u>2013</u> | <u>2014</u> | <u>% Change</u> | |
| Lease Revenue Bonds | \$5,080,000 | \$4,915,000 | -3.25% | Water bonds | \$770,000 | \$0 | -100.00% | \$5,850,000 | \$4,915,000 | -15.98% |
| Unamortized Discount | (78,075) | (73,738) | -5.55% | Unamortized Discount | - | - | - | (78,075) | (73,738) | -5.55% |
| Capital Lease Payable | 3,191,908 | 2,820,589 | -11.63% | Loans Payable | 3,152,388 | 3,001,182 | -4.79% | - | - | - |
| Claims Liability | 610,307 | 519,069 | -14.95% | Long Term Payable | 4,536,376 | 4,284,350 | -5.55% | - | - | - |
| Compensated Absences | 2,249,102 | 2,220,302 | -1.28% | Compensated Absences | 450,566 | 455,568 | 1.11% | 2,698,668 | 2,675,870 | -0.85% |
| Total: | 11,053,242 | 10,401,222 | -5.89% | | 8,909,330 | 7,741,100 | -13.11% | 8,470,593 | 7,517,132 | -11.26% |

Source: City of Antioch, Comprehensive Annual Financial Report.

Direct and Overlapping Bonded Debt

The statement of direct and overlapping debt (the "Debt Report") set forth below was prepared by California Municipal Statistics, Inc. as of December 1, 2014. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

CITY OF ANTIOCH
Statement of Direct and Overlapping Debt
As of December 1, 2014

2014-15 Assessed Valuation: \$8,359,379,253

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>% Applicable</u> | <u>Debt 12/1/14</u> |
|--|---------------------|---------------------|
| Bay Area Rapid Transit District | 1.49% | \$9,405,153 |
| Contra Costa Community College District | 5.23 | 23,841,478 |
| Antioch Unified School District School Facilities Improvement District No. 1 | 75.278 | 47,265,275 |
| Liberty Union High School District | 2.355 | 1,148,534 |
| Brentwood Union School District | 4.297 | 1,894,749 |
| East Bay Regional Park District | 2.288 | 4,062,916 |
| Antioch Area Community Facilities District No. 89-1 | 100 | <u>22,750,000</u> |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | \$110,368,105 |

| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | |
|---|------------|---------------------------------|
| Contra Costa County General Fund Obligations | 5.21% | \$14,289,501 |
| Contra Costa County Pension Obligation Bonds | 5.209 | 13,465,265 |
| Contra Costa Community College District Certificates of Participation | 5.23 | 36,610 |
| Antioch Unified School District Certificates of Participation | 83.247 | 14,351,783 |
| Brentwood Union School District General Fund Obligations | 4.297 | 79,153 |
| City of Antioch General Fund Obligations | 100 | 4,740,000 ⁽¹⁾ |
| Contra Costa Fire Protection District Pension Obligation Bonds | 11.278 | <u>10,466,548</u> |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | \$57,428,860 |
| Less: Contra Costa County Obligations supported from revenue funds | | <u>5,664,059</u> |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | \$51,764,801 |

| <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u> | | |
|---|---------|-------------------|
| Tax Allocation Bonds | 100.00% | \$5,518,058 |
| Lease Revenue Bonds | 100 | <u>21,980,000</u> |
| TOTAL OVERLAPPING TAX INCREMENT DEBT | | \$27,498,058 |

| | |
|---------------------------|------------------------------|
| GROSS COMBINED TOTAL DEBT | \$195,295,023 ⁽²⁾ |
| NET COMBINED TOTAL DEBT | \$189,630,964 |

(1) Excludes refunding lease revenue bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

| | |
|---|--------------|
| Total Overlapping Tax and Assessment Debt | 1.32% |
| Total Direct Debt (\$4,740,000) | 0.06% |
| Gross Combined Total Debt | 2.34% |
| Net Combined Total Debt | 2.27% |

Ratios to Redevelopment Successor Agency Incremental Valuation (\$585,789,554):

| | |
|--------------------------------------|-------|
| Total Overlapping Tax Increment Debt | 4.69% |
|--------------------------------------|-------|

Source: California Municipal Statistics, Inc.

Investment Policies and Procedures

Funds held by the City are invested in accordance with the City's Statement of Investment Policy (the "Investment Policy") prepared by the Finance Director/Treasurer as authorized by section 53601 of the Government code of California. A copy of the City's current Investment Policy is attached as "**APPENDIX C—CITY OF ANTIOCH STATEMENT OF INVESTMENT POLICY.**" The Investment Policy is submitted to the Antioch City Council annually.

The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made.

Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years.

The City has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by City policy.

The market value of the City's investment portfolio as of June 30, 2014 was as follows:

CITY OF ANTIOCH Market Value of Investments June 30, 2014

| <u>Investment Type</u> | <u>Market Value</u> | <u>Percent of Portfolio</u> | <u>Days to Maturity</u> |
|-----------------------------|---------------------|-----------------------------|-------------------------|
| U.S. Government Securities | \$36,833,082 | 53.5% | 1 to 2 Years |
| U.S. Government Agencies | 10,402,306 | 15.1% | 1 to 3 Years |
| Medium-Term Corporate Notes | 13,859,237 | 20.1% | 1 to 2 Years |
| Certificate of Deposit | <u>7,799,022</u> | <u>11.3%</u> | Less than 1 Year |
| TOTAL | \$68,893,647 | 100.0% | |

Source: The City of Antioch.

The City believes that its funds are prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the City's expenditures and other scheduled withdrawals.

For additional information concerning the City investments, see "**APPENDIX B—CITY OF ANTIOCH CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014**" and "**APPENDIX C—CITY OF ANTIOCH STATEMENT OF INVESTMENT POLICY**" hereto.

Self-Insurance Program

The City participates in the Municipal Pooling Authority (MPA), a joint powers agency (risk-sharing pool) established to provide an independently managed self-insurance program for members. The purpose of MPA is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense.

The City contributes its pro rata share of anticipated losses to the pool administered by MPA. If actual losses among participants are greater than the anticipated losses, the City will be assessed retrospectively its pro rata share of the deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. The City's liabilities are reported when it is both probable that a loss has occurred and the amount of the loss can be reasonably estimated and includes incremental claim expenses. The claims and litigation

liabilities are reported in the governmental activities of the government-wide financial statements and include an amount for claims that have been incurred but not reported. Changes in the balances of the City's claims liabilities during the Fiscal Years ended June 30, 2011, 2012, 2013 and 2014 were as follows:

| Fiscal Year ending June 30 | Balance July 1 | Deductibles and Changes in Estimates | Payments | Balance June 30 |
|---------------------------------------|---------------------------|---|-----------------|----------------------------|
| 2010-11 | \$646,530 | \$289,536 | \$(526,788) | \$409,279 |
| 2011-12 | 409,278 | 847,254 | (592,447) | 664,085 |
| 2012-13 | 664,085 | 481,110 | (538,888) | 610,307 |
| 2013-14 | 610,307 | 795,117 | (886,355) | 519,069 |

Source: City of Antioch.

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past four Fiscal Years.

Pension Plans

General. The following information concerning the California Public Employees' Retirement System ("PERS") is excerpted from publicly available sources, which the City believes to be accurate. PERS is not obligated in any manner for payment of debt service on the Bonds, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 P Street Sacramento, California 95814 or (888) 225-7377 for other information, including information relating to its financial position and investments.

The City provides retirement benefits to its employees through contracts with PERS, a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments.

PERS maintains more than one pension plan (each, a "PERS Plan") for the City based on type of employee. The City has PERS Plans for "Safety Police Employees" and "Miscellaneous Employees". The City contributes to PERS amounts equal to the recommended rates for each PERS Plan multiplied by the payroll of those employees of the City who are eligible under PERS.

Actuarial Valuations. The staff actuaries at PERS prepare an actuarial valuation annually that covers a Fiscal Year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the City in October 2014 covered PERS's Fiscal Year ended June 30, 2013). The actuarial valuations express the City's required contribution rates in percentages of payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rate derived from the actuarial valuation as of June 30, 2013, that was prepared in October 2014, will affect such City's Fiscal Year 2015-16). PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the UAAL. The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an

estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owes to PERS under its PERS Plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets (the “Actuarial Value”) of the PERS Plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during that Fiscal Year equaled the assumed rate of return of 7.5%). The PERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies changed significantly in January 2013, affecting the Actuarial Value calculation for June 30, 2013 and beyond.

Actuarial Assumptions and Policies. In April 2013, the PERS Board adopted new policies aimed at changing the amortization and smoothing policies. Beginning with the June 30, 2013 valuations, PERS will no longer use an actuarial value of assets and will employ an amortization smoothing policy that will pay for all gains and losses over a fixed 30 year period with the increases and decreases in the rate spread directly over a 5-year period.

Further changes were adopted in February 2014 in an effort to reduce the expected volatility of returns. These changes include demographic assumptions that more closely align with actual experience. The new actuarial assumptions will be used to set the Fiscal Year 2016-17 contribution rates for public agency employers.

Due to significant market investment losses of approximately -24% in the PERS trust fund for Fiscal Year 2008-09, PERS implemented a 3-year phase-in of the 2008-09 investment loss because PERS expects three years will be a sufficient length of time for the economy to recover. This phased in approach will be achieved by temporarily relaxing the constraints on the smoothed value of assets around the actual market value. The corridor will be widened and then contracted as follows:

- Increase the corridor limits from 80%-120% of market value to 60% to 140% of market value to determine the actuarial value of assets for the June 30, 2009 valuation, which impacts the 2011-12 contribution rate.
- Reduce the corridor limits from 60%-140% of market value to 70% to 130% of market value to determine the actuarial value of assets for the June 30, 2010 valuation, which impacts the 2012-2013 contribution rate.
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter, which impacts contribution rates for Fiscal Years 2013-14 and beyond.
- Asset losses outside of the 80%-120% corridor described above will be amortized pursuant to a fixed 30-year amortization schedule.

The City’s safety plan has less than 100 active members. PERS requires such pension plans to join a larger risk pool (a “Risk Pool”) with other pension plans that have similar members receiving similar benefits (e.g. other plans for safety employees receiving a 3.0% at 55 benefits or 3.0% at 50 benefits). In a Risk Pool, assets and liabilities across employers are combined to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same Risk Pool. To equalize funding status across agencies in each Risk Pool, at the time the City joined the Risk Pool, a side fund was created to account for the difference between the funded status of the Risk Pool and the funded status of the City’s pension plan (a “Side Fund”). Risk Pools and Side Funds are subject to the Actuarial Assumptions and Policies described above.

PERS performs an actuarial analysis of the Risk Pool, and a separate valuation of the balance (positive or negative) of each Side Fund. Based on the actuarial report for the Risk Pool, PERS calculates the Risk Pool's "Required Base Employer Rate" as a percentage of payroll that the City must pay for those employees participating in the plan. The Required Base Employer Rate includes both a "normal cost" component and an "amortization base" component where the unfunded liability of the Risk Pool is amortized, as described under "Actuarial Valuations" above.

In addition, the City pays a contribution (a percentage of the payroll of participating employees) to the Risk Pool to amortize any negative balance in the City's Side Fund and/or if the City provides certain supplemental benefits to participating employees.

Miscellaneous Plan. As set forth in the PERS actuarial report dated October 2014, the unfunded accrued liability for the Miscellaneous Plan was \$42,718,114 as of June 30, 2013. The following table sets forth the schedule of funding progress for the Miscellaneous Plan:

| Valuation Date | Accrued Liabilities (AL) | Actuarial Value of Assets (AVA)* | Funded Ratio | | Annual Covered Payroll |
|----------------|--------------------------|----------------------------------|--------------|-------|------------------------|
| | | | AVA | MVA | |
| | | | AVA | MVA | |
| 6/30/09 | \$120,714,384 | \$97,456,257 | 80.7% | 58.8% | \$15,984,932 |
| 6/30/10 | 124,265,203 | 101,190,100 | 81.4% | 63.6% | 13,473,039 |
| 6/30/11 | 129,429,446 | 105,248,476 | 81.3% | 72.0% | 11,380,100 |
| 6/30/12 | 134,895,892 | 107,226,991 | 79.5% | 66.3% | 10,741,015 |
| 6/30/13 | 139,659,447 | 96,941,333 | 69.4% | 69.4% | 11,703,846 |

*Beginning with the 6/30/13 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Source: June 30, 2013 Actuarial Valuation provided by CalPERS.

Safety Plans. As set forth in the PERS Actuarial Report dated October 2014, the unfunded accrued actuarial liability for the PERS Safety Risk Sharing Pool first tier and second tier plans was \$35,225,265 as of June 30, 2013.

The following table set forth the funding progress for the PERS Safety Risk Sharing Pool (the City was moved to a risk sharing pool effective with the 6/30/11 valuation):

| Valuation Date | Accrued Liabilities (AL) | Actuarial Value of Assets (AVA)* | Funded Ratio | | Annual Covered Payroll |
|----------------|--------------------------|----------------------------------|--------------|-------|------------------------|
| | | | AVA | MVA | |
| 6/30/09 | \$ 93,154,520 | \$75,898,795 | 81.5% | 59.7% | \$12,284,277 |
| 6/30/10 | 99,099,170 | 80,923,199 | 81.7% | 64.5% | 11,014,417 |
| 6/30/11 | 108,171,871 | 77,808,741 | n/a | 71.9% | 10,548,579 |
| 6/30/12 | 115,040,150 | 78,131,476 | n/a | 67.9% | 9,936,555 |
| 6/30/13 | 128,001,706 | 92,776,441 | n/a | 72.5% | 10,339,017 |

*Beginning with the 6/30/13 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Source: June 30, 2013 Actuarial Valuation provided by CalPERS.

California State Pension Reform Legislation

In September 2012, the Governor signed a comprehensive pension reform package affecting state and local government employees. AB 340 (the "Legislation") implements lower defined-benefit formulas with higher retirement ages for new employees hired on or after January 1, 2013, and includes provisions to increase current employee contributions. Though the Legislation covers most public employees in state government, cities, counties, special districts, school districts, and community colleges, the following discussion relates only to the Legislation's impact on City employee retirement.

Key changes to retirement plans affecting the City include:

- New defined-benefit formulas that increase retirement ages for new public employees hired on or after January 1, 2013.
- For new employees, a cap on pensionable income of \$110,100, or \$132,120 (for employees not in Social Security). Annual increases on the cap would be limited to the Consumer Price Index for All Urban Consumers.
- A standard that employees pay at least 50 percent of normal costs.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit (“air time”).

If the Legislation is implemented fully, PERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified. OPEB costs are not addressed in the Legislation.

Provisions in the Legislation will not likely have a material effect on City contributions in the short term. However, additional employee contributions, limits on pensionable compensation, and higher retirement ages for new members will reduce the City’s UAAL and potentially City contribution levels in the long term.

Supplementary Retirement Plan

The City provides a police supplementary retirement plan. Employees are eligible to receive benefits under this plan if he or she meets the requirements under one of the three tiers of the plan. The fund is an agent multiple-employer defined benefit plan established under Section 401 (a) and tax-exempt under Section 501 (a) of the Internal Revenue Code Sections 53215-53224. The trust is maintained by Public Agency Retirement Services (PARS) and provides for retirement, survivor continuance, pre-retirement disability and pre-retirement death benefits based upon the tier the member qualifies within. Employee vesting is determined within each tier:

- Tier I – Designated eligible employee by Plan Administrator that has terminated from employment and applied for benefits under plan vest immediately.
- Tier II – Vest after five years of employment.
- Tier III – Employee vested if a full time Sworn Police Officer on or after September 1, 2007 and has terminated employment and concurrently retires under a regular, disability or industrial disability retirement under CalPERS prior to September 1, 2012.

These benefit provisions and all other requirements are established by State Statute and City ordinance. Copies of the Fund’s annual financial report may be obtained from PARS office: P.O. Box 12919, Newport Beach, CA 92658-2919. A separate report for the City’s plan within the fund is not available.

As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,008,000 and the City had a net pension obligation of \$535,461, which appears on the government-wide financial statements as a liability.

A schedule of funding history is presented below:

| Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Status | | Annual Covered Payroll | Unfunded Liability as a % of Payroll |
|----------------|------------------------------------|---------------------------|--------------------|---------------|------|------------------------|--------------------------------------|
| | | | | AVA | MVA | | |
| 6/30/2009 | \$ 1,026,000 | \$ - | \$ 1,026,000 | 0.0% | 0.0% | \$ 9,915,000 | 10.3% |
| 6/30/2011 | 1,731,000 | 38,000 | 1,693,000 | 2.2% | 0.0% | 7,897,000 | 21.4% |
| 6/30/2013 | 2,008,000 | 49,000 | 1,959,000 | 2.4% | 2.4% | 6,549,000 | 29.9% |

Source: Actuarial Valuation provided by Bickmore Services.

Post-Employment Healthcare Benefits

The City of Antioch provides post-retirement medical benefits to all eligible employees hired before September 1, 2007 and their surviving spouses under the provisions of three formal City-sponsored plans (Miscellaneous Group, Management Group, and Police Group). For all employees who retire from service (either regular retirement or disability retirement), the City will pay a portion of their medical premiums based on their respective Memorandum of Understanding (MOU) currently in effect. The City's contributions are determined on an actuarially determined basis. The City has established a trust with CalPERS (CERBT), which is a Section 115 trust set up for the purpose of receiving employer contributions that will prefund health and other post-employment benefit costs for retirees and their beneficiaries. The City makes contributions based on a percentage of active employee payroll. There is no requirement by CalPERS to contribute any amount beyond the pay-as-you-go contributions. The cost of monthly insurance premiums may be shared between the retiree and the City. The cost sharing varies depending on: date of hire, dependent status, and plan selected. The City currently only contributes to the pay-as-you-go contribution, which has resulted in a net pension obligation recognized on the City's government-wide financial statements.

The following table, based on the City's actuarial valuation as of July 1, 2013, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for each plan (in thousands):

| | <u>Miscellaneous</u> | <u>Management</u> | | <u>Police</u> | <u>Total</u> |
|---|----------------------|-------------------|----|---------------|--------------|
| Annual Required Contributions | \$ 721 | \$ 426 | \$ | 2,167 | \$ 3,314 |
| Interest on net OPEB obligation | (25) | (45) | | 131 | 61 |
| Adjustment to annual required contributions | 28 | 47 | | (139) | (64) |
| Annual OPEB Cost | 724 | 428 | | 2,159 | 3,311 |
| Contributions Made | 285 | 528 | | 352 | 1,165 |
| Increase in net OPEB obligation | (439) | 100 | | (1,807) | (2,146) |
| Net OPEB Obligation - beginning of year | 519 | 930 | | (2,724) | (1,275) |
| Net OPEB Obligation - end of year | \$ 80 | \$ 1,030 | \$ | (4,531) | \$ (3,421) |

Source: Actuarial Valuation provided by Bickmore Services.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset (obligation) for each plan for Fiscal Years 2012 through 2014 were as follows (in thousands):

Miscellaneous

| Fiscal Year <u>Ended</u> | Annual <u>OPEB Cost</u> | % of Annual <u>OPEB Contributed</u> | OPEB <u>Asset</u> |
|-----------------------------|----------------------------|--|----------------------|
| 6/30/2012 | \$ 381 | 73% | \$ 903 |
| 6/30/2013 | 687 | 44% | 519 |
| 6/30/2014 | 724 | 39% | 80 |

Management

| Fiscal Year <u>Ended</u> | Annual <u>OPEB Cost</u> | % of Annual <u>OPEB Contributed</u> | OPEB <u>Asset</u> |
|-----------------------------|----------------------------|--|----------------------|
| 6/30/2012 | \$ 359 | 151% | \$ 806 |
| 6/30/2013 | 422 | 129% | 930 |
| 6/30/2014 | 429 | 123% | 1,030 |

Police

| Fiscal Year <u>Ended</u> | Annual <u>OPEB Cost</u> | % of Annual <u>OPEB Contributed</u> | OPEB <u>Asset</u> <u>(Obligation)</u> |
|-----------------------------|----------------------------|--|---|
| 6/30/2012 | \$ 1,211 | 25% | \$ (1,054) |
| 6/30/2013 | 2,017 | 17% | (2,724) |
| 6/30/2014 | 2,158 | 16% | (4,531) |

Source: Actuarial Valuation provided by Bickmore Services.

The three City sponsored plans are maintained in one CERBT account with CalPERS. As of July 1, 2013, the funded status of the plan was as follows:

| <u>Valuation Date:</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Funded Status</u> | | <u>Annual Covered Payroll</u> | <u>Unfunded Liability As A % of Payroll</u> |
|----------------------------|--|--|--|--------------------------|------------|---------------------------------------|---|
| | | | | <u>AVA</u> | <u>MVA</u> | | |
| 7/1/2013 | \$45,997 | \$8,328 | \$37,669 | 18.10% | 18.10% | \$19,548 | 192.70% |

Source: Actuarial Valuation provided by CalPERS.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions used include (a) a 4.79% investment rate of return; (b) projected salary increases at 3.25% per year; (c) inflation of 3.00% and (d) healthcare cost trend rates ranging between 4.50% and 8.5% between 2015 and 2024, with annual increases of 4.64% from 2025 and thereafter for City contributions linked to a specific medical plan and annual increases of 4.50% from 2015 and thereafter for City contributions that are capped. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years on a closed basis. The remaining amortization period as of June 30, 2014 was 24 years for the plan.

Medical After Retirement Plan Account

Employees hired after September 1, 2007 are not eligible for post-employment medical benefits as defined in the previous plan. The City has created a medical after retirement program in which the City will contribute 1.5% of the employee’s base monthly salary into an account established for the employee to be used for future medical benefits. This plan is being administered by Operating Engineers Local 3. The City will match an additional amount of up to 1.0% of the employee contribution, for a total City contribution not to exceed 2.5%. Employees have the right to their individual plan upon separation of employment. As of June 30, 2014, there were 49 participants in the plan. During Fiscal Year 2013-14, the City contributed \$55,474 towards employee accounts.

Deferred Compensation Plan

The City currently does not contribute to deferred compensation plans for employees. However, as of January 11, 2015, the City will reinstate contributions for certain designated employees as follows: Executive Management – five percent (5%) of pay; all other Management – two percent (2%) of pay; Confidential employees - \$50 per month, with the possibility of another \$25 per month on a matching basis.

Employer-Employee Relations

The City has 285 regular employee positions funded which are represented by seven bargaining units. The City contracts with IEDA as the Chief Labor Negotiator, working with the Administrative Services Director and Human Resources Analyst to conduct negotiations with each employee unit. The following table lists the existing bargaining units and the respective date for which their contract with the City expires.

**CITY OF ANTIOCH
Bargaining Units**

| <u>Bargain Units</u> | <u>Contract Expires</u> |
|---------------------------------------|-------------------------|
| Management | 09/30/2016 |
| Confidential | 09/30/2016 |
| Public Employees Union Local 1 | 03/31/2015 |
| Operating Engineers Local 3 | 09/30/2014 |
| Treatment Plant Employees Association | 08/31/2018 |
| Police Officers Association | 08/31/2016 |
| Police Sworn Managers | 02/28/2017 |

Source: City of Antioch.

Redevelopment Dissolution

The State of California Department of Finance completed its review of the Due Diligence Review of Other Funds and Accounts of the former Antioch Development Agency required under the Dissolution Act. In May 2013, the City was ordered to return \$803,883 in funds to the Successor Agency for disallowed transfers from the former Antioch Development Agency to the City which occurred after January 1, 2011, but prior to the redevelopment dissolution date of February 1, 2012. The City and Successor Agency are continuing to challenge the determination made, and as such, the City has only returned \$34,925 of the funds to the Successor Agency as of June 30, 2014, with \$768,958 remaining under dispute. The funds in dispute are currently being held by the City of Antioch’s Marina Enterprise Fund. While the City’s Marina Fund is currently solvent, should the Marina Fund have to

ultimately remit the funds in dispute, the City’s General Fund may have to backfill the funds at a future date to the Marina Fund to maintain solvency of the Fund.

Litigation

Three property owners threatened litigation in 2010 because their downtown properties within the floodplain/floodway flooded on a regular basis. No litigation has been filed by the property owners and the City cannot predict if a lawsuit will be filed and the outcome, or amount of damages that may be awarded and not covered through the City’s joint risk pool, in the event of any such lawsuit.

With respect to constructing flooding improvements, various preliminary design alternatives and certain related environmental matters, have been and will continue to be reviewed by the City Council. Discussions with various regulatory agencies as to funding responsibility for any flooding improvement project are ongoing.

Population

According to the State Department of Finance, the population of the City was 105,272 as of January 1, 2013. The population as of January 1, 2014 is 106,455, which represents an increase of 1,183.

The City’s growth is expected to continue in the future, in accordance with guidelines established by the City’s General Plan, with population reaching approximately 117,500 by the year 2025.

The following table shows a comparison of the population of the City, the County and the State of California for the years indicated.

The following table presents population data for the City, the County and the State.

POPULATION

| <u>Year</u> | <u>City of Antioch</u> | <u>County of Contra Costa</u> | <u>State of California</u> |
|-------------|------------------------|-------------------------------|----------------------------|
| 2010 | 102,372 | 1,049,025 | 37,253,956 |
| 2011 | 103,055 | 1,056,306 | 37,427,946 |
| 2012 | 103,950 | 1,066,597 | 37,668,804 |
| 2013 | 105,272 | 1,076,429 | 37,984,138 |
| 2014 | 106,455 | 1,087,008 | 38,340,074 |

Source: State of California, Department of Finance.

Per Capita Personal Income

Per capita personal income is generally defined as the total personal income of the residents of an area divided by the population of the area. Per capita personal income is often used as an indicator of consumers’ purchasing power and of the economic well-being of the residents of an area. The County has historically enjoyed a higher per capita personal income than either the State or the nation.

Per capita personal income for the County, State, and the nation from 2009-2013 is shown below.

PER CAPITA PERSONAL INCOME⁽¹⁾

| <u>Year</u> | <u>County of Contra Costa</u> | <u>State of California</u> | <u>United States</u> |
|-------------|-------------------------------|----------------------------|----------------------|
| 2009 | \$54,568 | \$41,587 | \$39,379 |
| 2010 | 55,118 | 42,282 | 40,144 |
| 2011 | 58,816 | 44,749 | 42,332 |
| 2012 | 62,860 | 47,505 | 44,200 |
| 2013 | 63,403 | 48,434 | 44,765 |

⁽¹⁾ Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2013 reflect county population estimates available as of March 2014. Source: U.S. Bureau of Economic Analysis.

Employment

The following table summarizes the major employers in the City.

**CITY OF ANTIOCH
PRINCIPAL EMPLOYERS**

| <u>Employer</u> | <u>2014</u> | | | <u>2013</u> | | | <u>2012</u> | | |
|--|--------------------------------|-------------|--|------------------|-------------|--|------------------|-------------|--|
| | <u>Employees⁽¹⁾</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Kaiser Permanente | 2,169 | 1 | 4.31% | 2,240 | 1 | 4.04% | 2,151 | 1 | 4.35% |
| Antioch Unified School District | 1,699 | 2 | 3.38% | 1,867 | 2 | 3.37% | 1,629 | 2 | 3.29% |
| Sutter Delta Medical Center ⁽²⁾ | 1,200 | 3 | 2.39% | 1,200 | 3 | 2.17% | 1,200 | 3 | 2.42% |
| Contra Costa Social Services | 525 | 4 | 1.04% | 593 | 4 | 1.07% | 593 | 4 | 1.20% |
| Wal-Mart | 277 | 6 | 0.55% | 321 | 5 | 0.58% | 291 | 5 | 0.59% |
| Target | 325 | 5 | 0.65% | 250 | 6 | 0.45% | 286 | 6 | 0.58% |
| Costco | 270 | 7 | 0.54% | 250 | 6 | 0.45% | 265 | 8 | 0.54% |
| City of Antioch | 243 | 8 | 0.48% | 243 | 7 | 0.44% | 272 | 7 | 0.55% |
| Antioch Auto Center | 240 | 9 | 0.48% | 238 | 8 | 0.43% | 223 | 9 | 0.45% |
| Safeway | 143 | 10 | 0.28% | 139 | 9 | 0.25% | 144 | 10 | 0.07% |

⁽¹⁾ As of September 17, 2014.

⁽²⁾ Includes contract employees.

Source: City of Antioch, Economic Development Department.

The following table summarizes historical employment and unemployment in the County.

CONTRA COSTA COUNTY
Civilian Labor Force, Employment and Unemployment
Annual Averages

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014⁽³⁾</u> |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------------------|
| Civilian Labor Force ⁽¹⁾ | | | | | | |
| Employment | 471,700 | 465,900 | 474,300 | 487,800 | 499,100 | 507,050 |
| Unemployment | <u>53,400</u> | <u>58,300</u> | <u>54,800</u> | <u>48,000</u> | <u>39,800</u> | <u>34,030</u> |
| Total | 525,100 | 524,200 | 529,100 | 535,800 | 538,900 | 541,080 |
| Unemployment Rate ⁽²⁾ | 10.2% | 11.1% | 10.4% | 9.0% | 7.4% | 6.3% |

⁽¹⁾ Not seasonally adjusted.

⁽²⁾ The unemployment rate is calculated rounding up to the nearest hundredth.

⁽³⁾ Based on October 2014 figures.

Source: California Employment Development Department, Labor Market Information Division.

The following table summarizes historical employment and unemployment in the City.

CITY OF ANTIOCH
Civilian Labor Force, Employment and Unemployment
Annual Averages

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014⁽³⁾</u> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------------------|
| Civilian Labor Force ⁽¹⁾ | | | | | | |
| Employment | 43,600 | 43,100 | 43,800 | 45,100 | 46,100 | 47,700 |
| Unemployment | <u>5,700</u> | <u>6,200</u> | <u>5,800</u> | <u>5,100</u> | <u>4,200</u> | <u>3,300</u> |
| Total | 49,300 | 49,200 | 49,600 | 50,200 | 50,300 | 51,000 |
| Unemployment Rate ⁽²⁾ | 11.5% | 12.6% | 11.7% | 10.1% | 8.4% | 6.5% |

⁽¹⁾ Not seasonally adjusted.

⁽²⁾ The unemployment rate is calculated rounding up to the nearest hundredth.

⁽³⁾ Based on October 2014 figures.

Source: California Employment Development Department, Labor Market Information Division.

Housing

According to the U.S. Census Bureau, the median value of an owner-occupied home in the City is approximately \$251,900 compared to \$433,800 in the County.

The following tables illustrate Building Permit information for the City:

**CITY OF ANTIOCH
Annual Building Permits Issued**

| <u>Type</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Residential | | | | | | |
| Multi-Family (units) | 8 | 0 | 0 | 0 | 0 | 0 |
| Single-Family Residence | 120 | 97 | 119 | 259 | 230 | 82 |
| Commercial | 1 | 3 | 2 | 3 | 1 | 5 |
| Total | 129 | 100 | 121 | 262 | 231 | 87 |

Source: City of Antioch.

**CITY OF ANTIOCH
Building Permit Aggregate Valuation (\$000's)**

| <u>Type</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Residential | | | | | | |
| Multi-Family | \$ 800 | - | - | - | - | - |
| Single-Family | 33,591 | 28,506 | 36,309 | 82,720 | 74,271 | 25,118 |
| Commercial | 12,327 | 3,220 | 765 | 3,382 | 1,235 | 11,775 |
| Total | \$46,718 | \$31,726 | \$37,074 | \$86,102 | \$75,506 | \$36,893 |

Detail may not compute due to rounding.

Source: City of Antioch.

Community Facilities

Prewett Park is the City's largest recreation facility with year round use. Some of the amenities of the Park include the water park with multiple swimming pools and slides, a skate park and picnic areas. There is a large community hall, multi-purpose athletic court, multi-purpose class rooms and a technology center.

The City also has numerous other park sites which include neighborhood parks, playground equipment, tennis courts, picnic areas, trails and a sports complex. The City also has a golf course with a banquet facility and offers a variety of programs and activities through its Senior Center for citizens aged 50 and over.

Recreation

The mild climate and abundance of natural waterways make the City the center of one of California's most popular outdoor recreation areas. The City is known as the "Gateway to the Delta," an immense region formed by the Sacramento and San Joaquin Rivers, which provides more than 1,000 miles of navigable waterways.

Numerous cultural and recreational choices are available to the residents of the City. The Nick Rodriguez Community Center and Theater, located in downtown, provides many special interest classes through the City's Parks & Recreation Department. In addition, the City owns and operates the Lone Tree Golf Course and Event Center, the Prewett Water Park and the Prewett Community Center. Antioch is served by the Contra Costa Library system, with one full branch downtown and a satellite at the Prewett Community Center.

Hospitals

Sutter Delta Medical Center and Kaiser Permanente provide extensive medical services to residents and collectively contribute to over 5% of the City's total employment. In addition, health professionals in various disciplines maintain offices within the City and its surrounding areas.

Education

The City is served by the Antioch Unified School District (AUSD). The District has fourteen elementary schools, four middle schools, two comprehensive high schools, one medical magnet high school, various academies located within the two existing comprehensive high school campuses and six alternative education schools. While all schools are located within the City boundary, the school district also serves portions of the surrounding communities. In addition to these schools, the City also offers Adult School and four other colleges and trade schools for the citizens to utilize for higher educational learning opportunities.

Transportation

California State Highway 4, connecting San Francisco-Oakland with Stockton and Central Valley points, bisects the City. Connecting with this freeway east of the City is State Highway 160, running north to Sacramento, across the Nejedly Bridge, offering access to Solano County and the Sacramento area.

The City is served by a network of commuter transportation options including daily Amtrak passenger service with a depot in historic Rivertown area. The Bay Area Rapid Transit (BART) system provides bus and rail connections throughout the Bay Area. Tri Delta Transit bus service travels throughout East County.

Commercial and private air service is available 15 miles west at Buchanan Field. Five other major airports serve the area: Oakland, San Francisco, Sacramento, San Jose International Airport and Stockton Metropolitan Airport.

APPENDIX B

**CITY OF ANTIOCH CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE
FISCAL YEAR ENDED JUNE 30, 2014**

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City of Antioch, California

**Comprehensive Annual
Financial Report**



**For the Fiscal Year Ended
June 30, 2014**

CITY OF ANTIOCH, CALIFORNIA

**Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2014**

**Prepared By
Department of Finance**

City of Antioch

Comprehensive Annual Financial Report

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**OFFICE OF
THE CITY MANAGER
LETTER OF TRANSMITTAL**

DATE: December 8, 2014

TO: Honorable Mayor, City Council, and Citizens of the City of Antioch:

FROM: Steve Duran, City Manager and Dawn Merchant, Finance Director

SUBJECT: 2014 Comprehensive Annual Financial Report (CAFR)

State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Badawi & Associates, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Antioch’s financial statements for the year ended June 30, 2014. The independent auditor’s report is presented as the first component of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Antioch, incorporated in 1872, is located in the western part of the state and is the second largest city in Contra Costa County by population. California State Highway 4, connecting San Francisco-Oakland with Stockton and Central Valley points, bisects the City. Connecting with this freeway east of Antioch is State Highway 160, which runs north to Sacramento across the Nejedly Bridge and offers access to Solano County and the Sacramento area. The City of Antioch currently occupies a land area of approximately 29 square miles and serves a population of about 106,455 residents. The City of Antioch receives property taxes levied on real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time-to-time.

The City of Antioch has operated under the Council-Manager form of government since 1872. Policy-making and legislative authority are vested in a City Council consisting of the Mayor and four other Council members. The four Council members are elected to four-year overlapping terms. The Mayor, who sits on the Council, is elected directly by the people and serves a term of four years. The City Clerk and City Treasurer are also elected for terms of four years. The City Council is responsible for, among other duties, passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. Antioch's City Manager is responsible for carrying out the policies and ordinances of the City Council and all management functions of the City, including the budget, delivery of services, hiring of all Department Directors and implementation of capital projects.

The City of Antioch provides a wide range of municipal services, including police protection; recreational activities; community and economic development; street improvements and maintenance services; parks maintenance; water; sewer; general administrative and support services. The City does not provide fire services.

The annual budget serves as the foundation for the City of Antioch's financial planning and control. All departments of the City of Antioch are required to submit requests for appropriations to the City Manager by February 1. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents the proposed budget to the City Council for review prior to June 30. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Antioch's fiscal year. At mid-period of the budget cycle, the City Council reviews the budget and makes adjustments as needed to the appropriations.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department managers may make transfers of appropriations within a department. The level of budgetary control, that is, the level at which expenditures cannot legally exceed the appropriated amount, is established at the individual fund level. Expenditures above the appropriated amount require special approval of the City Council.

Local economy: Overall, the local economy is slowly recovering after significant retraction since 2008. However, significant vacancies in many of the neighborhood shopping centers and the City's downtown business core persist. Positive activities include new ownership at Somersville Towne Center and improved occupancy there, as well as new retailers and restaurants at Slatten Ranch, the expansion of Wal-Mart and a new Auto Zone approved for Lone Tree Way, and a couple new Downtown restaurants.

Continuing through 2015, more than \$1 billion from various sources will continue to be spent on the current Highway 4 widening while the approved eBART project at the Hillcrest Station area in Antioch is expected to be completed and operational in 2018. The Water Emergency Transportation Authority has committed funding to further study the feasibility of a Ferry Terminal station location in Downtown Antioch in a project envisioned to connect commuters to San Francisco, with a potential stop in Martinez and/or Hercules.

The Contra Costa County region, which includes the City of Antioch, has a civilian unemployment rate of 6 percent while the City's current unemployment rate is 6.9 percent. Antioch's population grew about 5.3 percent between 2004 and 2014 while the overall Contra Costa County growth rate during this corresponding time period was 9.5 percent.

Current period financial information: The City continues to be challenged by the economic uncertainties felt nationwide and throughout the world. As of June 2014 the City of Antioch had experienced multiple years of declines in property tax revenue, though a significant increase in property tax revenue, well above 2014 budget projections, has helped stabilize the City's finances. Nevertheless, the City continues to face the task of bringing significantly reduced revenues in line with General Fund Budget expenditures to address the budgetary difficulties brought on by the struggling economy. Some of the ways in which the City has addressed this issue include: utilization of one-time revenues; successful pursuit of grant monies; concessions from employee bargaining units; workforce reductions; furloughs; mandatory reductions in departmental supplies, services and training budgets; and use of reserve funds. The City's steadfast goal is to reduce expenditures and align those costs with the existing revenue stream, which will allow the City to provide a basic level of services and continue to maintain General Fund reserves that comply with City Council policy.

Collection of revenues from Measure C, the seven year ½ cent increase in sales tax for City use, began on April 1, 2014 and yielded \$949,591 in fiscal year 2014.

Long-term financial planning: Job development and expansion of the City's retail sales tax base are important factors for Antioch's economic health. With a relatively flat increase in property taxes and a modest increase in sales taxes projected for the upcoming fiscal year, the City has continued its efforts to attract companies with high-paying jobs. Employment within the City is estimated to consist of approximately 21,850 jobs.

The City Council recognizes the importance of maintaining a serviceable network of local and regional roads. Like most cities in the state, Antioch is dependent on a combination of local, state and federal revenue to support that work. An analysis of the current condition of all roads in Antioch, along with a recommendation regarding the level at which the roads can be maintained in the long term, is an annual undertaking that maintains our eligibility for continued federal road-repair funding; in addition to federal funding, other funding sources are continually being reviewed and pursued when appropriate.

In addition to the City's roads, water processing and distribution facilities, sidewalks, parks, medians, trails, open space, sanitary sewers, storm water sewers, street lights, traffic signals, fiber optic cabling, marina, the Prewett Water Park and other public buildings provide the framework and infrastructure that contribute to Antioch's quality of life. The better-maintained and adequately sized they are, the greater the opportunity for commerce, health, recreation and mobility within the community. Budgets include contributions toward the maintenance of these facilities and staff continues to look for new opportunities for funding of maintenance and replacement of infrastructure.

The most fundamental expectation of any community is public safety for its people and their property. An adequately-staffed, well-trained and -equipped police department is one of the keys to meeting that expectation. Historically, the Police Department has accounted for the most significant expenditure of General Fund revenues.

In addition to 2013's Measure C, the ½ cent sales tax increase for seven years, the voters of Antioch recently passed Measure O, an update of the Business License Tax . Measure C is projected to bring in about \$4.5 million a year for its seven year life and Measure O is projected to bring in about \$2.27 million a year to the General Fund. Other strategies for increasing revenues and reducing expenditures in the General Fund are under continuous development and review, including ways to increase the use of and income from Prewett Water Park and Lone Tree Golf Course. The City will aggressively focus on these strategies in the upcoming fiscal year as the state and nation continue to face turbulent financial times that ultimately trickles down to all local public agencies.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Antioch for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013; this was the twenty-fourth consecutive year that our government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department, particularly Dawn Merchant and Jo Castro. I would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the financial management of the City of Antioch.

Respectfully submitted,



Steve Duran
City Manager



Dawn Merchant
Finance Director

**CITY OF ANTIOCH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL**

JUNE 30, 2014

ELECTED OFFICIALS

**Wade Harper, Mayor
Mary Helen Rocha, Mayor Pro-Tem
Gary Agopian, Council Member
Monica E. Wilson, Council Member
Tony G. Tiscareno, Council Member
Donna Conley, City Treasurer
Arne Simonsen, City Clerk**

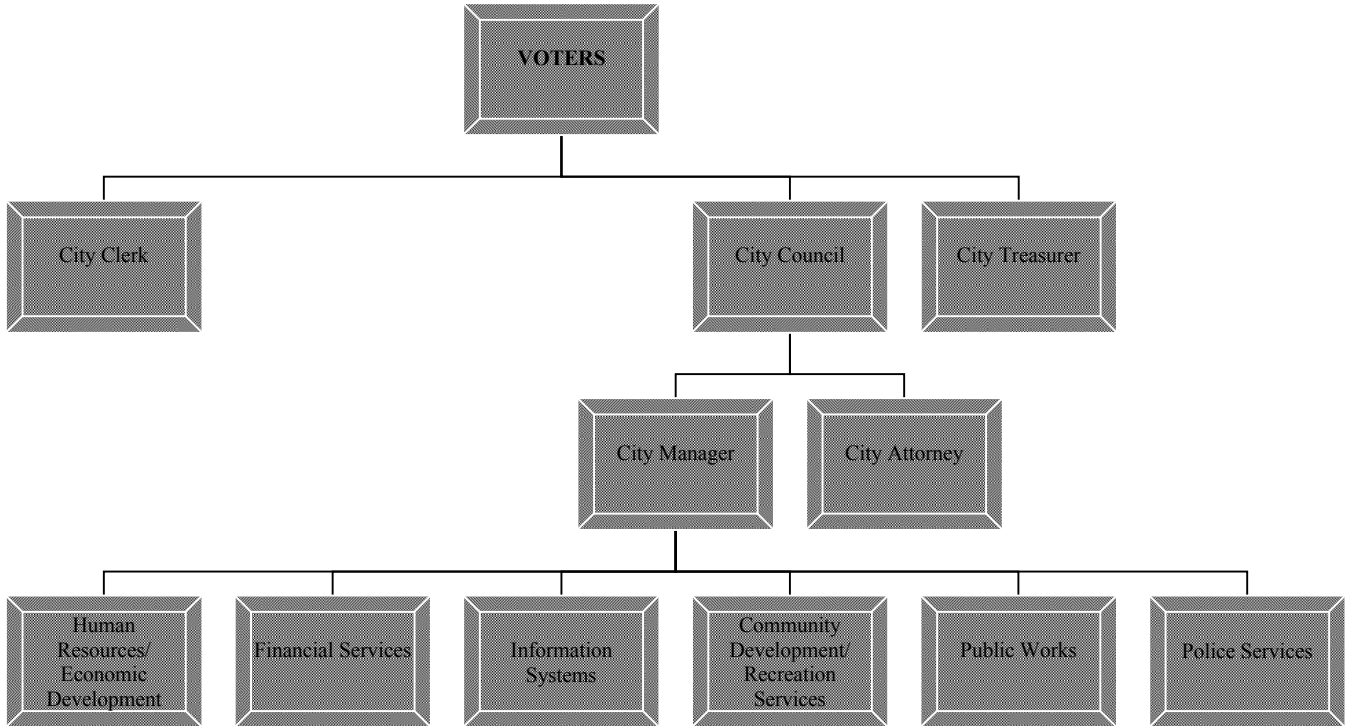
ADMINISTRATIVE PERSONNEL

City Manager
City Attorney
Public Works Director
Chief of Police
Community Development Director
Finance Director
Administrative Services Director
Information Services Director

Steve Duran
Lynn Tracy Nerland
Ron Bernal
Allan Cantando
Tina Wehrmeister
Dawn Merchant
Michelle Fitzer
Alan Barton

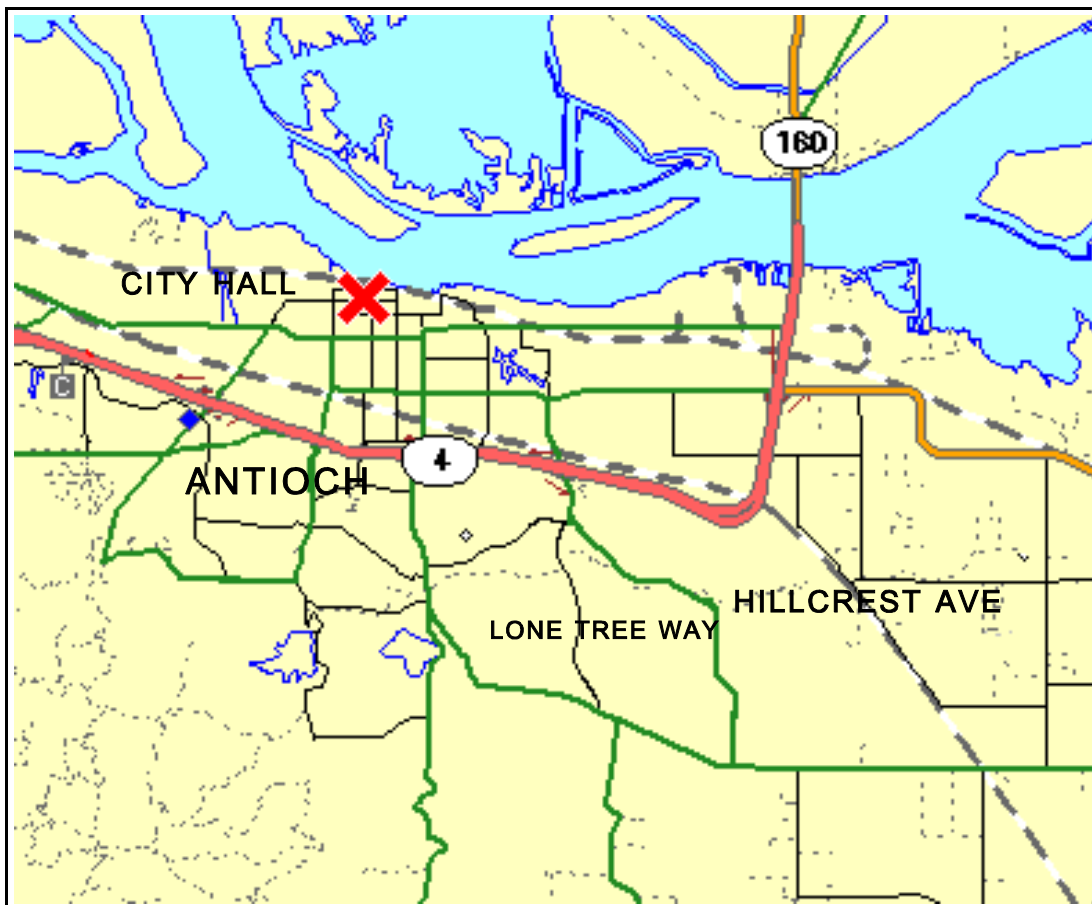
City of Antioch
Third & "H" Streets, P.O. Box 5007
Antioch, California 94531-5007
www.ci.antioch.ca.us

City of Antioch-Organization of City Government





Location Map



Area Map



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Antioch
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Antioch
Antioch, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Antioch, California (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the 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 and budgetary comparison information for major governmental funds, and funded status of pension and other post-employment benefit plans on pages 5-13, pages 77-84 and 85 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budget comparison information for non-major governmental funds and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members of the City Council
of the City of Antioch

Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of City'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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Oakland, California
December 8, 2014

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City of Antioch

Management's Discussion and Analysis

For the year ended June 30, 2014

As management of the City of Antioch, we offer readers of the City of Antioch's financial statements this narrative overview and analysis of the financial activities of the City of Antioch for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages **i-iv** of this report.

Financial Highlights

- The assets of the City of Antioch exceeded its liabilities at the close of the most recent fiscal year by \$576,011,823 (net position). Of this amount, \$56,698,016 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,643,689. This was due mainly to the increase in property and sales tax revenues and charges for services related to business-type activities.
- As of the close of the current fiscal year, the City of Antioch's governmental funds reported ending fund balances of \$36,945,449, a decrease of \$2,941,216 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,006,013, or 22.03% of total General Fund expenditures, and 22.68% of total General Fund revenues.
- The City of Antioch's total long-term obligations for governmental activities decreased by \$652,020 and total long-term obligations for business-type activities decreased by \$1,168,230.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Antioch's basic financial statements. The City of Antioch's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Antioch that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Antioch include general government, public works, public safety, parks and recreation and community development. The business-type activities of the City of Antioch include water and sewer utilities; a marina and a water park facility.

The government-wide financial statements include not only the City of Antioch itself (known as the primary government), but also a legally separate public financing authority. Financial information for these component units is blended with the financial information presented for the primary government itself. The government-wide financial statements can be found on pages **17-21** of this report.

City of Antioch

Management's Discussion and Analysis

For the year ended June 30, 2014

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 City of Antioch, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Antioch can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 financing 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 governmental funds and governmental activities.

The City of Antioch maintains fifty-five individual funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, and three special revenue funds (Housing and Community Development, Gas Tax and Housing Successor Fund) all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages **25-32** of this report.

The City of Antioch adopts an annual appropriated budget for all its funds. A budgetary comparison schedule has been provided for the General Fund and major special revenue funds to demonstrate compliance with this budget.

Proprietary funds. The City of Antioch maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Antioch uses enterprise funds to account for its Water, Sewer, Marina and Prewett Water Park funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Antioch's various functions. The City of Antioch uses internal service funds to account for its vehicle repair and replacement, office equipment replacement, and loss control functions. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Marina and Prewett Water Park funds. The Water, Sewer, Marina and Prewett Water Park funds are considered to be major funds of the City of Antioch. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages **33-36** of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Antioch's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages **37-39** of this report.

City of Antioch
Management's Discussion and Analysis
For the year ended June 30, 2014

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 financial statements can be found on pages **41-75** of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Antioch, assets exceeded liabilities by \$576,011,823 at the close of the most recent fiscal year.

By far the largest portion of the City of Antioch's net position (83%) reflects its investment in capital assets (e.g., infrastructure (including water and sewer pipes), land, structures and improvements and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Antioch uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Antioch's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

| | Governmental Activities | | Business-type Activities | | TOTAL | |
|-------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 72,483,722 | \$ 74,667,588 | \$ 49,636,149 | \$ 46,855,112 | \$ 122,119,871 | \$ 121,522,700 |
| Capital assets | 337,725,536 | 333,344,639 | 151,514,947 | 151,949,207 | 489,240,483 | 485,293,846 |
| Total assets | 410,209,258 | 408,012,227 | 201,151,096 | 198,804,319 | 611,360,354 | 606,816,546 |
| Current and other liabilities | 13,943,870 | 12,037,518 | 3,262,339 | 2,306,748 | 17,206,209 | 14,344,266 |
| Long-term obligations | 10,401,222 | 11,053,242 | 7,741,100 | 8,909,330 | 18,142,322 | 19,962,572 |
| Total liabilities | 24,345,092 | 23,090,760 | 11,003,439 | 11,216,078 | 35,348,531 | 34,306,838 |
| Net position: | | | | | | |
| Net investment in | | | | | | |
| capital assets | 329,691,944 | 325,150,806 | 148,513,765 | 148,026,819 | 478,205,709 | 473,177,625 |
| Restricted | 41,108,098 | 43,227,193 | - | 1,431,554 | 41,108,098 | 44,658,747 |
| Unrestricted | 15,064,124 | 16,543,468 | 41,633,892 | 38,129,868 | 56,698,016 | 54,673,336 |
| Total net position | \$ 385,864,166 | \$ 384,921,467 | \$ 190,147,657 | \$ 187,588,241 | \$ 576,011,823 | \$ 572,509,708 |

An additional portion of the City of Antioch's net position (7.14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$56,698,016) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$3,643,689. Of this, \$1,084,273 represents an increase in governmental activities due mainly to increased property and sales taxes. A major factor to the increase of \$2,559,416 in net position of business type activities was due to an increase in water service charges. At the end of the current fiscal year, the City of Antioch is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities.

Current and other assets increased by \$597,171 primarily due to increases in loans receivable balances.

Current and other liabilities increased by \$2,861,943 due mainly to an increase in the net OPEB obligation.

Long-term obligations decreased by \$1,820,250 due mainly to scheduled debt service payments.

Governmental and Business-Type Activities. Governmental activities increased the City of Antioch's net position by \$1,084,273. There was an increase of \$2,559,416 in net position reported in connection with the City of Antioch's business-type activities.

City of Antioch
Management's Discussion and Analysis
For the year ended June 30, 2014

CHANGE IN NET POSITION

| | Governmental Activities | | Business-type Activities | | TOTAL | |
|--|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 8,645,262 | \$ 8,564,855 | \$ 32,077,895 | \$ 31,151,718 | \$ 40,723,157 | \$ 39,716,573 |
| Operating grants and contributions | 5,878,635 | 8,741,647 | - | - | 5,878,635 | 8,741,647 |
| Capital grants and contributions | 8,117,985 | 2,307,744 | 2,505,171 | 1,745,028 | 10,623,156 | 4,052,772 |
| General revenues: | | | | | | |
| Property tax | 7,340,475 | 6,751,834 | - | - | 7,340,475 | 6,751,834 |
| Sales tax | 12,531,806 | 11,074,164 | - | - | 12,531,806 | 11,074,164 |
| Motor vehicle in lieu | 5,329,524 | 4,976,783 | - | - | 5,329,524 | 4,976,783 |
| Other | 10,458,681 | 10,016,885 | 1,582,087 | 1,135,878 | 12,040,768 | 11,152,763 |
| Total revenues | 58,302,368 | 52,433,912 | 36,165,153 | 34,032,624 | 94,467,521 | 86,466,536 |
| Expenses: | | | | | | |
| General government | 8,802,489 | 5,937,077 | - | - | 8,802,489 | 5,937,077 |
| Public works | 15,358,642 | 17,438,226 | - | - | 15,358,642 | 17,438,226 |
| Public safety | 26,452,688 | 27,302,666 | - | - | 26,452,688 | 27,302,666 |
| Parks and recreation | 3,827,204 | 3,964,152 | - | - | 3,827,204 | 3,964,152 |
| Community development | 2,571,153 | 2,121,493 | - | - | 2,571,153 | 2,121,493 |
| Interest on long-term debt | 396,909 | 421,562 | - | - | 396,909 | 421,562 |
| Water | - | - | 25,751,615 | 23,123,137 | 25,751,615 | 23,123,137 |
| Sewer | - | - | 4,667,905 | 4,007,260 | 4,667,905 | 4,007,260 |
| Marina | - | - | 1,075,323 | 1,129,213 | 1,075,323 | 1,129,213 |
| Prewett Water Park | - | - | 1,919,904 | 1,878,239 | 1,919,904 | 1,878,239 |
| Total expenses | 57,409,085 | 57,185,176 | 33,414,747 | 30,137,849 | 90,823,832 | 87,323,025 |
| Increase in net position-before transfer | 893,283 | (4,751,264) | 2,750,406 | 3,894,775 | 3,643,689 | (856,489) |
| Transfers | 190,990 | 182,811 | (190,990) | (182,811) | - | - |
| Increase in net position | 1,084,273 | (4,568,453) | 2,559,416 | 3,711,964 | 3,643,689 | (856,489) |
| Net position - July 1, as restated | 384,779,893 | 389,489,920 | 187,588,241 | 183,876,277 | 572,368,134 | 573,366,197 |
| Net position - June 30 | \$ 385,864,166 | \$ 384,921,467 | \$ 190,147,657 | \$ 187,588,241 | \$ 576,011,823 | \$ 572,509,708 |

Governmental activities. General Fund property tax revenues increased due to a higher assessed valuation. Capital grants and contributions increased significantly due to increased federal funds received for the Wilbur Avenue Bridge project.

Beginning net position of governmental activities has been restated from \$384,921,467 to \$384,779,793 due to the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*. Net position was reduced by \$141,574 as a result of removing deferred charges for bond issuance costs.

Business-type activities. Business-type activities increased the City of Antioch's net position by \$2,559,416 accounting for growth in the government's net assets. The increase was mainly attributable to an increase in charges for services.

Financial Analysis of the Government's Funds

As noted earlier, the City of Antioch uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Antioch's governmental funds reported combined ending fund balances of \$36,945,449, a decrease of \$2,941,216 in comparison with the prior year. About 24.4% of this total

City of Antioch
Management's Discussion and Analysis
For the year ended June 30, 2014

amount, \$9,002,127, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is segregated into the following components: 1) *nonspendable* to indicate that it is not available for new spending because of its form (\$347,921) 2) *restricted* to indicate restrictions on use imposed by external parties, including enabling legislation (\$20,806,927) 3) *committed* to indicate restrictions on use as approved by the City Council (\$4,366,305), or 4) *assigned* for a variety of other purposes (\$2,422,169).

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Revenues Classified by Source
Governmental Funds

| Revenue by Source | FY 2013/2014 | | FY 2012/2013 | | Increase (Decrease) | |
|-------------------------------|----------------------|------------------|----------------------|------------------|---------------------|----------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent Change |
| Taxes | \$ 34,300,414 | 54.9% | \$ 30,791,904 | 54.8% | \$ 3,508,510 | 11.4 % |
| Licenses and permits | 1,302,768 | 2.1% | 1,654,916 | 2.9% | (352,148) | (21.3)% |
| Fines and penalties | 145,813 | 0.2% | 142,322 | 0.3% | 3,491 | 2.5 % |
| Investment income and rentals | 1,520,452 | 2.4% | 1,436,829 | 2.6% | 83,623 | 5.8 % |
| Revenue from other agencies | 10,243,517 | 16.4% | 9,951,615 | 17.7% | 291,902 | 2.9 % |
| Current service charges | 10,335,491 | 16.5% | 8,112,273 | 14.4% | 2,223,218 | 27.4 % |
| Special assessment revenue | 2,903,706 | 4.6% | 2,850,356 | 5.1% | 53,350 | 1.9 % |
| Other | 1,753,769 | 2.8% | 1,237,889 | 2.2% | 515,880 | 41.7 % |
| Total | <u>\$ 62,505,930</u> | <u>100.0%</u> | <u>\$ 56,178,104</u> | <u>100.0%</u> | <u>\$ 6,327,826</u> | <u>11.3%</u> |

The following provides an explanation of revenues by source that changed significantly over the prior year.

- Taxes increased due to a higher property assessed valuation as well as the additional sales tax due to the passage of Measure C, a one half-cent sales tax enacted for seven years.
- Licenses and permits decreased due to decreased building permit and street and curb permit revenue over prior year.
- Current service charges increased significantly mainly due to the reclassification of Post Retirement Medical funds from Internal Service funds to a Special Revenue fund.
- Other revenues increased due to an increase in loan payments received by the Housing and Community Development and Housing Successor funds over the prior year.

City of Antioch
Management's Discussion and Analysis
For the year ended June 30, 2014

The following table presents the amount of expenditures by function as well as increases or decreases from the prior year.

Expenditures by Function
Governmental Funds

| Expenditures by Function | FY 2013/2014 | | FY 2012/2013 | | Increase (Decrease) | |
|--------------------------|----------------------|------------------|----------------------|------------------|---------------------|----------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent Change |
| Current | | | | | | |
| General government | \$ 6,357,460 | 9.7% | \$ 5,331,459 | 9.2% | \$ 1,026,001 | 19.2% |
| Public works | 8,449,925 | 12.9% | 7,702,466 | 13.3% | 747,459 | 9.7% |
| Public safety | 28,786,010 | 44.0% | 26,959,096 | 46.4% | 1,826,914 | 6.8% |
| Parks and recreation | 3,330,461 | 5.1% | 3,209,206 | 5.5% | 121,255 | 3.8% |
| Community development | 3,004,952 | 4.6% | 3,193,961 | 5.5% | (189,009) | (5.92%) |
| Capital outlay | 14,561,631 | 22.3% | 10,753,397 | 18.5% | 3,808,234 | 35.4% |
| Debt service | 932,604 | 1.4% | 929,256 | 1.6% | 3,348 | 0.4% |
| Total | \$ 65,423,043 | 100.0% | \$ 58,078,841 | 100.0% | \$ 7,344,202 | 12.6% |

The following provides an explanation of the expenditures by function that changed significantly over the prior year.

- General government expenditures increased primarily due to the reclassification of Post Retirement Medical funds from Internal Service funds to a Special Revenue fund.
- Public works expenditures increased mainly due to an increase in contractual services for street maintenance.
- Community development expenditures decreased mainly due to decreased housing and community development projects.
- Capital outlay expenditures increased due to several large construction projects and/or reimbursements: developer reimbursement for the Nelson Ranch park project, Markley Creek Culvert Crossing project, Wilbur Avenue bridge project, and the Turf Fields project.

The General Fund is the chief operating fund of the City of Antioch. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9,006,013, while total fund balance was \$10,834,595. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22% of total General Fund expenditures, while total fund balance represents 26.5%.

The fund balance of the City of Antioch's General Fund increased by \$724,711 during the current fiscal year due to higher taxes and charges for services than prior year in combination with salary and contractual savings.

The fund balance of the Housing and Community Development Fund decreased by \$28,511 in the current year due the net effect of receiving less CDBG reimbursements than prior year and reduced program expenditures over prior year.

The fund balance of the Housing Successor Fund increased by \$181,136 during the current fiscal year due to an increase in loan repayments over prior year.

The fund balance of the Gas Tax Fund decreased by \$1,131,881 during the current fiscal year. This decrease is primarily attributable to an increase in capital outlay expenditures.

City of Antioch

Management's Discussion and Analysis

For the year ended June 30, 2014

Proprietary funds. The City of Antioch's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the year amounted to \$26,379,347 and those of the Sewer Fund amounted to \$16,288,534. Unrestricted net position of the Marina Fund at the end of the year amounted to \$1,172,853 and unrestricted net position of the Prewett Water Park Fund amounted to \$787.

- Water Fund total net position increased \$2,161,404 during the current fiscal year, which is mainly due to increased charges for services.
- Sewer Fund total net position increased \$925,140 during the current fiscal year, which is mainly due to increased capital contributions.
- Marina Fund total net position decreased \$141,742 during the current fiscal year, which is mainly due to decreased charges for services.

Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Antioch's business-type activities.

General Fund Budgetary Highlights

Differences between the final amended budget and the actual results resulted in \$555,080 higher revenues than projected and \$1,856,260 variance from appropriations and can be briefly summarized as follows:

- \$542,784 more in tax revenue than projected due mainly to higher than anticipated property tax, sales tax and sales tax – Measure C, cable franchise fees, and business license tax as well other property taxes.
- \$826,518 savings in Public Works expenditures mainly attributable to uncompleted parks, facilities and paving projects at year end.
- \$571,416 savings in Public Safety expenditures mainly attributable to salary savings in community policing and police communications.

Capital Asset and Debt Administration

Capital assets. The City of Antioch's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$489,240,483 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure (including water and sewer pipes), structures and improvements, and equipment. The total net increase in the City of Antioch's investment in capital assets for the current fiscal year was \$3,946,632.

Major capital asset events during the current fiscal year included the following:

- A variety of street and other construction projects such as the expansion of Wilbur Avenue Bridge; Lone Tree Way intersection improvements; Deer Valley Road and Hillcrest Avenue improvements; and West Antioch Creek project. These made construction in progress for governmental activities as of the end of the current fiscal year reach \$17,521,631.
- Various system additions and improvements were completed in the Water, Sewer, Marina and Prewett Water Park funds at a cost of \$1,872,842. Work continued on water and sewer system improvement projects causing construction in progress for business type activities to be \$2,637,109 as of the end of the current fiscal year.

City of Antioch
Management's Discussion and Analysis
For the year ended June 30, 2014

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year.

| | Governmental Activities | | Business-type Activities | | Total | | Increase/ Decrease |
|--|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| Land | \$ 11,269,647 | \$ 11,269,647 | \$ 3,558,467 | \$ 3,558,467 | \$ 14,828,114 | \$ 14,828,114 | \$ - |
| Construction in Progress | 17,521,631 | 11,800,587 | 2,637,109 | 354,266 | 20,158,740 | 12,154,853 | 8,003,887 |
| Infrastructure Structures and Improvements | 250,511,237 | 250,207,406 | 98,229,192 | 98,537,512 | 348,740,429 | 348,744,918 | (4,489) |
| Equipment | 54,675,472 | 55,880,252 | 46,227,078 | 48,613,479 | 100,902,550 | 104,493,731 | (3,591,181) |
| | 3,747,549 | 4,186,749 | 863,100 | 885,486 | 4,610,649 | 5,072,235 | (461,586) |
| Total | \$ 337,725,536 | \$ 333,344,641 | \$ 151,514,947 | \$ 151,949,210 | \$ 489,240,482 | \$ 485,293,851 | \$ 3,946,632 |

Construction Commitments. Among the significant construction commitments were \$656,101 towards Wilbur Avenue Bridge, \$137,209 towards the West Antioch Creek project, and approximately \$81,350 towards Lone Tree Way Intersection Improvements.

Additional information on the City of Antioch's capital assets can be found in **Note 8 on page 55**.

Long-term debt. At the end of the current fiscal year, the City of Antioch had total debt outstanding of \$10,736,771. Of this amount, \$4,915,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), \$3,001,182 represents loans payable and \$2,820,589 represents leases payable.

The City of Antioch's total long-term obligations for governmental activities decreased by \$652,020 and total long-term obligations for business-type activities decreased by \$1,168,230 due to scheduled debt service payments during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limitation for the City of Antioch is \$1,170,912,502. The City of Antioch has no outstanding general obligation debt.

Additional information on the City of Antioch's long-term debt can be found in **Note 9 on pages 57-60** of this report.

Economic Factors and Next Year's Budget

- The unemployment rate for the City of Antioch is currently 6.9%. This is lower than the state's average unemployment rate of 7.4% and higher than the national average rate of 6.3%
- The City has been slow to recover from the recession. Although in the next year we are finally beginning to see significant growth in our property taxes and sales taxes have almost reached pre-recession levels, the City is still almost \$3.5M short of pre-recession revenue levels. We have implemented a number of cost saving measures since 2008 and continue to limit budget spending to provide the most needed services to the community while maintaining adequate reserves in the General Fund.
- Assessed values in the City have increased approximately 17.81% for the 2014-15 tax year.

City of Antioch
Management's Discussion and Analysis
For the year ended June 30, 2014

All of these factors were considered in preparing the City of Antioch's budget for the 2014-2015 fiscal year.

During the current fiscal year, General Fund fund balance increased by \$724,711. The City of Antioch has appropriated \$125,549 of General Fund assigned fund balance for spending in the 2014-2015 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Antioch's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, financial statements for the Antioch Public Financing Authority, or requests for additional financial information should be addressed to the Office of the Finance Director, City of Antioch, P. O. Box 5007, Antioch, CA 94531-5007.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Antioch
Statement of Net Position
June 30, 2014

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and investments | \$ 35,324,026 | \$ 46,245,595 | \$ 81,569,621 |
| Receivables (net): | | | |
| Accounts | 5,309,604 | 5,223,893 | 10,533,497 |
| Taxes | 3,405,908 | - | 3,405,908 |
| Interest | 138,139 | - | 138,139 |
| Materials, parts and supplies | 137,136 | 359,038 | 496,174 |
| Internal balances | 2,207,629 | (2,207,629) | - |
| Prepaid items | 349,274 | 15,252 | 364,526 |
| Restricted cash and investments, held by fiscal agents | 731,273 | - | 731,273 |
| Loans receivable, net | 20,233,736 | - | 20,233,736 |
| Due from Successor Agency Trust | 3,537,849 | - | 3,537,849 |
| Net OPEB asset | 1,109,148 | - | 1,109,148 |
| Capital assets: | | | |
| Nondepreciable | 28,791,278 | 6,195,576 | 34,986,854 |
| Depreciable, net | 308,934,258 | 145,319,371 | 454,253,629 |
| Total assets | 410,209,258 | 201,151,096 | 611,360,354 |
| LIABILITIES | | | |
| Accounts payable | 4,207,515 | 2,616,903 | 6,824,418 |
| Accrued payroll | 1,172,401 | 326,038 | 1,498,439 |
| Interest payable | 122,735 | 123,799 | 246,534 |
| Deposits | 3,297,213 | 153,974 | 3,451,187 |
| Unearned revenue | 77,988 | 41,625 | 119,613 |
| Long-term obligations: | | | |
| Due within one year | 1,311,313 | 455,592 | 1,766,905 |
| Due beyond one year | 9,089,909 | 7,285,508 | 16,375,417 |
| Net pension obligation | 535,461 | - | 535,461 |
| Net OPEB obligation | 4,530,557 | - | 4,530,557 |
| Total liabilities | 24,345,092 | 11,003,439 | 35,348,531 |
| NET POSITION | | | |
| Net investment in capital assets | 329,691,944 | 148,513,765 | 478,205,709 |
| Restricted for: | | | |
| Debt service | 731,420 | - | 731,420 |
| Housing | 25,007,511 | - | 25,007,511 |
| Public safety | 252,554 | - | 252,554 |
| Roads | 12,681,513 | - | 12,681,513 |
| Landscape maintenance and tidelands protection | 1,438,896 | - | 1,438,896 |
| Community services | 996,204 | - | 996,204 |
| Total restricted | 41,108,098 | - | 41,108,098 |
| Unrestricted | 15,064,124 | 41,633,892 | 56,698,016 |
| Total net position | \$ 385,864,166 | \$ 190,147,657 | \$ 576,011,823 |

See accompanying notes to the basic financial statements.

City of Antioch
Statement of Activities
For the Fiscal Year Ended June 30, 2014

| Functions / Programs | Expenses | Indirect Costs | Program Revenues | | |
|---------------------------------------|----------------------|-----------------------|-----------------------------|---|---|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | | |
| General government | \$ 8,802,489 | \$ 687,095 | \$ 1,136,634 | \$ 89,061 | \$ - |
| Public works | 15,358,642 | 288,912 | 2,862,471 | 4,507,757 | 8,117,985 |
| Public safety | 26,452,688 | 10,257 | 1,391,191 | 629,156 | - |
| Parks and recreation | 3,827,204 | - | 789,320 | 45,020 | - |
| Community development | 2,571,153 | - | 1,479,382 | 607,641 | - |
| Interest on long-term liabilities | 396,909 | - | - | - | - |
| Total governmental activities | \$ 57,409,085 | \$ 986,264 | \$ 7,658,998 | \$ 5,878,635 | \$ 8,117,985 |
| Business-type activities: | | | | | |
| Water | 24,963,184 | (788,431) | 25,907,364 | - | 1,008,057 |
| Sewer | 4,525,645 | (142,260) | 4,713,719 | - | 1,192,685 |
| Marina | 1,019,750 | (55,573) | 591,304 | - | 304,429 |
| Prewett Water Park | 1,919,904 | - | 865,508 | - | - |
| Total business-type activities | 32,428,483 | (986,264) | 32,077,895 | - | 2,505,171 |
| Total primary government | \$ 89,837,568 | \$ - | \$ 39,736,893 | \$ 5,878,635 | \$ 10,623,156 |

General Revenues:

- Taxes:
 - Property taxes
 - Transient lodging tax
 - Franchise
 - Business license taxes based on gross receipts
 - Property transfer taxes
 - Sales and use tax
- Motor vehicle in lieu
- Park in lieu
- Investment income not restricted to specific programs
- Other
- Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|-----------------------|
| \$ (6,889,699) | \$ - | \$ (6,889,699) |
| 418,483 | - | 418,483 |
| (24,422,084) | - | (24,422,084) |
| (2,992,864) | - | (2,992,864) |
| (484,130) | - | (484,130) |
| (396,909) | - | (396,909) |
| <u>\$ (34,767,203)</u> | <u>\$ -</u> | <u>(34,767,203)</u> |
| - | 1,163,806 | 1,163,806 |
| - | 1,238,499 | 1,238,499 |
| - | (179,590) | (179,590) |
| - | (1,054,396) | (1,054,396) |
| - | 1,168,319 | 1,168,319 |
| <u>(34,767,203)</u> | <u>1,168,319</u> | <u>(33,598,884)</u> |
| 7,340,475 | - | 7,340,475 |
| 135,982 | - | 135,982 |
| 4,188,436 | - | 4,188,436 |
| 1,171,532 | - | 1,171,532 |
| 363,051 | - | 363,051 |
| 12,531,806 | - | 12,531,806 |
| 5,329,524 | - | 5,329,524 |
| 337,685 | - | 337,685 |
| 305,066 | 391,985 | 697,051 |
| 3,956,929 | 1,190,102 | 5,147,031 |
| 190,990 | (190,990) | - |
| <u>35,851,476</u> | <u>1,391,097</u> | <u>37,242,573</u> |
| 1,084,273 | 2,559,416 | 3,643,689 |
| <u>384,779,893</u> | <u>187,588,241</u> | <u>572,368,134</u> |
| <u>\$ 385,864,166</u> | <u>\$ 190,147,657</u> | <u>\$ 576,011,823</u> |

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MAJOR GOVERNMENTAL FUNDS

General Fund - The General Fund is used to account for all of the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund. For the City, the General Fund includes such activities as general government, public works, public safety, parks and recreation and community development.

Housing and Community Development Fund - This fund accounts for grant funds received from the Federal government for the purpose of developing viable urban communities.

Gas Tax Fund - This fund accounts for revenues and related expenditures received from the State under the Streets and Highway Code Sections 2105, 2106, 2107, and 2107.5. The allocations must be spent for street maintenance or construction and a limited amount for engineering.

Housing Successor Fund - This fund was established to account for the administration of housing assets transferred by the former Antioch Development Agency to the City as Housing Successor.

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Antioch
Balance Sheet
Governmental Funds
June 30, 2014

| | Special Revenue Funds | | | |
|---|--------------------------|---|---------------------|---------------------------|
| | General Fund | Housing and Community Development | Gas Tax | Housing Successor Fund |
| | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 9,797,554 | \$ 201,097 | \$ 6,761,323 | \$ 1,005,116 |
| Receivables (net): | | | | |
| Accounts | 615,519 | 178,292 | 985,203 | - |
| Taxes | 2,727,781 | - | 313,690 | - |
| Interest | 138,137 | - | - | - |
| Due from other funds | 1,925,835 | - | - | - |
| Prepaid items | 204,058 | - | - | 47,348 |
| Restricted cash and investments | - | - | - | - |
| Loans receivable | 1,122,165 | 6,179,291 | - | 14,639,364 |
| Due from Successor Agency Trust | - | - | - | 3,537,849 |
| Total assets | \$ 16,531,049 | \$ 6,558,680 | \$ 8,060,216 | \$ 19,229,677 |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,284,950 | \$ 80,714 | \$ 1,074,447 | \$ 2,892 |
| Accrued payroll | 1,025,462 | 733 | 4,549 | - |
| Deposits | 2,217,622 | - | - | - |
| Due to other funds | - | - | - | - |
| Unearned revenue | - | - | - | - |
| Total liabilities | 4,528,034 | 81,447 | 1,078,996 | 2,892 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable sales tax receipts | 46,255 | - | - | - |
| Unavailable loan receipts | 1,122,165 | 6,179,291 | - | 14,639,364 |
| Unavailable CDBG receipts | - | 111,587 | - | - |
| Total deferred inflows of resources | 1,168,420 | 6,290,878 | - | 14,639,364 |
| FUND BALANCES | | | | |
| Nonspendable | 205,758 | - | - | 47,348 |
| Restricted | - | 186,355 | 6,981,220 | 4,540,073 |
| Committed | 1,497,275 | - | - | - |
| Assigned | 125,549 | - | - | - |
| Unassigned | 9,006,013 | - | - | - |
| Total fund balances | 10,834,595 | 186,355 | 6,981,220 | 4,587,421 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 16,531,049 | \$ 6,558,680 | \$ 8,060,216 | \$ 19,229,677 |

See accompanying notes to the basic financial statements.

City of Antioch
Balance Sheet
Governmental Funds
June 30, 2014

| | Non-major Governmental Funds | Total |
|---|------------------------------------|----------------------|
| ASSETS | | |
| Cash and investments | \$ 14,537,521 | \$ 32,302,611 |
| Receivables (net): | | |
| Accounts | 3,516,621 | 5,295,635 |
| Taxes | 364,437 | 3,405,908 |
| Interest | 2 | 138,139 |
| Due from other funds | - | 1,925,835 |
| Prepaid items | 94,375 | 345,781 |
| Restricted cash and investments | 731,273 | 731,273 |
| Loans receivable | - | 21,940,820 |
| Due from Successor Agency Trust | - | 3,537,849 |
| Total assets | \$ 19,244,229 | \$ 69,623,851 |
| LIABILITIES | | |
| Accounts payable | \$ 1,599,098 | \$ 4,042,101 |
| Accrued payroll | 99,390 | 1,130,134 |
| Deposits | 1,079,591 | 3,297,213 |
| Due to other funds | 2,032,304 | 2,032,304 |
| Unearned revenue | 77,988 | 77,988 |
| Total liabilities | 4,888,371 | 10,579,740 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable sales tax receipts | - | 46,255 |
| Unavailable loan receipts | - | 21,940,820 |
| Unavailable CDBG receipts | - | 111,587 |
| Total deferred inflows of resources | - | 22,098,662 |
| FUND BALANCES | | |
| Nonspendable | 94,815 | 347,921 |
| Restricted | 9,099,279 | 20,806,927 |
| Committed | 2,869,030 | 4,366,305 |
| Assigned | 2,296,620 | 2,422,169 |
| Unassigned | (3,886) | 9,002,127 |
| Total fund balances | 14,355,858 | 36,945,449 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 19,244,229 | \$ 69,623,851 |

See accompanying notes to the basic financial statements.

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City of Antioch
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
June 30, 2014

| | |
|---|-----------------------|
| Fund Balances - Total Governmental Funds | \$ 36,945,449 |
| <hr/> | |
| Amounts reported for governmental activities in the Statement of Net Position were different because: | |
| Capital assets used in governmental activities are not current financial resources. Therefore they were not reported in the Governmental Funds Balance Sheet. Capital assets, net of Internal Service Funds assets \$2,093,454. | 335,632,082 |
| | <hr/> |
| Loans receivables are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements, net of allowance. | 20,233,736 |
| | <hr/> |
| Revenues received that are measurable but unavailable are recorded as deferred inflows in the fund financial statements | 157,842 |
| | <hr/> |
| Net OPEB assets of governmental activities are not current financial resources. Therefore they are not reported in the Governmental Funds Balance Sheet. | 1,109,148 |
| | <hr/> |
| Internal service funds are used by management to charge the costs of vehicle repair and maintenance, stores, office equipment and replacement, and post employment medical benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net position. | 7,266,154 |
| | <hr/> |
| Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental fund financial statements: | |
| Long-term debt: | |
| Due in one year, net of internal service funds liability of \$10,973 | (1,300,340) |
| Due in more than one year, net of internal service funds liability of \$98,757 | (8,991,152) |
| Net OPEB obligation | (4,530,557) |
| Net pension obligation | (535,461) |
| Accrued interest payable | (122,735) |
| | <hr/> |
| Total long-term liabilities | (15,480,245) |
| | <hr/> |
| Net Position of Governmental Activities | \$ 385,864,166 |
| | <hr/> |

See accompanying notes to the basic financial statements.

City of Antioch
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

| | Special Revenue Funds | | | | |
|---|-----------------------|-----------------------------------|--------------------|------------------------|------------------------------|
| | General Fund | Housing and Community Development | Gas Tax | Housing Successor Fund | Non-major Governmental Funds |
| | | | | | |
| REVENUES: | | | | | |
| Taxes | \$ 29,425,088 | \$ - | \$ 3,285,859 | \$ - | \$ 1,589,467 |
| Licenses & permits | 1,302,768 | - | - | - | - |
| Fines and penalties | 67,615 | - | - | - | 78,198 |
| Investment income and rentals | 536,639 | 1,502 | 50,248 | 7,806 | 924,257 |
| Revenue from other agencies | 393,402 | 159,989 | 6,996,702 | - | 2,693,424 |
| Current service charges | 7,232,934 | 95,923 | - | - | 3,006,634 |
| Special assessment revenue | - | - | - | - | 2,903,706 |
| Other | 724,731 | 228,023 | 78,944 | 278,367 | 443,704 |
| Total revenues | 39,683,177 | 485,437 | 10,411,753 | 286,173 | 11,639,390 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 5,584,813 | - | - | - | 772,647 |
| Public works | 5,898,150 | - | 1,228,249 | - | 1,323,526 |
| Public safety | 27,359,962 | - | - | - | 1,426,048 |
| Parks and recreation | - | - | - | - | 3,330,461 |
| Community development | 2,021,135 | 513,948 | - | 105,037 | 364,832 |
| Capital outlay | - | - | 9,764,925 | - | 4,796,706 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | 536,319 |
| Interest and fiscal charges | - | - | - | - | 396,285 |
| Total expenditures | 40,864,060 | 513,948 | 10,993,174 | 105,037 | 12,946,824 |
| REVENUES OVER (UNDER) EXPENDITURES | (1,180,883) | (28,511) | (581,421) | 181,136 | (1,307,434) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 3,770,395 | - | 1,000,000 | - | 2,638,057 |
| Transfers (out) | (1,864,801) | - | (1,550,460) | - | (4,017,294) |
| Total other financing sources (uses) | 1,905,594 | - | (550,460) | - | (1,379,237) |
| Net change in fund balances | 724,711 | (28,511) | (1,131,881) | 181,136 | (2,686,671) |
| FUND BALANCES: | | | | | |
| Beginning of year | 10,109,884 | 214,866 | 8,113,101 | 4,406,285 | 17,042,529 |
| End of year | \$ 10,834,595 | \$ 186,355 | \$ 6,981,220 | \$ 4,587,421 | \$ 14,355,858 |

See accompanying notes to the basic financial statements.



| <u>Total</u> | |
|--------------|--------------------|
| \$ | 34,300,414 |
| | 1,302,768 |
| | 145,813 |
| | 1,520,452 |
| | 10,243,517 |
| | 10,335,491 |
| | 2,903,706 |
| | 1,753,769 |
| | <u>62,505,930</u> |
| | 6,357,460 |
| | 8,449,925 |
| | 28,786,010 |
| | 3,330,461 |
| | 3,004,952 |
| | 14,561,631 |
| | 536,319 |
| | 396,285 |
| | <u>65,423,043</u> |
| | <u>(2,917,113)</u> |
| | 7,408,452 |
| | <u>(7,432,555)</u> |
| | <u>(24,103)</u> |
| | (2,941,216) |
| | <u>39,886,665</u> |
| \$ | <u>36,945,449</u> |

City of Antioch

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities For the Fiscal Year Ended June 30, 2014

| | | |
|--|----|-------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (2,941,216) |
|--|----|-------------|

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

Governmental funds report acquisition of capital assets as part of capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets were allocated over their estimated useful lives as depreciation expense.

| | | |
|---|--|-------------|
| Capital outlay | | 14,561,631 |
| Depreciation, net of internal service funds depreciation of \$493,283 | | (9,818,919) |

In the Statement of Activities, capital assets donated by the City are reported as capital outlay, whereas in the governmental funds, capital assets donated do not decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the value of the asset donated.

(41,814)

Interest on deferred loans in the Statement of Activities do not provide current financial resources and are not reported as revenues in the funds.

372,116

Repayment of loans is reported as a revenue in governmental funds, and thus, has the effect of increasing fund balance because current financial resources have been received. For the City as a whole, however, the loan payments reduce the receivables in the Statement of Net Position and do not result as a revenue in the Statement of Activities. The City's loan receivable was reduced because loan payments were received.

(609,243)

Revenues received that are measurable but unavailable are recorded as deferred inflows in governmental funds. However, in the government-wide statement of activities, the revenues increase financial resources.

157,843

Governmental funds report expenditures pertaining to the establishment of certain deferred inflows related to long-term loans made. These deferred credits are not reported on the Statement of Net Position and, therefore, the corresponding expense is not reported on the Statement of Activities.

60,548

Reclassification of internal service fund liability for OPEB asset and obligation to governmental activities results in revenue and expense that that are reported on the Statement of Activities.

(1,275,842)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

| | | |
|---------------------------|--|---------|
| Lease revenue bonds | | 165,000 |
| Capital lease obligations | | 371,319 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

| | | |
|--|--|-------------|
| Decrease in long-term claims liability | | 91,238 |
| Decrease in long-term compensated absences | | 31,452 |
| Amortization of debt discount | | (4,337) |
| Decrease in net OPEB asset | | (339,478) |
| Increase in net OPEB obligation | | (1,806,089) |
| Increase in net pension obligation | | (32,817) |
| Decrease in accrued interest payable | | 3,713 |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.

2,139,168

| | | |
|---|----|-----------|
| Change in Net Position of Governmental Activities | \$ | 1,084,273 |
|---|----|-----------|

PROPRIETARY FUND FINANCIAL STATEMENTS

Water Fund - This fund accounts for the operation of the City's water utility, a self-supporting activity which provides services on a user charge basis to residences and businesses.

Sewer Fund - This fund accounts for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity which provides services on a user charge basis to residences and businesses.

Marina Fund - This fund accounts for the operation of the City's Marina, which includes renting berths and fueling boats.

Prewett Water Park - This fund accounts for the operation of the Prewett Water Park, an aquatic recreational park.

Internal Service Funds - These funds account for the maintenance and replacement of vehicles and equipment; the operation, maintenance, and replacement of office equipment used by City departments; charges for workers' compensation expenses; charges for loss control, on a cost-reimbursement basis.

City of Antioch
Statement of Net Position
Proprietary Funds
June 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental |
|--|---|----------------------|---------------------|------------------------------------|--------------------|------------------------------|
| | Water | Sewer | Marina | Non-major Prewett Water Park | Total | Internal Service Funds |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 28,845,725 | \$ 15,895,052 | \$ 1,311,733 | \$ 193,085 | \$ 46,245,595 | \$ 3,021,415 |
| Accounts receivables, net | 4,492,616 | 609,753 | 43,976 | 77,548 | 5,223,893 | 13,969 |
| Due from other funds | - | - | - | - | - | 106,469 |
| Materials, parts and supplies | 355,868 | - | 3,170 | - | 359,038 | 137,136 |
| Prepaid items | 12,227 | 3,025 | - | - | 15,252 | 3,493 |
| Total current assets | 33,706,436 | 16,507,830 | 1,358,879 | 270,633 | 51,843,778 | 3,282,482 |
| Noncurrent assets: | | | | | | |
| Capital assets: | | | | | | |
| Nondepreciable: | | | | | | |
| Land | 1,002,231 | 14,553 | 469,953 | 2,071,730 | 3,558,467 | - |
| Construction in progress | 2,428,297 | 36,543 | 172,269 | - | 2,637,109 | - |
| Depreciable: | | | | | | |
| Water and sewer pipes | 62,928,630 | 62,694,923 | - | - | 125,623,553 | - |
| Structures and improvements | 53,965,585 | 10,461,821 | 14,182,671 | 15,267,789 | 93,877,866 | - |
| Vehicles and equipment | 3,604,256 | 255,543 | 137,082 | 400,139 | 4,397,020 | 11,087,031 |
| Less accumulated depreciation | (44,020,117) | (16,750,745) | (7,488,607) | (10,319,599) | (78,579,068) | (8,993,577) |
| Total capital assets | 79,908,882 | 56,712,638 | 7,473,368 | 7,420,059 | 151,514,947 | 2,093,454 |
| Total assets | 113,615,318 | 73,220,468 | 8,832,247 | 7,690,692 | 203,358,725 | 5,375,936 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 2,399,530 | 87,409 | 17,511 | 112,453 | 2,616,903 | 165,414 |
| Accrued payroll | 179,719 | 62,774 | 7,488 | 76,057 | 326,038 | 42,267 |
| Interest payable | - | - | 123,799 | - | 123,799 | - |
| Deposits | 84,101 | - | 35,717 | 34,156 | 153,974 | - |
| Unearned revenue | - | - | - | 41,625 | 41,625 | - |
| Compensated absences - due within one year | 37,939 | 6,911 | 151 | 555 | 45,556 | 10,973 |
| Long Term Payable-DDSD due within one year | 252,026 | - | - | - | 252,026 | - |
| Marina loans payable - due within one year | - | - | 158,010 | - | 158,010 | - |
| Total current liabilities | 2,953,315 | 157,094 | 342,676 | 264,846 | 3,717,931 | 218,654 |
| Noncurrent liabilities: | | | | | | |
| Long Term Payable-DDSD | 4,032,324 | - | - | - | 4,032,324 | - |
| Compensated absences - due in more than one year | 341,450 | 62,202 | 1,360 | 5,000 | 410,012 | 98,757 |
| Marina loans - due in more than one year | - | - | 2,843,172 | - | 2,843,172 | - |
| Total noncurrent liabilities | 4,373,774 | 62,202 | 2,844,532 | 5,000 | 7,285,508 | 98,757 |
| Total liabilities | 7,327,089 | 219,296 | 3,187,208 | 269,846 | 11,003,439 | 317,411 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 79,908,882 | 56,712,638 | 4,472,186 | 7,420,059 | 148,513,765 | 2,093,454 |
| Unrestricted | 26,379,347 | 16,288,534 | 1,172,853 | 787 | 43,841,521 | 2,965,071 |
| Total net position | \$ 106,288,229 | \$ 73,001,172 | \$ 5,645,039 | \$ 7,420,846 | 192,355,286 | \$ 5,058,525 |

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

(2,207,629)
Net position of business-type activities \$ 190,147,657

City of Antioch
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental |
|---|---|----------------------|---------------------|-----------------------|-------------------|---------------------|
| | Water | Sewer | Marina | Non-major | Total | Internal |
| | | | | Prewett Water Park | | Service Funds |
| OPERATING REVENUES: | | | | | | |
| Taxes - Measure C | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,902 |
| Charges for services | 25,907,364 | 4,713,719 | 591,304 | 865,508 | 32,077,895 | 4,692,760 |
| Revenue from other agencies | - | - | 304,429 | - | 304,429 | - |
| Other revenue | 1,138,333 | 37,357 | 10,333 | 4,079 | 1,190,102 | 2,769,950 |
| Total operating revenues | 27,045,697 | 4,751,076 | 906,066 | 869,587 | 33,572,426 | 7,513,612 |
| OPERATING EXPENSES: | | | | | | |
| Wages and benefits | 4,468,103 | 1,727,821 | 156,269 | 725,361 | 7,077,554 | 2,662,504 |
| Utilities | 1,485,454 | - | 36,313 | 116,173 | 1,637,940 | - |
| Contractual services | 13,471,533 | 1,410,454 | 150,566 | 142,008 | 15,174,561 | 1,854,770 |
| Tools and supplies | 3,694,327 | 227,207 | 117,106 | 254,723 | 4,293,363 | 883,335 |
| Depreciation | 2,289,439 | 1,261,199 | 454,974 | 584,336 | 4,589,948 | 493,283 |
| Repairs and maintenance | 208,289 | 10,226 | 2,040 | 70,134 | 290,689 | 342,042 |
| Total operating expenses | 25,617,145 | 4,636,907 | 917,268 | 1,892,735 | 33,064,055 | 6,235,934 |
| OPERATING INCOME (LOSS) | 1,428,552 | 114,169 | (11,202) | (1,023,148) | 508,371 | 1,277,678 |
| NONOPERATING REVENUES (EXPENSES): | | | | | | |
| Gain (loss) from disposal of capital assets | - | - | - | - | - | (1,971) |
| Investment income | 251,685 | 133,199 | 6,779 | 322 | 391,985 | 19,741 |
| Investment (expense) | - | - | (135,620) | - | (135,620) | - |
| Total nonoperating revenues (expenses) | 251,685 | 133,199 | (128,841) | 322 | 256,365 | 17,770 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 1,680,237 | 247,368 | (140,043) | (1,022,826) | 764,736 | 1,295,448 |
| Capital contribution - developer | - | 700,000 | - | - | 700,000 | - |
| Capital contribution - connection fees | 1,008,057 | 492,685 | - | - | 1,500,742 | - |
| Capital contribution - City | - | - | - | 413,555 | 413,555 | - |
| Transfers in | - | - | - | 448,500 | 448,500 | 633,613 |
| Transfers (out) | (526,890) | (514,913) | (1,699) | (9,543) | (1,053,045) | (4,965) |
| CHANGE IN NET POSITION | 2,161,404 | 925,140 | (141,742) | (170,314) | 2,774,488 | 1,924,096 |
| NET POSITION: | | | | | | |
| Beginning of year | 104,126,825 | 72,076,032 | 5,786,781 | 7,591,160 | | 3,134,429 |
| End of year | <u>\$ 106,288,229</u> | <u>\$ 73,001,172</u> | <u>\$ 5,645,039</u> | <u>\$ 7,420,846</u> | | <u>\$ 5,058,525</u> |

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

(215,072)
Change in net position of business-type activities \$ 2,559,416

See accompanying notes to the basic financial statements.

City of Antioch
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental |
|--|---|----------------------|---------------------|---------------------|----------------------|---------------------|
| | Water | Sewer | Marina | Non-major | Total | Internal |
| | | | | Prewett | | Service |
| | | | Water Park | | Funds | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Cash receipt from customers | \$ 26,129,540 | \$ 4,743,194 | \$ 1,509,426 | \$ 864,748 | \$ 33,246,908 | \$ - |
| Cash receipt from other funds | - | - | - | - | - | 6,237,154 |
| Cash paid to suppliers for goods and services | (18,275,325) | (1,692,400) | (309,721) | (534,103) | (20,811,549) | (2,865,642) |
| Cash paid to employees for services | (4,422,571) | (1,718,138) | (153,278) | (723,660) | (7,017,647) | (2,671,417) |
| Net cash provided by (used in) operating activities | 3,431,644 | 1,332,656 | 1,046,427 | (393,015) | 5,417,712 | 700,095 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | |
| Due to other funds | - | - | - | - | - | (74,804) |
| Due from other Funds | - | - | - | - | - | (31,665) |
| Transfers in | - | - | - | 448,500 | 448,500 | 633,613 |
| Transfers (out) | (526,890) | (514,913) | (1,699) | (9,543) | (1,053,045) | (4,965) |
| Net cash provided by (used in) noncapital financing activities | (526,890) | (514,913) | (1,699) | 438,957 | (604,545) | 522,179 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Capital asset additions | (2,531,686) | (503,714) | (6,735) | 2 | (3,042,133) | (175,253) |
| Capital contributions | 1,008,057 | 492,685 | - | - | 1,500,742 | - |
| Principal paid on bonds | (770,000) | - | (151,206) | - | (921,206) | - |
| Interest paid on bonds | (13,956) | - | (141,857) | - | (155,813) | - |
| Net cash provided by (used in) capital and related financing activities | (2,307,585) | (11,029) | (299,798) | 2 | (2,618,410) | (175,253) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Interest received | 251,691 | 133,199 | 6,779 | 322 | 391,991 | 19,741 |
| Net cash provided by (used in) investing activities | 251,691 | 133,199 | 6,779 | 322 | 391,991 | 19,741 |
| Net change in cash and cash equivalents | 848,860 | 939,913 | 751,709 | 46,266 | 2,586,748 | 1,066,762 |
| CASH AND CASH EQUIVALENTS: | | | | | | |
| Beginning of year | 27,996,865 | 14,955,139 | 560,024 | 146,819 | 43,658,847 | 1,954,653 |
| End of year | <u>\$ 28,845,725</u> | <u>\$ 15,895,052</u> | <u>\$ 1,311,733</u> | <u>\$ 193,085</u> | <u>\$ 46,245,595</u> | <u>\$ 3,021,415</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS: | | | | | | |
| Cash and investments | \$ 28,845,725 | \$ 15,895,052 | \$ 1,311,733 | \$ 193,085 | \$ 46,245,595 | \$ 3,021,415 |
| End of year | <u>\$ 28,845,725</u> | <u>\$ 15,895,052</u> | <u>\$ 1,311,733</u> | <u>\$ 193,085</u> | <u>\$ 46,245,595</u> | <u>\$ 3,021,415</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | | | |
| Operating income (loss) | \$ 1,428,552 | \$ 114,169 | \$ (11,202) | \$ (1,023,148) | \$ 508,371 | \$ 1,277,678 |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | | | | |
| Depreciation | 2,289,439 | 1,261,199 | 454,974 | 584,336 | 4,589,948 | 493,283 |
| Decrease (increase) in: | | | | | | |
| Accounts receivable | (930,209) | (7,882) | 605,530 | (21,262) | (353,823) | (616) |
| Materials, parts, and supplies | (60,932) | - | (611) | - | (61,543) | 22,574 |
| Other post employment benefit asset | - | - | - | - | - | 1,448,626 |
| Other post employment benefit obligation | - | - | - | - | - | (2,724,468) |
| Prepaid items | 5,671 | 328 | - | - | 5,999 | 102,178 |
| Increase (decrease) in: | | | | | | |
| Accounts payable | 639,539 | (44,841) | (3,085) | 48,935 | 640,548 | 89,753 |
| Accrued payroll | 29,830 | 12,040 | 2,253 | 10,782 | 54,905 | (11,565) |
| Deposits | 14,052 | - | (2,170) | 1,217 | 13,099 | - |
| Deferred revenue | - | - | - | 15,206 | 15,206 | - |
| Accrued compensated absences | 15,702 | (2,357) | 738 | (9,081) | 5,002 | 2,652 |
| Net cash provided by (used in) operating activities | \$ 3,431,644 | \$ 1,332,656 | \$ 1,046,427 | \$ (393,015) | \$ 5,417,712 | \$ 700,095 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Contributions (donations) of capital assets to/from the general government | \$ - | \$ - | \$ - | \$ 413,555 | \$ 413,555 | \$ - |
| Gain on disposal of capital assets | - | - | - | - | - | 20,123 |
| Capital assets contributed by developers | - | 700,000 | - | - | 700,000 | - |
| Total noncash capital and related financing activities | \$ - | \$ 700,000 | \$ - | \$ 413,555 | \$ 1,113,555 | \$ 20,123 |

See accompanying notes to the basic financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

City of Antioch
Statement of Fiduciary Fund Assets and Liabilities
Fiduciary Funds
June 30, 2014

| ASSETS | Succesor Agency Private Purpose Trust Fund | Agency Funds |
|---|---|-------------------------|
| Cash and investments | \$ 3,118,426 | \$ 2,341,007 |
| Accounts receivable | - | 37 |
| Loans receivable | 27,051 | - |
| Assessment receivable | - | 340,331 |
| Interest receivable | 7 | 18,061 |
| Prepaid Items | 5,379 | 1,190 |
| Restricted cash and investments | 1,042,789 | 3,774,530 |
| Capital assets: | | |
| Nondepreciable | 2,372,607 | - |
| Depreciable, net | 209,121 | - |
| Total assets | \$ 6,775,380 | \$ 6,475,156 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred loss on refunding | 82,368 | - |
| LIABILITIES | | |
| Accounts payable | 13,531 | 362,637 |
| Accrued payroll | 876 | - |
| Interest payable | 710,005 | - |
| Due to City of Antioch | 3,537,849 | - |
| Due to others | - | 6,112,519 |
| Long-term obligations: | | |
| Due within one year | 1,761,919 | - |
| Due beyond one year | 27,178,582 | - |
| Total liabilities | \$ 33,202,762 | \$ 6,475,156 |
| NET POSITION | | |
| Held in trust for enforceable obligations of the former Antioch Development Agency | \$ (26,345,014) | |

City of Antioch
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

| | Successor Agency Private Purpose Trust Fund |
|---------------------------------------|--|
| ADDITIONS | |
| Contributions: | |
| Redevelopment Property Tax Trust Fund | \$ 3,561,561 |
| Investment earnings: | |
| Investment income and rentals | 14,473 |
| Total additions | 3,576,034 |
| DEDUCTIONS | |
| Administrative expenses | 67,656 |
| Depreciation expense | 18,568 |
| Remittance to County | 12,925 |
| Enforceable obligations | 1,619,102 |
| Total deductions | 1,718,251 |
| Change in net position | 1,857,783 |
| NET POSITION: | |
| Beginning of year, as restated | (28,202,797) |
| End of year | \$ (26,345,014) |

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City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



NOTE 1 - THE FINANCIAL REPORTING ENTITY

(a) Reporting Entity

The City of Antioch, California (the "City"), operates under the Council-Manager form of government and provides the following services: police, highways and streets, sanitation, health services, culture-recreation, public improvements, planning and zoning, general administration services, and water.

The governmental reporting entity consists of the City (Primary Government) and its component units. Component units are legally separate organizations for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

The basic financial statements include a blended component unit. The blended component unit, although a legally separate entity is, in substance, part of the City's operations and so data from this unit is combined with data of the primary government.

For financial reporting purposes, the City's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the City's Council. The financial statements of the individual component unit may be obtained by writing to the City of Antioch, Finance Department, P.O. Box 5007, Antioch, CA 94531-5007.

(b) Blended Component Unit

Antioch Public Financing Authority

The Antioch Public Financing Authority (APFA) was formed for the purpose of financing the Water Treatment Plant Expansion, the Police Facilities Projects and other infrastructure improvements. The APFA and the City have a financial and operational relationship, which requires that the APFA's financial statements be blended into the City's financial statements. The APFA's Board consists exclusively of all five members of the City Council.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues and other non exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non major funds.

Proprietary funds distinguish operating revenues and expenses and non operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water and sewer charges, marina and water park fees, equipment maintenance and usage fees, and support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

The City reports the following major governmental funds:

- The *General Fund* is used to account for all of the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund. For the City, the General Fund includes such activities as general government, public works, public safety, parks and recreation and community development.
- The *Housing and Community Development Fund* accounts for grant funds received from the Federal government for the purpose of developing viable urban communities.
- The *Gas Tax Fund* accounts for funds received from the State under the State Street and Highways Code. Gas tax funds are limited to research, planning, construction, improvement, maintenance and operation of public streets and streetlights.
- The *Housing Successor Fund* was established by the City with when it elected to become the Housing Successor to the Antioch Development Agency with the abolishment of redevelopment under AB 1X 26. This fund accounts for the administration of housing activities of the former Low and Moderate Income Housing Fund of the redevelopment agency.

The City reports the following major enterprise funds:

- The *Water Fund* accounts for the operation of the City's water utility, a self-supporting activity, which provides services on a user charge basis to residences and businesses.
- The *Sewer Fund* accounts for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity, which provides services on a user charge basis to residences and businesses.
- The *Marina Fund* accounts for the operation of the City's Marina Complex, which includes renting berths and fueling boats to the public.

The City reports the following additional fund types:

- *Internal Service Funds* account for the maintenance and replacement of vehicles and equipment; the operation, maintenance, and replacement of office equipment used by City departments; charges for workers' compensation expenses; and charges for loss control, on a cost-reimbursement basis.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



- *Agency Funds* account for assets held by the City in the capacity of agent for individuals (refundable cash bonds and employee benefits), other governmental agencies (Fire Protection District and ECWMA) and special assessment debt without city commitment.
- *Private Purpose Trust Funds* account for the assets and liabilities held by the City as Successor Agency to the Antioch Development Agency.

(b) Measurement Focus, Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. Agency funds have no measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. With respect to the gas tax fund, it is the City's policy to first apply revenues other than the gas tax itself to expenditures incurred within that program. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

(c) Internal Investment Pool

The City maintains an internal investment pool that is available for use by all funds. Investments in non-participating interest earning contracts (including guaranteed investment contracts) are reported at cost, and all other investments at fair value. Fair value is determined annually and is based on current market prices. The method of allocating interest earned on pooled deposits and investments among funds is based on average cash balances.

For purposes of the accompanying statement of cash flows for the enterprise and internal service funds, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

(d) Receivables

During the course of normal operations, the City carried various receivable balances for taxes, interest, services, loan, utilities and special assessments. Accounts receivables are shown net of an allowance for doubtful accounts of \$185,399 in the General Fund and \$259,626 in the Water Enterprise Fund.

(e) Materials, Parts and Supplies

Material, parts and supplies are valued at average cost. Material, parts and supplies recorded in the internal service funds consist of expendable supplies for consumption. The cost is recorded as an expense at the time individual inventory items are consumed. Material, parts and supplies recorded in the Marina Enterprise Fund consists primarily of merchandise held for resale to the public.

(f) Loans Receivable

For the purposes of the governmental funds financial statements, expenditures related to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded with an offset to a deferred revenue account. The balance of the long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met. For purposes of the government-wide financial statements, long-term loans are not offset by deferred revenue accounts and are net of an allowance.

(g) Bond Issuance Costs, Original Issue Discounts and Premiums and Refunding of Debt

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds. 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, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

(h) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, water/sewer, lighting systems, drainage systems, and flood control. The City defines capital assets as assets with an estimated useful life in excess of one year and an initial, individual cost of \$5,000 or more. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



The estimated useful lives are as follows:

| | |
|-----------------------------|----------------|
| Infrastructure | 20 to 50 years |
| Water and Sewer Pipes | 75 years |
| Structures and Improvements | 10-30 years |
| Equipment | 5-20 years |
| Vehicles | 5-15 years |

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

(i) Property Taxes and Special Assessments Revenue

Revenue is recognized in the fiscal year for which the tax and assessment are levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the City; under the County's "Teeter Plan", the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

Taxes are levied for each fiscal year on taxable real and personal property situated in the County. The levy is based on the assessed values as of the preceding January 1st, which is also the lien date. Property taxes on the secured roll are due in two installments: November 1st and February 1st and become delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied based on changes in assessed values between the date of real property sales or construction completion and the preceding assessment date. The additional supplemental property taxes are prorated from the first day of the month following the date of such occurrence. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31st.

Special assessment districts are established in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements.

(k) Accumulated Compensated Absences

The City accrues the cost for compensated absences (vacation, sick leave and comp time) when they are earned. City employees have a vested interest in accrued vacation time and all vacation hours will eventually either be used or paid by the City. Generally, employees earn and use their current vacation hours with a small portion being accrued or unused each year. As this occurs, the City incurs an obligation to pay for these unused hours. Sick leave benefits are only vested for employees with more than 10 years of service, up to a maximum of 40% of 800 hours.

(l) Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

(m) Estimates

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

(n) New Pronouncements

In fiscal year 2014, the City adopted the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*– This statement establishes financial and reporting accounting standards that reclassify, as deferred of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City restated beginning net position as part of implementation of this standard.
- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB no. 10 and No. 62* – This statement was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54 and No. 62. There was no effect on net position as part of implementation of this standard.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This statement establishes improved accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. There was no effect on net position as part of implementation of this standard.
- GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* – There was no effect on net position as part of implementation of this standard.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Expenditures in Excess of Budget

Expenditures in the funds below exceeded appropriations by the amounts indicated, largely because budgets were not revised for higher than anticipated expenditures. Sufficient resources were available to finance these expenditures, primarily in the form of higher revenues and transfers than expected or from available fund balance.

| | Appropriated Final Budget | Actual Expenditures | Excess |
|---|------------------------------|------------------------|-------------|
| <i>Nonmajor Special Revenue Funds:</i> | | | |
| Animal Control | \$ 887,859 | \$ 907,471 | \$ (19,612) |
| Local Law Enforcement Byrne Grant | 3,272 | 6,542 | (3,270) |
| Street Impact | 500 | 709 | (209) |
| Supplemental Law Enforcement | 5 | 8 | (3) |
| <i>Nonmajor Capital Projects Funds:</i> | | | |
| Hillcrest District #26 | 691 | 1,483 | (792) |

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



NOTE 4 - CASH AND INVESTMENTS

(a) Cash and Investment Balances

The City has the following cash and investments at June 30, 2014:

| | |
|---|----------------------|
| Cash and investments: | |
| Petty cash | \$ 5,290 |
| Deposits in banks | 15,932,283 |
| Certificate of Deposit | 7,799,022 |
| U.S. Government securities | 36,833,082 |
| U.S. Government agencies | 10,402,306 |
| Medium-term corporate notes | 13,859,237 |
| California Local Agency Investment Fund | 2,197,834 |
| Total cash and investments | <u>87,029,054</u> |
| Restricted cash and investments: | |
| California Asset Management Program | 8,780 |
| Guaranteed investment contracts | 972,285 |
| Money market | 4,144,777 |
| Repurchase agreements | 422,750 |
| Total restricted cash and investments | <u>5,548,592</u> |
| Total | <u>\$ 92,577,646</u> |

Cash and investments are presented on the Statement of Net Position as follows at June 30, 2014:

| | Government-Wide Statement of Net Assets | Fiduciary Funds Statement of Assets and Liabilities | Total |
|---------------------------------|---|--|----------------------|
| Cash and investments | \$ 81,569,621 | \$ 5,459,433 | \$ 87,029,054 |
| Restricted cash and investments | 731,273 | 4,817,319 | 5,548,592 |
| Total | <u>\$ 82,300,894</u> | <u>\$ 10,276,752</u> | <u>\$ 92,577,646</u> |

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds, except amounts required to be held with fiscal agents, so that it can be safely invested at maximum yield and liquidity. Investment income is allocated among funds on the basis of average month-end cash balances.

Restricted cash and investments at June 30, 2014 was \$5,548,592, which was held by trustees or fiscal agents. These funds may only be used for specific capital outlay or for the payment of certain bonds or tax allocation bonds, and have been invested only as permitted by State statutes or applicable City ordinance, resolution or bond indentures.

(b) Cash Deposits

The carrying amount of the City's cash deposits was \$15,937,573 at June 30, 2014. The bank balance at June 30, 2014, was \$16,743,314, which was fully insured and/or was collateralized with securities held by the pledging financial institutions in the City's name as described in the following paragraph.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The fair value of pledged government securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation or Savings Association Insurance Fund.

(c) Investments

The City's investment policy, bond indentures, and Section 53601 of the California Government Code allow the City to invest in the following types of investments:

- Securities of the U.S. Government or its agencies
- Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Investment Grade Medium Term Corporate Notes
- Repurchase Agreements
- Local Agency Investment Fund Deposits
- Insured Savings Accounts or Money Market Accounts
- Guaranteed Investment Contracts
- Mutual funds as permitted by the Code

The City did not enter into reverse repurchase agreements during the year ended June 30, 2014.

At June 30, 2014, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$2,197,834. This amount reflects the City's market value share in the pool. A factor of 100.0298750% was used to determine the market value. The total amount invested by all public agencies in LAIF at that day was \$64,846,169,129. Of that amount, 98.14% is invested in non derivative financial products and 1.86%, as compared to 1.96% in previous year, in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's position in the pool. Information is not available on whether the mutual funds in which the City has invested used, held or wrote derivative products during the fiscal year ended June 30, 2014.

As of June 30, 2014, the City's investment in the California Asset Management Program (CAMP) pool was \$8,780. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's position in the pool.

(d) Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment policy limits investments to a maximum maturity of five years.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



At June 30, 2014, the City had the following investment maturities:

| Investment Type | Fair Value | Investment Maturities (In Years) | | |
|-----------------------------|----------------------|----------------------------------|----------------------|---------------------|
| | | Less than 1 | 1 to 2 | 2 to 3 |
| U.S. Government securities | \$ 36,833,082 | \$ 22,826,965 | \$ 14,006,117 | \$ - |
| U.S. Government agencies | 10,402,306 | 1,031,617 | 6,398,116 | 2,972,573 |
| Medium-term corporate notes | 13,859,237 | 873,520 | 12,985,717 | - |
| Certificate of Deposit | 7,799,022 | 7,799,022 | - | - |
| Total | \$ 68,893,647 | \$ 32,531,124 | \$ 33,389,950 | \$ 2,972,573 |

(e) Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's and Moody's Investor's Service. At June 30, 2014, the City's credit risks, expressed on a percentage basis, were as follows:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments

| Investment Type | S&P's Credit Rating | % of Investments |
|-----------------------------|---------------------|------------------|
| U.S. Government securities | AA+ | 53.46% |
| U.S. Government agencies | AAA | 1.89% |
| U.S. Government agencies | AA+ | 10.48% |
| U.S. Government agencies | AA | 0.53% |
| U.S. Government agencies | AA- | 0.80% |
| U.S. Government agencies | A | 1.39% |
| Medium-term corporate notes | AA+ | 6.24% |
| Medium-term corporate notes | AA- | 1.06% |
| Medium-term corporate notes | AA | 1.94% |
| Medium-term corporate notes | A+ | 6.93% |
| Medium-term corporate notes | A | 3.95% |
| Certificate of Deposit | A-+1 | 4.42% |
| Certificate of Deposit | A-1 | 4.94% |
| Certificate of Deposit | A+ | 1.96% |
| Total | | 100.00% |

(f) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



NOTE 5 – MEASURE C SALES TAX

On June 11, 2013, the City Council approved Ordinance No. 2068-C-S providing for a half cent local transactions and use tax, which was approved by a majority of the electorate on November 5, 2013 and is referred to as Measure C, *Restoring Antioch Services Sales Tax*. The term of the tax is seven years from April 1, 2014 and requires the establishment of an oversight committee to review receipt and expenditure of funds. Although the tax was passed as a general measure, the City Council has committed use of the funds to enhance Police and Code Enforcement services.

In fiscal year 2014, \$949,591 was received. \$898,689 has been committed for Police Services in the General Fund fund balance to be spent in the next fiscal year and \$50,902 was placed in the Vehicle Repair & Replacement Internal Service Fund to purchase two police vehicles.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

(a) Current Balances

Current balances are expected to be repaid in the normal course of business during the following fiscal year. The City's current balances represent loans to cover temporary shortages of cash in individual funds.

The composition of interfund balances as of June 30, 2014, is as follows:

| Due to Other Funds | Due From Other Funds | |
|-----------------------------|----------------------|------------------------|
| | General Fund | Internal Service Funds |
| Nonmajor Governmental Funds | \$1,925,835 | \$106,469 |
| | <u>\$ 1,925,835</u> | <u>\$106,469</u> |

(b) Due from Successor Agency Trust Fund

At June 30, 2014, the Housing Fund has a receivable due from the Successor Agency Private Purpose Trust Fund in the amount of \$3,537,849. Prior to the dissolution of redevelopment, Health and Safety Code required Project Areas to annually set aside 20% of tax increment revenues for low and moderate income housing development. Project Area #1 was formed prior to the year this requirement was established and the Agency began repaying the unfunded set-aside in fiscal year 1997. With the dissolution of redevelopment pursuant to AB 1X 26 as amended by AB1484, this asset has been transferred to the Housing Successor Fund and related liability of the former Project Area #1 to the Successor Agency Trust. The liability is included on the Successor Agency's Enforceable Obligations Schedule and repayment will resume in the 2014-15 fiscal year as approved by the State of California Department of Finance.

(c) Transfers to/from Other Funds

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule summarizes transfers between funds. The most significant transfers which occurred were \$1,010,000 from the Gas Tax Special Revenue Fund and \$1,101,500 from the Street Impact Special Revenue Fund to the General Fund to pay for street maintenance.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



| Transfers In | | | | | | |
|---------------------|---------------------|---------------------|-----------------------------|-------------------------------|-------------------|---------------------|
| Transfers Out | Major Fund | | Major Fund | | | Total |
| | General Fund | Gas Tax | Nonmajor Governmental Funds | Prewett Water Park Enterprise | Internal Service | |
| | General Fund | \$ - | \$ - | \$ 1,151,301 | \$ 413,500 | |
| Gas Tax Fund | 1,010,000 | | 540,460 | - | - | 1,550,460 |
| Nonmajor: | | | | | | |
| Governmental | 2,246,395 | 1,000,000 | 671,302 | 35,000 | 64,597 | 4,017,294 |
| Water Enterprise | 257,000 | - | 135,382 | - | 134,508 | 526,890 |
| Sewer Enterprise | 257,000 | - | 123,405 | - | 134,508 | 514,913 |
| Marina Enterprise | - | - | 1,699 | - | - | 1,699 |
| Prewett Water Park | - | - | 9,543 | - | - | 9,543 |
| Internal Service | - | - | 4,965 | - | - | 4,965 |
| Total | \$ 3,770,395 | \$ 1,000,000 | \$ 2,638,057 | \$ 448,500 | \$ 633,613 | \$ 8,490,565 |

NOTE 7 - LOANS RECEIVABLE

The composition of the City's governmental activities loans receivable including interest as of June 30, 2014, is as follows:

| | |
|--|----------------------|
| Rental and Housing Rehabilitation Loans | \$ 3,017,776 |
| Multi-unit Rental Rehabilitation Loans: | |
| West Rivertown Apartments/Eden Housing Project | 6,490,452 |
| Terrace Glen Project | 2,022,631 |
| Pinecrest Apartment Project | 1,218,298 |
| Rivertown Senior Housing | 242,750 |
| Riverstone Apartment | 2,373,744 |
| Hillcrest Terrace Project | 1,348,153 |
| Tabora Gardens | 2,491,736 |
| NSP Loans | 49,135 |
| Lone Tree Golf Course | 1,122,165 |
| Other loans | 1,563,980 |
| Allowance | (1,707,084) |
| Total governmental activities (net) | <u>\$ 20,233,736</u> |

(a) Rental and Housing Rehabilitation Loans

The City administers rental and home improvement revolving loan funds using federal Community Development Block Grant (CDBG) funds and prior to 2013, redevelopment funds. The program provides below market rate loans, secured by deeds of trust, to eligible participants for rental and housing rehabilitation. Although payments for most loans are amortized over an established payment schedule,

some loans allow for deferred payment of accrued interest and principal until the homeowner's property is sold or transferred, primarily for seniors and very low-income families. Repayments received from the outstanding loans are used to make additional rental and housing rehabilitation loans. Principal and interest outstanding balances at June 30, 2014, are \$3,017,776.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



(b) Multi-Unit Rental Rehabilitation Loans

The City administers the following multi-unit rental improvement revolving loan funds using federal CDBG funds and prior to 2012, Antioch Development Agency Housing Set Aside monies.

West Rivertown Apartments/Eden Housing Project

The City and Agency have entered into three loan agreements with Eden Housing for the development of the West Rivertown Apartments. The agreements are as follows:

This project is the construction of a 57-unit, affordable housing townhouse development in the City's downtown with financing assistance from the Agency and several other agencies. In May 2000, the Agency entered into a disposition, development and loan agreement with Eden Rivertown Limited Partnership (the Developer). Under the terms of the loan agreement, the Developer must repay up to \$3,601,686 (maximum loan amount) to the Agency, which includes the purchase of the land from the Agency. The loan bears an interest rate of 3% per annum. The Developer is required to make annual payments of principal and interest to the Agency in the amount of 100% of residual receipts, less the portion of the residual receipts that is owed to Contra Costa County. Payments are to begin the July 1st after project completion and will end on the 55th anniversary date of the Agency promissory note dated February 11, 2002. Principal and interest outstanding at June 30, 2014 is \$4,791,064.

In 1994, the City loaned Community Housing Opportunities (CHOC) \$203,755 for the acquisition of property. CHOC determined that their planned development of this property was no longer feasible, and in November 2005, the City, the Agency, and CHOC agreed to the transfer of ownership of the property and loan to Eden Housing for the development of 40 units of affordable housing to expand the West Rivertown Project in the City's downtown. In order to complete the project, the Agency agreed to loan Eden Housing an additional \$1,458,400. The loan for \$203,755 is non-interest bearing and all principal and interest payments are deferred and will be forgiven at the expiration of the term. The loan for \$1,458,400 bears an interest rate of 3% per annum and will end on the 55th anniversary date of the issuance of certificates of occupancy by the City. Principal and interest outstanding on this loan at June 30, 2014 is \$1,495,633.

Terrace Glen Project

This project consists of a 32-unit, multifamily rental housing development. In August 1998, the City and former redevelopment agency made a commitment for \$850,000 in Community Development Block Grant (CDBG) funds, and \$547,625 in housing set-aside funds, respectively, towards this project. Commencing November 6, 1996, the loan accrues simple interest at 3% per annum. The 55-year term loan is secured by a deed of trust. Commencing on October 1, 1999, and on October 1 of each year thereafter, the developer will pay the City's/Agency's pro-rata percentage of the lender's share of residual receipts to the extent there are residual receipts. Payments will be first credited against accrued interest and then against principal. Any outstanding principal and interest is due and payable in full in March 2054. Principal and interest outstanding at June 30, 2014 is \$2,022,631.

Pinecrest Apartment Project

This project consists of a 24-residential unit development. In September 2000, the City and the former redevelopment agency made a commitment for \$570,000 in CDBG funds and \$300,000 in housing set-aside funds, respectively, towards this project. Commencing on the first date of disbursement, the loan accrues simple interest at 3% per annum. The 55-year term loan is secured by a deed of trust.

Commencing on May 1, 2002, and on May 1 of each year thereafter, the developer will pay the City a pro-rate percentage of the lender's share of residual receipts to the extent there are residual receipts.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



Payments will be first credited against accrued interest and then against principal. Any outstanding principal and interest is due and payable in full in May 2055. Principal and interest outstanding at June 30, 2014 is \$1,218,298.

Rivertown Senior Housing

This project consists of a fifty-unit, affordable senior housing project. In September 1992, the former redevelopment agency made a commitment for \$442,750 in housing set-aside funds toward this project. In September 2001, the loan was amended to reduce the principal amount by \$200,000 to reflect funds not borrowed for the project. The loan is noninterest bearing and secured by a deed of trust with affordable housing requirements for 40 years. The balance of the loan is due and payable on October 1, 2033. Principal outstanding at June 30, 2014 is \$242,750.

Riverstone Apartments

This project consists of acquisition and rehabilitation of 136 apartment rental units for low and very low income households. On July 1, 2007, the former redevelopment agency made a commitment for \$2,025,000 in housing set-aside funds toward this project. Commencing on the first date of disbursement, the loan accrues simple interest at 3% per annum. The 55-year loan term is secured by a deed of trust. Commencing on May 1st following the fifteenth anniversary of the first disbursement of the loan, and on May 1st of each year thereafter for the term of the loan, the developer will make repayments equal to the lesser of (i) the amount necessary to fully amortize the repayment of principal and interest on the loan for the remaining term or (ii) residual receipts. Payments will be first credited against accrued interest and then principal. Principal and interest outstanding at June 30, 2014 is \$2,373,744.

Hillcrest Terrace Project

This project consists of a 65-unit affordable senior housing project. In October 1998, the former redevelopment agency made a commitment for \$731,175 in housing set-aside funds towards this project. Commencing on the first date of disbursement, the loan accrues simple interest at 3% per annum. The 55-year term loan is secured by a deed of trust. Commencing on the June 1 after project completion, and on June 1 of each year thereafter, the developer will pay the Agency one-half of the residual receipts to the extent there is residual receipts. Payments will be first credited against accrued interest and then against principal. Any outstanding principal and interest is due and payable in full in June 2055. In September 2001, the Agency made a commitment of an additional \$200,000 due and payable October 1, 2038. Principal and interest outstanding for these loans at June 30, 2014 is \$1,348,153.

Tabora Gardens

This project consists of acquisition and development of 85 units of senior, multifamily housing affordable to low income households. On June 6, 2011, the former redevelopment agency made a commitment for \$300,000 in housing set-aside funds toward this project. Commencing on the first date of disbursement, the loan accrues simple interest at 3% per annum. The 58-year loan term is secured by a deed of trust. The loan is fully deferred and payment in full, including interest, is due upon expiration of the term. Principal and interest outstanding at June 30, 2014 is \$2,491,736.

NSP Loans

The City provides loans of CDBG Neighborhood Stabilization Program funds to low and moderate income eligible persons that purchase homes through the NSP program implemented by Heart and Hands of Compassion. The loans are to assist in the purchase of the properties. The loans expire 30 years from the date of the notes, and payments of principal and interest are deferred until the end of the term. The unpaid principal balance, plus any shared appreciation, is due and payable upon expiration of the term, transfer of the property, or default. As of June 30, 2014, there are four loans outstanding totaling \$49,135.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



(c) Lone Tree Golf Course

During fiscal year 2004-05, the City loaned the Lone Tree Golf Course monies to complete various improvements at the golf course. Annual interest only repayments began August 23, 2005. The loan agreement was amended in December 2007. The new term is for a term of 25 years from December 11, 2007 with interest being calculated based on the City's earnings on idle funds. The City has agreed to defer payment of the loan until the finances of the Golf Course stabilize. Principal outstanding at June 30, 2014, is \$900,000. During fiscal year 2005-06, the City loaned an additional \$296,220 to the Golf Course for parking lot improvements. The loan is non-interest bearing and deferred under the same terms of the previous loan. Principal outstanding on this loan is \$222,165 at June 30, 2014.

(d) Other Loans

The Agency administers a first time homebuyer loan program for qualified applicants. Principal is due at the end of 30 years or upon default, refinancing, sale or transfer of the property. The Agency is also entitled to a pro-rata share of appreciation on the property when the principal is paid. As of June 30, 2014 there is \$1,563,980 of loans outstanding.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

| | Balance July 1, 2013 | Additions | Reductions | Balance June 30, 2014 |
|--|-------------------------|---------------------|---------------------|--------------------------|
| Governmental activities | | | | |
| <i>Capital assets, not being depreciated</i> | | | | |
| Land | \$ 11,269,647 | \$ - | \$ - | \$ 11,269,647 |
| Construction in progress | 11,800,587 | 10,061,706 | 4,340,662 | 17,521,631 |
| Total capital assets, not being depreciated | <u>23,070,234</u> | <u>10,061,706</u> | <u>4,340,662</u> | <u>28,791,278</u> |
| <i>Capital assets, being depreciated</i> | | | | |
| Infrastructure | 392,305,380 | 8,575,190 | - | 400,880,570 |
| Structures and improvements | 76,888,334 | 223,584 | - | 77,111,918 |
| Equipment | 14,695,588 | 193,516 | 374,729 | 14,514,375 |
| Total capital assets, being depreciated | <u>483,889,302</u> | <u>8,992,290</u> | <u>374,729</u> | <u>492,506,863</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Infrastructure | (142,097,974) | (8,271,359) | - | (150,369,333) |
| Structures and improvements | (21,008,082) | (1,428,364) | - | (22,436,446) |
| Equipment | (10,508,839) | (612,479) | 354,492 | (10,766,826) |
| Total accumulated depreciation | <u>(173,614,895)</u> | <u>(10,312,202)</u> | <u>354,492</u> | <u>(183,572,605)</u> |
| Total capital assets, being depreciated, net | <u>310,274,407</u> | <u>(1,319,912)</u> | <u>20,237</u> | <u>308,934,258</u> |
| Governmental activities capital assets, net | <u>\$ 333,344,641</u> | <u>\$ 8,741,794</u> | <u>\$ 4,360,899</u> | <u>\$ 337,725,536</u> |
| Business-type activities | | | | |
| <i>Capital assets, not being depreciated</i> | | | | |
| Land | \$ 3,558,467 | \$ - | \$ - | \$ 3,558,467 |
| Construction in progress | 354,266 | 2,413,687 | 130,844 | 2,637,109 |
| Total capital assets, not being depreciated | <u>3,912,733</u> | <u>2,413,687</u> | <u>130,844</u> | <u>6,195,576</u> |
| <i>Capital assets, being depreciated</i> | | | | |
| Water and sewer pipes | 124,256,894 | 1,366,659 | - | 125,623,553 |
| Structures and improvements | 93,464,312 | 413,554 | - | 93,877,866 |
| Equipment | 4,304,391 | 92,629 | - | 4,397,020 |
| Total capital assets, being depreciated | <u>222,025,597</u> | <u>1,872,842</u> | <u>-</u> | <u>223,898,439</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Water and sewer pipes | (25,719,382) | (1,674,980) | - | (27,394,362) |
| Structures and improvements | (44,850,833) | (2,799,953) | - | (47,650,786) |
| Equipment | (3,418,905) | (115,015) | - | (3,533,920) |
| Total accumulated depreciation | <u>(73,989,120)</u> | <u>(4,589,948)</u> | <u>-</u> | <u>(78,579,068)</u> |
| Total capital assets, being depreciated, net | <u>148,036,477</u> | <u>(2,717,106)</u> | <u>-</u> | <u>145,319,371</u> |
| Business-type activities capital assets, net | <u>\$ 151,949,210</u> | <u>\$ (303,419)</u> | <u>\$ 130,844</u> | <u>\$ 151,514,947</u> |

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



Construction in Progress

Construction in progress for governmental activities primarily represents work being performed on Wilbur Avenue Bridge, Lone Tree Way intersection improvements, Deer Valley Road and Hillcrest Avenue improvements, and West Antioch Creek project.

Construction in progress for business type activities primarily represents work performed on water main replacement, water treatment plant improvements, sewer main replacement and the marina launch ramp project.

Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-----------------------------|
| General government | \$ 682,797 |
| Public works | 7,982,855 |
| Public safety | 350,523 |
| Parks and recreation | 801,744 |
| Community development | 1,000 |
| Depreciation of capital assets held by the City's Internal Service Fund is charged to the various functions based on their usage of the assets | 493,283 |
| Total depreciation expense - governmental functions | <u><u>\$ 10,312,202</u></u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|----------------------------|
| Water | \$ 2,289,439 |
| Sewer | 1,261,199 |
| Marina | 454,974 |
| Prewett Water Park | 584,336 |
| Total depreciation expense - business-type functions | <u><u>\$ 4,589,948</u></u> |

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



NOTE 9 - LONG-TERM OBLIGATIONS

(a) Long-Term Debt Composition

Long-term debt at June 30, 2014, consisted of the following:

| Type of Indebtedness (Purpose) | Final Maturity | Annual Principal Installment | Interest Rates | Original Issue Amount | Outstanding at June 30, 2014 |
|---|----------------|------------------------------|----------------|-----------------------|------------------------------|
| Governmental Activities: | | | | | |
| Lease Revenue Bonds: | | | | | |
| 2001 Issue - ABAG Golf Course | 7/1/31 | \$85,000-400,000 | 3.00-5.25% | \$ 6,300,000 | \$ 4,915,000 |
| Total lease revenue bonds | | | | 6,300,000 | 4,915,000 |
| Capital Lease: | | | | | |
| Honeywell Energy Retrofit | 7/21/20 | \$25,091-45,735 | 4.79% | 4,050,000 | 2,820,589 |
| Total governmental activities | | | | 10,350,000 | 7,735,589 |
| Business-type Activities: | | | | | |
| Loans Payable: | | | | | |
| State of California Antioch Marina Loan | 8/1/43 | \$7,655-122,321 | 4.7-7.9% | 6,500,000 | 3,001,182 |
| Long Term Payable: | | | | | |
| Delta Diablo Sanitation District | 12/31/30 | \$248,176-251,638 | 0.077% | 5,040,423 | 4,284,350 |
| Total business-type activities | | | | 11,540,423 | 7,285,532 |
| Total primary government | | | | \$ 21,890,423 | \$ 15,021,121 |

(b) Long-Term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2014 are as follows:

| | Balance July 1, 2013 | Increases | Decreases | Balance June 30, 2014 | Amount Due Within One Year |
|---------------------------------|----------------------|--------------|----------------|-----------------------|----------------------------|
| Governmental Activities | | | | | |
| Lease Revenue Bonds | \$ 5,080,000 | \$ - | \$ (165,000) | \$ 4,915,000 | \$ 175,000 |
| Unamortized Discount | (78,075) | - | 4,337 | (73,738) | - |
| Capital Lease Payable | 3,191,908 | - | (371,319) | 2,820,589 | 395,214 |
| Claims Liability (Note 14) | 610,307 | 795,117 | (886,355) | 519,069 | 519,069 |
| Compensated Absences | 2,249,102 | 238,696 | (267,496) | 2,220,302 | 222,030 |
| Total Governmental Activities | \$ 11,053,242 | \$ 1,033,813 | \$ (1,685,833) | \$ 10,401,222 | \$ 1,311,313 |
| Business-type Activities | | | | | |
| Water bonds | \$ 770,000 | \$ - | \$ (770,000) | \$ - | \$ - |
| Loans Payable | 3,152,388 | - | (151,206) | 3,001,182 | 158,010 |
| Long Term Payable | 4,536,376 | - | (252,026) | 4,284,350 | 252,026 |
| Compensated Absences | 450,566 | 32,995 | (27,993) | 455,568 | 45,556 |
| Total Business-type Activities | \$ 8,909,330 | \$ 32,995 | \$ (1,201,225) | \$ 7,741,100 | \$ 455,592 |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, claims and judgments are generally liquidated by the General Fund, and a majority of compensated absences are generally liquidated by the General Fund.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



(c) Debt Service Requirements

As of June 30, 2014, annual debt service requirements of governmental activities to maturity are as follows:

| Year ending June 30: | Lease Revenue Bonds | |
|----------------------|---------------------|---------------------|
| | Principal | Interest |
| 2015 | \$ 175,000 | \$ 241,445 |
| 2016 | 185,000 | 126,233 |
| 2017 | 190,000 | 223,738 |
| 2018 | 200,000 | 213,500 |
| 2019 | 210,000 | 203,000 |
| 2020-2024 | 1,235,000 | 840,125 |
| 2025-2029 | 1,575,000 | 490,625 |
| 2030-2032 | 1,145,000 | 87,625 |
| Total | <u>\$ 4,915,000</u> | <u>\$ 2,426,292</u> |

Principal and interest payments on the lease revenue bonds are payable from any revenue lawfully available to the City for the purpose of payment of Base Rental Payments. The City has a service concession arrangement with Antioch Public Golf Course, Inc. (Corporation) and as part of that arrangement the Corporation reimburses the City for the annual debt service as the bonds were issued to finance improvements at the golf course. The total principal and interest remaining to be paid on the bonds is \$7,341,292. For the current year, principal and interest paid were \$521,022.

As of June 30, 2014 annual debt service requirements of business-type activities to maturity are as follows:

| Year ending June 30: | Marina Loans | |
|----------------------|---------------------|---------------------|
| | Principal | Interest |
| 2015 | \$ 158,010 | \$ 135,053 |
| 2016 | 165,108 | 127,943 |
| 2017 | 141,340 | 120,513 |
| 2018 | 147,694 | 114,153 |
| 2019 | 98,528 | 107,506 |
| 2020-2024 | 457,792 | 473,761 |
| 2025-2029 | 541,147 | 365,798 |
| 2030-2034 | 674,367 | 232,578 |
| 2035-2039 | 580,910 | 74,007 |
| 2040 | 36,286 | 656 |
| Total | <u>\$ 3,001,182</u> | <u>\$ 1,751,968</u> |

(d) Capital Lease

In October 2009, the City entered into a lease-purchase agreement in the amount of \$4,050,000 with Bank of America to finance the acquisition and retrofitting of interior building lighting in City facilities, street lights and park and site lighting fixtures throughout the City. The lease has an imputed interest rate of 4.79% and requires monthly payments beginning in August 2010 until July 2020, when the lease will terminate and the City will obtain title to the property. The project was completed in December 2010. As of June 30, 2014, the net book value of the assets completed has been recorded as Improvements other than Buildings in the amount of \$4,053,145.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

| Year Ending June 30: | Governmental Activities |
|---|----------------------------|
| 2015 | \$ 521,729 |
| 2016 | 527,374 |
| 2017 | 533,076 |
| 2018 | 538,834 |
| 2019 | 544,651 |
| 2020-2021 | 596,442 |
| Total minimum lease payments | 3,262,106 |
| Less: amount representing interest | (441,517) |
| Present value of minimum lease payments | <u>\$ 2,820,589</u> |

(e) Long Term Payable

The City entered into a Joint Powers Agreement with Delta Diablo Sanitation District (DDSD) in November 2003 for DDSD to develop a recycled water program within City limits. As part of this agreement, DDSD would design, construct, own, operate and regulate all recycled water facilities to provide recycled water within the City of Antioch. The City would be responsible for 50% of the project cost, up to \$5,000,000 in principal with associated interest, of a loan DDSD obtained from the State Water Resources Control Board to complete the project. The project was completed in July 2011 and the City began paying a proportionate share of the project costs in December 2011. The total due at June 30, 2014 is \$4,284,350 representing the total share of principal and interest outstanding on the loan DDSD obtained. Repayment requirements are as follows:

| Year ending June 30: | Long Term Payable | |
|----------------------|---------------------|------------------|
| | Principal | Interest |
| 2015 | \$ 248,750 | \$ 3,276 |
| 2016 | 248,941 | 3,085 |
| 2017 | 249,133 | 2,893 |
| 2018 | 249,325 | 2,701 |
| 2019 | 249,517 | 2,509 |
| 2020-2024 | 1,250,470 | 9,661 |
| 2025-2029 | 1,255,291 | 4,840 |
| 2030-2031 | 503,376 | 582 |
| Total | <u>\$ 4,254,803</u> | <u>\$ 29,547</u> |

(f) Special Assessment Debt without City Commitment

The City is the collecting and paying agent for other special assessment debt, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in the City's financial statements. Cash held by the City on behalf of this district is recorded in the Agency Funds of the City. This district's outstanding debt balance at June 30, 2014 is as follows:

| | |
|---|--------------------|
| Lone Diamond Reassessment Revenue Bonds | <u>\$2,405,000</u> |
| Total | <u>\$2,405,000</u> |

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



(g) Legal Debt Limit

As of June 30, 2014, the City's debt limit and legal debt margin (15% of valuation subject to taxation) was \$1,170,912,502.

NOTE 10 - NET POSITION/FUND BALANCES

(a) Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted - This category presents 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 following amounts of net position are restricted by enabling legislation: \$116,257 pursuant to State Assembly Bill 1900 which restricts the use of funds for protection of tidelands areas; \$719,050 pursuant to the DIVCA Act of 2006 which restricts the use for Public, Educational and Governmental Programming (PEG).

Unrestricted - This category represents the portion of net position of the City, not restricted for any project or other purpose.

(b) Fund Balances

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. In fiscal year 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. Fund balances are classified into categories based upon the type of restrictions imposed on the use of funds.

As of June 30, 2014 components of fund balance are described below:

- *Nonspendable* – portion of net resources that cannot be spent because of its form (i.e., long term loans, prepaids).
- *Restricted* – portion of net resources that are limited in use by grantors, laws or enabling legislation.
- *Committed* – portion of net resources that are limited to the use as established by formal action of the City Council. Committed fund balance can only be modified or rescinded by formal action of the City Council through resolution.
- *Assigned* – portion of net resources held for the use as established by the City Manager or his designee. The City Council has granted this authority to the City Manager through resolution.
- *Unassigned* – portion of net resources that represents amounts in excess of the other fund balance components. Only the General Fund can have a positive unassigned fund balance.

City of Antioch
Notes to the Basic Financial Statements
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The City spends restricted fund balances first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Committed and assigned fund balances are considered to have been spent first before unassigned fund balances have been spent when expenditures are incurred for the purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following represents the components of fund balance for governmental funds:

| | Major Funds | | | | Non-major Governmental Funds | Total |
|-----------------------------|----------------------|---|---------------------|---------------------------|------------------------------------|----------------------|
| | General Fund | Housing and Community Development | Gas Tax | Housing Successor Fund | | |
| Nonspendable: | | | | | | |
| Petty cash and prepaids | \$ 205,758 | \$ - | \$ - | \$ 47,348 | \$ 94,815 | \$ 347,921 |
| Total nonspendable | 205,758 | - | - | 47,348 | 94,815 | 347,921 |
| Restricted for: | | | | | | |
| Housing & Development | - | 186,355 | - | 4,540,073 | - | 4,726,428 |
| Debt service | - | - | - | - | 731,420 | 731,420 |
| Streets | - | - | 6,981,220 | - | 3,029,739 | 10,010,959 |
| Parks | - | - | - | - | 37,334 | 37,334 |
| PEG Programming | - | - | - | - | 719,050 | 719,050 |
| Storm Channels | - | - | - | - | 2,669,211 | 2,669,211 |
| Landscape Maintenance | - | - | - | - | 1,322,639 | 1,322,639 |
| Tidelands Areas | - | - | - | - | 116,257 | 116,257 |
| Law Enforcement | - | - | - | - | 78,614 | 78,614 |
| Traffic Safety | - | - | - | - | 18,995 | 18,995 |
| Parks & Recreation | - | - | - | - | 180,256 | 180,256 |
| Animal Shelter | - | - | - | - | 27,844 | 27,844 |
| Abandoned Vehicle | - | - | - | - | 167,920 | 167,920 |
| Total restricted | - | 186,355 | 6,981,220 | 4,540,073 | 9,099,279 | 20,806,927 |
| Committed to: | | | | | | |
| Compensated absences | 98,586 | - | - | - | - | 98,586 |
| Litigation/Insurance | 500,000 | - | - | - | - | 500,000 |
| Police Services - Measure C | 898,689 | - | - | - | - | 898,689 |
| Parks | - | - | - | - | 1,278,692 | 1,278,692 |
| Landscape Maintenance | - | - | - | - | 23,705 | 23,705 |
| Arts & Cultural Activities | - | - | - | - | 23,020 | 23,020 |
| Recreation Programs | - | - | - | - | 1,130 | 1,130 |
| Field Maintenance | - | - | - | - | 94,566 | 94,566 |
| Memorial Field Maintenance | - | - | - | - | 21,050 | 21,050 |
| Road Repair | - | - | - | - | 35,688 | 35,688 |
| Waste Reduction | - | - | - | - | 388,417 | 388,417 |
| Youth Activities | - | - | - | - | 99,338 | 99,338 |
| Traffic Signals | - | - | - | - | 803,257 | 803,257 |
| Post Retirement Medical | - | - | - | - | 100,167 | 100,167 |
| Total committed | 1,497,275 | - | - | - | 2,869,030 | 4,366,305 |
| Assigned to: | | | | | | |
| Contractual Services | 125,549 | - | - | - | - | 125,549 |
| Parks & Recreation | - | - | - | - | 31,720 | 31,720 |
| Capital Projects | - | - | - | - | 357,996 | 357,996 |
| AD 26 | - | - | - | - | 378,921 | 378,921 |
| AD 27 | - | - | - | - | 1,527,983 | 1,527,983 |
| Total assigned | 125,549 | - | - | - | 2,296,620 | 2,422,169 |
| Unassigned | 9,006,013 | - | - | - | (3,886) | 9,002,127 |
| Total fund balances | \$ 10,834,595 | \$ 186,355 | \$ 6,981,220 | \$ 4,587,421 | \$ 14,355,858 | \$ 36,945,449 |

The City has established a fund balance policy for the General Fund requiring that the minimum unassigned fund balance be at least 10% of General Fund operating revenues, with a goal of reaching a minimum of 15% of operating revenues (including transfers). As of June 30, 2014, unassigned fund balance was 20.72% of total operating revenues.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



NOTE 11 - PENSION PLAN

(a) Plan Description

All permanent employees are eligible to participate in the Public Employees' Retirement Fund (the Fund) of California Public Employees' Retirement System (CALPERS). The Fund is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The fund provides retirement, disability, and death benefits based on the employees' years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at the age of 50 for public safety personnel or age 55 for miscellaneous employees. These benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the Fund's annual financial report may be obtained from CALPERS' executive office: 400 P Street, Sacramento, CA 95814. A separate report for the City's plan within the Fund is not available.

(b) Funding Policy

Public safety employees and all other employees have an obligation to contribute 9% and 8%, respectively, of their salary to the Fund. The City contributes the entire 9% for sworn police safety employees, the entire 8% for non-sworn police safety employees, and 7% to 8% of all other employees on their behalf and for their account depending on their bargaining unit. Beginning in fiscal year 2011, members of some bargaining groups began contributing a portion of the employer contributions. The City is required to contribute at an actuarially determined rate. The required employer contribution rates for fiscal year 2013/14 were 23.489% for miscellaneous employees and 31.680% for safety employees of annual covered payroll. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CALPERS.

(c) Annual Pension Cost

For fiscal year 2013/14, the City's annual pension cost of \$5,994,791 was equal to the required contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.30% to 14.20% depending on age, service, and type of employment; (c) inflation of 2.75%; (d) payroll growth of 3.00%; and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%. The actuarial value of the Fund's assets was determined using a technique that smoothes the effect of short-term volatility of the market value of investments over a three-year period. Unfunded actuarial accrued liability (UAAL) (or excess assets) is being amortized as a level percentage of projected payroll costs on a closed basis. The remaining amortization period as of June 30, 2011, was 28 years and 21 years for the miscellaneous and safety, respectively.

City of Antioch
Notes to the Basic Financial Statements
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(d) Three-Year Trend Information

The following table shows the City's required contributions and the percentage contributed, for the current year and each of the preceding two years.

| Miscellaneous Plan | | | | Safety Plan | | | |
|--------------------|---------------------------|-------------------------------|------------------------|-------------------|---------------------------|-------------------------------|------------------------|
| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation | Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 6/30/2012 | \$ 2,039,099 | 100.0% | - | 6/30/2012 | \$ 3,171,925 | 100.0% | - |
| 6/30/2013 | 2,352,076 | 100.0% | - | 6/30/2013 | 3,341,083 | 100.0% | - |
| 6/30/2014 | 2,642,613 | 100.0% | - | 6/30/2014 | 3,352,178 | 100.0% | - |

(e) Status and Funding Progress

Miscellaneous Employees: As of June 30, 2013, the most recent actuarial valuation date, the plan was 69.4% funded. The actuarial accrued liability for benefits was \$139,659,447, and the actuarial value of assets was \$96,941,333, resulting in an unfunded accrued liability of \$42,718,114.

**Miscellaneous Employees Retirement System
Funded Status of Plan**

| Valuation Date* | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Status | | Annual Covered Payroll | Unfunded Liability As A % of Payroll |
|-----------------|------------------------------------|---------------------------|--------------------|---------------|-------|------------------------|--------------------------------------|
| | | | | AVA | MVA | | |
| 6/30/2013 | \$ 139,659,447 | \$ 96,941,333 | \$ 42,718,114 | 69.4% | 69.4% | \$ 11,703,846 | 365.0% |

Public Safety Employees: As of June 30, 2013, the most recent actuarial valuation date, the plan was 72.5% funded. The actuarial accrued liability for benefits was \$128,001,706, and the market value of assets was \$92,776,441, resulting in an unfunded accrued liability of \$35,225,265.

**Public Safety Employees Retirement System
Funded Status of Plan**

| Valuation Date* | Entry Age Normal Accrued Liability | Share of Pools Market Value of Assets | Unfunded Liability | Funded Status | | Annual Covered Payroll | Unfunded Liability As A % of Payroll |
|-----------------|------------------------------------|---------------------------------------|--------------------|---------------|-------|------------------------|--------------------------------------|
| | | | | AVA | MVA | | |
| 6/30/2013 | \$ 128,001,706 | \$ 92,776,441 | \$ 35,225,265 | 72.5% | 72.5% | \$ 10,339,017 | 340.7% |

*most current information

The required schedule of funding progress immediately following the notes to the financial statements presents additional, multi-year, trend information about whether the actuarial or market value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Antioch
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NOTE 12 – SUPPLEMENTARY RETIREMENT PLAN

(a) Plan Description

Employees are eligible to receive benefits under this plan if he or she meets the requirements under one of the three tiers of the plan. The fund is an agent multiple-employer defined benefit plan established under Section 401 (a) and tax-exempt under Section 501 (a) of the Internal Revenue Code of 1986 and meets the requirements of a pension trust under California Government Code Sections 53215-53224. The trust is maintained by Public Agency Retirement Services (PARS) and provides for retirement, survivor continuance, pre-retirement disability and pre-retirement death benefits based upon the tier the member qualifies within. Employee vesting is determined within each tier:

- Tier I – Designated eligible employee by Plan Administrator that has terminated from employment and applied for benefits under plan vest immediately.
- Tier II – Vest after five years of employment.
- Tier III – Employee vested if a full time Sworn Police Officer on or after September 1, 2007 and has terminated employment and concurrently retires under a disability or industrial disability retirement under CALPERS.

These benefit provisions and all other requirements are established by State Statute and City ordinance. Copies of the Fund's annual financial report may be obtained from PARS office: P.O. Box 12919, Newport Beach, CA 92658-2919. A separate report for the City's plan within the fund is not available.

(a) Funding Policy

There is no requirement imposed by PARS to contribute any amount beyond the pay as you go contributions. For the fiscal year 2014, the City made a total of \$129,559 in pay as you go contributions.

(b) Annual Pension Cost

The amount necessary to fund future benefits is based on projections from the June 30, 2013 Actuarial Study completed by Bartel and Associates, LLC using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include (a) 4.0% investment rate of return; (b) projected salary increases at 3.25% in the aggregate; (c) inflation of 3.0% and (d) individual salary growth based on merit increases per the CalPERS 1997-2011 Experience Study. The remaining amortization period as of June 30, 2013 was sixteen years for the plan.

City of Antioch
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The following table shows the components of the City's annual pension cost for the year, the amount actually contributed to the plan, and changes in the City's net pension obligation to the Supplementary Retirement Plan:

| | |
|---|--------------------------|
| Annual Required Contributions | \$ 186,000 |
| Interest on net pension obligation | 20,106 |
| Adjustment to annual required contributions | <u>(43,730)</u> |
| Annual Pension Cost | 162,376 |
| Contributions Made | <u>(129,559)</u> |
| Increase in net pension obligation | 32,817 |
| Net pension obligation - beginning of year | <u>502,644</u> |
| Net pension obligation - end of year | <u><u>\$ 535,461</u></u> |

The net position obligation is liquidated by the General Fund.

(c) Trend Information

The following information shows the City's required contributions and the percentage contributed for the current year and prior two fiscal years.

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6/30/2012 | \$ 224,696 | 33.8% | \$ 354,764 |
| 6/30/2013 | 228,843 | 35.4% | 502,644 |
| 6/30/2014 | 162,376 | 79.8% | 535,461 |

(d) Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 2.4% funded. The actuarial accrued liability for benefits was \$2,008,000, and the actuarial value of assets, which is the same as the market value, was \$49,000, resulting in an unfunded accrued liability of \$1,959,000.

| Valuation Date* | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Status | AVA | MVA | Annual Covered Payroll | Unfunded Liability As A % of Payroll |
|--------------------|---|---------------------------------|-----------------------|------------------|------|--------------|------------------------------|---|
| 6/30/2013 | \$ 2,008,000 | \$ 49,000 | \$ 1,959,000 | 2.4% | 2.4% | \$ 6,549,000 | 29.9% | |

*most current information

The required schedule of funding progress immediately following the notes to the financial statements presents additional, multi-year, trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.



NOTE 13 - POST EMPLOYMENT MEDICAL BENEFITS

(a) Medical After Retirement Plan Trust

Plan Description. City of Antioch provides postretirement medical benefits to all eligible employees and their surviving spouses under the provisions of three formal City-sponsored plans (Miscellaneous Group, Management Group and Police Group). The effective date varies based upon the employee's classification and related memorandum of understanding (MOU). For all employees who retire from service (either regular retirement or disability retirement), the City shall pay a portion of their medical premiums based on their respective MOU currently in effect. The City's contributions are advanced-funded on an actuarially determined basis and recorded in the CalPERS Trust (CERBT). The Fund is a Section 115 Trust set up for the purpose of receiving employer contributions that will prefund health and other post employment benefit costs for retirees and their beneficiaries. As of June 30, 2014, there were 192 active participants and there were 174 retired participants eligible to receive post employment health care benefits. While the City currently maintains three Special Revenue Funds to account for the payment of retiree medical benefits and reimbursements for these costs from the trust for each plan group (combined for financial reporting purposes), the CERBT accounts for the separate plans in one trust account. The City makes contributions to the CERBT based on a percentage of active employee payroll.

Funding Policy. There is no requirement imposed by CalPERS, to contribute any amount beyond the pay-as-you-go contributions. The cost of monthly insurance premiums may be shared between the retiree and the City. The cost sharing varies depending on: date of hire; the dependent status; and plan selected. A minimum employer monthly contribution requirement is established and may be amended by the CalPERS Board of Administration and applicable laws. Within the parameters of the law, individual contracting agencies, such as the City, are allowed to establish and amend the level of contributions made by the employer towards the monthly cost of the plans. Changes to the employer contribution amount towards retiree benefits are recorded in a resolution adopted by the City Council. The City has elected a five year amortization period for the Other Post Employment Benefits ("OPEB") plan assets deposited into the CERBT, permitted under GASB Statement 45 paragraph 13F, amortization periods allow for a maximum of 30 years with no minimum years.

The City has established a policy to make contributions, for the purpose of funding its calculated obligations over a period of time, enough to pay current benefits due, with the intent to make the full ARC contributions (16.5% of payroll for fiscal year 2014) as fiscal conditions improve, to the CERBT each year. The amount necessary to fund future benefits is based on projections from the January 1, 2011 Actuarial Study completed by Bickmore Risk Services in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

For fiscal year 2014, the City made a total of \$1,165,474 in contributions.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City of Antioch annual OPEB costs for the year segregated to show amounts by each City sponsored plan(although combined in the trust), the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the City Retiree Health Plan (in thousands):

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



| | Miscellaneous | Management | Police | Total |
|---|---------------|------------|------------|------------|
| Annual Required Contributions | \$ 721 | \$ 426 | \$ 2,167 | \$ 3,314 |
| Interest on net OPEB obligation | (25) | (45) | 131 | 61 |
| Adjustment to annual required contributions | 28 | 47 | (139) | (64) |
| Annual OPEB Cost | 724 | 428 | 2,159 | 3,311 |
| Contributions Made | 285 | 528 | 352 | 1,165 |
| Increase in net OPEB obligation | (439) | 100 | (1,807) | (2,146) |
| Net OPEB Obligation - beginning of year | 519 | 930 | (2,724) | (1,275) |
| Net OPEB Obligation - end of year | \$ 80 | \$ 1,030 | \$ (4,531) | \$ (3,421) |

The following shows the calculation of the Annual Required Contributions for FY 2014 (in thousands):

| | Miscellaneous | Management | Police | Total |
|------------------------------------|---------------|------------|----------|----------|
| Normal Cost at Year End | \$ 347 | \$ 98 | \$ 1,033 | \$ 1,478 |
| Amortization of UAAL | 341 | 308 | 1,035 | 1,684 |
| Interest | 33 | 20 | 99 | 152 |
| Annual Required Contribution (ARC) | \$ 721 | \$ 426 | \$ 2,167 | \$ 3,314 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan (shown by City sponsored plan), and the net OPEB asset (obligation) for FY2014 and the two previous years were as follows (in thousands):

| Miscellaneous | | | |
|-------------------|------------------|------------------------------|------------|
| Fiscal Year Ended | Annual OPEB Cost | % of Annual OPEB Contributed | OPEB Asset |
| 6/30/2012 | \$ 381 | 73% | \$ 903 |
| 6/30/2013 | 687 | 44% | 519 |
| 6/30/2014 | 724 | 39% | 80 |

| Management | | | |
|-------------------|------------------|------------------------------|------------|
| Fiscal Year Ended | Annual OPEB Cost | % of Annual OPEB Contributed | OPEB Asset |
| 6/30/2012 | \$ 359 | 151% | \$ 806 |
| 6/30/2013 | 422 | 129% | 930 |
| 6/30/2014 | 429 | 123% | 1,030 |

| Police | | | |
|-------------------|------------------|------------------------------|-------------------------|
| Fiscal Year Ended | Annual OPEB Cost | % of Annual OPEB Contributed | OPEB Asset (Obligation) |
| 6/30/2012 | \$ 1,211 | 25% | \$ (1,054) |
| 6/30/2013 | 2,017 | 17% | (2,724) |
| 6/30/2014 | 2,158 | 16% | (4,531) |

OPEB Internal Service Funds typically have been used in prior years to liquidate the net OPEB obligation, however during the fiscal year, the City started using a Special Revenue Fund instead of the Internal Service Funds to liquidate the liability.

City of Antioch
Notes to the Basic Financial Statements
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Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plan was 18.1% funded. The actuarial accrued liability for benefits was \$45,977 (in thousands), and the actuarial value of assets was \$8,328 (in thousands), resulting in an unfunded accrued liability of \$37,669 (in thousands).

California Employers' Retiree Benefit Trust*
Funded Status of Plan

| Valuation Date: | Actuarial Accrued Liability (AAL) | Actuarial Value of Assets | Unfunded Actuarial Accrued Liability (UAAL) | Funded Status | | Annual Covered Payroll | Unfunded Liability As A % of Payroll |
|-----------------|-----------------------------------|---------------------------|---|---------------|-------|------------------------|--------------------------------------|
| | | | | AVA | MVA | | |
| 7/1/13 | \$45,997* | \$8,328* | \$37,669* | 18.1% | 18.1% | \$19,548* | 192.7% |

*The three City sponsored plans are maintained in one CERBT account; amounts in 000's

The required schedule of funding progress immediately following the notes to the financial statements presents additional, multi-year, trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions used include (a) a 4.79% investment rate of return; (b) projected salary increases at 3.25% per year; (c) inflation of 3.00% and (d) healthcare cost trend rates ranging between 4.50% and 8.5% between 2015 and 2024, with annual increases of 4.64% from 2025 and thereafter for City contributions linked to a specific medical plan and annual increases of 4.50% from 2015 and thereafter for City contributions that are capped. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years on a closed basis. The remaining amortization period as of June 30, 2014 was 24 years for the plan.

(b) Medical After Retirement Plan Account

Employees hired after September 1, 2007 are not eligible for post employment medical benefits as defined in the previous plan. The City has created a medical after retirement program in which the City will contribute 1.5% of the employee's base monthly salary into an account established for the employee to be used for future medical benefits. This plan is being administered by Operating Engineers Local 3. The City will match an additional amount of up to 1.0% of the employee contribution, for a total City contribution not to exceed 2.5%. Employees have the right to their individual plan upon separation of employment. As of June 30, 2014, there were 49 participants in the plan. During the year, the City contributed \$55,474 towards employee accounts.

City of Antioch
Notes to the Basic Financial Statements
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NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The City currently reports its risk management activities in its General Fund and Loss Control Internal Service Fund.

The City participates in the Municipal Pooling Authority (MPA), a joint powers agency (risk-sharing pool) established to provide an independently managed self-insurance program for members. The purpose of MPA is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense.

The City's deductibles and maximum coverage follow:

| Coverage | Deductible | MPA | Excess Liability |
|----------------------|------------------------------------|----------------------|--|
| General liability | \$50,000 | \$50,001-\$1,000,000 | \$1,000,001-\$29,000,000 |
| Workers compensation | \$0 | \$0-\$500,000 | \$500,001-\$50,000,000 |
| Property damage | \$25,000 all risk; \$100,000 flood | \$0 | \$1 billion all risk; \$25,000,000 flood |

The City contributes its pro rata share of anticipated losses to a pool administered by MPA. Should actual losses among participants be greater than the anticipated losses, the City will be assessed retrospectively its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. The City paid premiums of \$2,154,188 during the year ended June 30, 2014. MPA has obtained excess general liability coverage in the amount of \$28,000,000 for total coverage of \$29,000,000 through participation in the California Joint Powers Risk Management Association. MPA has also purchased excess property damage coverage through various commercial carriers. Settled claims have not exceeded this excess liability coverage in any of the past three fiscal years.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenditures are included in the liability balance. These losses include an estimate of claims that have been incurred but not reported. The claim liability balances at June 30, 2014 are discounted at 2.5%. This liability is the City's best estimate based on available information. Changes in the reported liability resulted from the following:

| | Beginning of Fiscal Year Liability | Deductibles and Charges in Estimates | Payments | End of Fiscal Year Liability |
|-----------|--|--|------------|------------------------------------|
| 2011-2012 | \$ 409,278 | \$ 847,254 | \$ 592,447 | \$ 664,085 |
| 2012-2013 | 664,085 | 481,110 | 534,888 | 610,307 |
| 2013-2014 | 610,307 | 795,117 | 886,355 | 519,069 |

City of Antioch
Notes to the Basic Financial Statements
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NOTE 15 – SERVICE CONCESSION ARRANGEMENT FOR GOLF COURSE

In 1982, the City entered into an agreement with Antioch Public Golf Course, Inc., (Corporation) under which the Corporation will operate, manage and collect user fees from the Lone Tree Golf Course through 2017. The Corporation's sole purpose is to efficiently operate the golf course so that excess revenues may be returned to the course for improvements to the course and its related facilities and encourage the public to play golf in the City. The Corporation is not required to share any percentage of its revenues with the City. Since the inception of the agreement, the City has financed improvements to the existing facility with the issuance of ABAG Lease Revenue Bonds. The Corporation reimburses the City for the cost of annual debt service on the bonds and a corresponding revenue amount is recognized for these repayments. The City reports the golf course and improvements as capital assets with a carrying value of \$8,524,362. As the assets are required to be returned to the City at the end of the agreement in their original condition, the assets are not being depreciated.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

(a) Antioch Area Public Facilities Financing Agency

The City and Antioch Unified School District (School District) are members of the Antioch Area Public Facilities Financing Agency (AAPFFA), a community facilities district comprising part of the City and the School District. The AAPFFA was formed to finance construction and acquisition of school facilities for the School District and public facilities for the City. The AAPFFA is controlled by a governing board consisting of seven members: two members of the City Council, two members of the District Board and three members from the general public. The board controls the operation and finances of the AAPFFA independent of influence by the City, and the AAPFFA is therefore excluded from the City's reporting entity.

The AAPFFA has issued Special Tax Bonds to finance various school district and City projects. These bonds are to be repaid out of a special tax levied on property owners of the community facilities district comprising the AAPFFA. During the fiscal year ended June 30, 2014 the AAPFFA contributed \$5,139 of bond proceeds to the City to finance construction of the City's Prewett Community Center. This contribution has been recorded as revenue from other agencies in the City's Capital Projects Funds. The City acts as fiscal agent for the AAPFFA. The City's Finance Department maintains accounting records and processes receipts and disbursements. The AAPFFA's financial statements are available by contacting the City of Antioch, Finance Department, P.O. Box 5007, Antioch, CA 94531-5007, 925-779-7055.

(b) Contra Costa County Home Mortgage Finance Authority

The City and Contra Costa County are members of the Contra Costa Home Mortgage Financing Authority (Home Mortgage). The Home Mortgage issued 1984 Home Mortgage Revenue Bonds for the purpose of facilitating the financing of low-income home mortgages in the City and County. The City made no contributions to the Home Mortgage during the fiscal year ended June 30, 2014. The Home Mortgage is governed by a board consisting of representatives of the County and City. The board controls the operations and finances of the Authority, independent of influence by the City. Therefore, the Home Mortgage is excluded from the City's reporting entity. The Home Mortgage's financial statements are available by contacting the Contra Costa County Community Development Department, 651 Pine Street, Martinez, CA 94553-1229, 925-646-4208.

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



NOTE 17 - COMMITMENTS AND CONTINGENCIES

(a) Grants

The City participates in Federal and State grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the Federal Single Audit Act Amendments of 1996, and applicable Federal and State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

(b) Pending Litigation

The City is a defendant in a number of lawsuits, which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions when finally adjudicated will not have a material adverse effect on the financial position of the City.

(c) Slatten Ranch

Slatten Ranch Regional Retail Shopping Center Agreements - When the Slatten Ranch regional retail shopping center was contemplated, the City and developers recognized the significant street and traffic improvements would be necessary to make the project possible. Slatten Ranch developers and retailers were encouraged to locate in Antioch due to the City's announced intention to participate in the infrastructure costs. The City agreed to pay the shopping center developers \$2,000,000 in ten annual installment payments of \$200,000 each (no interest). The first payment was made on June 18, 2005, and the final payment was made on June 18, 2014. The second reimbursement agreement required the City to pay Slatten Ranch Regional Retail Shopping Center a cash \$500,000 down payment toward the cost of the shopping center developers' extension of Lone Tree Way (\$741,964) upon the Target Store opening for business (October 6, 2003), followed by two annual payments thereafter of the remaining construction cost, plus 8% interest.

(d) Construction Commitments

Among the significant construction commitments were \$656,101 towards Wilbur Avenue Bridge, \$137,209 towards the West Antioch Creek project, and \$81,000 towards Lone Tree Way Intersection Improvements.

(e) Redevelopment Dissolution

The State of California Department of Finance completed its review of the Due Diligence Review of Other Funds and Accounts of the former Antioch Development Agency required under the Dissolution Act. In May 2013, the City was ordered to return \$803,883 in funds to the Successor Agency for disallowed transfers from the former Antioch Development Agency to the City which occurred after January 1, 2011, but prior to the redevelopment dissolution date of February 1, 2012. The City and Successor Agency are continuing to challenge the determination made, and as such, the City has only returned \$34,925 of the funds to the Successor Agency as of June 30, 2014, with \$768,958 remaining under dispute.

NOTE 18 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

- (a)** On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

City of Antioch
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The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012/07.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between the redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill. The State Controller conducted the review of the former Antioch Development Agency in late August 2013.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City as the activities are under control of an Oversight Board which is comprised of seven members, five of which represent taxing entities, one member is a former redevelopment agency employee and one member is appointed by the Mayor. The State of California Department of Finance has final approval of all actions of the Successor Agency. The City provides administrative services to the Successor Agency to wind down the affairs of the former Antioch Development Agency.

(b) Loans Receivable

The composition of the Successor Agency’s loans receivable as of June 30, 2014 is as follows:

| | |
|------------------------|-----------------|
| Vineyard Business Park | <u>\$27,051</u> |
|------------------------|-----------------|

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



(1) Vineyard Business Park

In November 2000, the former Antioch Development Agency entered into an 18-month lease agreement for the Vineyard Business Park. The Agency was obligated to lease 33,000 square feet of space until new tenants were assigned, or the end of the agreement, whichever occurred first. The lessor was then obligated to repay rents collected from the Agency at 10% per year for 10 years following the end of the agreement. Repayment of the \$99,753 obligation began in March 2004. The balance outstanding at June 30, 2014 is \$27,051.

(c) Capital Assets

In March 2011, the former Antioch Development Agency entered into a property conveyance agreement with the City for 25 parcels. In the prior fiscal year, the State of California Department of Finance ordered the return of 21 of the parcels, deeming them not to be for governmental purpose, thus disallowing the transfer of the assets. The parcels have been transferred back from the City and are now being held by the Successor Agency until ultimate disposition is determined and approved by the Department of Finance through a long range property management plan as required under the Dissolution Act.

Capital asset activity for the year ended June 30, 2014 was as follows:

| | July 1, 2013 | Additions | June 30, 2014 |
|---|---------------------|--------------------|---------------------|
| <i>Nondepreciable</i> | | | |
| Land | \$ 2,372,607 | \$ - | \$ 2,372,607 |
| <i>Depreciable</i> | | | |
| Buildings | 542,609 | - | 542,609 |
| Improvements other than buildings | 14,431 | - | 14,431 |
| Total depreciable assets, gross | <u>557,040</u> | <u>-</u> | <u>557,040</u> |
| <i>Less accumulated depreciation for:</i> | | | |
| Buildings | 319,971 | 18,087 | 338,058 |
| Improvements other than buildings | 9,380 | 481 | 9,861 |
| Total accumulated depreciation | <u>329,351</u> | <u>18,568</u> | <u>347,919</u> |
| Total depreciable assets, net | <u>227,689</u> | <u>(18,568)</u> | <u>209,121</u> |
| Capital assets, net | <u>\$ 2,600,296</u> | <u>\$ (18,568)</u> | <u>\$ 2,581,728</u> |

(d) Long-Term Obligations

The Successor Agency is responsible for three outstanding bonds of the former redevelopment agency and one bond of the Antioch Public Financing Authority. Although issued by the Antioch Public Finance Authority, repayment for the 2002 Lease Revenue Bonds is pledged for repayment by the former Antioch Development Agency therefore the associated liability has been transferred to the Successor Agency Trust. A description of the bonds, including a schedule of changes in long term obligations and debt service requirements to maturity follows.

City of Antioch
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(1) Long-Term Debt Composition

| Type of Indebtedness (Purpose) | Final Maturity | Annual Principal Installment | Interest Rates | Original Issue Amount | Outstanding at June 30, 2014 |
|--|----------------|------------------------------|----------------|-----------------------|------------------------------|
| Tax Allocation Bonds: | | | | | |
| 2000 - ADA Project 1 Refunding | 9/1/17 | \$200,000-1,380,000 | 4.2-5.0% | \$ 14,450,000 | \$ 5,110,000 |
| 2009 - ADA Project 1 | 9/1/27 | \$95,343-142,289 | 2.60% | 2,080,841 | 1,694,977 |
| Total tax allocation bonds | | | | <u>16,530,841</u> | <u>6,804,977</u> |
| Lease Revenue Bonds: | | | | | |
| 2002 Issue - APFA Municipal Facilities, Series A&B | 1/1/32 | \$495,000-9,740,000 | 4.375-5.63% | 24,610,000 | 21,980,000 |
| Total lease revenue bonds | | | | <u>24,610,000</u> | <u>21,980,000</u> |
| Total long-term obligations | | | | <u>\$ 41,140,841</u> | <u>\$ 28,784,977</u> |

(2) Long-Term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2014 are as follows:

| | Balance July 1, 2013 | Increases | Decreases | Balance June 30, 2014 | Amount Due Within One Year |
|--|----------------------|-------------|-----------------------|-----------------------|----------------------------|
| 1994 Tax Allocation Bonds | \$ 240,000 | \$ - | \$ (240,000) | \$ - | \$ - |
| 2000 Tax Allocation Bonds | 6,240,000 | - | (1,130,000) | 5,110,000 | 1,185,000 |
| 2009 Tax Allocation Bonds | 1,794,313 | - | (99,336) | 1,694,977 | 101,919 |
| 2002 Lease Revenue Bonds | 22,400,000 | - | (420,000) | 21,980,000 | 475,000 |
| Unamortized Premiums | 165,899 | - | (10,375) | 155,524 | - |
| Total obligations held by the Successor Agency Trust | <u>\$ 30,840,212</u> | <u>\$ -</u> | <u>\$ (1,899,711)</u> | <u>\$ 28,940,501</u> | <u>\$ 1,761,919</u> |

(3) Debt Service Requirements

As of June 30, 2014, annual debt service requirements of governmental activities to maturity are as follows:

| Year ending June 30: | Tax Allocation Bonds | | Lease Revenue Bonds | |
|----------------------|----------------------|-------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 1,286,919 | \$ 266,329 | \$ 475,000 | \$ 1,222,319 |
| 2016 | 1,344,569 | 204,536 | 535,000 | 1,196,194 |
| 2017 | 1,412,288 | 138,931 | 600,000 | 1,166,769 |
| 2018 | 1,490,077 | 68,980 | 670,000 | 1,133,019 |
| 2019 | 112,939 | 31,581 | 740,000 | 1,095,331 |
| 2020-2024 | 610,300 | 111,709 | 5,000,000 | 4,758,063 |
| 2025-2029 | 547,885 | 28,947 | 3,725,000 | 3,218,219 |
| 2030-2034 | - | - | 10,235,000 | 1,688,775 |
| Total | <u>\$ 6,804,977</u> | <u>\$ 851,013</u> | <u>\$ 21,980,000</u> | <u>\$ 15,478,688</u> |

City of Antioch
Notes to the Basic Financial Statements
For the year ended June 30, 2014



Interest payments and bond retirements are serviced by revenues generated by the tax increment from the former redevelopment agency. Contra Costa County remits funds from the Redevelopment Property Tax Retirement Trust Fund to the Successor Agency to pay enforceable obligations of the former agency every six months.

(e) Restatement of Beginning Net Position

The Successor Agency restated beginning net position due to the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*. Net position was reduced by \$488,026 as a result of removing deferred charges for bond issuance costs.

| | Original | Deferred Bond Charges | Restated |
|--------------|----------------|--------------------------|----------------|
| Net Position | (\$27,417,771) | (\$488,026) | (\$28,202,797) |

NOTE 19 – SUBSEQUENT EVENT

Management has evaluated subsequent events through December 8, 2014, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

NOTE 20 – RESTATEMENT OF BEGINNING NET POSITION

The City restated beginning net position for governmental activities due to the following:

- Implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*. Net position was reduced by \$141,574 as a result of removing deferred charges for bond issuance costs.

| | Original | Deferred Bond Issuance Costs | Restated |
|---|---------------|---------------------------------|---------------|
| Net Position (Governmental Activities) | \$384,921,467 | (\$141,574) | \$384,779,893 |

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REQUIRED SUPPLEMENTARY INFORMATION

City of Antioch
Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Schedule of Revenues and Transfers In - General Fund

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| FUNCTION/ACTIVITY: | | | | |
| TAXES | | | | |
| Property secured | \$ 6,188,450 | \$ 6,447,278 | \$ 6,652,867 | \$ 205,589 |
| Property in lieu of VLF | 5,071,265 | 5,284,929 | 5,284,929 | - |
| Property unsecured | 281,085 | 281,085 | 291,504 | 10,419 |
| Property other | 365,400 | 365,400 | 372,103 | 6,703 |
| Sales and use tax | 11,609,194 | 11,773,097 | 11,586,861 | (186,236) |
| Sales and use tax - Measure C | - | 500,000 | 898,689 | 398,689 |
| Motor vehicle in-lieu | - | 44,596 | 44,596 | - |
| Transient lodging tax | 75,000 | 75,000 | 95,187 | 20,187 |
| Franchises - other | 7,650 | 7,780 | 7,700 | (80) |
| Franchises - gas | 156,020 | 165,190 | 165,190 | - |
| Franchises - electric | 365,585 | 376,641 | 376,641 | - |
| Franchises - cable tv | 1,143,370 | 1,176,673 | 1,196,292 | 19,619 |
| Franchises - garbage | 914,635 | 914,635 | 917,943 | 3,308 |
| Business license tax (Gross Receipts) | 1,139,000 | 1,140,000 | 1,171,535 | 31,535 |
| Property transfer tax | 330,000 | 330,000 | 363,051 | 33,051 |
| Total taxes | 27,646,654 | 28,882,304 | 29,425,088 | 542,784 |
| LICENSES AND PERMITS | | | | |
| Bicycle licenses | 40 | 6 | 6 | - |
| Building permits | 1,000,000 | 1,000,000 | 1,026,273 | 26,273 |
| Street & curb permits | 150,000 | 150,000 | 136,984 | (13,016) |
| Wide vehicle/overload | 2,000 | 11,000 | 8,544 | (2,456) |
| Technology fee | 22,500 | 22,500 | 21,131 | (1,369) |
| Energy Inspection Fee | 22,500 | 22,500 | 21,058 | (1,442) |
| Pool Safety Fee | 300 | 468 | 588 | 120 |
| Accessibility Fee (Non-Resident) | 2,000 | 2,000 | 1,516 | (484) |
| Green Bldg Verification & Compliance | 80,000 | 85,000 | 86,668 | 1,668 |
| Total licenses and permits | 1,279,340 | 1,293,474 | 1,302,768 | 9,294 |
| FINES AND PENALTIES | | | | |
| Vehicle code fines | 25,000 | 45,300 | 67,424 | 22,124 |
| Non-traffic fines | 25,000 | 119 | 191 | 72 |
| Total fines and penalties | 50,000 | 45,419 | 67,615 | 22,196 |
| INVESTMENT INCOME AND RENTALS | | | | |
| Investment income | 50,000 | 40,000 | 72,415 | 32,415 |
| Rent and concessions | 420,690 | 455,415 | 464,224 | 8,809 |
| Total investment income and rentals | 470,690 | 495,415 | 536,639 | 41,224 |
| REVENUE FROM OTHER AGENCIES | | | | |
| Homeowners property tax relief | 70,000 | 70,000 | 74,287 | 4,287 |
| P.O.S.T. reimbursements | 12,000 | 12,000 | 18,901 | 6,901 |
| Grant reimbursements | 470,761 | 267,218 | 300,214 | 32,996 |
| EBART contributions/reimbursement | 135,000 | - | - | - |
| Total revenue from other agencies | 687,761 | 349,218 | 393,402 | 44,184 |

City of Antioch
Required Supplementary Information, Continued
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Schedule of Revenues and Transfers In - General Fund

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| FUNCTION/ACTIVITY, Continued: | | | | |
| CURRENT SERVICE CHARGES | | | | |
| Administrative services | 89,300 | 89,300 | 91,691 | 2,391 |
| Special police services | 769,180 | 802,016 | 803,908 | 1,892 |
| False alarm fees | 49,000 | 61,878 | 70,962 | 9,084 |
| Plan checking fees | 410,000 | 363,220 | 422,408 | 59,188 |
| Planning fees | 44,000 | 54,177 | 52,112 | (2,065) |
| Inspection fees | 50,000 | 80,000 | 148,206 | 68,206 |
| Special public works services | 24,400 | 22,540 | 20,540 | (2,000) |
| Other service charges | 16,000 | 22,594 | 25,256 | 2,662 |
| Assessment fees | 62,500 | 114,669 | 208,933 | 94,264 |
| Charges for services | 5,386,408 | 5,389,917 | 5,169,706 | (220,211) |
| Billings to Department | 262,123 | 226,566 | 219,212 | (7,354) |
| Total current service charges | 7,162,911 | 7,226,877 | 7,232,934 | 6,057 |
| OTHER REVENUES | | | | |
| Miscellaneous revenue | 530,600 | 871,312 | 724,731 | (146,581) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in: | | | | |
| Gas Tax Fund | 1,010,000 | 1,010,000 | 1,010,000 | - |
| Pollution Elimination | 265,781 | 266,958 | 259,400 | (7,558) |
| Street Impact | 1,101,500 | 1,101,500 | 1,101,500 | - |
| Street Light and Landscape Maintenance Districts | 522,011 | 522,294 | 520,480 | (1,814) |
| Supplementary Law Enforcement Grant | 160,658 | 160,658 | 180,485 | 19,827 |
| Local Law Enforcement Block Grant | 64,028 | 79,063.00 | 106,280 | 27,217 |
| Traffic Safety | 80,000 | 80,000 | 78,250 | (1,750) |
| Water Fund | 265,000 | 257,000 | 257,000 | - |
| Sewer Fund | 265,000 | 257,000 | 257,000 | - |
| Total transfers in | 3,733,978 | 3,734,473 | 3,770,395 | 35,922 |
| Total other financing sources | 3,733,978 | 3,734,473 | 3,770,395 | 35,922 |
| Total general fund revenues and other financing sources | \$ 41,561,934 | \$ 42,898,492 | \$ 43,453,572 | \$ 555,080 |

(Concluded)

City of Antioch
Required Supplementary Information, Continued
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Schedule of Expenditures and Transfers Out - General Fund

| FUNCTION/ACTIVITY: | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| City Council | \$ 162,387 | \$ 166,055 | \$ 153,541 | \$ 12,514 |
| City Attorney | 498,947 | 478,615 | 429,471 | 49,144 |
| City Manager | 503,422 | 555,176 | 548,669 | 6,507 |
| City Clerk | 350,967 | 319,598 | 314,127 | 5,471 |
| City Treasurer | 220,623 | 193,556 | 187,883 | 5,673 |
| Personnel Services | 661,435 | 662,879 | 605,730 | 57,149 |
| Economic Development | 606,359 | 632,678 | 535,000 | 97,678 |
| Finance/Purchasing | 1,341,919 | 1,314,565 | 1,284,000 | 30,565 |
| Warehouse & Central Stores | 13,416 | 13,420 | 12,915 | 505 |
| Emergency Services | 10,777 | 16,337 | 13,733 | 2,604 |
| Non-Departmental | 1,600,492 | 1,577,538 | 1,499,744 | 77,794 |
| Total general government | 5,970,744 | 5,930,417 | 5,584,813 | 345,604 |
| PUBLIC WORKS | | | | |
| Maintenance Administration | 349,644 | 335,680 | 329,632 | 6,048 |
| General Maintenance Services | 55,377 | 51,891 | 50,971 | 920 |
| Street Maintenance | 1,784,440 | 1,540,914 | 1,337,754 | 203,160 |
| Engineering and Land Development | 977,076 | 988,955 | 920,651 | 68,304 |
| Signal & Street Lighting | 839,763 | 858,387 | 702,595 | 155,792 |
| Striping & Signing | 679,552 | 708,536 | 649,424 | 59,112 |
| Facilities Maintenance | 534,411 | 596,192 | 483,026 | 113,166 |
| Park Maintenance | 785,687 | 888,251 | 792,236 | 96,015 |
| Median and General Landscape | 396,188 | 394,610 | 354,909 | 39,701 |
| Capital Improv/Engineering Administration | 173,360 | 68,450 | 41,256 | 27,194 |
| Engineering Services | 167,539 | 158,686 | 116,895 | 41,791 |
| Work Alternative | 131,562 | 134,116 | 118,801 | 15,315 |
| Total public works | 6,874,599 | 6,724,668 | 5,898,150 | 826,518 |
| PUBLIC SAFETY | | | | |
| Administration | 3,627,331 | 3,732,636 | 3,696,769 | 35,867 |
| Police Reserve | 7,675 | 7,541 | 6,578 | 963 |
| Prisoner Custody | 605,874 | 424,621 | 407,986 | 16,635 |
| Community Policing Division | 16,366,048 | 16,341,868 | 15,953,798 | 388,070 |
| Traffic Division | 867,153 | 572,851 | 571,507 | 1,344 |
| Investigation | 2,718,621 | 2,696,491 | 2,751,658 | (55,167) |
| Special Operations Unit | 1,193,144 | 1,008,993 | 1,013,457 | (4,464) |
| Communications | 2,554,645 | 2,518,973 | 2,388,056 | 130,917 |
| Community Volunteer | 85,287 | 81,450 | 76,126 | 5,324 |
| Facility Maintenance | 540,898 | 545,954 | 494,027 | 51,927 |
| Total public safety | 28,566,676 | 27,931,378 | 27,359,962 | 571,416 |

(Continued)

City of Antioch
Required Supplementary Information, Continued
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Schedule of Expenditures and Transfers Out - General Fund

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| COMMUNITY DEVELOPMENT | | | | |
| Office of the Director | 638,865 | 631,545 | 617,921 | 13,624 |
| Land Planning Services | 524,086 | 644,850 | 534,652 | 110,198 |
| Neighborhood Improvement | 303,001 | 278,769 | 238,984 | 39,785 |
| Building Inspections | 769,992 | 646,344 | 629,578 | 16,766 |
| Total community development | 2,235,944 | 2,201,508 | 2,021,135 | 180,373 |
| Total current expenditures | 43,647,963 | 42,787,971 | 40,864,060 | 1,923,911 |
| OTHER FINANCING USES: | | | | |
| Transfers out: | | | | |
| Animal Control | 569,673 | 490,900 | 475,708 | 15,192 |
| Antioch WaterPark | 299,000 | 304,740 | 413,500 | (108,760) |
| Equipment Maintenance | - | 100,000 | 100,000 | - |
| Vehicle Replacement | - | 200,000 | 200,000 | - |
| Recreation | 441,224 | 494,650 | 505,734 | (11,084) |
| Downtown Street Light & Landscape District | 165,000 | 165,000 | 128,000 | 37,000 |
| Honeywell Capital Lease | 41,860 | 41,860 | 41,859 | 1 |
| Total transfers out | 1,516,757 | 1,797,150 | 1,864,801 | (67,651) |
| Total general fund expenditures and other financing uses | \$ 45,164,720 | \$ 44,585,121 | \$ 42,728,861 | \$ 1,856,260 |

(Concluded)

City of Antioch
Required Supplementary Information, Continued
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Special Revenue Fund - Housing and Community Development

| | Budget | | Actual | Variance With |
|---|--------------------|------------------|-----------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| REVENUES: | | | | |
| Investment income and rentals | \$ 350 | \$ 1,000 | \$ 1,502 | \$ 502 |
| Revenue from other agencies | 1,005,590 | 822,418 | 159,989 | (662,429) |
| Current service charges | - | - | 95,923 | 95,923 |
| Other | 104,250 | 227,443 | 228,023 | 580 |
| Total revenues | 1,110,190 | 1,050,861 | 485,437 | (565,424) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 1,137,110 | 1,050,886 | 513,948 | 536,938 |
| Total expenditures | 1,137,110 | 1,050,886 | 513,948 | 536,938 |
| REVENUES OVER (UNDER) EXPENDITURES | (26,920) | (25) | (28,511) | (28,486) |
| Net change in fund balances | \$ (26,920) | \$ (25) | (28,511) | \$ (28,486) |
| FUND BALANCES: | | | | |
| Beginning of year | | | 214,866 | |
| End of year | | | \$ 186,355 | |

City of Antioch
Required Supplementary Information, Continued
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Special Revenue Fund - Gas Tax

| | Budget | | Actual | Variance With |
|---|-----------------------|---------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| REVENUES: | | | | |
| Taxes | \$ 2,450,304 | \$ 3,052,070 | \$ 3,285,859 | \$ 233,789 |
| Investment income and rentals | 15,000 | 30,000 | 50,248 | 20,248 |
| Revenues from other agencies | 5,503,000 | 8,725,285 | 6,996,702 | (1,728,583) |
| Other | - | 78,944 | 78,944 | - |
| Total revenues | 7,968,304 | 11,886,299 | 10,411,753 | (1,474,546) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 347,135 | 1,228,249 | 1,228,249 | - |
| Capital outlay | 9,583,000 | 10,771,906 | 9,764,925 | 1,006,981 |
| Total expenditures | 9,930,135 | 12,000,155 | 10,993,174 | 1,006,981 |
| REVENUES OVER (UNDER) EXPENDITURES | (1,961,831) | (113,856) | (581,421) | (467,565) |
| OTHER FINANCING (USES): | | | | |
| Transfers in | - | 1,000,000 | 1,000,000 | - |
| Transfers (out) | (1,550,461) | (1,550,461) | (1,550,460) | 1 |
| Total other financing (uses) | (1,550,461) | (550,461) | (550,460) | 1 |
| Net change in fund balances | \$ (3,512,292) | \$ (664,317) | (1,131,881) | \$ (467,564) |
| FUND BALANCES: | | | | |
| Beginning of year | | | 8,113,101 | |
| End of year | | | \$ 6,981,220 | |

City of Antioch
Required Supplementary Information, Continued
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Special Revenue Fund - Housing Successor

| | Budget | | Actual | Variance With |
|---|---------------------|-------------------|---------------------|------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Investment income and rentals | \$ 5,000 | \$ 5,000 | \$ 7,806 | \$ 2,806 |
| Other | 5,000 | 230,841 | 278,367 | 47,526 |
| Total revenues | 10,000 | 235,841 | 286,173 | 50,332 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 174,617 | 134,236 | 105,037 | 29,199 |
| Total expenditures | 174,617 | 134,236 | 105,037 | 29,199 |
| REVENUES OVER (UNDER) EXPENDITURES | (164,617) | 101,605 | 181,136 | 79,531 |
| Net change in fund balances | \$ (164,617) | \$ 101,605 | 181,136 | \$ 79,531 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 4,406,285 | |
| End of year | | | <u>\$ 4,587,421</u> | |

City of Antioch
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION UNFUNDED LIABILITY

Miscellaneous Employees Retirement System
Funded Status of Plan

| Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Status* | | Annual Covered Payroll | Unfunded Liability as a % of Payroll |
|----------------|------------------------------------|---------------------------|--------------------|----------------|-------|------------------------|--------------------------------------|
| | | | | AVA | MVA | | |
| 6/30/2011 | \$ 129,429,446 | \$ 105,248,476 | \$ 24,180,970 | 81.3% | 72.0% | \$ 11,380,100 | 212.5% |
| 6/30/2012 | 134,895,892 | 107,226,991 | 27,668,901 | 79.5% | 66.3% | 10,741,015 | 257.6% |
| 6/30/2013 | 139,659,447 | 96,941,333 | 42,718,114 | 69.4% | 69.4% | 11,703,846 | 365.0% |

*Beginning with the 6/30/13 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy

Public Safety Employees Retirement System
Funded Status of Plan

| Valuation Date | Entry Age Normal Accrued Liability | Share of Pool's Market Value of Assets | Unfunded Liability | Funded Status | | Annual Covered Payroll | Unfunded Liability as a % of Payroll |
|----------------|------------------------------------|--|--------------------|---------------|-------|------------------------|--------------------------------------|
| | | | | AVA | MVA | | |
| 6/30/2011 | \$ 108,171,871 | \$ 77,808,741 | \$ 30,363,130 | 71.9% | 71.9% | \$ 10,548,579 | 287.8% |
| 6/30/2012 | 115,040,150 | 78,131,476 | 36,908,674 | 67.9% | 67.9% | 9,936,555 | 371.4% |
| 6/30/2013 | 128,001,706 | 92,776,441 | 35,225,265 | 72.5% | 72.5% | 10,339,017 | 340.7% |

Supplementary Retirement Plan
Funded Status of Plan

| Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Status | | Annual Covered Payroll | Unfunded Liability as a % of Payroll |
|----------------|------------------------------------|---------------------------|--------------------|---------------|------|------------------------|--------------------------------------|
| | | | | AVA | MVA | | |
| 6/30/2009 | \$ 1,026,000 | \$ - | \$ 1,026,000 | 0.0% | 0.0% | \$ 9,915,000 | 10.3% |
| 6/30/2011 | 1,731,000 | 38,000 | 1,693,000 | 2.2% | 0.0% | 7,897,000 | 21.4% |
| 6/30/2013 | 2,008,000 | 49,000 | 1,959,000 | 2.4% | 2.4% | 6,549,000 | 29.9% |

California Employers' Retiree Benefit Trust
Funded Status of Plan

| Valuation Date | Actuarial Accrued Liability (AAL) | Actuarial Value of Assets | Unfunded Actuarial Accrued Liability (UAAL) | Funded Status | | Annual Covered Payroll | Unfunded Liability as a % of Payroll |
|----------------|-----------------------------------|---------------------------|---|---------------|-------|------------------------|--------------------------------------|
| | | | | AVA | MVA | | |
| 1/1/2011 | \$ 25,338,471 | \$ 7,375,365 | \$ 17,963,106 | 29.1% | 29.1% | \$ 18,786,946 | 95.6% |
| 7/1/2011 | 38,433,174 | 7,454,949 | 30,978,225 | 19.4% | 19.4% | 18,786,946 | 164.9% |
| 7/1/2013 | 45,996,778 | 8,328,210 | 37,668,568 | 18.1% | 18.1% | 19,548,456 | 192.7% |

City of Antioch
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

BUDGETARY BASIS OF ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a minute order.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level without City Council approval.
5. The City adopts a one year budget for its General Fund, Special Revenue Funds and Capital Projects Funds. Debt Service Funds budgetary control is achieved through bond indenture provisions.
6. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Amounts presented include amendments approved by the City Council.
7. Encumbrance accounting is employed as an extension of formal budgetary integration in the City's governmental funds. Encumbrances outstanding at year end are reported as assignments of fund balances, since they do not yet constitute expenditures or liabilities. Encumbrances are reappropriated in the following year. Unexpended appropriations lapse at year end.

SUPPLEMENTAL INFORMATION

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City of Antioch
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total |
|--|--------------------------|-----------------------|--------------------------|----------------------|
| ASSETS | | | | |
| Cash and investments | \$ 12,097,681 | \$ - | \$ 2,439,840 | \$ 14,537,521 |
| Accounts, net | 1,435,841 | 918,758 | 1,162,022 | 3,516,621 |
| Tax | 364,437 | - | - | 364,437 |
| Interest | - | 2 | - | 2 |
| Prepaid items | 94,221 | - | 154 | 94,375 |
| Restricted cash and investments | - | 731,273 | - | 731,273 |
| Total assets | \$ 13,992,180 | \$ 1,650,033 | \$ 3,602,016 | \$ 19,244,229 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,286,251 | \$ - | \$ 312,847 | \$ 1,599,098 |
| Accrued payroll | 97,022 | - | 2,368 | 99,390 |
| Deposits | 664,108 | - | 415,483 | 1,079,591 |
| Due to other funds | 503,541 | 918,613 | 610,150 | 2,032,304 |
| Unearned revenue | 77,988 | - | - | 77,988 |
| Total liabilities | 2,628,910 | 918,613 | 1,340,848 | 4,888,371 |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Petty cash and prepaid items | 94,661 | - | 154 | 94,815 |
| Restricted for: | | | | |
| Debt service | - | 731,420 | - | 731,420 |
| Streets | 3,029,739 | - | - | 3,029,739 |
| Parks | 37,334 | - | - | 37,334 |
| PEG Programming | 719,050 | - | - | 719,050 |
| Storm Channels | 2,669,211 | - | - | 2,669,211 |
| Landscape Maintenance | 1,322,639 | - | - | 1,322,639 |
| Tidelands Areas Protection | 116,257 | - | - | 116,257 |
| Law Enforcement | 78,614 | - | - | 78,614 |
| Traffic Safety | 18,995 | - | - | 18,995 |
| Parks & Recreation | 180,256 | - | - | 180,256 |
| Animal Shelter Maintenance /Operation | 27,844 | - | - | 27,844 |
| Abandoned Vehicle | 167,920 | - | - | 167,920 |
| Committed to: | | | | |
| Parks | 1,278,692 | - | - | 1,278,692 |
| Landscape Maintenance | 23,705 | - | - | 23,705 |
| Arts & Cultural Activities | 23,020 | - | - | 23,020 |
| Recreation Programs | 1,130 | - | - | 1,130 |
| Field Maintenance | 94,566 | - | - | 94,566 |
| Memorial Field Maintenance | 21,050 | - | - | 21,050 |
| Road Repair | 35,688 | - | - | 35,688 |
| Waste Reduction | 388,417 | - | - | 388,417 |
| Youth Activities/Building Maintenance | 99,338 | - | - | 99,338 |
| Traffic Signals | 803,257 | - | - | 803,257 |
| Post Retirement Medical | 100,167 | - | - | 100,167 |
| Assigned to: | | | | |
| Parks & Recreation | 31,720 | - | - | 31,720 |
| Capital Projects | - | - | 357,996 | 357,996 |
| AD 26 | - | - | 378,921 | 378,921 |
| AD 27 | - | - | 1,527,983 | 1,527,983 |
| Unassigned | - | - | (3,886) | (3,886) |
| Total fund balances | 11,363,270 | 731,420 | 2,261,168 | 14,355,858 |
| Total liabilities and fund balances | \$ 13,992,180 | \$ 1,650,033 | \$ 3,602,016 | \$ 19,244,229 |

City of Antioch

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2014

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total |
|---|--------------------------|-----------------------|--------------------------|----------------------|
| REVENUES: | | | | |
| Taxes | \$ 1,589,467 | \$ - | \$ - | \$ 1,589,467 |
| Fines and penalties | 78,198 | - | - | 78,198 |
| Investment income and rentals | 473,537 | 426,534 | 24,186 | 924,257 |
| Revenue from other agencies | 1,572,141 | - | 1,121,283 | 2,693,424 |
| Current service charges | 2,896,889 | - | 109,745 | 3,006,634 |
| Special assessment revenue | 2,903,706 | - | - | 2,903,706 |
| Other | 407,726 | - | 35,978 | 443,704 |
| Total revenues | 9,921,664 | 426,534 | 1,291,192 | 11,639,390 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 768,831 | 3,816 | - | 772,647 |
| Public works | 802,277 | - | 521,249 | 1,323,526 |
| Public safety | 1,426,048 | - | - | 1,426,048 |
| Parks and recreation | 3,330,461 | - | - | 3,330,461 |
| Community development | 306,141 | - | 58,691 | 364,832 |
| Capital outlay | 1,930,576 | - | 2,866,130 | 4,796,706 |
| Debt service: | | | | |
| Principal retirement | - | 536,319 | - | 536,319 |
| Interest and fiscal charges | - | 396,285 | - | 396,285 |
| Total expenditures | 8,564,334 | 936,420 | 3,446,070 | 12,946,824 |
| REVENUES OVER (UNDER) EXPENDITURES | 1,357,330 | (509,886) | (2,154,878) | (1,307,434) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 1,200,108 | 516,139 | 921,810 | 2,638,057 |
| Transfers (out) | (4,017,294) | - | - | (4,017,294) |
| Total other financing sources (uses) | (2,817,186) | 516,139 | 921,810 | (1,379,237) |
| Net change in fund balances | (1,459,856) | 6,253 | (1,233,068) | (2,686,671) |
| FUND BALANCES: | | | | |
| Beginning of year | 12,823,126 | 725,167 | 3,494,236 | 17,042,529 |
| End of year | <u>\$ 11,363,270</u> | <u>\$ 731,420</u> | <u>\$ 2,261,168</u> | <u>\$ 14,355,858</u> |

NON-MAJOR SPECIAL REVENUE FUNDS

These funds account for the proceeds derived from special revenue sources, which are legally restricted to expenditures for specified purposes.

Delta Fair Property Fund

This fund accounts for revenues resulting from the sale or lease of surplus right-of-way property acquired from the State. In accordance with agreements with the State, expenditures must be for park and recreational facilities.

Recreation Programs

This fund accounts for revenue received to cover the costs of recreation programs provided by the City's Leisure Services Divisions.

Animal Control Fund

This fund accounts for revenues and expenditures of the City's animal services program. A portion of the revenues required to operate this function comes from animal licenses and shelter, adoption, handling, and impound fees. The remainder comes from a subsidy transfer from the General Fund.

Civic Arts Fund

This fund accounts for money specifically set aside for art programs and projects. Revenues come from a percentage of the City's Transient Occupancy Tax. Expenditures are for a variety of programs in the fund and performing arts, as well as projects such as Art in Public Places.

Park in Lieu Fund

This fund accounts for revenues from park dedication fees required of all new construction. Monies are accumulated in accounts allocated to certain parks on the basis of the area in which the construction is taking place. These funds are then appropriated and spent for park development.

Senior Bus Fund

This fund accounts for the City's Senior Bus Program, which provides door-to-door transportation to frail, elderly, and disabled individuals. Revenue sources are grant funds through the Metropolitan Transportation Commission and fees paid by riders and the Antioch Committee on Aging.

Abandoned Vehicles Fund

This fund accounts for revenue from AB 4114, which charges a \$1.00 fee on the registration of all vehicles located in the City. The funds are received from the County and are used to remove abandoned vehicles from City streets.

Traffic Signal Fee Fund

This fund accounts for fees from developers for all new traffic signal construction.

Asset Forfeitures Fund

This fund was established to account for the proceeds from sales of assets seized in connection with drug enforcement. These proceeds are to be used for law enforcement purposes.

Measure J Growth Management Program Fund

This fund accounts for Measure J Funds, which are used to construct roads.

NON-MAJOR SPECIAL REVENUE FUNDS, Continued

Child Care Fund

This fund accounts for lease revenue received and City expenditures relating to the child care center leased from the City by the YWCA.

Tidelands Assembly Bill 1900

In 1990, the California State Legislature passed legislation that created tidelands entitlement areas. Funds are generated by payments from the lessees of the City's tidelands areas. This revenue is limited to improving accessibility and/or protection of the City's waterfront areas.

Maintenance Districts

Established to account for revenue and related expenditures of lighting and landscape activities.

Solid Waste Reduction AB 939

Under AB 939, a special fee is levied by the State against each ton of solid waste, which is disposed at landfill sites. A portion of this fee goes back to the cities on a quarterly basis for use in achieving AB 939 goals.

Pollution Elimination

This fund was established to account for activities related to the National Pollution Discharge Elimination Program. The purpose of this program is to monitor and reduce storm water pollution.

Supplemental Law Enforcement

This fund accounts for supplemental public safety funding allocated in AB 3229. Funds must be used for front-line police services and must supplement and not supplant existing funding for law enforcement services.

Street Impact Fund

This fund accounts for franchise taxes received.

Traffic Safety Fund

This fund accounts for fines and forfeitures received under Section 1463 of the Penal Code. Funds shall be used exclusively for official traffic control devices, the maintenance thereof, equipment and supplies for traffic law enforcement and traffic accident prevention.

PEG Franchise Fee Fund

This fund accounts for a 1% fee collected from video franchises to support local Public, Educational and Governmental Programming (PEG).

Post Retirement Medical

This fund is used to pay post retirement medical benefits for retirees under the following categories: Miscellaneous, Police, and Management employees.

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City of Antioch
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2014

| | Delta Fair Property | Recreation Programs | Animal Control | Civic Arts | Park in Lieu | Senior Bus | Abandoned Vehicles |
|--|------------------------|------------------------|-------------------|------------------|---------------------|-------------------|-----------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ 37,334 | \$ 602,334 | \$ 91,542 | \$ 13,486 | \$ 2,143,741 | \$ 211,976 | \$ 162,247 |
| Receivables: | | | | | | | |
| Accounts, net | - | 25,187 | 12,413 | - | 20,628 | - | 11,185 |
| Taxes | - | - | - | 9,534 | - | - | - |
| Prepaid items | - | 747 | - | - | - | - | - |
| Total assets | \$ 37,334 | \$ 628,268 | \$ 103,955 | \$ 23,020 | \$ 2,164,369 | \$ 211,976 | \$ 173,432 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ - | \$ 98,782 | \$ 43,860 | \$ - | \$ 885,013 | \$ - | \$ 5,510 |
| Accrued payroll | - | 40,036 | 21,966 | - | 664 | - | 2 |
| Deposits | - | 293,529 | 10,285 | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| Unavailable revenue | - | 77,988 | - | - | - | - | - |
| Total liabilities | - | 510,335 | 76,111 | - | 885,677 | - | 5,512 |
| Fund balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Petty cash and prepaid items | - | 1,187 | - | - | - | - | - |
| Restricted for: | | | | | | | |
| Streets | - | - | - | - | - | - | - |
| Parks | 37,334 | - | - | - | - | - | - |
| PEG Programming | - | - | - | - | - | - | - |
| Storm Channels | - | - | - | - | - | - | - |
| Landscape Maintenance | - | - | - | - | - | - | - |
| Tidelands Areas Protection | - | - | - | - | - | - | - |
| Law Enforcement | - | - | - | - | - | - | - |
| Traffic Safety | - | - | - | - | - | - | - |
| Parks & Recreation | - | - | - | - | - | 180,256 | - |
| Animal Shelter Maintenance /Operation | - | - | 27,844 | - | - | - | - |
| Abandoned Vehicle | - | - | - | - | - | - | 167,920 |
| Committed to: | | | | | | | |
| Parks | - | - | - | - | 1,278,692 | - | - |
| Landscape Maintenance | - | - | - | - | - | - | - |
| Arts & Cultural Activities | - | - | - | 23,020 | - | - | - |
| Recreation Programs | - | 1,130 | - | - | - | - | - |
| Field Maintenance | - | 94,566 | - | - | - | - | - |
| Memorial Field Maintenance | - | 21,050 | - | - | - | - | - |
| Road Repair | - | - | - | - | - | - | - |
| Waste Reduction | - | - | - | - | - | - | - |
| Youth Activities/Building Maintenance | - | - | - | - | - | - | - |
| Traffic Signals | - | - | - | - | - | - | - |
| Post Retirement Medical | - | - | - | - | - | - | - |
| Assigned to: | | | | | | | |
| Parks & Recreation | - | - | - | - | - | 31,720 | - |
| Total fund balances | 37,334 | 117,933 | 27,844 | 23,020 | 1,278,692 | 211,976 | 167,920 |
| Total liabilities and fund balances | \$ 37,334 | \$ 628,268 | \$ 103,955 | \$ 23,020 | \$ 2,164,369 | \$ 211,976 | \$ 173,432 |

| | | Measure J | | | | | | | |
|--------------------|-------------------|---------------------------|------------|--------------------------------|-------------------------------|------------------------------|------------------------------|-----------------------|--|
| Traffic Signal Fee | Asset Forfeitures | Growth Management Program | Child Care | Tidelands Assembly Bill - 1900 | Lighting & Landscape District | Park 1A Maintenance District | Solid Waste Reduction AB 939 | Pollution Elimination | |
| \$ 803,257 | \$ 418,178 | \$ 1,977,477 | \$ 105,338 | \$ 116,257 | \$ 1,497,628 | \$ 24,987 | \$ 431,220 | \$ 2,727,478 | |
| - | - | 1,071,465 | - | - | 4,674 | 940 | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | 6,020 | - | - | - | - | 160 | - | 1,343 | |
| \$ 803,257 | \$ 424,198 | \$ 3,048,942 | \$ 105,338 | \$ 116,257 | \$ 1,502,302 | \$ 26,087 | \$ 431,220 | \$ 2,728,821 | |
| \$ - | \$ 2,200 | \$ 12,654 | \$ - | \$ - | \$ 158,708 | \$ 1,918 | \$ 26,787 | \$ 50,819 | |
| - | - | 3,029 | - | - | 20,955 | 304 | 2,618 | 7,448 | |
| - | 337,376 | 3,520 | 6,000 | - | - | - | 13,398 | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | 339,576 | 19,203 | 6,000 | - | 179,663 | 2,222 | 42,803 | 58,267 | |
| - | 6,020 | - | - | - | - | 160 | - | 1,343 | |
| - | - | 3,029,739 | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | 2,669,211 | |
| - | - | - | - | - | 1,322,639 | - | - | - | |
| - | - | - | - | 116,257 | - | - | - | - | |
| - | 78,602 | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | 23,705 | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | 388,417 | - | |
| - | - | - | 99,338 | - | - | - | - | - | |
| 803,257 | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | |
| 803,257 | 84,622 | 3,029,739 | 99,338 | 116,257 | 1,322,639 | 23,865 | 388,417 | 2,670,554 | |
| \$ 803,257 | \$ 424,198 | \$ 3,048,942 | \$ 105,338 | \$ 116,257 | \$ 1,502,302 | \$ 26,087 | \$ 431,220 | \$ 2,728,821 | |

City of Antioch
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2014

| | Supplemental Law Enforcement | LLEBG Byrne Grant | Street Impact | Traffic Safety | PEG Fanchise Fee | Post Retirement Medical | Total |
|--|------------------------------------|----------------------|-------------------|-------------------|---------------------|-------------------------------|----------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ 4,645 | \$ 655,876 | \$ 72,680 | \$ 12,097,681 |
| Receivables: | | | | | | | |
| Accounts, net | 74,923 | 66,120 | - | 14,350 | - | 133,956 | 1,435,841 |
| Taxes | - | - | 291,729 | - | 63,174 | - | 364,437 |
| Prepaid items | - | - | - | - | - | 85,951 | 94,221 |
| Total assets | \$ 74,923 | \$ 66,120 | \$ 291,729 | \$ 18,995 | \$ 719,050 | \$ 292,587 | \$ 13,992,180 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,286,251 |
| Accrued payroll | - | - | - | - | - | - | 97,022 |
| Deposits | - | - | - | - | - | - | 664,108 |
| Due to other funds | 74,911 | 66,120 | 256,041 | - | - | 106,469 | 503,541 |
| Unavailable revenue | - | - | - | - | - | - | 77,988 |
| Total liabilities | 74,911 | 66,120 | 256,041 | - | - | 106,469 | 2,628,910 |
| Fund balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Petty cash and prepaid items | - | - | - | - | - | 85,951 | 94,661 |
| Restricted for: | | | | | | | |
| Streets | - | - | - | - | - | - | 3,029,739 |
| Parks | - | - | - | - | - | - | 37,334 |
| PEG Programming | - | - | - | - | 719,050 | - | 719,050 |
| Storm Channels | - | - | - | - | - | - | 2,669,211 |
| Landscape Maintenance | - | - | - | - | - | - | 1,322,639 |
| Tidelands Areas Protection | - | - | - | - | - | - | 116,257 |
| Law Enforcement | 12 | - | - | - | - | - | 78,614 |
| Traffic Safety | - | - | - | 18,995 | - | - | 18,995 |
| Parks & Recreation | - | - | - | - | - | - | 180,256 |
| Animal Shelter Maintenance /Operation | - | - | - | - | - | - | 27,844 |
| Abandoned Vehicle | - | - | - | - | - | - | 167,920 |
| Committed to: | | | | | | | |
| Parks | - | - | - | - | - | - | 1,278,692 |
| Landscape Maintenance | - | - | - | - | - | - | 23,705 |
| Arts & Cultural Activities | - | - | - | - | - | - | 23,020 |
| Recreation Programs | - | - | - | - | - | - | 1,130 |
| Field Maintenance | - | - | - | - | - | - | 94,566 |
| Memorial Field Maintenance | - | - | - | - | - | - | 21,050 |
| Road Repair | - | - | 35,688 | - | - | - | 35,688 |
| Waste Reduction | - | - | - | - | - | - | 388,417 |
| Youth Activities/ Building Maintenance | - | - | - | - | - | - | 99,338 |
| Traffic Signals | - | - | - | - | - | - | 803,257 |
| Post Retirement Medical | - | - | - | - | - | 100,167 | 100,167 |
| Assigned to: | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | 31,720 |
| Total fund balances | 12 | - | 35,688 | 18,995 | 719,050 | 186,118 | 11,363,270 |
| Total liabilities and fund balances | \$ 74,923 | \$ 66,120 | \$ 291,729 | \$ 18,995 | \$ 719,050 | \$ 292,587 | \$ 13,992,180 |

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City of Antioch
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | Delta Fair Property | Recreation Programs | Animal Control | Civic Arts | Park in Lieu |
|---|------------------------|------------------------|-------------------|---------------|------------------|
| REVENUES: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 40,795 | \$ - |
| Fines and penalties | - | - | - | - | - |
| Investment income and rentals | 19,890 | 234,463 | 80 | 93 | 18,834 |
| Revenue from other agencies | - | - | 74,000 | - | 20,628 |
| Current service charges | - | 785,804 | 355,598 | - | 337,685 |
| Special assessment revenue | - | - | - | - | - |
| Other | - | 51,455 | 18,899 | 5,725 | 160,150 |
| Total revenues | 19,890 | 1,071,722 | 448,577 | 46,613 | 537,297 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Public works | 346 | - | - | - | 172,104 |
| Public safety | - | - | 907,471 | - | - |
| Parks and recreation | - | 1,562,503 | - | 45,896 | - |
| Community development | - | - | - | - | - |
| Capital outlay | - | - | - | - | 1,168,212 |
| Total expenditures | 346 | 1,562,503 | 907,471 | 45,896 | 1,340,316 |
| REVENUES OVER (UNDER) EXPENDITURES | 19,544 | (490,781) | (458,894) | 717 | (803,019) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | 548,434 | 475,708 | - | - |
| Transfers (out) | - | (10,040) | (561) | - | (85,000) |
| Total other financing sources (uses) | - | 538,394 | 475,147 | - | (85,000) |
| Net change in fund balances | 19,544 | 47,613 | 16,253 | 717 | (888,019) |
| FUND BALANCES: | | | | | |
| Beginning of year | 17,790 | 70,320 | 11,591 | 22,303 | 2,166,711 |
| End of year | \$ 37,334 | \$ 117,933 | \$ 27,844 | \$ 23,020 | \$ 1,278,692 |

| Senior Bus | Abandoned Vehicles | Traffic Signal Fee | Asset Forfeitures | Measure J Growth Management Program | Child Care | Tidelands Assembly Bill - 1900 |
|------------|--------------------|--------------------|-------------------|-------------------------------------|------------|--------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| 1,800 | 1,339 | 6,550 | 3,038 | 23,619 | 73,989 | 5,671 |
| - | 54,924 | - | - | 1,071,465 | - | - |
| 3,515 | - | 90,605 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 13,143 | - | - | - |
| 5,315 | 56,263 | 97,155 | 16,181 | 1,095,084 | 73,989 | 5,671 |
| - | - | - | - | - | - | - |
| - | - | 1,794 | - | 221,188 | - | 484 |
| - | 28,342 | - | 32,314 | - | - | - |
| 492 | - | - | - | - | 5,815 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 349,168 | - | - |
| 492 | 28,342 | 1,794 | 32,314 | 570,356 | 5,815 | 484 |
| 4,823 | 27,921 | 95,361 | (16,133) | 524,728 | 68,174 | 5,187 |
| - | - | - | - | - | - | - |
| (7,700) | - | - | - | (1,490,000) | (70,000) | - |
| (7,700) | - | - | - | (1,490,000) | (70,000) | - |
| (2,877) | 27,921 | 95,361 | (16,133) | (965,272) | (1,826) | 5,187 |
| 214,853 | 139,999 | 707,896 | 100,755 | 3,995,011 | 101,164 | 111,070 |
| \$ 211,976 | \$ 167,920 | \$ 803,257 | \$ 84,622 | \$ 3,029,739 | \$ 99,338 | \$ 116,257 |

City of Antioch
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

| | Lighting & Landscape District | Park 1A Maintenance District | Solid Waste Reduction AB 939 | Pollution Elimination | Supplemental Law Enforcement |
|---|-------------------------------------|------------------------------------|------------------------------------|--------------------------|------------------------------------|
| REVENUES: | | | | | |
| Taxes | \$ - | \$ 24,002 | \$ 160,000 | \$ - | \$ - |
| Fines and penalties | - | - | - | - | - |
| Investment income and rentals | 15,400 | 34,309 | 3,852 | 23,152 | - |
| Revenue from other agencies | - | 113 | 57,699 | - | 180,492 |
| Current service charges | - | - | - | - | - |
| Special assessment revenue | 2,050,810 | - | - | 852,896 | - |
| Other | 11,921 | - | 11,679 | 775 | - |
| Total revenues | 2,078,131 | 58,424 | 233,230 | 876,823 | 180,492 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Public works | - | - | - | 405,652 | - |
| Public safety | - | - | - | - | 8 |
| Parks and recreation | 1,683,462 | 32,293 | - | - | - |
| Community development | - | - | 212,452 | 93,689 | - |
| Capital outlay | - | - | - | 289,599 | - |
| Total expenditures | 1,683,462 | 32,293 | 212,452 | 788,940 | 8 |
| REVENUES OVER (UNDER) EXPENDITURES | 394,669 | 26,131 | 20,778 | 87,883 | 180,484 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 136,001 | - | - | 35,000 | - |
| Transfers (out) | (555,480) | (8,001) | - | (259,400) | (180,485) |
| Total other financing sources (uses) | (419,479) | (8,001) | - | (224,400) | (180,485) |
| Net change in fund balances | (24,810) | 18,130 | 20,778 | (136,517) | (1) |
| FUND BALANCES: | | | | | |
| Beginning of year | 1,347,449 | 5,735 | 367,639 | 2,807,071 | 13 |
| End of year | \$ 1,322,639 | \$ 23,865 | \$ 388,417 | \$ 2,670,554 | \$ 12 |

| LLEBG Byrne Grant | Street Impact | Traffic Safety | PEG Fanchise Fee | Post Retirement Medical | Total |
|----------------------|------------------|-------------------|---------------------|-------------------------------|---------------|
| \$ - | \$ 1,125,121 | \$ - | \$ 239,549 | \$ - | \$ 1,589,467 |
| - | - | 78,198 | - | - | 78,198 |
| 2 | 2,125 | 88 | 5,013 | 230 | 473,537 |
| 112,820 | - | - | - | - | 1,572,141 |
| - | - | - | - | 1,323,682 | 2,896,889 |
| - | - | - | - | - | 2,903,706 |
| - | - | - | - | 133,979 | 407,726 |
| 112,822 | 1,127,246 | 78,286 | 244,562 | 1,457,891 | 9,921,664 |
| - | - | - | 8,038 | 760,793 | 768,831 |
| - | 709 | - | - | - | 802,277 |
| 6,542 | - | 23 | - | 451,348 | 1,426,048 |
| - | - | - | - | - | 3,330,461 |
| - | - | - | - | - | 306,141 |
| - | - | - | 123,597 | - | 1,930,576 |
| 6,542 | 709 | 23 | 131,635 | 1,212,141 | 8,564,334 |
| 106,280 | 1,126,537 | 78,263 | 112,927 | 245,750 | 1,357,330 |
| - | - | - | - | 4,965 | 1,200,108 |
| (106,280) | (1,101,500) | (78,250) | - | (64,597) | (4,017,294) |
| (106,280) | (1,101,500) | (78,250) | - | (59,632) | (2,817,186) |
| - | 25,037 | 13 | 112,927 | 186,118 | (1,459,856) |
| - | 10,651 | 18,982 | 606,123 | - | 12,823,126 |
| \$ - | \$ 35,688 | \$ 18,995 | \$ 719,050 | \$ 186,118 | \$ 11,363,270 |

City of Antioch
Budgetary Comparison Schedule
Delta Fair Property Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 10,100 | \$ 19,750 | \$ 19,890 | \$ 140 |
| Total revenues | 10,100 | 19,750 | 19,890 | 140 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 10,421 | 10,419 | 346 | 10,073 |
| Total expenditures | 10,421 | 10,419 | 346 | 10,073 |
| REVENUES OVER (UNDER) EXPENDITURES | (321) | 9,331 | 19,544 | 10,213 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 17,790 | |
| End of year | | | <u>\$ 37,334</u> | |

City of Antioch
Budgetary Comparison Schedule
Recreation Programs Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|-------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 290,100 | \$ 291,000 | \$ 234,463 | \$ (56,537) |
| Current service charges | 761,450 | 801,450 | 785,804 | (15,646) |
| Other | 35,000 | 35,474 | 51,455 | 15,981 |
| Total revenues | <u>1,086,550</u> | <u>1,127,924</u> | <u>1,071,722</u> | <u>(56,202)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | 1,540,444 | 1,621,569 | 1,562,503 | 59,066 |
| Capital outlay | 10,000 | 135 | - | 135 |
| Total expenditures | <u>1,550,444</u> | <u>1,621,704</u> | <u>1,562,503</u> | <u>59,201</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(463,894)</u> | <u>(493,780)</u> | <u>(490,781)</u> | <u>2,999</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 483,924 | 537,350 | 548,434 | 11,084 |
| Transfers (out) | (10,041) | (10,041) | (10,040) | (1) |
| Total other financing sources (uses) | <u>473,883</u> | <u>527,309</u> | <u>538,394</u> | <u>11,083</u> |
| Net change in fund balances | <u>\$ 9,989</u> | <u>\$ 33,529</u> | 47,613 | <u>\$ 14,082</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>70,320</u> | |
| End of year | | | <u>\$ 117,933</u> | |

City of Antioch
Budgetary Comparison Schedule
Animal Control Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ - | \$ - | \$ 80 | \$ 80 |
| Revenue from other agencies | 40,000 | 74,000 | 74,000 | - |
| Current service charges | 233,100 | 300,000 | 355,598 | 55,598 |
| Other | 11,000 | 11,914 | 18,899 | 6,985 |
| Total revenues | 284,100 | 385,914 | 448,577 | 62,663 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 853,212 | 887,859 | 907,471 | (19,612) |
| Total expenditures | 853,212 | 887,859 | 907,471 | (19,612) |
| REVENUES OVER (UNDER) EXPENDITURES | (569,112) | (501,945) | (458,894) | 43,051 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 569,676 | 490,900 | 475,708 | (15,192) |
| Transfers (out) | (561) | (561) | (561) | - |
| Total other financing sources (uses) | 569,115 | 490,339 | 475,147 | (15,192) |
| Net change in fund balances | \$ 3 | \$ (11,606) | 16,253 | \$ 27,859 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 11,591 | |
| End of year | | | \$ 27,844 | |

City of Antioch
Budgetary Comparison Schedule
Civic Arts Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|------------------|---|
| REVENUES: | | | | |
| Taxes | \$ 32,143 | \$ 32,143 | \$ 40,795 | \$ 8,652 |
| Investment income and rentals | 25 | 25 | 93 | 68 |
| Other | - | 5,657 | 5,725 | 68 |
| Total revenues | <u>32,168</u> | <u>37,825</u> | <u>46,613</u> | <u>8,788</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | <u>31,398</u> | <u>48,360</u> | <u>45,896</u> | <u>2,464</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>770</u> | <u>(10,535)</u> | <u>717</u> | <u>11,252</u> |
| Net change in fund balances | <u>\$ 770</u> | <u>\$ (10,535)</u> | <u>717</u> | <u>\$ 11,252</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>22,303</u> | |
| End of year | | | <u>\$ 23,020</u> | |

City of Antioch
Budgetary Comparison Schedule
Park in Lieu Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|---------------------|---------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 18,000 | \$ 18,000 | \$ 18,834 | \$ 834 |
| Revenue from other agencies | - | 20,628 | 20,628 | - |
| Current service charges | 45,000 | 359,510 | 337,685 | (21,825) |
| Other | - | 160,150 | 160,150 | - |
| Total revenues | 63,000 | 558,288 | 537,297 | (20,991) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 10,835 | 191,561 | 172,104 | 19,457 |
| Capital outlay | - | 1,193,749 | 1,168,212 | 25,537 |
| Total expenditures | 10,835 | 1,385,310 | 1,340,316 | 44,994 |
| REVENUES OVER (UNDER) EXPENDITURES | 52,165 | (827,022) | (803,019) | 24,003 |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | - | (85,000) | (85,000) | - |
| Total other financing (uses) | - | (85,000) | (85,000) | - |
| Net change in fund balances | \$ 52,165 | \$ (912,022) | (888,019) | \$ 24,003 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 2,166,711 | |
| End of year | | | \$ 1,278,692 | |

City of Antioch
Budgetary Comparison Schedule
Senior Bus Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 850 | \$ 1,500 | \$ 1,800 | \$ 300 |
| Current service charges | 4,000 | 4,000 | 3,515 | (485) |
| Total revenues | 4,850 | 5,500 | 5,315 | (185) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | 400 | 600 | 492 | 108 |
| Total expenditures | 400 | 600 | 492 | 108 |
| REVENUES OVER (UNDER) EXPENDITURES | 4,450 | 4,900 | 4,823 | (77) |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | (7,700) | (7,700) | (7,700) | - |
| Total other financing (uses) | (7,700) | (7,700) | (7,700) | - |
| Net change in fund balances | \$ (3,250) | \$ (2,800) | (2,877) | \$ (77) |
| FUND BALANCES: | | | | |
| Beginning of year | | | 214,853 | |
| End of year | | | \$ 211,976 | |

City of Antioch
Budgetary Comparison Schedule
Abandoned Vehicle Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 500 | \$ 1,000 | \$ 1,339 | \$ 339 |
| Revenue from other agencies | 47,000 | 47,000 | 54,924 | 7,924 |
| Total revenues | <u>47,500</u> | <u>48,000</u> | <u>56,263</u> | <u>8,263</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 47,486 | 48,068 | 28,342 | 19,726 |
| REVENUES OVER (UNDER) EXPENDITURES | <u>14</u> | <u>(68)</u> | <u>27,921</u> | <u>27,989</u> |
| Net change in fund balances | <u>\$ 14</u> | <u>\$ (68)</u> | <u>27,921</u> | <u>\$ 27,989</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>139,999</u> | |
| End of year | | | <u>\$ 167,920</u> | |

City of Antioch
Budgetary Comparison Schedule
Traffic Signal Fee Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 8,000 | \$ 8,000 | \$ 6,550 | \$ (1,450) |
| Current service charges | 75,000 | 75,000 | 90,605 | 15,605 |
| Total revenues | 83,000 | 83,000 | 97,155 | 14,155 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 2,916 | 2,513 | 1,794 | 719 |
| Capital outlay | 50,000 | 101,395 | - | 101,395 |
| Total expenditures | 52,916 | 103,908 | 1,794 | 102,114 |
| REVENUES OVER (UNDER) EXPENDITURES | 30,084 | (20,908) | 95,361 | 116,269 |
| Net change in fund balances | \$ 30,084 | \$ (20,908) | 95,361 | \$ 116,269 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 707,896 | |
| End of year | | | \$ 803,257 | |

City of Antioch
Budgetary Comparison Schedule
Asset Forfeitures Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 1,900 | \$ 2,100 | \$ 3,038 | \$ 938 |
| Other | 40,000 | 40,000 | 13,143 | (26,857) |
| Total revenues | 41,900 | 42,100 | 16,181 | (25,919) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 39,991 | 39,995 | 32,314 | 7,681 |
| Capital outlay | 10,000 | 10,000 | - | 10,000 |
| Total expenditures | 49,991 | 49,995 | 32,314 | 17,681 |
| REVENUES OVER (UNDER) EXPENDITURES | (8,091) | (7,895) | (16,133) | (8,238) |
| Net change in fund balances | \$ (8,091) | \$ (7,895) | (16,133) | \$ (8,238) |
| FUND BALANCES: | | | | |
| Beginning of year | | | 100,755 | |
| End of year | | | \$ 84,622 | |

City of Antioch
Budgetary Comparison Schedule
Measure J Growth Management Program Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------------|---------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 12,000 | \$ 15,000 | \$ 23,619 | \$ 8,619 |
| Revenue from other agencies | 1,029,165 | 1,029,165 | 1,071,465 | 42,300 |
| Total revenues | <u>1,041,165</u> | <u>1,044,165</u> | <u>1,095,084</u> | <u>50,919</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 245,027 | 221,188 | 221,188 | - |
| Capital outlay | 720,000 | 422,158 | 349,168 | 72,990 |
| Total expenditures | <u>965,027</u> | <u>643,346</u> | <u>570,356</u> | <u>72,990</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>76,138</u> | <u>400,819</u> | <u>524,728</u> | <u>123,909</u> |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | - | (1,490,000) | (1,490,000) | - |
| Total other financing (uses) | <u>-</u> | <u>(1,490,000)</u> | <u>(1,490,000)</u> | <u>-</u> |
| Net change in fund balances | <u>\$ 76,138</u> | <u>\$ (1,089,181)</u> | <u>\$ (965,272)</u> | <u>\$ 123,909</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>3,995,011</u> | |
| End of year | | | <u>\$ 3,029,739</u> | |

City of Antioch
Budgetary Comparison Schedule
Child Care Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 73,435 | \$ 73,860 | \$ 73,989 | \$ 129 |
| Total revenues | <u>73,435</u> | <u>73,860</u> | <u>73,989</u> | <u>129</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | 2,342 | 26,541 | 5,815 | 20,726 |
| REVENUES OVER (UNDER) EXPENDITURES | <u>71,093</u> | <u>47,319</u> | <u>68,174</u> | <u>20,855</u> |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | (70,000) | (70,000) | (70,000) | - |
| Total other financing (uses) | <u>(70,000)</u> | <u>(70,000)</u> | <u>(70,000)</u> | <u>-</u> |
| Net change in fund balances | <u>\$ 1,093</u> | <u>\$ (22,681)</u> | <u>(1,826)</u> | <u>\$ 20,855</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>101,164</u> | |
| End of year | | | <u>\$ 99,338</u> | |

City of Antioch
Budgetary Comparison Schedule
Tidelands Assembly Bill-1900 Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------------|------------------------|--------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| REVENUES: | | | | |
| Investment income and rentals | \$ 7,585 | \$ 7,885 | \$ 5,671 | \$ (2,214) |
| Total revenues | <u>7,585</u> | <u>7,885</u> | <u>5,671</u> | <u>(2,214)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | <u>20,609</u> | <u>606</u> | <u>484</u> | <u>122</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(13,024)</u> | <u>7,279</u> | <u>5,187</u> | <u>(2,092)</u> |
| Net change in fund balances | <u><u>\$ (13,024)</u></u> | <u><u>\$ 7,279</u></u> | <u>5,187</u> | <u><u>\$ (2,092)</u></u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>111,070</u> | |
| End of year | | | <u><u>\$ 116,257</u></u> | |

City of Antioch
Budgetary Comparison Schedule
Lighting & Landscape District Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 2,750 | \$ 9,720 | \$ 15,400 | \$ 5,680 |
| Special assessment revenue | 1,947,064 | 1,947,061 | 2,050,810 | 103,749 |
| Other | - | - | 11,921 | 11,921 |
| Total revenues | <u>1,949,814</u> | <u>1,956,781</u> | <u>2,078,131</u> | <u>121,350</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | 1,994,271 | 1,977,896 | 1,683,462 | 294,434 |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(44,457)</u> | <u>(21,115)</u> | <u>394,669</u> | <u>415,784</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 10,000 | 88,000 | 136,001 | 48,001 |
| Transfers (out) | (560,011) | (560,294) | (555,480) | 4,814 |
| Total other financing sources (uses) | <u>(550,011)</u> | <u>(472,294)</u> | <u>(419,479)</u> | <u>52,815</u> |
| Net change in fund balances | <u>\$ (594,468)</u> | <u>\$ (493,409)</u> | <u>(24,810)</u> | <u>\$ 468,599</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>1,347,449</u> | |
| End of year | | | <u>\$ 1,322,639</u> | |

City of Antioch
Budgetary Comparison Schedule
Park 1A Maintenance District Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| REVENUES: | | | | |
| Taxes | \$ 21,750 | \$ 23,361 | \$ 24,002 | \$ 641 |
| Investment income and rentals | 35,100 | 39,100 | 34,309 | (4,791) |
| Revenue from other agencies | 115 | 115 | 113 | (2) |
| Total revenues | <u>56,965</u> | <u>62,576</u> | <u>58,424</u> | <u>(4,152)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | 47,291 | 46,296 | 32,293 | 14,003 |
| REVENUES OVER (UNDER) EXPENDITURES | <u>9,674</u> | <u>16,280</u> | <u>26,131</u> | <u>9,851</u> |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | (8,581) | (8,581) | (8,001) | (580) |
| Total other financing (uses) | <u>(8,581)</u> | <u>(8,581)</u> | <u>(8,001)</u> | <u>(580)</u> |
| Net change in fund balances | <u>\$ 1,093</u> | <u>\$ 7,699</u> | 18,130 | <u>\$ 9,271</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | 5,735 | |
| End of year | | | <u>\$ 23,865</u> | |

City of Antioch
Budgetary Comparison Schedule
Solid Waste Reduction AB 939 Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|-------------------|---|
| REVENUES: | | | | |
| Taxes | \$ 160,000 | \$ 160,000 | \$ 160,000 | \$ - |
| Investment income and rentals | 1,500 | 2,000 | 3,852 | 1,852 |
| Revenue from other agencies | 56,500 | 58,502 | 57,699 | (803) |
| Other | 5,000 | 5,625 | 11,679 | 6,054 |
| Total revenues | <u>223,000</u> | <u>226,127</u> | <u>233,230</u> | <u>7,103</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | <u>236,512</u> | <u>238,070</u> | <u>212,452</u> | <u>25,618</u> |
| Total expenditures | <u>236,512</u> | <u>238,070</u> | <u>212,452</u> | <u>25,618</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(13,512)</u> | <u>(11,943)</u> | <u>20,778</u> | <u>32,721</u> |
| Net change in fund balances | <u>\$ (13,512)</u> | <u>\$ (11,943)</u> | <u>20,778</u> | <u>\$ 32,721</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>367,639</u> | |
| End of year | | | <u>\$ 388,417</u> | |

City of Antioch
Budgetary Comparison Schedule
Pollution Elimination Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 10,000 | \$ 13,000 | \$ 23,152 | \$ 10,152 |
| Special assessment revenue | 835,000 | 835,000 | 852,896 | 17,896 |
| Other | - | 5 | 775 | 770 |
| Total revenues | 845,000 | 848,005 | 876,823 | 28,818 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 499,687 | 430,303 | 405,652 | 24,651 |
| Community development | 161,567 | 164,133 | 93,689 | 70,444 |
| Capital outlay | 100,000 | 393,462 | 289,599 | 103,863 |
| Total expenditures | 761,254 | 987,898 | 788,940 | 198,958 |
| REVENUES OVER (UNDER) EXPENDITURES | 83,746 | (139,893) | 87,883 | 227,776 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 35,000 | 35,000 | 35,000 | - |
| Transfers (out) | (265,781) | (266,958) | (259,400) | 7,558 |
| Total other financing sources (uses) | (230,781) | (231,958) | (224,400) | 7,558 |
| Net change in fund balances | \$ (147,035) | \$ (371,851) | (136,517) | \$ 235,334 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 2,807,071 | |
| End of year | | | \$ 2,670,554 | |

City of Antioch
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ - | \$ (7) | \$ - | \$ 7 |
| Revenue from other agencies | 160,658 | 160,658 | 180,492 | 19,834 |
| Total revenues | <u>160,658</u> | <u>160,651</u> | <u>180,492</u> | <u>19,841</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public Safety | - | 5 | 8 | (3) |
| REVENUES OVER (UNDER) EXPENDITURES | <u>160,658</u> | <u>160,646</u> | <u>180,484</u> | <u>19,838</u> |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | (160,658) | (160,687) | (180,485) | (19,798) |
| Total other financing (uses) | <u>(160,658)</u> | <u>(160,687)</u> | <u>(180,485)</u> | <u>(19,798)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ (36)</u> | (1) | <u>\$ 43</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | 13 | |
| End of year | | | <u>\$ 12</u> | |

City of Antioch
Budgetary Comparison Schedule
Local Law Enforcement Byrne Grant fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ - | \$ - | \$ 2 | \$ 2 |
| Revenue from other agencies | 67,398 | 82,335 | 112,820 | 30,485 |
| Total revenues | 67,398 | 82,335 | 112,822 | 30,487 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public Safety | 3,370 | 3,272 | 6,542 | (3,270) |
| REVENUES OVER (UNDER) EXPENDITURES | 64,028 | 79,063 | 106,280 | 27,217 |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | (64,028) | (79,063) | (106,280) | (27,217) |
| Total other financing (uses) | (64,028) | (79,063) | (106,280) | (27,217) |
| Net change in fund balances | \$ 3,370 | \$ 3,272 | - | \$ 3,270 |
| FUND BALANCES: | | | | |
| Beginning of year | | | - | |
| End of year | | | \$ - | |

City of Antioch
Budgetary Comparison Schedule
Street Impact Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| REVENUES: | | | | |
| Taxes | \$ 1,100,000 | \$ 1,100,000 | \$ 1,125,121 | \$ 25,121 |
| Investment income and rentals | 2,000 | 2,000 | 2,125 | 125 |
| Total revenues | <u>1,102,000</u> | <u>1,102,000</u> | <u>1,127,246</u> | <u>25,246</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | <u>500</u> | <u>500</u> | <u>709</u> | <u>(209)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>1,101,500</u> | <u>1,101,500</u> | <u>1,126,537</u> | <u>25,037</u> |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | <u>(1,101,500)</u> | <u>(1,101,500)</u> | <u>(1,101,500)</u> | <u>-</u> |
| Total other financing (uses) | <u>(1,101,500)</u> | <u>(1,101,500)</u> | <u>(1,101,500)</u> | <u>-</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 25,037 | <u>\$ 25,037</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>10,651</u> | |
| End of year | | | <u>\$ 35,688</u> | |

City of Antioch
Budgetary Comparison Schedule
Traffic Safety Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| REVENUES: | | | | |
| Fines and penalties | \$ 80,000 | \$ 80,000 | \$ 78,198 | \$ (1,802) |
| Investment income and rentals | 125 | 100 | 88 | (12) |
| Total revenues | 80,125 | 80,100 | 78,286 | (1,814) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public Safety | 125 | 90 | 23 | 67 |
| REVENUES OVER (UNDER) EXPENDITURES | 80,000 | 80,010 | 78,263 | (1,747) |
| OTHER FINANCING (USES): | | | | |
| Transfers (out) | (80,000) | (80,000) | (78,250) | 1,750 |
| Total other financing (uses) | (80,000) | (80,000) | (78,250) | 1,750 |
| Net change in fund balances | \$ - | \$ 10 | 13 | \$ 3 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 18,982 | |
| End of year | | | \$ 18,995 | |

City of Antioch
Budgetary Comparison Schedule
PEG Franchise Fee Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|-------------------|---|
| REVENUES: | | | | |
| Taxes | \$ 229 | \$ 231 | \$ 239,549 | \$ 239,318 |
| Investment income and rentals | 4,500 | 4,500 | 5,013 | 513 |
| Total revenues | <u>4,729</u> | <u>4,731</u> | <u>244,562</u> | <u>239,831</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 81,867 | 82,935 | 8,038 | 74,897 |
| Capital outlay | 335,000 | 335,000 | 123,597 | 211,403 |
| Total expenditures | <u>416,867</u> | <u>417,935</u> | <u>131,635</u> | <u>286,300</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(412,138)</u> | <u>(413,204)</u> | <u>112,927</u> | <u>526,131</u> |
| Net change in fund balances | <u>\$ (412,138)</u> | <u>\$ (413,204)</u> | <u>112,927</u> | <u>\$ 526,131</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>606,123</u> | |
| End of year | | | <u>\$ 719,050</u> | |

City of Antioch
Budgetary Comparison Schedule
Post Retirement Medical Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|------------------------------|------------------------------|--------------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ - | \$ 28 | \$ 230 | \$ (202) |
| Charges for services | 1,306,465 | 1,323,337 | 1,323,682 | 2,647,019 |
| Other revenue | 122,872 | 133,979 | 133,979 | 267,958 |
| Total revenues | <u>1,429,337</u> | <u>1,457,344</u> | <u>1,457,891</u> | <u>2,914,775</u> |
| EXPENDITURES: | | | | |
| General Government | 895,607 | 751,192 | 760,793 | (9,601) |
| Public safety | 384,219 | 468,528 | 451,348 | 17,180 |
| Total expenditures | <u>1,279,826</u> | <u>1,219,720</u> | <u>1,212,141</u> | <u>7,579</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>149,511</u> | <u>237,624</u> | <u>245,750</u> | <u>2,907,196</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 4,965 | (4,965) |
| Transfers (out) | - | - | (64,597) | 64,597 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(59,632)</u> | <u>59,632</u> |
| Net change in fund balances | <u><u>\$ 149,511</u></u> | <u><u>\$ 237,624</u></u> | 186,118 | <u><u>\$ 2,907,196</u></u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>-</u> | |
| End of year | | | <u><u>\$ 186,118</u></u> | |

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NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are used to account for the payment of principal and interest on the general debt service of the City and related entities.

Golf Course Clubhouse/Irrigation

In 1985 and 1994, the City of Antioch participated in the Association of Bay Area Governments' pooled Certificates of Participation to fund improvements to the clubhouse at the City's golf course and irrigation system, respectively. The fund accumulates monies for the payment of principal and interest from a portion of the fees collected and transmitted by the Antioch Public Golf Corporation.

Honeywell Capital Lease

In 2009, the City entered into a lease agreement with Bank of America for funding of interior building lighting retrofit, and street and park lighting retrofit. Energy savings as a result of the project are used to pay debt service.

City of Antioch
Combining Balance Sheet
Non-Major Debt Service Funds
June 30, 2014

| | Golf Course Clubhouse/ Irrigation | Honeywell Capital Lease | Total |
|--|---|-------------------------------|---------------------|
| ASSETS | | | |
| Accounts receivable, net | \$ 918,758 | \$ - | \$ 918,758 |
| Interest | 2 | - | 2 |
| Restricted cash and investments | 731,273 | - | 731,273 |
| Total assets | \$ 1,650,033 | \$ - | \$ 1,650,033 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Due to other funds | \$ 918,613 | \$ - | \$ 918,613 |
| Total liabilities | 918,613 | - | 918,613 |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt service | 731,420 | - | 731,420 |
| Total fund balances | 731,420 | - | 731,420 |
| Total liabilities and fund balances | \$ 1,650,033 | \$ - | \$ 1,650,033 |

City of Antioch

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Debt Service Funds

For the Fiscal Year Ended June 30, 2014

| | Glof Course Clubhouse/ Irrigation | Honeywell Capital Lease | Total |
|---|---|-------------------------------|------------------|
| REVENUES: | | | |
| Investment income and rentals | \$ 426,534 | \$ - | \$ 426,534 |
| Total revenues | 426,534 | - | 426,534 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 3,816 | - | 3,816 |
| Debt service: | | | |
| Principal retirements | 165,000 | 371,319 | 536,319 |
| Interest and fiscal charges | 251,465 | 144,820 | 396,285 |
| Total expenditures | 420,281 | 516,139 | 936,420 |
| REVENUES OVER (UNDER) EXPENDITURES | 6,253 | (516,139) | (509,886) |
| OTHER FINANCING SOURCES: | | | |
| Transfer in | - | 516,139 | 516,139 |
| Total other financing sources | - | 516,139 | 516,139 |
| Net change in fund balances | 6,253 | - | 6,253 |
| FUND BALANCES: | | | |
| Beginning of year | 725,167 | - | 725,167 |
| End of year | \$ 731,420 | \$ - | \$ 731,420 |

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NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are utilized to account for resources used for the acquisition and construction of capital facilities by the City, with the exception of those assets financed by proprietary funds.

Capital Improvement Fund

This fund records all revenues, expenditures, assets and liabilities associated with City capital projects. It accounts for resources used to construct or acquire capital assets and make capital improvements.

Prewett Community Park

This fund accounts for the construction of the Prewett Community Center. The City is reimbursed for expenses by the Antioch Area Public Facilities Financing Agency through mello roos bond proceeds.

Special Assessment Districts

These funds were established to account for construction and acquisition of land and public improvements in various assessment districts. Financing is provided by assessment bond proceeds.

Hillcrest Bridge District

This fund accounts for developer fees collected to fund bridge construction in the Hillcrest Area.

Residential Development Allocation

This fund accounts for contributions by developers for various projects as determined by the City Council.

City of Antioch
Combining Balance Sheet
Non-Major Capital Project Funds
June 30, 2014

| | Capital Improvement | Prewett Community Park | Special Assessment Districts | | Hillcrest Bridge District |
|--|------------------------|------------------------------|------------------------------|---------------------|---------------------------------|
| | | | Hillcrest District #26 | Lone Diamond | |
| ASSETS | | | | | |
| Cash and investments | \$ - | \$ 133,460 | \$ 378,921 | \$ 1,812,567 | \$ 114,645 |
| Accounts receivable, net | 1,161,864 | 158 | - | - | - |
| Prepaid items | - | - | - | 154 | - |
| Total assets | \$ 1,161,864 | \$ 133,618 | \$ 378,921 | \$ 1,812,721 | \$ 114,645 |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 25,693 | \$ - | \$ - | \$ 283,021 | \$ - |
| Accrued payroll | 805 | - | - | 1,563 | - |
| Deposits | 300,200 | 115,283 | - | - | - |
| Due to other funds | 610,150 | - | - | - | - |
| Total liabilities | 936,848 | 115,283 | - | 284,584 | - |
| Fund Balances: | | | | | |
| Nonspendable | - | - | - | 154 | - |
| Assigned for: | | | | | |
| Capital Projects | 225,016 | 18,335 | - | - | 114,645 |
| AD 26 | - | - | 378,921 | - | - |
| AD 27 | - | - | - | 1,527,983 | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | 225,016 | 18,335 | 378,921 | 1,528,137 | 114,645 |
| Total liabilities and fund balances | \$ 1,161,864 | \$ 133,618 | \$ 378,921 | \$ 1,812,721 | \$ 114,645 |

| Residential Development | |
|----------------------------|---------------------|
| Allocation | Total |
| \$ 247 | \$ 2,439,840 |
| - | 1,162,022 |
| - | 154 |
| <u>\$ 247</u> | <u>\$ 3,602,016</u> |

| | |
|----------------|---------------------|
| \$ 4,133 | \$ 312,847 |
| - | 2,368 |
| - | 415,483 |
| - | 610,150 |
| <u>4,133</u> | <u>1,340,848</u> |
| - | 154 |
| - | 357,996 |
| - | 378,921 |
| - | 1,527,983 |
| <u>(3,886)</u> | <u>(3,886)</u> |
| <u>(3,886)</u> | <u>2,261,168</u> |
| <u>\$ 247</u> | <u>\$ 3,602,016</u> |

City of Antioch
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Project Funds
For the Fiscal Year Ended June 30, 2014

| | Special Assessment Districts | | | |
|---|------------------------------|------------------------------|---------------------------|---------------------|
| | Capital Improvement | Prewett Community Park | Hillcrest District #26 | Lone Diamond |
| | | | | |
| REVENUES: | | | | |
| Investment income and rentals | \$ - | \$ 1,529 | \$ 3,218 | \$ 18,421 |
| Revenue from other agencies | 1,116,144 | 5,139 | - | - |
| Current service charges | 27,275 | - | - | 45,640 |
| Other | 13,978 | - | - | 1,000 |
| Total revenues | 1,157,397 | 6,668 | 3,218 | 65,061 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 442,501 | 5,441 | 1,483 | 71,563 |
| Community development | - | - | - | - |
| Capital outlay | 1,216,580 | - | - | 1,649,550 |
| Total expenditures | 1,659,081 | 5,441 | 1,483 | 1,721,113 |
| REVENUES OVER (UNDER) EXPENDITURES | (501,684) | 1,227 | 1,735 | (1,656,052) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 431,810 | - | - | 490,000 |
| Total other financing sources | 431,810 | - | - | 490,000 |
| Net change in fund balances | (69,874) | 1,227 | 1,735 | (1,166,052) |
| FUND BALANCES: | | | | |
| Beginning of year | 294,890 | 17,108 | 377,186 | 2,694,189 |
| End of year | \$ 225,016 | \$ 18,335 | \$ 378,921 | \$ 1,528,137 |



| Hillcrest Bridge District | Residential Development Allocation | Total |
|---------------------------------|--|---------------------|
| \$ 868 | \$ 150 | \$ 24,186 |
| - | - | 1,121,283 |
| 36,830 | - | 109,745 |
| - | 21,000 | 35,978 |
| <u>37,698</u> | <u>21,150</u> | <u>1,291,192</u> |
| 261 | - | 521,249 |
| - | 58,691 | 58,691 |
| - | | 2,866,130 |
| <u>261</u> | <u>58,691</u> | <u>3,446,070</u> |
| <u>37,437</u> | <u>(37,541)</u> | <u>(2,154,878)</u> |
| - | - | 921,810 |
| - | - | 921,810 |
| 37,437 | (37,541) | (1,233,068) |
| <u>77,208</u> | <u>33,655</u> | <u>3,494,236</u> |
| <u>\$ 114,645</u> | <u>\$ (3,886)</u> | <u>\$ 2,261,168</u> |

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City of Antioch
Budgetary Comparison Schedule
Capital Improvement Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|-------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 800 | \$ 800 | \$ - | \$ (800) |
| Revenue from other agencies | 804,894 | 1,116,144 | 1,116,144 | - |
| Current service charges | 5,000 | 19,566 | 27,275 | 7,709 |
| Other | 10,000 | 15,978 | 13,978 | (2,000) |
| Total revenues | <u>820,694</u> | <u>1,152,488</u> | <u>1,157,397</u> | <u>4,909</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 28,824 | 442,501 | 442,501 | - |
| Capital outlay | 1,104,894 | 1,219,573 | 1,216,580 | 2,993 |
| Total expenditures | <u>1,133,718</u> | <u>1,662,074</u> | <u>1,659,081</u> | <u>2,993</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(313,024)</u> | <u>(509,586)</u> | <u>(501,684)</u> | <u>7,902</u> |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 300,000 | 431,810 | 431,810 | - |
| Total other financing sources | <u>300,000</u> | <u>431,810</u> | <u>431,810</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (13,024)</u> | <u>\$ (77,776)</u> | <u>(69,874)</u> | <u>\$ 7,902</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>294,890</u> | |
| End of year | | | <u>\$ 225,016</u> | |

City of Antioch
Budgetary Comparison Schedule
Prewett Community Park Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ - | \$ 1,300 | \$ 1,529 | \$ 229 |
| Revenue from other agencies | - | 102,634 | 5,139 | (97,495) |
| Total revenues | - | 103,934 | 6,668 | (97,266) |
| EXPENDITURES: | | | | |
| Public works | - | 5,441 | 5,441 | - |
| Capital outlay | - | 102,634 | - | 102,634 |
| Total expenditures | - | 108,075 | 5,441 | 102,634 |
| REVENUES OVER (UNDER) EXPENDITURES | - | (4,141) | 1,227 | 5,368 |
| Net change in fund balances | \$ - | \$ (4,141) | 1,227 | \$ 5,368 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 17,108 | |
| End of year | | | \$ 18,335 | |

City of Antioch
Budgetary Comparison Schedule
Hillcrest District #26 Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|-----------------|------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 800 | \$ 2,100 | \$ 3,218 | \$ 1,118 |
| Total revenues | 800 | 2,100 | 3,218 | 1,118 |
| EXPENDITURES: | | | | |
| Public works | 1,119 | 691 | 1,483 | (792) |
| Capital outlay | 200,000 | - | - | - |
| Total expenditures | 201,119 | 691 | 1,483 | (792) |
| REVENUES OVER (UNDER) EXPENDITURES | (200,319) | 1,409 | 1,735 | 326 |
| Net change in fund balances | \$ (200,319) | \$ 1,409 | 1,735 | \$ 326 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 377,186 | |
| End of year | | | \$ 378,921 | |

City of Antioch
Budgetary Comparison Schedule
Lone Diamond Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|-----------------------|-----------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 1,000 | \$ 15,000 | \$ 18,421 | \$ 3,421 |
| Revenue from other agencies | 2,400,000 | - | - | - |
| Current service charges | 20,000 | 46,292 | 45,640 | (652) |
| Others | - | 1,000 | 1,000 | - |
| Total revenues | <u>2,421,000</u> | <u>62,292</u> | <u>65,061</u> | <u>2,769</u> |
| EXPENDITURES: | | | | |
| Public works | 106,961 | 89,317 | 71,563 | 17,754 |
| Capital outlay | 3,000,000 | 1,853,718 | 1,649,550 | 204,168 |
| Total expenditures | <u>3,106,961</u> | <u>1,943,035</u> | <u>1,721,113</u> | <u>221,922</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(685,961)</u> | <u>(1,880,743)</u> | <u>(1,656,052)</u> | <u>224,691</u> |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | - | 490,000 | 490,000 | - |
| Total other financing sources | <u>-</u> | <u>490,000</u> | <u>490,000</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (685,961)</u> | <u>\$ (1,390,743)</u> | <u>\$ (1,166,052)</u> | <u>\$ 224,691</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>2,694,189</u> | |
| End of year | | | <u>\$ 1,528,137</u> | |

City of Antioch
Budgetary Comparison Schedule
Hillcrest Bridge District Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|-------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ 250 | \$ 600 | \$ 868 | \$ 268 |
| Current service charges | - | 32,771 | 36,830 | 4,059 |
| Total revenues | <u>250</u> | <u>33,371</u> | <u>37,698</u> | <u>4,327</u> |
| EXPENDITURES: | | | | |
| Public works | <u>275</u> | <u>275</u> | <u>261</u> | <u>14</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(25)</u> | <u>33,096</u> | <u>37,437</u> | <u>4,341</u> |
| Net change in fund balances | <u>\$ (25)</u> | <u>\$ 33,096</u> | <u>37,437</u> | <u>\$ 4,341</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>77,208</u> | |
| End of year | | | <u>\$ 114,645</u> | |

City of Antioch
Budgetary Comparison Schedule
Residential Development Allocation Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|-------------------|---|
| REVENUES: | | | | |
| Investment income and rentals | \$ - | \$ 145 | \$ 150 | \$ 5 |
| Others | - | 28,000 | 21,000 | (7,000) |
| Total revenues | <u>-</u> | <u>28,145</u> | <u>21,150</u> | <u>(6,995)</u> |
| EXPENDITURES: | | | | |
| Community development | 14,970 | 61,800 | 58,691 | 3,109 |
| Total expenditures | <u>14,970</u> | <u>61,800</u> | <u>58,691</u> | <u>3,109</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(14,970)</u> | <u>(33,655)</u> | <u>(37,541)</u> | <u>(3,886)</u> |
| Net change in fund balances | <u>\$ (14,970)</u> | <u>\$ (33,655)</u> | <u>(37,541)</u> | <u>\$ (3,886)</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>33,655</u> | |
| End of year | | | <u>\$ (3,886)</u> | |

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

Vehicle Repair and Replacement

This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. The source of revenue for this fund is rental fees charged to the various departments.

Office Equipment Replacement

This fund accounts for the costs incurred for the operation, maintenance, and replacement of office equipment used by City departments. The source of revenue for this fund is rental fees charged to the various user departments.

Loss Control Fund

These funds are used to pay workers' compensation insurance premiums and the salary of the administrative analyst.

Post Retirement Medical

This fund was used to pay post retirement medical benefits for retirees under the following categories: Miscellaneous, Police, and Management employees. The funds were reclassified to Special Revenue Funds in fiscal year 2014.

City of Antioch
Combining Statement of Net Position
Internal Services Funds
June 30, 2014

| | Vehicle Repair & Replacement | Office Equipment Replacement | Post Retirement Medical | | |
|---|------------------------------------|------------------------------------|-------------------------|-------------|-------------|
| | | | Miscellaneous | Police | Management |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 1,532,137 | \$ 1,441,367 | \$ - | \$ - | \$ - |
| Accounts receivable, net | 7,884 | 5,085 | - | - | - |
| Due from other funds | - | 106,469 | - | - | - |
| Materials, parts and supplies | 137,136 | - | - | - | - |
| Prepaid items | - | 3,493 | - | - | - |
| Total current assets | 1,677,157 | 1,556,414 | - | - | - |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Vehicles and equipment | 8,334,249 | 2,752,782 | - | - | - |
| Less accumulated depreciation | (6,704,836) | (2,288,741) | - | - | - |
| Net capital assets | 1,629,413 | 464,041 | - | - | - |
| Total assets | 3,306,570 | 2,020,455 | - | - | - |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 139,938 | 25,476 | - | - | - |
| Accrued payroll | 12,362 | 29,905 | - | - | - |
| Current portion of compensated absences | 3,235 | 7,738 | - | - | - |
| Total current liabilities | 155,535 | 63,119 | - | - | - |
| Long-term liabilities: | | | | | |
| Compensated absences | 29,117 | 69,640 | - | - | - |
| Total long-term liabilities | 29,117 | 69,640 | - | - | - |
| Total liabilities | 184,652 | 132,759 | - | - | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 1,629,413 | 464,041 | - | - | - |
| Unrestricted | 1,492,505 | 1,423,655 | - | - | - |
| Total net position | \$ 3,121,918 | \$ 1,887,696 | \$ - | \$ - | \$ - |

| Loss | |
|------------------|---------------------|
| Control | Total |
| \$ 47,911 | \$ 3,021,415 |
| 1,000 | 13,969 |
| - | 106,469 |
| - | 137,136 |
| - | 3,493 |
| <u>48,911</u> | <u>3,282,482</u> |
| - | 11,087,031 |
| - | <u>(8,993,577)</u> |
| - | 2,093,454 |
| <u>48,911</u> | <u>5,375,936</u> |
| - | 165,414 |
| - | 42,267 |
| - | <u>10,973</u> |
| - | <u>218,654</u> |
| - | <u>98,757</u> |
| - | <u>98,757</u> |
| - | <u>317,411</u> |
| - | 2,093,454 |
| <u>48,911</u> | <u>2,965,071</u> |
| <u>\$ 48,911</u> | <u>\$ 5,058,525</u> |

City of Antioch
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Services Funds
For the Fiscal Year Ended June 30, 2014

| | Vehicle Repair & Replacement | Office Equipment Replacement | Post Retirement Medical | | |
|--|------------------------------------|------------------------------------|-------------------------|------------------|------------------|
| | | | Miscellaneous | Police | Management |
| OPERATING REVENUES: | | | | | |
| Taxes - Measure C | \$ 50,902 | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 1,973,623 | 1,349,009 | - | - | - |
| Other revenue | 45,482 | - | - | 2,724,468 | - |
| Total operating revenues | 2,070,007 | 1,349,009 | - | 2,724,468 | - |
| OPERATING EXPENSES: | | | | | |
| Wages and benefits | 342,300 | 792,876 | 536,948 | 26,221 | 964,159 |
| Contractual services | 148,138 | 401,258 | - | - | - |
| Tools and supplies | 551,138 | 331,061 | - | - | - |
| Depreciation | 439,538 | 53,745 | - | - | - |
| Repairs and maintenance | 302,882 | 39,160 | - | - | - |
| Total operating expenses | 1,783,996 | 1,618,100 | 536,948 | 26,221 | 964,159 |
| OPERATING INCOME (LOSS) | 286,011 | (269,091) | (536,948) | 2,698,247 | (964,159) |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Gain (loss) on sale of property | (1,971) | - | - | - | - |
| Investment income | 9,134 | 10,292 | - | - | - |
| Total nonoperating revenues | 7,163 | 10,292 | - | - | - |
| INCOME (LOSS) BEFORE CAPITAL | | | | | |
| CONTRIBUTIONS AND TRANSFERS | 293,174 | (258,799) | (536,948) | 2,698,247 | (964,159) |
| Transfers in | 200,000 | 369,016 | 41,108 | - | 23,489 |
| Transfers (out) | - | - | - | (4,965) | - |
| Net income (loss) | 493,174 | 110,217 | (495,840) | 2,693,282 | (940,670) |
| NET POSITION: | | | | | |
| Beginning of year | 2,628,744 | 1,777,479 | 495,840 | (2,693,282) | 940,670 |
| End of year | \$ 3,121,918 | \$ 1,887,696 | \$ - | \$ - | \$ - |

| Loss | |
|------------------|---------------------|
| Control | Total |
| \$ - | \$ 50,902 |
| 1,370,128 | 4,692,760 |
| - | 2,769,950 |
| <u>1,370,128</u> | <u>7,513,612</u> |
| - | 2,662,504 |
| 1,305,374 | 1,854,770 |
| 1,136 | 883,335 |
| - | 493,283 |
| - | 342,042 |
| <u>1,306,510</u> | <u>6,235,934</u> |
| <u>63,618</u> | <u>1,277,678</u> |
| - | (1,971) |
| <u>315</u> | <u>19,741</u> |
| <u>315</u> | <u>17,770</u> |
| 63,933 | 1,295,448 |
| - | 633,613 |
| - | (4,965) |
| 63,933 | 1,924,096 |
| <u>(15,022)</u> | <u>3,134,429</u> |
| <u>\$ 48,911</u> | <u>\$ 5,058,525</u> |

City of Antioch
Combining Statement of Cash Flows
Internal Services Funds
For the Fiscal Year Ended June 30, 2014

| | Vehicle Repair & Replacement | Office Equipment Replacement | Post Retirement Medical | | |
|--|------------------------------------|------------------------------------|-------------------------|----------------|--------------|
| | | | Miscellaneous | Police | Management |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash receipt from other funds | \$ 2,062,123 | \$ 1,357,277 | \$ 519,505 | \$ - | \$ 929,121 |
| Cash payment to suppliers for goods and services | (890,693) | (742,326) | 17,443 | 26,221 | 35,038 |
| Cash payment to employees for services | (364,384) | (779,705) | (536,948) | (26,221) | (964,159) |
| Net cash provided by (used in) operating activities | 807,046 | (164,754) | - | - | - |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Due to other funds | - | - | (41,108) | - | (23,489) |
| Due from other funds | - | (31,665) | - | - | - |
| Transfers in | 200,000 | 369,016 | 41,108 | - | 23,489 |
| Transfers (out) | - | - | - | (4,965) | - |
| Net cash provided by (used in) noncapital financing activities | 200,000 | 337,351 | - | (4,965) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Capital asset additions | (175,253) | - | - | - | - |
| Net cash provided by (used in) capital and related financing activities | (175,253) | - | - | - | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest received (paid) | 9,134 | 10,292 | - | - | - |
| Net cash provided by (used in) investing activities | 9,134 | 10,292 | - | - | - |
| Net change in cash and cash equivalents | 840,927 | 182,889 | - | (4,965) | - |
| Cash and cash equivalents, beginning of year | 691,210 | 1,258,478 | - | 4,965 | - |
| Cash and cash equivalents, end of year | <u>\$ 1,532,137</u> | <u>\$ 1,441,367</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ 286,011 | \$ (269,091) | \$ (536,948) | \$ 2,698,247 | \$ (964,159) |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | | | |
| Depreciation | 439,538 | 53,745 | - | - | - |
| Decrease (increase) in: | | | | | |
| Accounts receivable | (7,884) | 8,268 | - | - | - |
| Materials, parts, and supplies | 22,574 | - | - | - | - |
| OPEB asset | - | - | 519,505 | - | 929,121 |
| OPEB obligation | - | - | - | (2,724,468) | - |
| Prepaid items | - | 23,476 | 17,443 | 26,221 | 35,038 |
| Increase (decrease) in: | | | | | |
| Accounts payable | 88,891 | 5,677 | - | - | - |
| Accrued payroll | (17,499) | 5,934 | - | - | - |
| Accrued compensated absences | (4,585) | 7,237 | - | - | - |
| Net cash provided by (used in) operating activities | \$ 807,046 | \$ (164,754) | \$ - | \$ - | \$ - |

| Loss Control | Total |
|-----------------|--------------|
| \$ 1,369,128 | \$ 6,237,154 |
| (1,311,325) | (2,865,642) |
| - | (2,671,417) |
| 57,803 | 700,095 |

| | |
|----------|----------|
| (10,207) | (74,804) |
| - | (31,665) |
| - | 633,613 |
| - | (4,965) |
| (10,207) | 522,179 |

| | |
|---|-----------|
| - | (175,253) |
|---|-----------|

| | |
|---|-----------|
| - | (175,253) |
|---|-----------|

| | |
|-----|--------|
| 315 | 19,741 |
| 315 | 19,741 |

| | |
|-----------|--------------|
| 47,911 | 1,066,762 |
| - | 1,954,653 |
| \$ 47,911 | \$ 3,021,415 |

| | |
|-----------|--------------|
| \$ 63,618 | \$ 1,277,678 |
|-----------|--------------|

| | |
|-----------|-------------|
| - | 493,283 |
| (1,000) | (616) |
| - | 22,574 |
| - | 1,448,626 |
| - | (2,724,468) |
| - | 102,178 |
| (4,815) | 89,753 |
| - | (11,565) |
| - | 2,652 |
| \$ 57,803 | \$ 700,095 |

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AGENCY FUNDS

Agency Funds account for assets held by a governmental unit in the capacity of agent for individuals, governmental entities, and nonpublic organizations.

Employee Benefits

This fund serves as a clearing account for certain employee benefits. Funds come from payroll expenditures and are disbursed to the different employee benefit providers.

Storm Drain Districts D55 and D56

The City collects storm drain fees from developers and builders. This fund accounts for all the fees collected and sent to the County on quarterly basis. The City receives an administrative fee equal to 0.5% of the total fees collected.

Refundable Cash Bond

The Engineering Department requires developers to post a bond for certain projects. This fund serves as a holding account for the bonds issued and deposited in a noninterest bearing checking account.

Assessment District Without City Commitment

These funds account for all money collected to pay for debt service of the various assessment districts for which the City acts as paying agent but has no legal commitment or obligation.

Fire Protection

The City has entered into an agreement with the Contra Costa Consolidated Fire District whereby the City collects fire protection facility fees from developers based on the number of units built. Fees are to provide fire protection facilities only.

East County Water Management Association

The Governing Board of the East County Water Management Association has authorized the City to account for the financial operations of the association. The City's Finance Director uses this fund to record collections and disbursements of funds as authorized by the Association.

City of Antioch
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2014

| | Balance June 30, 2013 | Additions | Deductions | Balance June 30, 2014 |
|---|--------------------------|----------------------|------------------------|--------------------------|
| Employee Benefits | | | | |
| Assets: | | | | |
| Cash and investments | \$ 476,479 | \$ 364,154 | \$ (420,564) | \$ 420,069 |
| Accounts receivable | - | 37 | - | 37 |
| Total assets | \$ 476,479 | \$ 364,191 | \$ (420,564) | \$ 420,106 |
| Liabilities: | | | | |
| Accounts payable | \$ 420,564 | \$ 362,069 | \$ (420,564) | \$ 362,069 |
| Due to others | 55,915 | 2,122 | - | 58,037 |
| Total Liabilities | \$ 476,479 | \$ 364,191 | \$ (420,564) | \$ 420,106 |
| Storm Drain Districts D55 & D56 | | | | |
| Assets: | | | | |
| Cash and investments | \$ 2,242 | \$ 568 | \$ (2,242) | \$ 568 |
| Liabilities: | | | | |
| Accounts payable | \$ 2,242 | \$ 568 | \$ (2,242) | \$ 568 |
| Refundable Cash Bond | | | | |
| Assets: | | | | |
| Cash and investments | \$ 666,495 | \$ 738,615 | \$ (702,555) | \$ 702,555 |
| Liabilities: | | | | |
| Due to others | \$ 666,495 | \$ 738,615 | \$ (702,555) | \$ 702,555 |
| Assessment Districts Without City Commitment | | | | |
| Assets: | | | | |
| Cash and investments | \$ 698,279 | \$ 675,704 | \$ (286,593) | \$ 1,087,390 |
| Assessment receivable | 337,492 | 340,331 | (337,492) | 340,331 |
| Interest receivable | 58,563 | 18,061 | (58,563) | 18,061 |
| Prepaid items | 2,159 | 1,190 | (2,159) | 1,190 |
| Restricted cash and investments | 8,642,624 | 15,615,973 | (20,484,067) | 3,774,530 |
| Total assets | \$ 9,739,117 | \$ 16,651,259 | \$ (21,168,874) | \$ 5,221,502 |
| Liabilities: | | | | |
| Due to others | \$ 9,739,117 | \$ 16,651,259 | \$ (21,168,874) | \$ 5,221,502 |

City of Antioch
Combining Statement of Changes in Assets and Liabilities
Agency Funds, Continued
For the Fiscal Year ended June 30, 2014

| | Balance June 30, 2013 | Additions | Deductions | Balance June 30, 2014 |
|---------------------------------|--------------------------|----------------------|------------------------|--------------------------|
| Fire Protection | | | | |
| Assets: | | | | |
| Cash and investments | \$ 141,119 | \$ 218,553 | \$ (234,516) | \$ 125,156 |
| | <u>\$ 141,119</u> | <u>\$ 218,553</u> | <u>\$ (234,516)</u> | <u>\$ 125,156</u> |
| Liabilities: | | | | |
| Due to others | \$ 141,119 | \$ 218,553 | \$ (234,516) | \$ 125,156 |
| Total liabilities | <u>\$ 141,119</u> | <u>\$ 218,553</u> | <u>\$ (234,516)</u> | <u>\$ 125,156</u> |
| ECWMA | | | | |
| Assets: | | | | |
| Cash and investments | \$ 2,252 | \$ 4,161 | \$ (1,144) | \$ 5,269 |
| Liabilities: | | | | |
| Due to others | \$ 2,252 | \$ 4,161 | \$ (1,144) | \$ 5,269 |
| Total - All Agency Funds | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,986,866 | \$ 2,001,755 | \$ (1,647,614) | \$ 2,341,007 |
| Accounts receivable | - | 37 | - | 37 |
| Assessment receivable | 337,492 | 340,331 | (337,492) | 340,331 |
| Interest receivable | 58,563 | 18,061 | (58,563) | 18,061 |
| Prepaid items | 2,159 | 1,190 | (2,159) | 1,190 |
| Restricted cash and investments | 8,642,624 | 15,615,973 | (20,484,067) | 3,774,530 |
| Total assets | <u>\$ 11,027,704</u> | <u>\$ 17,977,347</u> | <u>\$ (22,529,895)</u> | <u>\$ 6,475,156</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 422,806 | \$ 362,637 | \$ (422,806) | \$ 362,637 |
| Due to others | 10,604,898 | 17,614,710 | (22,107,089) | 6,112,519 |
| Total liabilities | <u>\$ 11,027,704</u> | <u>\$ 17,977,347</u> | <u>\$ (22,529,895)</u> | <u>\$ 6,475,156</u> |

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STATISTICAL SECTION

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|---|------|
| <i>Financial Trends</i> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 154 |
| <i>Revenue Capacity</i> These schedules contain information to help the reader assess the City's most significant local revenues. Property tax is the City's most significant revenue. | 159 |
| <i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future. | 164 |
| <i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 169 |
| <i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the financial report relates to the services the City provides and the activities it performs. | 171 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CITY OF ANTIOCH
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$257,475 | \$257,715 | \$266,225 | \$280,385 | \$279,610 | \$292,426 | \$295,764 | \$302,099 | \$325,151 | \$329,692 |
| Restricted | 34,636 | 37,170 | 39,373 | 44,710 | 46,710 | 44,812 | 48,611 | 43,431 | 43,227 | 41,108 |
| Unrestricted | 38,648 | 43,967 | 40,466 | 27,922 | 22,500 | 19,453 | 14,010 | 21,104 | 16,543 | 15,064 |
| Total governmental activities net position | \$330,759 | \$338,852 | \$346,064 | \$353,017 | \$348,820 | \$356,691 | \$358,385 | \$366,634 | \$384,921 | \$385,864 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$119,887 | \$125,699 | \$144,521 | \$149,526 | \$150,985 | \$149,207 | \$150,008 | \$149,127 | \$148,026 | \$148,514 |
| Restricted | 3,629 | 3,644 | 2,414 | 2,655 | 2,456 | 1,673 | 1,476 | 1,554 | 1,432 | 0 |
| Unrestricted | 32,526 | 32,791 | 22,087 | 21,210 | 21,979 | 25,411 | 31,856 | 33,195 | 38,130 | 41,634 |
| Total business-type activities net position | \$156,042 | \$162,134 | \$169,022 | \$173,391 | \$175,420 | \$176,291 | \$183,340 | \$183,876 | \$187,588 | \$190,148 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$377,362 | \$383,414 | \$410,746 | \$429,911 | \$430,595 | \$441,633 | \$445,772 | \$451,226 | \$473,177 | \$478,206 |
| Restricted | 38,265 | 40,814 | 41,788 | 47,365 | 49,166 | 46,485 | 50,087 | 44,985 | 44,659 | 41,108 |
| Unrestricted | 71,174 | 76,758 | 62,553 | 49,132 | 44,479 | 44,864 | 45,866 | 54,299 | 54,673 | 56,698 |
| Total primary government net position | \$486,801 | \$500,986 | \$515,087 | \$526,408 | \$524,240 | \$532,982 | \$541,725 | \$550,510 | \$572,509 | \$576,012 |

Source: City of Antioch Annual Financial Report

CITY OF ANTIOCH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$7,510 | \$6,560 | \$9,038 | \$8,926 | \$9,338 | \$7,379 | \$6,640 | \$6,736 | \$5,937 | \$8,802 |
| Public works | 15,349 | 14,254 | 15,109 | 15,764 | 19,452 | 13,305 | 16,147 | 13,671 | 17,438 | 15,359 |
| Public safety | 20,941 | 22,721 | 24,716 | 28,875 | 30,296 | 28,228 | 26,376 | 25,637 | 27,303 | 26,453 |
| Parks and recreation | 3,629 | 3,942 | 4,489 | 4,401 | 4,497 | 4,397 | 4,203 | 4,134 | 3,964 | 3,827 |
| Community development | 7,969 | 6,846 | 8,323 | 8,905 | 8,683 | 8,052 | 7,013 | 3,204 | 2,121 | 2,571 |
| Interest on long-term liabilities | 2,438 | 2,381 | 2,298 | 2,251 | 2,195 | 2,206 | 2,316 | 1,865 | 422 | 397 |
| Total governmental activities | <u>57,836</u> | <u>56,704</u> | <u>63,973</u> | <u>69,122</u> | <u>74,461</u> | <u>63,567</u> | <u>62,695</u> | <u>55,247</u> | <u>57,185</u> | <u>57,409</u> |
| Business-type activities | | | | | | | | | | |
| Water | 18,043 | 17,827 | 20,415 | 23,087 | 22,900 | 20,371 | 18,948 | 25,244 | 23,123 | 25,751 |
| Sewer | 3,331 | 2,900 | 2,509 | 2,820 | 2,973 | 3,464 | 3,118 | 3,112 | 4,007 | 4,668 |
| Marina | 1,092 | 1,133 | 1,180 | 1,208 | 1,175 | 1,012 | 1,005 | 1,050 | 1,129 | 1,076 |
| Prewett Water Park | 1,708 | 1,845 | 1,922 | 2,089 | 2,299 | 2,084 | 1,740 | 1,762 | 1,878 | 1,920 |
| Total business-type activities | <u>24,174</u> | <u>23,705</u> | <u>26,026</u> | <u>29,204</u> | <u>29,347</u> | <u>26,931</u> | <u>24,811</u> | <u>31,168</u> | <u>30,137</u> | <u>33,415</u> |
| Total primary government expenses | <u>82,010</u> | <u>80,409</u> | <u>89,999</u> | <u>98,326</u> | <u>103,808</u> | <u>90,498</u> | <u>87,506</u> | <u>86,415</u> | <u>87,322</u> | <u>90,824</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 55 | 50 | 2,548 | 1,645 | 2,850 | 2,536 | 1,360 | 1,474 | 1,642 | 1,824 |
| Public works | 1,559 | 1,180 | 993 | 3,012 | 1,572 | 2,895 | 3,369 | 2,429 | 1,745 | 3,152 |
| Public safety | 1,126 | 1,336 | 1,408 | 1,346 | 1,621 | 1,678 | 1,270 | 1,254 | 1,303 | 1,401 |
| Community development | 4,099 | 3,625 | 3,814 | 4,208 | 2,755 | 1,262 | 1,147 | 2,018 | 3,174 | 1,479 |
| Other activities | 2,269 | 2,541 | 2,779 | 687 | 637 | 646 | 560 | 701 | 700 | 789 |
| Operating grants and contributions | 5,706 | 5,609 | 7,303 | 7,772 | 6,136 | 5,971 | 9,846 | 9,802 | 8,742 | 5,879 |
| Capital grants and contributions | 19,409 | 4,088 | 2,974 | 7,856 | 8,789 | 17,425 | 8,568 | 1,896 | 2,308 | 8,118 |
| Total governmental activities program revenues | <u>34,223</u> | <u>18,429</u> | <u>21,819</u> | <u>26,526</u> | <u>24,360</u> | <u>32,413</u> | <u>26,120</u> | <u>19,574</u> | <u>19,614</u> | <u>22,642</u> |
| Business-type activities: | | | | | | | | | | |
| Fines, forfeitures and charges for services | | | | | | | | | | |
| Water | 19,018 | 19,364 | 20,906 | 20,842 | 20,180 | 19,293 | 21,687 | 23,395 | 25,129 | 25,907 |
| Sewer | 3,646 | 3,902 | 3,744 | 3,738 | 3,816 | 4,050 | 4,320 | 4,453 | 4,523 | 4,714 |
| Marina | 163 | 763 | 749 | 807 | 811 | 711 | 658 | 681 | 645 | 591 |
| Prewett Water Park | 703 | 825 | 812 | 835 | 955 | 927 | 1,040 | 910 | 854 | 866 |
| Capital grants and contributions: | | | | | | | | | | |
| Water | 4,443 | 2,535 | 1,532 | 2,449 | 1,214 | 918 | 1,159 | 939 | 1,328 | 1,008 |
| Sewer | 6,105 | 2,394 | 2,276 | 2,714 | 1,397 | 714 | 1,004 | 393 | 524 | 1,193 |
| Marina | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 747 | 304 |
| Total business-type activities program revenues | <u>34,078</u> | <u>29,783</u> | <u>30,019</u> | <u>31,385</u> | <u>28,373</u> | <u>26,613</u> | <u>29,868</u> | <u>30,771</u> | <u>33,750</u> | <u>34,583</u> |
| Total primary government program revenues | <u>68,301</u> | <u>48,212</u> | <u>51,838</u> | <u>57,911</u> | <u>52,733</u> | <u>59,026</u> | <u>55,988</u> | <u>50,345</u> | <u>53,364</u> | <u>57,225</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | -23,613 | -38,275 | -42,154 | -42,596 | -50,101 | -31,154 | -36,575 | -35,673 | -37,571 | -34,767 |
| Business-type activities | 9,904 | 6,078 | 3,993 | 2,181 | -974 | -318 | 5,057 | -397 | 3,613 | 1,168 |
| Total primary government net expense | <u>-13,709</u> | <u>-32,197</u> | <u>-38,161</u> | <u>-40,415</u> | <u>-51,075</u> | <u>-31,472</u> | <u>-31,518</u> | <u>-36,070</u> | <u>-33,958</u> | <u>-33,599</u> |

CITY OF ANTIOCH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands) - Continued

| | Fiscal Year | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|---------------|----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Revenues and Other Changes | | | | | | | | | | |
| In Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | 14,074 | 15,912 | 18,284 | 18,576 | 17,927 | 15,381 | 14,425 | 10,638 | 6,752 | 7,340 |
| Transient lodging tax | 308 | 327 | 372 | 360 | 242 | 113 | 80 | 120 | 116 | 136 |
| Franchise | 2,055 | 2,410 | 2,889 | 3,595 | 3,466 | 4,172 | 3,901 | 4,166 | 4,042 | 4,188 |
| Business license fees based on gross receipts | 1,075 | 1,194 | 1,150 | 1,243 | 1,024 | 1,084 | 1,010 | 1,048 | 1,165 | 1,172 |
| Property transfer taxes | 989 | 875 | 508 | 333 | 432 | 344 | 255 | 283 | 313 | 363 |
| Sales and use tax | 10,945 | 11,071 | 11,843 | 11,725 | 9,909 | 9,476 | 9,340 | 10,476 | 11,074 | 12,532 |
| Motor vehicle in lieu | 5,969 | 9,039 | 8,031 | 8,356 | 7,538 | 5,928 | 5,823 | 5,025 | 4,977 | 5,330 |
| Park in lieu | 682 | 586 | 283 | 148 | 388 | 49 | 45 | 215 | 443 | 338 |
| Investment income not restricted | 1,802 | 1,522 | 3,237 | 3,508 | 2,042 | 595 | 454 | 355 | 177 | 305 |
| Other | 1,224 | 3,187 | 2,344 | 2,391 | 3,900 | 1,881 | 2,867 | 2,765 | 3,761 | 3,956 |
| Contribution from Successor Agency Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 638 | 0 | 0 |
| Extraordinary items - Redevelopment Dissolution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,719 | 0 | 0 |
| Transfers | 1,208 | 1,089 | 426 | -687 | -965 | 3 | 69 | 473 | 183 | 191 |
| Total government activities | 40,331 | 47,212 | 49,367 | 49,548 | 45,903 | 39,026 | 38,269 | 43,921 | 33,003 | 35,851 |
| Business-type activities: | | | | | | | | | | |
| Investment income not restricted | 1,404 | 815 | 1,590 | 1,305 | 825 | 360 | 349 | 315 | 204 | 392 |
| Other | 59 | 288 | 305 | 193 | 1,214 | 831 | 1711 | 1091 | 78 | 1,190 |
| Transfers | -1,208 | -1,089 | -426 | 687 | 965 | -3 | -69 | -473 | -183 | -191 |
| Total business type activities | 255 | 14 | 1,469 | 2,185 | 3,004 | 1,188 | 1,991 | 933 | 99 | 1,391 |
| Total primary government | 40,586 | 47,226 | 50,836 | 51,733 | 48,907 | 40,214 | 40,260 | 44,854 | 33,102 | 37,242 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | 16,718 | 8,937 | 7,213 | 6,952 | -4,198 | 7,872 | 1,694 | 8,248 | -4,568 | 1,084 |
| Business-type activities | 10,159 | 6,092 | 5,462 | 4,366 | 2,030 | 870 | 7,048 | 536 | 3,712 | 2,559 |
| Total primary government | \$26,877 | \$15,029 | \$12,675 | \$11,318 | -\$2,168 | \$8,742 | \$8,742 | \$8,784 | -\$856 | \$3,643 |

Source: City of Antioch Financial Report

CITY OF ANTIOCH
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Fund | | | | | | | | | | |
| Reserved | \$167 | \$48 | \$239 | \$872 | \$894 | \$259 | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 6,074 | 8,686 | 11,694 | 8,534 | 4,392 | 5,488 | - | - | - | - |
| Nonspendable | - | - | - | - | - | - | 34 | 60 | 91 | 206 |
| Committed | - | - | - | - | - | - | 102 | 94 | 602 | 1,497 |
| Assigned | - | - | - | - | - | - | 92 | 298 | 277 | 126 |
| Unassigned | - | - | - | - | - | - | 6,557 | 8,037 | 9,140 | 9,006 |
| Total general fund | \$6,241 | \$8,734 | \$11,933 | \$9,406 | \$5,286 | \$5,747 | \$6,785 | \$8,489 | \$10,110 | \$10,835 |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$18,597 | \$20,473 | \$23,095 | \$22,507 | \$15,430 | \$13,428 | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 17,049 | 16,206 | 13,409 | 14,912 | 18,253 | 20,496 | - | - | - | - |
| Capital projects funds | 11,351 | 12,175 | 6,611 | 2,912 | 3,767 | 2,034 | - | - | - | - |
| Nonspendable | - | - | - | - | - | - | 3,562 | 35 | 363 | 142 |
| Restricted | - | - | - | - | - | - | 21,494 | 23,294 | 22,447 | 20,807 |
| Committed | - | - | - | - | - | - | 5,566 | 6,017 | 3,446 | 2,869 |
| Assigned | - | - | - | - | - | - | 4,675 | 4,636 | 3,521 | 2,296 |
| Unassigned | - | - | - | - | - | - | (2,412) | - | - | (4) |
| Total all other governmental funds | \$46,997 | \$48,854 | \$43,115 | \$40,331 | \$37,450 | \$35,958 | \$32,885 | \$33,982 | \$29,777 | \$26,110 |

Note: Fiscal years 2002 through 2010 are pre-implementation of GASB 54. Fiscal year 2011 represents new fund balance classifications post implementation of GASB 54.

Source: City of Antioch Annual Financial Report

CITY OF ANTIOCH
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|---|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | | | | | | |
| Taxes | \$37,293 | \$42,675 | \$44,917 | \$45,979 | \$42,165 | \$37,744 | \$37,384 | \$34,424 | \$30,792 | \$34,300 |
| Licenses and permits | 1,763 | 1,684 | 1,463 | 1,400 | 735 | 857 | 798 | 1,096 | 1,655 | 1,303 |
| Fines and penalties | 392 | 376 | 301 | 214 | 362 | 306 | 189 | 154 | 142 | 146 |
| Investment income and rentals | 1,547 | 1,991 | 3,480 | 3,794 | 2,491 | 1,380 | 1,064 | 1,065 | 1,437 | 1,520 |
| Revenue from other agencies | 4,063 | 4,457 | 5,722 | 7,756 | 10,667 | 20,602 | 14,699 | 8,470 | 9,952 | 10,244 |
| Current service charges | 5,737 | 5,361 | 13,229 | 11,614 | 11,106 | 9,418 | 8,391 | 8,323 | 8,112 | 10,335 |
| Special assessment revenue | 2,379 | 2,699 | 2,845 | 2,802 | 2,731 | 2,793 | 2,775 | 2,879 | 2,850 | 2,904 |
| Contribution from Successor Agency Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 638 | 0 | 0 |
| Other | 13,076 | 3,768 | 1,634 | 1,575 | 3,852 | 1,161 | 2,253 | 2,315 | 1,238 | 1,754 |
| Total Revenues | 66,250 | 63,011 | 73,591 | 75,134 | 74,109 | 74,261 | 67,553 | 59,364 | 56,178 | 62,506 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 5,993 | 7,434 | 8,738 | 8,331 | 8,976 | 6,971 | 6,073 | 5,702 | 5,331 | 6,357 |
| Public works | 8,748 | 7,586 | 9,233 | 9,269 | 12,888 | 7,159 | 8,587 | 6,652 | 7,803 | 8,450 |
| Public safety | 20,209 | 22,413 | 26,159 | 29,629 | 31,202 | 29,340 | 26,928 | 26,065 | 26,959 | 28,786 |
| Parks and recreation | 3,251 | 3,560 | 4,365 | 4,076 | 4,023 | 3,776 | 3,594 | 3,641 | 3,209 | 3,331 |
| Community development | 8,939 | 8,902 | 10,557 | 11,390 | 11,308 | 9,685 | 8,856 | 3,968 | 3,094 | 3,005 |
| Capital outlay | 6,853 | 6,140 | 13,739 | 13,840 | 8,176 | 20,331 | 13,183 | 4,614 | 10,753 | 14,562 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 957 | 1,377 | 1,249 | 1,170 | 1,255 | 1,345 | 1,764 | 2,115 | 509 | 536 |
| Interest | 2,391 | 2,337 | 2,271 | 2,219 | 2,167 | 2,133 | 2,290 | 1,999 | 412 | 390 |
| Fiscal charges | 15 | 15 | 15 | 16 | 14 | 14 | 19 | 18 | 9 | 6 |
| Bond issuance costs | 0 | 0 | 0 | 0 | 0 | 29 | 0 | 0 | 0 | 0 |
| Total Expenditures | 57,356 | 59,764 | 76,326 | 79,940 | 80,009 | 80,783 | 71,294 | 54,774 | 58,079 | 65,423 |
| Excess (deficiency) of revenues over (under) expenditures | 8,894 | 3,247 | -2,735 | -4,806 | -5,900 | -6,522 | -3,741 | 4,590 | -1,901 | -2,917 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 10,653 | 10,573 | 12,208 | 13,212 | 13,130 | 12,380 | 11,264 | 9,438 | 6,355 | 7,408 |
| Transfer out | (9,483) | (9,471) | (12,011) | (13,717) | (14,231) | (11,147) | (11,430) | (9,285) | (6,397) | (7,433) |
| Capital lease | 0 | 0 | 0 | 0 | 0 | 2,177 | 1,873 | 0 | 0 | 0 |
| Proceeds of bonds | 0 | 0 | 0 | 0 | 0 | 2,081 | 0 | 0 | 0 | 0 |
| Extraordinary item | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,942) | 0 | 0 |
| Total other financing sources (uses) | <u>1,170</u> | <u>1,102</u> | <u>197</u> | <u>(505)</u> | <u>(1,101)</u> | <u>5,491</u> | <u>1,707</u> | <u>(1,789)</u> | <u>(42)</u> | <u>(25)</u> |
| Net change in fund balances | <u>\$10,064</u> | <u>\$4,349</u> | <u>-\$2,538</u> | <u>-\$5,311</u> | <u>-\$7,001</u> | <u>-\$1,031</u> | <u>-\$2,034</u> | <u>\$2,801</u> | <u>-\$1,943</u> | <u>-\$2,942</u> |
| Debt service as a percentage of non-capital expenditures | 6.63% | 6.93% | 5.62% | 5.13% | 4.76% | 5.75% | 6.98% | 8.20% | 1.95% | 1.82% |

Source: City of Antioch Annual Financial Report

CITY OF ANTIOCH
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years - General Fund
(modified accrual basis of accounting)
(amounts expressed in thousands)

| Fiscal Year | Property Tax | Sales Tax | Sales Tax Measure C (1) | Motor Vehicle In Lieu Tax (VLF) | Gax Tax | Transient Lodging Tax | Franchise Taxes | Business License Tax | Property Transfer Tax | Total |
|-------------|--------------|-----------|-------------------------|---------------------------------|---------|-----------------------|-----------------|----------------------|-----------------------|--------|
| 2005 | 14,074 | 10,945 | 0 | 5,969 | 1,878 | 308 | 2,055 | 1,075 | 989 | 37,293 |
| 2006 | 15,912 | 11,071 | 0 | 9,039 | 1,848 | 327 | 2,410 | 1,194 | 875 | 42,676 |
| 2007 | 18,284 | 11,843 | 0 | 8,031 | 1,840 | 372 | 2,888 | 1,151 | 508 | 44,917 |
| 2008 | 18,577 | 11,725 | 0 | 8,355 | 1,790 | 170 | 3,596 | 1,243 | 333 | 45,789 |
| 2009 | 17,927 | 9,909 | 0 | 7,537 | 1,627 | 242 | 3,466 | 1,024 | 432 | 42,164 |
| 2010 | 15,381 | 9,476 | 0 | 5,928 | 1,660 | 113 | 3,757 | 1,084 | 344 | 37,743 |
| 2011 | 14,425 | 9,340 | 0 | 5,823 | 2,550 | 80 | 3,900 | 1,010 | 255 | 37,383 |
| 2012 | 10,638 | 10,476 | 0 | 5,025 | 2,876 | 120 | 3,958 | 1,048 | 283 | 34,424 |
| 2013 | 6,752 | 11,074 | 0 | 4,977 | 2,353 | 116 | 4,042 | 1,165 | 313 | 30,792 |
| 2014 | 7,340 | 11,587 | 899 | 5,330 | 3,286 | 136 | 4,188 | 1,171 | 363 | 34,300 |

(1) Measure C became effective April 1, 2014

Source: City of Antioch Annual Financial Report

CITY OF ANTIOCH
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

| Fiscal Year | Total Secured Tax Roll | Unsecured Tax Roll | Less Homeowners' Exemptions | Less Other Tax Exempt Property | Total Taxable Assessed Value | Less Redevelopment Assessed Valuation | Value of Taxable Property |
|-------------|------------------------|--------------------|-----------------------------|--------------------------------|------------------------------|---------------------------------------|---------------------------|
| 2005 | 7,650,995 | 169,357 | -140,839 | -187,641 | 7,491,872 | -537,174 | 6,954,698 |
| 2006 | 8,609,319 | 179,497 | -137,104 | -191,490 | 8,460,222 | -601,289 | 7,858,933 |
| 2007 | 9,883,012 | 183,270 | -131,886 | -197,614 | 9,736,782 | -654,506 | 9,082,276 |
| 2008 | 10,949,191 | 178,902 | -128,392 | -533,214 | 10,466,487 | -704,753 | 9,761,734 |
| 2009 | 10,108,077 | 224,814 | -126,214 | -674,711 | 9,531,966 | -754,155 | 8,777,811 |
| 2010 | 8,011,789 | 235,898 | -123,979 | -687,894 | 7,435,814 | -765,856 | 6,669,958 |
| 2011 | 7,662,034 | 220,183 | -121,652 | -691,413 | 7,069,152 | -724,248 | 6,344,904 |
| 2012 | 7,155,541 | 205,339 | -116,601 | -683,407 | 6,560,872 | -723,955 | 5,836,917 |
| 2013 | 7,109,642 | 196,571 | -111,761 | -696,290 | 6,498,162 | -641,397 | 5,856,765 |
| 2014 | 7,616,910 | 189,173 | -106,871 | -711,013 | 6,988,199 | -613,598 | 6,374,601 |

NOTE: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold.

California cities do not set their own direct tax rate. The State Constitution establishes the rate at 1% and allocates a portion of that amount, by annual calculation, to all the taxing entities within a tax rate area. The City of Antioch includes 39 tax rate areas.

Source: Contra Costa County Certificate of Assessed Valuations

City of Antioch
Principal Property Taxpayers
FY 2013-14 Compared To FY 2004-05
(amounts expressed in thousands, except for Rank and Percentages)

2013-2014 Local Secured Assessed Valuation - \$7,616,909,819

| Taxpayer | 2014 | | | 2005 | | |
|---|----------------------------------|------|--|------------------------------|------|--|
| | Total Secured Assessed Value (A) | Rank | Percentage of Total Secured Assessed Value | Total Secured Assessed Value | Rank | Percentage of Total Secured Assessed Value |
| Kaiser Foundation Hospitals/Health Plan | 414,663 | 1 | 5.444% | 24,778 | 8 | 0.340% |
| Sutter East Bay Hospital | 119,335 | 2 | 1.567% | 22,767 | 9 | 0.310% |
| Sequoia Equities - Cross Pointe | 33,356 | 3 | 0.438% | | | |
| Runaway Bay LLC | 27,700 | 4 | 0.364% | | | |
| Camden Village LLC | 20,467 | 5 | 0.269% | 36,500 | 2 | 0.500% |
| Georgia-Pacific Gypsum LLC | 19,880 | 6 | 0.261% | | | |
| Costco Wholesale Corporation | 19,174 | 7 | 0.252% | | | |
| Lakeshore Antioch | 18,668 | 8 | 0.245% | | | |
| Deer Creek Partnership | 17,501 | 9 | 0.230% | | | |
| Lowe's HIW Inc | 16,592 | 10 | 0.218% | | | |
| GWF Power Systems Limited Partnership | 0.00 | | 0.000% | 54,169 | 1 | 0.730% |
| Shea Homes Limited Partnership | 0.00 | | 0.000% | 29,796 | 5 | 0.410% |
| Fairfield Antioch LLC | 0.00 | | 0.000% | 34,638 | 3 | 0.470% |
| Slatten Ranch LP | 0.00 | | 0.000% | 21,368 | 10 | 0.290% |
| LB/L Duc III Antioch 330 | 0.00 | | 0.000% | 25,297 | 7 | 0.340% |
| Delta Square-Oxford LTD | 0.00 | | 0.000% | 26,235 | 6 | 0.360% |
| Macerich Partnership | 0.00 | | 0.000% | 33,047 | 4 | 0.450% |
| | \$707,336 | | 9.286% | \$308,595 | | 4.200% |

The amounts shown above include assessed value data for both the City and the Antioch Development Agency

(A) Amounts listed for top ten taxpayers only.

Source: County Assessor's Office via ParcelQuest

**CITY OF ANTIOCH
PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

| Fiscal Year | Basic County Wide Levy | BART | East Bay Regional Park | Community College 2002 Bonds | Community College 2006 Bonds | Total |
|-------------|------------------------|--------|------------------------|------------------------------|------------------------------|--------|
| 2005 | 1.0000 | - | 0.0057 | 0.0042 | - | 1.0099 |
| 2006 | 1.0000 | 0.0048 | 0.0057 | 0.0047 | - | 1.0152 |
| 2007 | 1.0000 | 0.0076 | 0.0080 | 0.0038 | 0.0070 | 1.0264 |
| 2008 | 1.0000 | 0.0076 | 0.0080 | 0.0038 | 0.0070 | 1.0264 |
| 2009 | 1.0000 | 0.0090 | 0.01 | 0.0040 | 0.0026 | 1.0256 |
| 2010 | 1.0000 | 0.0057 | 0.0108 | 0.0046 | 0.0080 | 1.0219 |
| 2011 | 1.0000 | 0.0031 | 0.0084 | 0.0049 | 0.0084 | 1.0248 |
| 2012 | 1.0000 | 0.0041 | 0.0071 | 0.0049 | 0.0095 | 1.0256 |
| 2013 | 1.0000 | 0.0043 | 0.0051 | 0.0047 | 0.0040 | 1.0181 |
| 2014 | 1.0000 | 0.0075 | 0.0078 | 0.0043 | 0.0090 | 1.0286 |

Source: Contra Cost County Assessors Office

City of Antioch
Property Tax Levies and Collections (1)
Last Ten Fiscal Years
(in thousands of dollars)

| Fiscal Year | City Property Tax Levied and Collected | Development Agency Property Tax Levied and Collected | Total Tax Levied and Collected | Percentage of Levy Collected (3) | Value of City Property Subject To Local Tax Rate | Value of Development Agency Property Subject to Local Tax Rate | Total Value of Property Subject To Local Tax Rate |
|-------------|--|--|--------------------------------|----------------------------------|--|--|---|
| 2005 | 19,088 | 5,750 | 24,838 | 100% | 6,954,698 | 537,174 | 7,491,872 |
| 2006 | 18,435 | 6,583 | 25,018 | 100% | 7,556,091 | 601,280 | 8,157,371 |
| 2007 | 21,028 | 7,015 | 28,043 | 100% | 9,082,277 | 654,506 | 9,736,783 |
| 2008 | 20,865 | 7,375 | 28,240 | 100% | 9,761,734 | 704,753 | 10,466,487 |
| 2009 | 19,704 | 7,952 | 27,656 | 100% | 8,777,811 | 754,155 | 9,531,966 |
| 2010 | 16,940 | 7,759 | 24,699 | 100% | 6,669,959 | 765,856 | 7,435,815 |
| 2011 | 16,574 | 7,348 | 23,922 | 100% | 6,344,904 | 724,248 | 7,069,152 |
| 2012 | 14,187 | 3,877 (2) | 18,064 | 100% | 5,836,917 | 723,955 | 6,560,872 |
| 2013 | 15,919 | 0 (2) | 15,919 | 100% | 5,856,765 | 641,397 | 6,498,162 |
| 2014 | 16,765 | 0 (2) | 16,765 | 100% | 6,374,601 | 613,598 | 6,988,199 |

(1) Figures include data for property within the city, redevelopment project areas and for assessments.

(2) Figure represent taxes levied and collected for development agency through January 31, 2012 prior to dissolution of redevelopment with the passage of Abx 1 26, therefore no redevelopment levies after dissolution are provided to the City.

(3) Taxes collected are the same as the amounts levied because Contra Costa County follows California's alternate method of apportionment (the Teeter Plan). Under the Teeter Plan, all amounts levied are apportioned to the County and other taxing agencies regardless of whether they are collected in the current year or not.

Source: Contra Costa County Assessed Valuation Report and Tax Reconciliation Sheet

City of Antioch
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | Total Primary Government | Percentage of Estimated Actual Value of Taxable Property (1) | Per Capita (2) |
|-------------|-------------------------|--------------------------|----------------|--------------------------|--------------|--------------------------|--|----------------|
| | Lease Revenue Bonds | Tax Allocation Bonds (3) | Capital Leases | Water Bonds | Marina Loans | | | |
| 2005 | 29,826 | 14,690 | 524 | 8,374 | 4,150 | 57,564 | 0.83% | 570 |
| 2006 | 29,696 | 13,840 | 117 | 6,609 | 4,044 | 54,306 | 0.69% | 538 |
| 2007 | 29,523 | 12,955 | - | 4,780 | 3,932 | 51,190 | 0.56% | 507 |
| 2008 | 29,309 | 12,035 | - | 4,160 | 3,816 | 49,320 | 0.51% | 493 |
| 2009 | 29,054 | 11,070 | - | 3,525 | 3,695 | 47,344 | 0.54% | 473 |
| 2010 | 28,754 | 12,141 | 2,177 | 2,869 | 3,568 | 49,509 | 0.74% | 485 |
| 2011 | 28,369 | 10,981 | 3,867 | 2,195 | 3,436 | 48,848 | 0.77% | 479 |
| 2012 | 27,934 | - | 3,541 | 1,511 | 3,297 | 36,283 | 0.62% | 356 |
| 2013 | 5,002 | - | 3,192 | 770 | 3,152 | 12,116 | 0.21% | 119 |
| 2014 | 4,841 | - | 2,821 | 0 | 3,001 | 10,663 | 0.17% | 105 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City of Antioch Financial Report

- (1) See the schedule of Assessed Value and Estimated Actual Value of Taxable Property.
- (2) Population data can be found in the Demographic and Economic Statistics schedule
- (3) Tax Allocation Bonds have become an obligation of the Successor Agency to the Antioch Development Agency and no longer on City books.

**City of Antioch
Ratios of General Bonded Debt Outstanding**

The City of Antioch has not had any outstanding general obligation bond debt since 2001-02.

CITY OF ANTIOCH
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Debt limit | \$1,173,053 | \$1,318,322 | \$1,509,942 | \$1,669,214 | \$1,549,934 | \$1,237,153 | \$1,182,333 | \$1,104,132 | \$1,095,932 | \$1,170,913 |
| Total net debt applicable to limit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Legal debt margin | \$1,173,053 | \$1,318,322 | \$1,509,942 | \$1,318,322 | \$1,549,934 | \$1,237,153 | \$1,182,333 | \$1,104,132 | \$1,095,932 | \$1,170,913 |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Legal Debt Margin Calculation for Fiscal Year 2014

The following numbers are not expressed in thousands:
Assessed value \$6,988,198,559
Add back: exempt real property 817,884,789
Total assessed value 7,806,083,348

Debt limit (15% of total assessed value) 1,170,912,502
Debt applicable to limit:
General obligation bonds 0
Less: Amount set aside for repayment
of general obligation debt 0
Total net debt applicable to limit 0
Legal debt margin \$1,170,912,502

Source: City of Antioch Finance Department and Contra Costa County Certificate of Assessed Valuations for fiscal year 2012-13

Note: Beginning in Fiscal Year 2000-01, the City of Antioch did not have any general obligation debt. However, under State finance law, the City of Antioch's outstanding general obligation debt should not exceed 15% of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**City of Antioch
Pledged Revenue Coverage
Last Ten Fiscal Years**

| Fiscal Year | Water Revenue Bonds (1) (in thousands) | | | | | | Special Assessment Bonds | | |
|-------------|--|---------------------------------|--|--------------|----------|-----------------------|------------------------------------|----------------------------|--------------|
| | Gross Water Charges And Other | Less: Direct Operating Expenses | Net Revenue Available for Debt Service | Debt Service | | Debt Service Coverage | Special Assessment Collections (2) | Outstanding (in thousands) | |
| | | | | Principal | Interest | | | Hillcrest | Lone Diamond |
| 2005 | 19,665 | 15,814 | 3,851 | 1,700 | 320 | 1.91% | 11,860,106 | 5,030 | 64,115 |
| 2006 | 20,279 | 15,705 | 4,574 | 1,785 | 250 | 2.25% | 8,015,198 | 3,410 | 59,935 |
| 2007 | 22,264 | 18,297 | 3,967 | 1,850 | 181 | 1.95% | 7,546,480 | 1,708 | 51,020 |
| 2008 | 21,796 | 20,174 | 1,622 | 640 | 142 | 2.07% | 7,550,756 | - | 46,795 |
| 2009 | 21,585 | 19,804 | 1,781 | 655 | 126 | 2.28% | 7,464,602 | - | 41,170 |
| 2010 | 20,226 | 17,390 | 2,836 | 675 | 108 | 3.62% | 7,401,685 | - | 35,045 |
| 2011 | 22,103 | 16,609 | 5,494 | 695 | 88 | 7.02% | 7,476,123 | - | 26,905 |
| 2012 | 23,652 | 22,924 | 728 | 720 | 66 | 0.93% | 7,425,102 | - | 20,905 |
| 2013 | 25,369 | 20,628 | 4,741 | 745 | 41 | 6.03% | 7,436,553 | - | 13,915 |
| 2014 | 27,297 | 23,328 | 3,969 | 770 | 14 | 5.06% | 7,472,192 | - | 2,405 |

(1) Details regarding the City of Antioch's outstanding debt can be found in the notes to the financial statements. Water Charges and Other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(2) Special Assessment Debt without City Commitment: The City is the collecting and paying agent for other special assessment debt, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in the City's financial statements. Cash held by the City on behalf of these districts is recorded in the Agency Funds of the City.

Source: City of Antioch Financial Statements

CITY OF ANTIOCH
Direct and Overlapping Debt
June 30, 2014

| | |
|---|------------------------|
| 2013-14 Assessed Valuation | \$6,988,198,559 |
| Antioch Development Agency Incremental Valuation: | 613,597,974 |
| Adjusted Assessed Valuation: | <u>\$6,374,600,585</u> |

| JURISDICTION | Total Debt 6/30/2014 | Percent Applicable (1) | City's Share of Debt 6/30/2014 |
|---|-------------------------|---------------------------|-----------------------------------|
| OVERLAPPING TAX AND ASSESSMENT DEBT: | | | |
| Bay Area Rapid Transit District | \$648,275,000 | 1.350% | \$8,751,713 |
| Contra Costa Community College District | 343,945,000 | 4.843% | 16,657,256 |
| Antioch Unified School District Schools Facilities Improvement District No. 1 | 64,662,391 | 76.711% | 49,603,167 |
| Liberty Union High School District | 51,005,000 | 2.384% | 1,215,959 |
| Brentwood Union School District | 46,599,704 | 4.401% | 2,050,853 |
| City of Antioch 1915 Act Bonds | 2,405,000 | 100.000% | 2,405,000 |
| East Bay Regional Park District | 202,210,000 | 2.084% | 4,214,056 |
| Antioch Area Community Facilities District No. 1989-1 | 37,905,000 | 100.000% | 37,905,000 (3) |
| Total Overlapping Tax and Assessment Debt | | | <u>\$122,803,004</u> |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agency): | \$28,784,977 | 100.000% | \$28,784,977 |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | | |
| Direct Debt: | | | |
| City of Antioch Capital Lease | \$2,820,589 | 100.000% | \$2,820,589 |
| City of Antioch Lease Revenue Bonds | 4,841,262 | 100.000% | 4,841,262 |
| Subtotal Direct General Fund Debt | | | <u>\$7,661,851</u> |
| Overlapping Debt: | | | |
| Contra Costa County General Fund Obligations | \$274,600,304 | 4.824% | \$13,246,719 |
| Contra Costa County Pension Obligation Bonds | 258,500,000 | 4.824% | 12,470,040 |
| Contra Costa Community College District Certificates of Participation | 700,000 | 4.843% | 33,901 |
| Antioch Unified School District Certificates of Participation | 18,265,000 | 83.486% | 15,248,718 |
| Brentwood Union School District Certificates of Participation | 2,003,079 | 4.401% | 88,156 |
| Contra Costa Fire Protection District Pension Obligation Bonds | 99,945,000 | 10.454% | 10,448,250 |
| Subtotal gross overlapping General Fund Debt | | | <u>\$51,535,783</u> |
| Less: Contra Costa County Obligations supported from revenue funds | | | 5,245,426 |
| Subtotal net overlapping General Fund Debt | | | <u>\$46,290,357</u> |
| COMBINED TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$53,952,208 (2)</u> |
| COMBINED TOTAL NET DEBT | | | <u><u>\$205,540,190 (2)</u></u> |

NOTES:

- (1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's taxable assessed value. Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease and pension obligations
- (3) Includes \$12,490,000 to be called in 8/14.

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt: 1.76%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$7,661,851): 0.12%

Gross Combined Total Debt: 3.3%

Net Combined Total Debt: 3.22%

Ratios to Redevelopment Successor Agency Incremental Valuation:

Total Overlapping Tax Increment Debt: 4.69%

Source: California Municipal Statistics, Inc.

**City of Antioch
Demographic and Economic Statistics
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>City of Antioch Population(1)</u> | <u>Contra Costa County Population (1)</u> | <u>Personal Income (in thousands) (2)</u> | <u>Per Capita Personal Income (2)</u> | <u>Unemployment Rate (3)</u> |
|--------------------|--------------------------------------|---|---|---------------------------------------|------------------------------|
| 2005 | 100,913 | 999,013 | 51,534,263 | 51,585 | 5.3% |
| 2006 | 100,163 | 1,000,834 | 55,318,933 | 55,237 | 5.3% |
| 2007 | 100,150 | 1,009,152 | 58,043,926 | 57,518 | 5.3% |
| 2008 | 100,361 | 1,023,344 | 59,914,142 | 58,547 | 7.6% |
| 2009 | 100,957 | 1,037,890 | 55,781,843 | 53,745 | 12.20% |
| 2010 | 102,330 | 1,052,605 | 57,700,398 | 54,817 | 12.80% |
| 2011 | 103,054 | 1,066,096 | 60,778,675 | 57,011 | 12.50% |
| 2012 | 103,833 | 1,065,117 | 66,544,007 | 61,638 | 10.20% |
| 2013 | 105,117 | 1,074,702 | * | * | 8.70% |
| 2014 | 106,455 | 1,087,008 | * | * | 6.90% |

*No Data Available

Data Sources:

(1) State Department of Finance

(2) U.S. Department of Commerce, Bureau of Economic Analysis (data shown is for Contra Costa County)

- Last updated: 11/26/12 - new estimates for 2011; revised estimates for 2009-2010.

(3) State of California Employee Development Dept., Labor Market Info, Data Library

**City of Antioch
Principal Employers
Current Year and Nine Years Ago**

| Employer | 2014 | | 2005 | |
|--|--|--|------------------------------------|--|
| | Approx. Number of Employees¹ | Percentage Of Total City Employment | Number of Employees | Percentage Of Total City Employment |
| Kaiser Permanente | 2,169 | 4.31% | 663 | 1.38% |
| Antioch Unified School District | 1,699 | 3.38% | 1,882 | 3.92% |
| Sutter Delta Medical Center ² | 1,200 | 2.39% | 804 | 1.68% |
| Contra Costa County Social Services | 525 | 1.04% | 500 | 1.04% |
| Wal-Mart | 277 | 0.55% | 408 | 0.85% |
| Target | 325 | 0.65% | - | 0.00% |
| Costco | 270 | 0.54% | 190 | 0.40% |
| City of Antioch | 243 | 0.48% | 362 | 0.75% |
| Antioch Auto Center | 240 | 0.48% | - | 0.00% |
| Safeway | 143 | 0.28% | 200 | 0.42% |
| Long's Drugs (corporate office) | - | 0.00% | 255 | 0.53% |
| Mervyn's | - | 0.00% | 210 | 0.44% |

¹ As of 9/17/14 Source: City of Antioch Economic Development Department

² Includes contract employees

**City of Antioch
Operating Indicators by Function
Last Ten Fiscal Years**

| Function | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---------|-----------|-----------|---------|---------|---------|---------|---------|---------|-----------|
| Police | | | | | | | | | | |
| Physical arrests | 4,872 | 4,983 | 6,471 (1) | 6,734 | 7,288 | 5,990 | 4,830 | 4,296 | 4,047 | 4,018 |
| Parking violations* | 1,985 | 3,334 | 2,256 (1) | 1,188 | 1,391 | 1,241 | 963 | 1,310 | 1,319 | 2,318 |
| Traffic violations* | 7,440 | 8,749 | 4,703 (1) | 7,049 | 12,664 | 5,905 | 3,320 | 2,123 | 1,396 | 1,479 |
| Sworn Officers | 114 | 118 | 125 | 126 | 126 | 126 | 126 | 126 | 126 | 87 (3) |
| Reserve Personnel | 11 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 |
| Support Personnel | 47 | 55 | 58 | 59 | 59 | 59 | 59 | 59 | 59 | 26 (3) |
| Highways and streets | | | | | | | | | | |
| Street resurfacing, sq ft | 207,800 | 137,100 | 209,269 | 128,685 | 387,760 | 164,929 | 879,575 | 711,900 | 105,820 | 1,408,525 |
| Potholes repaired | 3,574 | 3,702 | 2,022 | 3,076 | 170 | n/a | (2) | (2) | (2) | (2) |
| Culture and recreation | | | | | | | | | | |
| Athletic sports complex admissions | 27,775 | 29,831 | 32,693 | 31,429 | 33,650 | 33,640 | 40,000 | 41,500 | 42,000 | 60,000 |
| Community center admissions | | | | | | | | | | |
| Nick Rodriguez Community Center | 960,717 | 946,667 | 819,324 | 558,624 | 173 | 314,731 | 127,545 | 46,233 | 10,500 | 12,800 |
| Antioch Community Center | NA | NA | NA | NA | NA | NA | 150,937 | 234,102 | 384,602 | 213,000 |
| Prewett Community Center | 133,234 | 161,572 | 133,138 | 129,250 | 120,121 | 80,591 | 80,041 | 83,556 | 68,766 | 92,000 |
| Water | | | | | | | | | | |
| New connections | 392 | 351 | 209 | 236 | 170 | 207 | 139 | 169 | 289 | 206 |
| Water main breaks | 2 | 13 | 25 | 18 | 18 | 28 | 17 | 39 | 36 | 22 |
| Average daily consumption (thousands of gallons) | 18,591 | 17,703*** | 18,473 | 19,519 | 17,195 | 15,190 | 15,539 | 16,043 | 16,478 | 16,221 |
| Sewer** | | | | | | | | | | |
| New connections | 176 | 310 | 166 | 184 | 140 | 181 | 106 | 144 | 259 | 180 |

(1) Of the City's 5 Traffic Unit Officers, one Traffic Unit Officer was transferred to patrol in July 2006 and four were transferred to patrol in October 2006. Therefore, there was an increase in physical arrests and decreases in traffic and parking violations.

(2) The City no longer tracks this data.

(3) 2014 represents total funded positions only. 2013 and prior years data includes frozen positions.

*Parking and Traffic violations were combined until 2004/05

**The City does not process daily sewage - it maintains the sewer line that connects to the main sewer. Delta Diablo Sanitation District is responsible for sewage treatment.

***Fiscal Year 2005/06 was a very wet year for the City of Antioch; therefore, less water was consumed.

Source: Various City Departments

CITY OF ANTIOCH
FULL TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

| FUNCTION | 2005 | 2006 | 2007 | 2008⁴ | 2009⁴ | 2010⁴ | 2011⁴ | 2012⁴ | 2013⁴ | 2014³ |
|----------------------------------|-------------|-------------|-------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| General government | 55 | 45 | 51 | 50 | 52 | 52 | 52 | 52 | 46 | 25 |
| Public safety ¹ | | | | | | | | | | |
| Sworn Police Officers | 114 | 118 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 87 |
| Community Service Officers | 18 | 17 | 19 | 20 | 20 | 20 | 20 | 20 | 20 | 4 |
| Administrative Staff | 36 | 36 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 30 |
| Public works | 34 | 41 | 41 | 42 | 42 | 54 | 55 | 60 | 63 | 39 |
| Community Development | 38 | 40 | 47 | 43 | 42 | 30 | 30 | 30 | 28 | 10 |
| Capital Improvement ² | - | - | - | 5 | 5 | 5 | 5 | - | - | - |
| Recreation | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 16 | 8 |
| Water | 39 | 38 | 38 | 41 | 41 | 41 | 41 | 41 | 47 | 47 |
| Wastewater | 7 | 12 | 12 | 15 | 15 | 15 | 15 | 15 | 21 | 21 |
| Total employees | 359 | 365 | 391 | 399 | 400 | 400 | 401 | 401 | 406 | 271 |

¹ Fire services are provided by Contra Costa Fire Protection District

² Capital Improvement was part of Community Development prior to 2008, and became part of Public Works in 2012

³ Data is only funded positions for fiscal year

⁴ Includes frozen positions

Source: City of Antioch budgets

**City of Antioch
Capital Asset Statistics by Function
Last Ten Fiscal Years**

| Function | Fiscal Year | | | | | | | | | |
|---|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Public safety | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | NA | 41 | 41 | 43 | 43 | 43 | 42 | 39 | 39 | 40 |
| Fire Stations* | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Highways and streets | | | | | | | | | | |
| Streets (miles) | 307.91 | 315.61 | 339.16 | 352.62 | 360.02 | 482.62 | 566.31 | 566.31 | 595.16 | 724.55 |
| Streetlights | 6,258 | 6,346 | 6,501 | 6,486 | 8,600 | 8,649 | 8,697 | 8,714 | 8,731 | 8,738 |
| Traffic Signals, City Owned | 41 | 42 | 42 | 99 | 100 | 101 | 101 | 101 | 102 | 102 |
| Culture and recreation | | | | | | | | | | |
| Parks acreage | 306 | 306 | 308 | 308 | 308 | 308 | 308 | 308 | 328 | 237 |
| Parks | 31 | 31 | 32 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| Swimming pools | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Community centers | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Water | | | | | | | | | | |
| Water lines (miles) | 272.24 | 278.80 | 285.35 | 278.80 | 340.00 | 341.68 | 341.68 | 341.68 | 341.68 | 343.45 |
| Number of water meters | 30,474 | 30,825 | 30,683 | 31,061 | 31,231 | 30,931 | 31,468 | 31,254 | 31,583 | 31,803 |
| Maximum daily treatment capacity (millions of gallons) | 30.73 | 31.55 | 31.55 | 30.02 | 27.01 | 26.49 | 29.00 | 26.13 | 27.01 | 36.00 |
| Fire hydrants | 3,231 | 3,401 | 3,443 | 3,443 | 3,443 | 3,443 | 3,522 | 3,537 | 3,537 | 3,589 |
| Sewer** | | | | | | | | | | |
| Sanitary sewer lines (miles) | 238.77 | 248.82 | 250.87 | 255.70 | 300.00 | 300.68 | 300.68 | 300.68 | 300.68 | 300.68 |
| Number of sewer connections | 29,004 | 29,314 | 29,480 | 29,664 | 29,804 | 29,535 | 29,657 | 29,818 | 30,171 | 30,377 |
| Storm drains (miles) | 144.36 | 150.75 | 157.14 | 161.42 | 220.00 | 221.01 | 221.01 | 221.01 | 221.01 | 221.46 |

*The City of Antioch's fire protection is provided by the Contra Costa Fire Protection District

**The City does not process daily sewage - it maintains the sewer line that connects to the main sewer. Delta Diablo Sanitation District is responsible for sewage treatment.

Sources: Various City departments.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
of the City of Antioch
Antioch, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Antioch, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of the City Council
of the City of Antioch
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Oakland, California
December 8, 2014

APPENDIX C

CITY OF ANTIOCH STATEMENT OF INVESTMENT POLICY

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CITY OF ANTIOCH

STATEMENT OF INVESTMENT POLICY

I. INTRODUCTION

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment process. The initial step toward a prudent investment policy is to organize and formalize investment related activities. Related activities which comprise good cash management include accurate cash projection, the expeditious collection of revenue, the control of disbursements, cost effective banking relations, and a short term borrowing program which coordinates working capital requirements and investment opportunity. In concert with these requirements are the many facets of an appropriate and secure short term investment program.

II. OBJECTIVES

A. Safety of principal is the foremost objective of the City, followed by liquidity and yield. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value.

B. Investment decisions should not incur unreasonable investment risks in order to obtain current investment income.

C. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. This need for investment liquidity may be tempered to the extent that the City is able to issue short term notes to meet its operating requirements.

D. The investment portfolio shall be managed to attain a market average rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow requirements, and state and local law, ordinances or resolutions that restrict the placement of short term funds.

E. Portfolio performance will be measured against a total return index with securities with similar attributes and similar average maturity, e.g., the Merrill Lynch 1-3 Year U.S. Treasury Index.

F. The City's investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks associated with concentrating investments in specific security types or in individual financial institutions.

G. While the City will not make investments for the purpose of trading or speculation as the dominant criterion, the City Treasurer shall seek to enhance total portfolio return by means of active portfolio management. The prohibition of speculative investments precludes pursuit of gain or profit through unusual risk and precludes investments primarily directed at gains or profits from conjectural fluctuations in market prices. However, as long as the original investments can be justified by their ordinary earning power, trading in response to changes in market value or market direction is a requirement of portfolio management.

H. The City adheres to the guidance provided by the "prudent investor rule", which states that, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

I. All participants in the investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. Nevertheless, in a diversified portfolio, it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

III. DELEGATION OF AUTHORITY

The responsibility for conducting the City's investment program resides with the City Treasurer, who shall establish written procedures for the operation of the investment program, consistent with this investment policy.

CITY OF ANTIOCH STATEMENT OF INVESTMENT POLICY

Such procedures shall include explicit delegation of authority for all investment activities. Transactions may be delegated to an independent investment advisor registered with the SEC who will meet at least quarterly with the City Treasurer and Finance Director to review general strategies and monitor results.

IV. PERMITTED INVESTMENT INSTRUMENTS

The City of Antioch shall strive to maintain the level of investment of all idle funds as near 100% as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer. The City Treasurer, or designee, is authorized to purchase the following investment instruments.

Where this section specifies a percentage limitation for a particular security type, that percentage is applied on the date of purchase. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the City Treasurer, or designee, will perform a timely review and decide whether to sell or hold the investment.

- A. U.S. Treasury, notes, bonds, bills, or other certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- B. Federal agency or United States government-sponsored enterprise obligations, participation, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- C. Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency.
- D. Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.
- E. Repurchase Agreements. Repurchase agreements are to be used solely as short-term investments not to exceed 30 days. The City may enter into repurchase agreements with primary government securities dealers rated "A" or better by two nationally recognized rating services. Counterparties should also have (i) a short-term credit rating in the highest category by a nationally recognized statistical rating organization (NRSRO); (ii) minimum assets and capital size of \$25 billion in assets and \$350 million in capital; (iii) five years of acceptable audited financial results; and (iv) a strong reputation among market participants.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities will be acceptable collateral. All securities underlying repurchase agreements must be delivered to the City's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed 102% of the total dollar value of the money invested by the City for the term of the investment. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an on-going basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.

The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to repurchase agreement. The City shall have properly executed a PSA agreement with each counter party with which it enters into repurchase agreements.

- F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. Purchases of bankers' acceptances may not exceed 180 days' maturity, or 40% of the City's surplus money that may be invested. Eligible bankers' acceptances are restricted to issuing financial institutions with short-term paper rated in the highest category by one NRSRO.

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G. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2) below:

1. The entity meets the following criteria: (A) is organized and operating in the United States as a general corporation. (B) has total assets in excess of five hundred million dollars (\$500,000,000). (C) has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.
2. The entity meets the following criteria: (a) is organized within the United States as a special purpose corporation, trust, or limited liability company. (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. The City may invest no more than 25% of its money in eligible commercial paper, and the City may purchase no more than 10% of the outstanding commercial paper of any single issuer.

H. Medium term notes with a maximum maturity of five years issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States that are rated "A" by a NRSRO. Purchases of medium term notes may not exceed 30% of the City's portfolio.

I. FDIC-insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code Section 53561, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under Section (m) or at 110% by eligible marketable securities listed in Subsections (a) through (l) and (n) and (o). To be eligible to receive local agency deposits, a financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities its most recent evaluation.

J. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or a state or federal savings and loan association, a state or federal credit union, or by a federally- or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the City's surplus money.

1. Certificates with maturities greater than six months through one year shall have an "A-1"/ "P-1" rating, or its equivalent or better, as provided for by one of the *NRSRO's*.
2. Certificates with maturities greater than one year and through four years shall have a long term rating of "A," its equivalent or higher from one or more *NRSRO's*.

K. State of California's Local Agency Investment Fund (LAIF). Investment in LAIF may not exceed \$50 million.

1. The LAIF portfolio should be reviewed periodically.

L. California Asset Management Program (CAMP).

M. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either:

1. Attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized statistical-rating organization or

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2. Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

The purchase price of shares shall not exceed 20 percent of the investment portfolio of the City.

- N. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Eligible securities must be rated, by a nationally recognized rating service, as "AA" or higher, and the issuer of the security must have an "A" or higher rating for its debt as provided by a NRSRO. No more than 20 percent of the agency's surplus funds may be invested in this type of security.
- O. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated at least "AA" by a NRSRO.

Purchases of these securities shall not exceed 30 percent of the investment portfolio of the City. Supranationals will be permitted by California Government Code §53601 (q) and this Policy effective January 1, 2015.

- P. Insured savings account or money market account. To be eligible to receive local agency deposits, a financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation.

V. PROHIBITED INVESTMENTS

Any security type or structure not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to:

1. Reverse repurchase agreements.
2. The City shall not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.
3. The City will not invest in any companies that produce alcohol for public consumption or tobacco products.

VI. MATURITY

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled as to permit the City to meet all projected obligations. No investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement as authorized by this section that at the time of the investment has a term remaining to maturity in excess of five years unless City Council has provided approval for a specific purpose at least three months before the investment is made.

VII. DIVERSIFICATION

It is City policy to diversify the investment portfolio in order to reduce the risk of loss resulting from other concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The following strategies and constraints shall apply:

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A. Portfolio maturities shall be staggered in a way to avoid undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.

B. Concern for liquidity shall be insured through practices that include covering the next vendor disbursement date and payroll date through maturing investments.

C. Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

D. Specific diversification limitation shall be imposed on the portfolio as follows:

1. The target average maturity of the portfolio will be 18 months, plus or minus six months. During increasing rate environments the average maturity is to be shortened toward the 12 month goal and during decreasing rate environments the average maturity is to be lengthened toward the 24 month goal.

2. Except for fully collateralized deposits, investments in pooled funds such as LAIF, CAMP, and money market funds, instruments of the U.S. Government or its Agencies and securities issued by the IBRD, IFC, and IADB, no more than 5% of the overall portfolio may be invested in the securities of a single financial institution.

3. In accordance with California statutes, City deposits including collateralized certificates of deposit shall not exceed the total paid up capital (to include capital notes and debentures) and surplus of any depository bank, or the total of the net worth of any savings and loan association.

VIII. RISK TOLERANCE

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The City Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

In addition to these general policy considerations, the following specific policies will be strictly observed.

A. All investment funds will be placed directly with qualified financial institutions. The City will not deposit or invest funds through third parties or money brokers.

B. All transactions will be executed on a delivery versus payment basis with one exception: Upon the City's receipt of an account number from an authorized official, a California savings and loan institution and Bay Area banks shall have 48 hours from the transaction settlement date in which to deliver the certificate of deposit for a collateralized deposit to the City's safekeeping, even though payment is made by the City on the settlement date.

C. A competitive bid process, utilizing a minimum of three financial institutions deemed eligible by the City's Investment Advisor, will be used to place all investment purchases. Based on a quarterly evaluation, securities dealers, banks and other financial institutions will be dropped or continued on the eligibility list. The following criteria will be used in the quarterly evaluation:

1. Number of transactions competitively won.
2. Prompt and accurate confirmation of transactions.
3. Efficient securities delivery.
4. Accurate market information account servicing.

D. The City Treasurer shall forward a copy of and updates to the City's Investment Policy to the City's Investment Advisor and require written acknowledgment of the Policy.

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IX. SAFEKEEPING AND CUSTODY

To protect against potential fraud and embezzlement, the assets of the City shall be held in the City's vault or secured through third party custody and safekeeping procedures. City Treasurer or designee shall be bonded to protect the public against possible embezzlement and malfeasance. Safekeeping procedures shall be reviewed annually by an independent auditor. The auditor may conduct surprise audits of safekeeping and custodial procedures.

All securities will be received and delivered using standard delivery versus payment procedures.

X. REPORTING REQUIREMENTS

The City Treasurer shall render to the City Council at least a quarterly investment report, which shall include, at a minimum, the following information for each individual investment:

1. Type of investment instrument (i.e., Treasury Bill, medium term note);
2. Issuer name (i.e., General Electric Credit Corporation);
3. Purchase date (trade and settlement date);
4. Maturity date;
5. Par value;
6. Purchase price;
7. Current market value and the source of the valuation;
8. Overall portfolio yield based on cost.

The quarterly report also shall (a) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance; (b) include a description of any of the City's funds, investments, or programs that are under the management of contracted parties, including lending programs; and (c) include a statement denoting the ability of the City to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

The Treasurer will submit to City Council a monthly report of investment transactions.

XI. INVESTMENT POLICY REVIEW

The City Treasurer shall annually render to the City Council a Statement of Investment Policy, which the City Council shall consider at a public meeting.

APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected features of the Site Lease, dated as of February 1, 2015 (the "Site Lease"), the Facility Lease, dated as of February 1, 2015 (the "Facility Lease"), and the Trust Agreement, dated as of February 1, 2015 (the "Trust Agreement"), are made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete text of said documents, copies of which are available upon request from the Trustee or the City.

CERTAIN DEFINITIONS

The following are definitions of certain of the terms used in the Site Lease, the Facility Lease or the Trust Agreement, to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of any of the terms defined herein:

The term "Additional Payments" means all amounts payable to the Authority or the Trustee or any other person from the City as Additional Payments pursuant to the Facility Lease.

The term "Base Rental Payments" means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Facility Lease.

The term "Base Rental Payment Schedule" means the schedule of Base Rental Payments payable to the Authority from the City pursuant to Facility Lease and attached thereto.

The term "Bonds" means the Series 2015 Bonds and all Additional Bonds. The term "Series 2015 Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. The term "Additional Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance therewith. The term "Serial Bonds" means Bonds for which no sinking fund payments are provided. The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

The term "Certificate of the Authority" means an instrument in writing signed by the Chair, Executive Director, Secretary or Treasurer of the Authority, or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

The term "Certificate of the City" means an instrument in writing signed by the Mayor, City Manager or Finance Director of the City or by any such officials' duly appointed designee, or by any other officer or employee of the City duly authorized by the City Council of the City for that purpose.

The term "Code" means the Internal Revenue Code of 1986, as amended.

The term "Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement executed by the City and the Trustee summarized in APPENDIX E hereto.

The term "Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Site Lease, the Facility Lease, the Trust Agreement and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the

Bonds, fees of the Authority and any other authorized cost, charge or fee in connection with the issuance of the Bonds.

The term “Costs of Issuance Fund” means the fund by that name established pursuant to the Trust Agreement.

The term “Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or other period on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds so long as such funded interest is in an amount equal to the gross amount necessary to pay such interest on the Bonds and is invested in direct obligations of the United States which mature no later than the related Interest Payment Date), (2) the principal amount of all Outstanding Serial Bonds maturing during such Fiscal Year or other period, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid (together with the redemption premiums, if any, thereon) during such Fiscal Year or other period.

The term “DTC” means The Depository Trust Company, New York, New York.

The term “Event of Default” for purposes of the Facility Lease is defined herein under “Facility Lease Defaults and Remedies”. The term “Event of Default” for purposes of the Trust Agreement is defined herein under “Trust Agreement Events of Default; Remedies of Bondholders”.

The term “Facilities” means the buildings, other improvements and facilities described in Exhibit A to the Facility Lease, including all real property on which such buildings, other improvements and facilities are located, or any portion thereof, or any City buildings, other improvements and facilities substituted therefor, or any portion thereof, in accordance with the Facility Lease and the Trust Agreement; subject, however, to any conditions, reservations and easements of record known to the City.

The term “Facility Lease” means that certain lease, entitled “Facility Lease”, between the Authority and the City, dated as of February 1, 2015, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions of the Trust Agreement and thereof.

The term “Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news, and selected by the Authority.

The term “Fiscal Year” means the twelve (12) month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

The term “Government Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations the timely payment of which is guaranteed directly by the United States of America, including evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations; provided that investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; (c) the underlying obligations are not redeemable prior to maturity, and (d) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

The term “Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the City; and

(3) is not connected with the Authority or the City as a member, officer or employee of the Authority or the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the City.

The term “Information Services” means the Electronic Municipal Market Access System of the Municipal Rulemaking Board; and in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or such services as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

The term “Insurance Consultant” means an individual or firm employed by the City, including the Risk Manager of the City or the City’s insurance broker or agent, that has actuarial experience in the field of risk management.

The term “Interest Payment Date” means May 1 and November 1 in each year, commencing November 1, 2015.

The term “Joint Powers Agreement” means the Joint Exercise of Powers Agreement by and between the City and the Antioch Development Agency (now known as the Successor Agency to the Antioch Development Agency), dated April 27, 1993, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions of the Trust Agreement and thereof.

The term “Moody’s” means Moody’s Investors Service, Inc. a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

The term “Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Authority.

The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the defeasance provisions of the Trust Agreement; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

The term “Permitted Encumbrances” means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Facility Lease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Contra Costa and which the City certifies in writing will not materially impair the use of the Facilities; (3) the Site Lease, as it may be amended from time to time; (4) the Facility Lease, as it may be amended from time to time; (5) the Trust Agreement, as it may be amended from time to time; (6) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (7) easements, rights

of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Authority and the City consent in writing and certify to the Trustee will not materially impair the leasehold interests of the Authority or use of the Facilities by the City; and (8) subleases and assignments of the City which will not adversely affect the exclusion from gross income of interest on the Bonds.

The term “Permitted Investments” means any of the following, if and to the extent each is permissible for investment of funds of the Authority, as stated in its current investment policy and pursuant to applicable laws:

1. Government Securities;
2. Any obligations which are then legal investments for moneys of the City under the laws of the State of California; provided that such investments shall be rated in the highest short-term or one of the three highest long-term Rating Categories by the Rating Agencies or deposits which are fully insured by the FDIC;
3. Debentures of the Federal Housing Administration; or obligations of the following agencies which are not guaranteed by the United States of America: (i) participation certificates or debt obligations of the Federal Home Loan Mortgage Corporation; (ii) consolidated system-wide bonds and notes of the Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); (iii) consolidated debt obligations or letter of credit-backed issues of the Federal Home Loan Banks; (iv) mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal or debt obligations of the Federal National Mortgage Association; or (v) letter of credit-backed issues or debt obligations of the Student Loan Marketing Association;
4. Money markets or mutual funds which are rated by S&P “AAAm-G” or “AAAm” or higher and, if rated by Moody’s, are rated “Aaa” or higher, which funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;
5. Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated in any of the three highest Rating Categories by the Rating Agencies at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below any of the three highest Rating Categories of the Rating Agencies; provided that any such investment agreement shall have been provided to the Rating Agencies;
6. The Local Agency Investment Fund of the State of California; and
7. Any other investment selected by the Authority which does not adversely affect the then-current rating on the Bonds.

The Trustee may conclusively rely on the written instructions of the Authority and the City that such investment is a Permitted Investment.

The term “Principal Payment Date” means any date on which principal of the Bonds is required to be paid (whether by reason of maturity, redemption or acceleration).

The term “Rating Category” means one of the general long-term (or short-term, if so specifically provided) rating categories of either Moody’s and S&P, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

The term “Responsible Officer” means any officer of the Trustee assigned to administer its duties under the Trust Agreement.

The term “Revenues” means (i) all Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facility Lease (but not Additional Payments), and (ii) all interest or other income

from any investment, pursuant to the Trust Agreement, of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facility Lease.

The term “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

The term “Securities Depositories” means: The Depository Trust Company, or such other securities depositories as the Authority may designate to the Trustee.

The term “Series,” whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

The term “Site Lease” means that certain lease, entitled “Site Lease”, between the City and the Authority, dated as of February 1, 2015, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions of the Trust Agreement and thereof.

The term “State” means the State of California.

The term “Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory thereof or supplemental thereto; but only if and to the extent that such Supplemental Trust Agreement is executed and delivered pursuant to the provisions of the Trust Agreement.

The term “Tax Certificate” means the Tax Certificate and Agreement delivered by the Authority and the City at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

The term “Treasurer” means the Treasurer and Controller of the Authority designated pursuant to the Joint Powers Agreement.

The term “Trust Agreement” means the Trust Agreement, dated as of February 1, 2015, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

The term “Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by its Chair, Executive Director, Secretary or Treasurer or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

The term “Written Request of the City” means an instrument in writing to the Trustee signed by the Mayor, City Manager, or the Finance Director of the City, or by any such officer’s duly appointed designee, or by any other officer or employee of the City duly authorized by the City for that purpose.

SITE LEASE

The City and the Authority will enter into the Site Lease providing for the lease of the Facilities from the City to the Authority. The term of the Site Lease will commence on the date of recordation of the Site Lease in the office of the County Recorder of Contra Costa County, State of California, or on March 1, 2015, whichever is

earlier, and shall end on May 1, 2032, unless such term is extended following an abatement of rental, or sooner terminated, upon prepayment of all amounts due under the Trust Agreement. The term of the Site Lease shall in no event be extended beyond April 1, 2042.

The City covenants that it is the owner in fee of the Facilities, as described in the Site Lease. The City further covenants and agrees that if for any reason this covenant proves to be incorrect, the City will either institute eminent domain proceedings to condemn the property or institute a quiet title action to clarify the City's title, and will diligently pursue such action to completion.

The Authority and the City may at any time agree to the amendment or termination of the Site Lease; provided, however, that the Authority and the City agree and recognize that the Site Lease is entered into in accordance with the terms of the Trust Agreement, and accordingly, that any such amendment or termination shall only be made or effected in accordance with and subject to the terms of the Trust Agreement.

FACILITY LEASE

The Authority and the City will enter into the Facility Lease providing for the lease of the Facilities to the City.

Term

The term of the Facility Lease shall commence on the date of recordation of the Facility Lease in the office of the County Recorder of the County of Contra Costa, or on March 1, 2015, whichever is earlier, and shall end on May 1, 2032, unless such term is extended following an abatement of rental, or sooner terminated upon prepayment of all amounts due under the Trust Agreement. The term of the Facility Lease shall in no event be extended beyond April 1, 2042.

Substitution; Release

The City and the Authority may substitute real property for all or part of, or may release a part of, the Facilities for purposes of the Site Lease and the Facility Lease, but only after the City has filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

1. Executed copies of the Site Lease and the Facility Lease or amendments thereto containing the amended description of the Facilities, including the legal description of any real property component of the Facilities as modified, if necessary.
2. A Written Certificate of the City, certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost or insured value of such facility to the City) of the Facilities that will constitute the Facilities after such substitution or release will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year. At the sole discretion of the City, in the alternative, in the event of a substitution only, the Written Certificate of the City will certify that the annual fair rental value of the new Facility is at least equal to that of the substituted Facility.
3. With respect to substitution, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Facilities after such substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority in such property subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such property and as will not result in an abatement of Base Rental Payments payable by the City under the Facility Lease.

4. A Written Certificate of the City stating that such substitution or release, as applicable, does not adversely affect the City's use and occupancy of the Facilities.
5. With respect to the substitution of property, a Written Certificate of the City stating that the useful life of the property to be substituted is at least equal to the useful life of the property being released.
6. An opinion of bond counsel stating that any amendment executed in connection with such substitution or release, as the case may be, (i) is authorized or permitted under the Facility Lease; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iii) will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

The Facilities or portion thereof for which other real property is substituted, pursuant to the Facility Lease, shall be released from the Site Lease and the Facility Lease, and shall no longer be encumbered thereby or by the Trust Agreement at such time as the City shall have caused said substitution.

Rental Payments

Base Rental Payments. The City will pay to the Authority, as Base Rental Payments for the use and occupancy of the Facilities (subject to the provisions of the Facility Lease), annual rental payments, all in accordance with the Base Rental Payment Schedule attached to the Facility Lease. The Base Rental Payments shall be due and payable on April 25 and October 25 in each year as set forth in the Facility Lease and shall be for the use and occupancy of the Facilities during the one-year period ending on the 1st day of each May.

If the term of the Facility Lease has been extended pursuant to the provisions thereof, Base Rental Payment installments shall continue to be due on April 25 and October 25 in each year, and payable as described above, continuing to and including the date of termination of the Facility Lease, in an amount equal to the amount of Base Rental payable for the twelve month period commencing May 2, 2031.

All Base Rental Payments for the Facilities shall be paid by the City from lawfully available funds of the City.

Additional Payments. The City shall also pay such amounts as shall be required by the Authority for the payment of all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facility Lease or any assignment thereof, the Trust Agreement, the Authority's interest in the Facilities and the lease of the Facilities to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Facilities, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Bonds.

Such Additional Payments shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

The Authority may in the future issue bonds to finance facilities, and may in the future enter into leases with respect to other facilities. The administrative costs of the Authority shall be allocated among such other facilities and the Facilities as provided in the Facility Lease.

Payments to be Unconditional

Each Base Rental Payment installment or Additional Payment payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the corporate trust office of the Trustee or such other place as the Authority shall designate. Any such Base Rental Payment installment or Additional Payment accruing under the Facility Lease which shall not be paid when due and payable under the terms of the Facility Lease shall bear interest at the rate of 12% per annum, or such lesser rate of interest as may be the maximum rate permitted by law, from the date when the same is due under the Facility Lease until the same shall be paid (provided that the foregoing shall not apply to payments following an abatement). Notwithstanding any dispute between the Authority and the City, the City shall make all Base Rental Payments, Additional Payments and other payments when due without deduction or offset of any kind and shall not withhold any rental or other payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent payments due under the Facility Lease or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to the Facility Lease for payment of Base Rental Payments on any date shall be reduced to the extent of amounts on deposit in the Revenue Fund and available therefor.

Appropriations Covenant; Lease Obligation Not a Debt

The City covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The City will deliver to the Authority copies of the portion of each annual City budget relating to the payment of Base Rental Payments and Additional Payments under the Facility Lease within 30 days after the filing or adoption thereof.

The Authority and the City understand and intend that the obligation of the City to pay Base Rental Payments and Additional Payments under the Facility Lease shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained in the Facility Lease constitute a pledge of the general tax revenues, funds or monies of the City. Base Rental Payments and Additional Payments due under the Facility Lease shall be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Facility Lease as consideration for the use of the Facilities. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Facility Lease.

Rental Abatement

The Base Rental Payments and Additional Payments shall be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy of the Facilities by the City, in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the cost of the whole of the Facilities. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facility Lease shall continue in full force and effect and the City waives the benefits of California Civil Code Section 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such damage or destruction or interference.

Fire and Extended Coverage; Use of Insurance Proceeds

The City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease, insurance against loss or damage to any structures constituting any part of the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such

insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$250,000 or a comparable deductible adjusted for inflation), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to enable all Bonds then Outstanding to be redeemed.

As an alternative to providing the insurance required above, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Authority, the Holders and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facility Lease, there shall be filed with the Trustee a certificate of an Insurance Consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the above paragraph and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby. There shall also be filed a certificate of the City setting forth the details of such substitute method or plan.

In the event of any damage to or destruction of any part of the Facilities caused by the perils covered by such insurance, the Authority, except as hereinafter provided, shall cause the proceeds of such insurance to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee shall hold said proceeds separate and apart from all other funds in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall withdraw said proceeds from time to time upon receiving the Written Request of the Authority, stating that the Authority has expended monies or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such monies were expended, or such liabilities were incurred, and containing the additional information required to be included in a Written Request of the Authority prepared pursuant to the Trust Agreement. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be transferred to the Trustee and treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, if the proceeds of such insurance, together with any other monies then available for the purpose, are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Outstanding Bonds attributable to the portion of the Facilities so destroyed or damaged, the City may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the City shall promptly apply for federal disaster aid or State disaster aid for which either may be eligible in the event that the Facilities are damaged or destroyed as a result of an earthquake or other declared disaster occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facilities, or to redeem Outstanding Bonds if such use of such disaster aid is permitted.

Liability Insurance

Except as hereinafter provided, the City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Facilities, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing liability insurance, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facility Lease, there shall be filed with the Trustee a certificate of an Insurance Consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facility Lease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby. There shall also be filed a certificate of the City setting forth the details of such substitute method or plan.

Rental Interruption or Use and Occupancy Insurance

The City shall procure or cause to be procured and maintain or cause to be maintained throughout the term of the Facility Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facilities as the result of any of the hazards covered by fire and extended coverage insurance, in an amount sufficient to pay the maximum annual Base Rental Payments for any two year period except that such insurance may be subject to a deductible clause as set forth in Facility Lease. Any proceeds of such insurance shall be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facility Lease attributable to such structure for a period of time during which the payment of rental under the Facility Lease is abated, and any proceeds of such insurance not so used shall be applied as provided in the Facility Lease (to the extent required for the payment of Base Rental Payments and for the payment of Additional Payments).

Eminent Domain

If the whole of the Facilities or so much thereof as to render the remainder unusable for the purposes for which it was used by the City shall be taken under the power or threat of eminent domain, the term of the Facility Lease shall cease as of the day that possession shall be so taken. If less than the whole of the Facilities shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Facility Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Facilities or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facility Lease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City.

Defaults and Remedies

(A) If the City shall fail to pay any Base Rental Payment, Additional Payment or other amount payable under the Facility Lease when the same becomes due and payable, time being expressly declared to be of the essence of the Facility Lease, or the City shall fail to keep, observe or perform any other term, covenant or condition contained in the Facility Lease or in the Trust Agreement to be kept or performed by the City for a period of 30 days after notice of the same has been given to the City by the Authority or the Trustee or for such additional time as is reasonably required, in the discretion of the Trustee, to correct the same, or upon the happening of any of the events specified in paragraph (B), below (any such case above being an "Event of Default"), the City shall be deemed to be in default under the Facility Lease and it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, may do any of the following:

(1) To terminate the Facility Lease in the manner hereinafter provided on account of default by the City, notwithstanding any re-entry or re letting of the Facilities as hereinafter provided for in subparagraph (2) below, and to re-enter the Facilities and remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and place such personal property in storage in any warehouse or other suitable place located within the City.

(2) Without terminating the Facility Lease, (i) to collect each Base Rental Payment installment and other amounts as they become due and enforce any other terms or provision of the Facility Lease to be kept or performed by the City, regardless of whether or not the City has abandoned the Facilities, or (ii) to exercise any and all rights of re entry upon the Facilities.

In addition to the other remedies set forth in the Facility Lease, upon the occurrence of an event of default as described therein, the Authority, shall proceed to protect and enforce the rights vested in the Authority by the Facility Lease or by law. The provisions of the Facility Lease and the duties of the City and of its trustees, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority may bring the following actions:

1. Accounting. By action or suit in equity to require the City and its trustees, officers and employees and its assigns to account as the trustee of an express trust.
2. Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.
3. Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and its council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the Authority as provided in the Facility Lease.

The exercise of any rights or remedies under the Facility Lease shall not permit acceleration of Base Rental Payments.

Each and all of the remedies given to the Authority under the Facility Lease or by any law are cumulative and the single or partial exercise of any right, power or privilege under the Facility Lease shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re let" or "re letting" shall include, but not be limited to, re letting by means of the operation by the Authority of the Facilities. If any statute or rule of law validly shall limit the remedies given to the Authority under the Facility Lease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

Prepayment

(A) The City shall prepay on any date from insurance and eminent domain proceeds, to the extent provided in the Facility Lease (provided, however, that in the event of partial damage to or destruction of the Facilities caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, such proceeds shall be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, pursuant to the procedure set forth in the Facility Lease for proceeds of insurance), all or any part (in an integral multiple of \$5,000 principal component) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest on the Bonds to the date of redemption of the Bonds.

(B) The City may prepay, from any source of available funds, all or any portion of Base Rental Payments by (i) depositing with the Trustee moneys or securities as provided in the Trust Agreement sufficient to

retire or redeem Bonds corresponding to such Base Rental Payments when due or redeemable, and (ii) satisfying the other requirements of the Trust Agreement. The City agrees that if following such prepayment the Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

(C) Before making any prepayment pursuant to the Facility Lease, the City shall, within 5 days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 60 days from the date such notice is given.

(D) When (1) there shall have been deposited with the Trustee in trust for the benefit of the Owners of the Bonds moneys or securities as described in the Trust Agreement sufficient to pay all principal of and interest on the Bonds to the due date thereof or date when the City may exercise its option to purchase the Facilities, and sufficient to pay in full all other amounts due under the Facility Lease or under the Trust Agreement; (2) all of the requirements set forth in of the Trust Agreement have been satisfied; and (3) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any of the Bonds shall remain unpaid; then and in that event the right, title and interest of the Authority in the Facility Lease and the obligations of the City under the Facility Lease shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of the Base Rental Payments or option price) and the Authority's interest in and title to the Facilities or applicable portion or item thereof shall be transferred and conveyed to the City. In such event, the Authority shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the Authority (and accompanied by a verification report of a certified public accountant) and evidence such discharge and satisfaction, and the Authority shall pay over to the City as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facility Lease other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of Base Rental Payments or the option price and the fees and expenses of the Trustee, and shall be applied by the Authority to the payment and redemption of the Bonds and the fees and expenses of the Trustee.

Option to Purchase; Sale of Personal Property

The City shall have the option to purchase the Authority's interest in any part of the Facilities upon payment of an option price consisting of moneys or Government Securities (not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facility Lease of the part of the total rent under the Facility Lease attributable to such part of the Facilities (determined by reference to the proportion which the cost of such part of the Facilities bears to the cost of all of the Facilities). Any such payment shall be made to the Trustee and shall be treated as Base Rental Payments and shall be applied by the Trustee to pay the principal of and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee and the satisfaction of all requirements set forth in the Trust Agreement, (a) the Base Rental Payments thereafter payable under the Facility Lease shall be reduced by the amount thereof attributable to such part of the Facilities and paid in purchase of the Authority's interest therein; (b) the rental abatement provisions shall not thereafter be applicable to such part of the Facilities; (c) the insurance required by the Facility Lease need not be maintained as to such part of the Facilities; and (d) title to such part of the Facilities shall vest in the City and the term of the Facility Lease shall end as to such part of the Facilities.

The City, in its discretion may request the Authority to sell or exchange any personal property which may at any time constitute a part of the Facilities, and to release said personal property from the Facility Lease, if (a) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Facilities; (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released; and (c) if the value of any such property shall, in the opinion of the Authority, exceed the amount of \$25,000, the Authority shall have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value

thereof and further certifying that such property is no longer required or useful in connection with the operation of the Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released shall be paid to the Authority. Any money so paid to the Authority may, so long as the City is not in default under any of the provisions of the Facility Lease, be used upon the Written Request of the City to purchase personal property, which property shall become a part of the Site Leased under the Facility Lease. The Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Facility Lease or before releasing for the purchase of new personal property money received by it for personal property so sold.

Liens

In the event the City shall at any time during the term of the Facility Lease cause any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied, in or upon the Facilities, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Facilities and shall keep the Facilities free of any and all mechanics' or materialmen's liens or other liens against the Facilities or the Authority's interest therein. In the event any such lien attaches to or is filed against the Facilities or the Authority's interest therein, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment. The City agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Facilities or the Authority's interest therein.

Authority Not Liable

The Authority and its members, directors, officers, agents, employees and assignees shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Facilities.

The City, to the extent permitted by law, shall indemnify and hold the Authority and its members, directors, officers, agents, employees and assignees, harmless from, and defend each of them against, any and all claims, liens and judgments arising from (i) the construction or operation of the Facilities, including, without limitation, death of or injury to any person or damage to property whatsoever occurring in, on or about the Facilities regardless of responsibility for negligence, but excepting the active negligence of the person or entity seeking indemnity, and (ii) the issuance of the Bonds and any other action of the Authority taken pursuant to the Trust Agreement including, but not limited to, any liability of the Authority incurred pursuant to the Trust Agreement.

Assignment and Subleasing

Neither the Facility Lease or any interest of the City thereunder may be mortgaged, pledged, assigned, sublet or transferred by the City without the prior written consent of the Authority, and provided that such subletting shall not cause interest on the Bonds to be included in gross income for federal income tax purposes. No such mortgage, pledge, assignment, sublease or transfer shall in any event affect or reduce the obligation of the City to make the Base Rental Payments and Additional Payments.

Title to Facilities

During the term of the Facility Lease, the Authority shall hold a leasehold title to the Facilities and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for those fixtures, repairs, replacements or modifications which are added thereto by the City and which may be removed without damaging the Facilities, and except for any items added to the Facilities by the City pursuant to the Facility Lease.

This provision shall not operate to the benefit of any insurance company if there is a rental interruption covered by insurance pursuant to the Facility Lease. During the term of the Facility Lease, the Authority shall have a leasehold interest in the Facilities pursuant to the Site Lease.

Upon the termination or expiration of the Facility Lease (other than as an Event of Default or a governmental taking), title to the Facilities shall vest in the City pursuant to the Site Lease. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Taxes

The City shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Facilities or the respective interests or estates therein. The City shall also pay directly such amounts, if any, in each year as shall be required by the Authority for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the City to pay any of the foregoing or failure to file or furnish to the Authority or the Trustee for filing in a timely manner any returns, levied or imposed against the Authority or the Facilities, the rentals and other payments required under the Facility Lease, or any parts thereof or interests of the City or the Authority or the Trustee therein by any governmental authority.

Purpose of Lease

The City covenants that during the term of the Facility Lease, (a) it will use, or cause the use of, the Facilities for public purposes and for the purposes for which the Facilities are customarily used, (b) it will not vacate or abandon the Facilities or any part thereof, and (c) it will not make any use of the Facilities which would jeopardize in any way the insurance coverage required to be maintained pursuant to the Facility Lease.

Continuing Disclosure Agreement

The City covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Although failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Facility Lease; the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount in Outstanding Bonds, shall) or any Bondholder or Beneficial Owner (as defined in the Continuing Disclosure Agreement; see APPENDIX E hereto) may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations.

Net Net Net Lease

The Facility Lease shall be deemed and construed to be a “net net net lease” and the City agrees that the rentals and other payments provided for in the Facility Lease shall be an absolute net return to the Authority, free and clear of any expenses, charges or set offs whatsoever.

Use of the Facilities

The City will not install, use, operate or maintain the Facilities improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The City shall provide all permits and licenses, if any, necessary for the installation and operation of the Facilities. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Facilities) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Facilities; provided, however, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which

does not adversely affect the estate of the Authority in and to the Facilities or its interest or rights under the Facility Lease.

Amendment or Termination

The Authority and the City may at any time agree to the amendment or termination of the Facility Lease; provided, however, that the Authority and the City agree and recognize that the Facility Lease is entered into in accordance with the terms of the Trust Agreement, and accordingly, that any such amendment or termination shall only be made or effected in accordance with and subject to the terms of the Trust Agreement.

TRUST AGREEMENT

Certain provisions of the Trust Agreement setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in this Official Statement. See “THE BONDS,” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The Trustee

The Bank of New York Mellon Trust Company, N.A., has been appointed by the Authority as Trustee. The Trustee will receive all of the Bond proceeds and the Revenues for disbursement in conformity with the Trust Agreement. In addition, the Trustee will act as registrar of the Bonds. Payments of principal of, interest or redemption premiums, if any, on the Bonds will be made through the principal corporate trust office of the Trustee.

Assignment

The Authority assigns to the Trustee all of the Authority’s right, title and interest in the Facility Lease and the Site Lease as security for payment of the Bonds.

Pledge of Revenues

All Revenues, any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues and other amounts pledged under the Trust Agreement shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge shall constitute a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) for the payment of the interest on and principal of the Bonds in accordance with the terms thereof and of the Trust Agreement.

Establishment of Funds and Accounts; Flow of Funds

The Trust Agreement provides for the establishment of the following special accounts or funds, among others: the Revenue Fund (within which the Interest Account and the Principal Account will be established and maintained), the Costs of Issuance Fund, the Acquisition and Construction Fund and the Rebate Fund. The Trustee will hold all funds in the Costs of Issuance Fund, the Revenue Fund and the Rebate Fund and all other funds will be held by the Treasurer of the Authority. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity). All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it becomes due and payable, whether at maturity or redemption. All money in the Costs of Issuance Fund will be used to pay the Costs of Issuance of the Bonds upon receipt by the Trustee of a Written Request of the Authority. Moneys in the Rebate Fund will be used to make rebate payments to the United States of America, if required.

On each Principal Payment Date, following payment of principal of and interest on the Bonds, any excess amount on deposit in the Revenue Fund shall be returned to the City as an excess of Base Rental Payments.

Revenue Fund

Moneys in the Revenue Fund will be transferred to and deposited in the following respective accounts in the following order of priority:

(1) Interest Account. On or before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

(2) Principal Account. On or before each May 1, commencing May 1, 2016, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such May 1, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such May 1.

No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such May 1 plus the aggregate amount of all sinking fund payments required to be made on such May 1 for all Outstanding Term Bonds.

Investments

Subject to the Trust Agreement, all money held by the Trustee and the Treasurer in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the City or, if no instructions are received, in money market funds described in paragraph 4 of the definition of Permitted Investments; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the City specifying a specific money market fund and, if no such Written Request of the City is so received, the Trustee shall hold such moneys uninvested. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. For purposes of this restriction, Permitted Investments containing a withdrawal option, repurchase option or put option by the investor shall be treated as having a maturity of no longer than such option. Subject to the Trust Agreement, all interest or profits received on any money so invested shall be deposited in the Revenue Fund. The Trustee and its affiliates may act as principal, agent, sponsor or advisor with respect to any investments. The Trustee shall not be liable for any losses on investments made in accordance with the terms and provisions of the Trust Agreement.

Investments purchased with funds on deposit in the Revenue Fund shall mature not later than the payment date or redemption date, as appropriate, immediately succeeding the investment.

Investments in any and all funds and accounts may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular funds and accounts amounts received or held by the Trustee under the Trust Agreement, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Trust Agreement.

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon

the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

1. The Authority shall be in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default shall have occurred and be continuing.
2. The Supplemental Trust Agreement shall require that the proceeds of the sale of such Additional Bonds shall be applied to the refunding or repayment of all or a portion of the Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of Additional Bonds.
3. The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.
4. The Facility Lease shall have been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year shall at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

- (a) Bonds of any Series authorized pursuant to the Trust Agreement;
- (b) Obligations which are junior and subordinate to the payment of the principal, premium and interest on the Bonds and which subordinated obligations are payable as to principal, premium and interest only out of Revenues after the prior payment of all amounts then required to be paid under the Trust Agreement from Revenues for principal, premium and interest, as the same become due and payable and at the times and in the manner as required in the Trust Agreement.

Covenant Against Encumbrances

The Authority will not make any pledge or assignment of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided in the Trust Agreement.

Tax Covenants

The Authority has covenanted to comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds, and to not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, or to take or omit to take any action, that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code. In the event that at any time the Authority is of the opinion that it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

Application of Insurance Proceeds

In the event of any damage to or destruction of any part of the Facilities covered by insurance, the Authority shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee shall hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall invest said proceeds in Permitted Investments pursuant to the Request of the City, as agent for the Authority under the Facility Lease, and withdrawals of said proceeds shall be made from time to time upon the filing with the Trustee of a Written Request of the City, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The City shall file a Certificate of the City with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the City, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Facilities. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be paid to the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, the City, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Facilities, or that portion, in the case of partial damage or destruction of the Facilities, of the Base Rental Payments and all other amounts relating to the damaged or destroyed portion of the Facilities, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Trust Agreement. The City shall not apply the proceeds of insurance as set forth in this paragraph to redeem the Bonds in part due to damage or destruction of a portion of the Facilities unless the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the initially scheduled principal and interest on the Bonds remaining unpaid after such redemption.

Events of Default; Remedies of Bondholders

If one or more of the following Events of Default under the Trust Agreement shall occur, that is to say:

- (a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;
- (b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- (c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of 30 days after the Authority shall have been given notice in writing of such default by the Trustee;
- (d) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property; or
- (e) if an Event of Default has occurred under the Facility Lease;

then and in each and every such case during the continuance of such Event of Default the Trustee may, and upon the written request of the Bondholders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Bondholders by first class mail of any such event of default which is continuing of which a Responsible Officer has actual knowledge or written notice.

If at any time after the principal of the Bonds then Outstanding shall have been declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee or the Bondholders of not less than a majority in aggregate principal amount of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may on behalf of the Bondholders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

The Trustee may also, and upon the written request of the Bondholders of a majority in principal amount of the Bonds then Outstanding, and in each case upon being indemnified to its reasonable satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Bondholders of Bonds under the Trust Agreement and the Facility Lease by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid of the execution of any power granted to the Trustee by the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties.

No Bondholder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Bondholder shall have previously given to the Trustee written notice of the occurrence of an Event of Default thereunder; (b) the Bondholders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) said Bondholders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Application of Funds Upon Acceleration

All moneys in the accounts and funds provided in the Trust Agreement, upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order

First, to the payment of the reasonable fees, costs and expenses of the Trustee in providing for the declaration of such event of default and carrying out its duties under the Trust Agreement, including reasonable compensation to their accountants and counsel together with interest on any amounts advanced as provided in the Trust Agreement and thereafter to the payment of the reasonable costs and expenses of the Bondholders, if any, in carrying out the acceleration provisions of the Trust Agreement, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue

interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Amendment of Documents

Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Bondholders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity or Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Trust Agreement. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bondholder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority, or the City without their prior written assent thereto, respectively. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Trust Agreement pursuant to the Trust Agreement, the Trustee shall mail a notice on behalf of the Authority, setting forth in general terms the substance of such Supplemental Trust Agreement to the Bondholders at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Bondholders for any purpose that will not materially adversely affect the interests of the Bondholders, including (without limitation) for any one or more of the following purposes: (i) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power Reserved in the Trust Agreement to or conferred therein on the Authority; (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary; (iii) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Bondholders); or (iv) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Facility Lease or Site Lease. The Authority shall not supplement, amend, modify or terminate any of the terms of the Facility Lease or Site Lease, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if such supplement, amendment, modification or termination (a) will not materially adversely affect the interests of the Bondholders or result in any material impairment of the security given by the Trust Agreement for the payment of the Bonds (provided that such supplement, amendment or modification shall not be deemed to have such adverse effect or to cause such material impairment solely by reason of increasing the amount of Base Rental Payments to provide for the payment of Additional Bonds as required by the Trust Agreement or substitution, release or addition of real property pursuant to the Facility Lease), (b) is to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority or the City, (c) is to cure, correct or supplement any ambiguous or defective provision contained therein, (d) is to accommodate any increase in the amount of Base Rental Payments to provide for the

payment of Base Rental Payments as required by the Trust Agreement; or any addition, substitution or release of property in accordance with the Facility Lease, (e) is to modify the legal description of the Facilities to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcels intended or preferred to be included therein, or substituted for the Facilities pursuant to the provisions of the Facility Lease, or (f) if the Trustee first obtains the written consent of the Bondholders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination.

Discharge of Trust Agreement

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Bondholders of all Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and the Authority shall pay in full all other amounts due under the Trust Agreement and under the Facility Lease, then the Bondholders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Bondholders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds and for the payment of all other amounts due under the Trust Agreement and under the Facility Lease.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed above in the preceding paragraph if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee (A) money in an amount which shall be sufficient and/or (B) Government Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Bondholders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Unclaimed Moneys

Any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall at the Written Request of the Authority be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee may, and at the request of the Authority shall, at the expense of the Authority, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in Los Angeles and in San Francisco, California, and in the same or a similar Financial Newspaper of general circulation in New York, New York, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the City of Antioch, California (the “City”), and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and as dissemination agent (the “Dissemination Agent”) in connection with the issuance by the City of Antioch Public Financing Authority (the “Authority”) of \$ _____ Lease Revenue Refunding Bonds (Municipal Facilities Project), Series 2015A (the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement, dated as of February 1, 2015, between the Authority and the Trustee (the “Trust Agreement”). Pursuant to the Facility Lease, dated as of February 1, 2015 (the “Facility Lease”), the City has covenanted to comply with its obligations hereunder and to assume all obligations for Continuing Disclosure with respect to the Bonds. The City, the Trustee and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City, the Trustee and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Finance Director of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, or any successor Dissemination Agent which may be designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board (“MSRB”) or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission and any successor agency thereto.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's Fiscal Year (presently June 30), commencing with the Annual Report for the Fiscal Year ending June 30, 2015, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such audited financial statements are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the City may distribute the Annual Report itself after providing written notice to the Trustee and the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice, in electronic format unless otherwise designated by the SEC, to the Repository in substantially the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository; and

(ii) to the extent the City has provided the Annual Report to the Dissemination Agent, file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

1. The audited financial statements for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statement of the City, the Annual Report shall also include the following:

2. Outstanding indebtedness of the City, to the extent not already included in item 1, above.

3. Tabular or numerical information of the types contained in the Official Statement relating to the Bonds, in the following tables or discussed in the following sub-captions under the caption "APPENDIX A – CITY OF ANTIOCH FINANCIAL AND DEMOGRAPHIC INFORMATION", to the extent not already included in items 1 and 2, above:

a. Tables entitled "General Fund Revenue, Expenditures and Fund Balances" and "General Fund

Comparative Balance Sheet”;

- b. Table entitled “General Fund Tax Revenue by Source”;
- c. Table entitled “Assessed Valuations”;
- d. Table entitled “Largest Taxpayers (Secured Roll)”;
- e. Transient Occupancy Taxes; and
- f. Table entitled “Market Value of Investments”.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been filed with the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

- 1. Principal and interest payment delinquencies;
- 2. Unscheduled draws on debt service reserves reflecting financial difficulties;
- 3. Unscheduled draws on credit enhancements reflecting financial difficulties;
- 4. Substitution of credit or liquidity providers, or their failure to perform;
- 5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- 6. Tender offers;
- 7. Defeasances;
- 8. Rating changes; or
- 9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph (a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Holders;
3. Optional, contingent or unscheduled Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Trustee shall within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that City promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (e).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a) of the Disclosure Agreement, or determines that knowledge of a Listed Event described in Section 5(b) of the Disclosure Agreement would be material under applicable federal securities laws, the City shall instruct the Trustee to file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB within ten business days of occurrence. If the Trustee has been instructed by the City to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository, with a copy to the City. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) and (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

(f) The Trustee may conclusively rely on an opinion of counsel that the City's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. Each party's obligations under this Disclosure Agreement shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the

Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the City provided such amendment does not impose any greater duties, nor risk of liability, on the Trustee or the Dissemination Agent, as the case may be), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to certain portions of the sections relating to the provision of annual reports, or the content of annual reports or the list of significant events, such amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, the Trustee or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure

Agreement, and the City, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or willful misconduct. The Dissemination Agent shall receive reasonable compensation for its services rendered under this Disclosure Agreement. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City: City of Antioch
P.O. Box 5007
Antioch, CA 94531-5007
Attention: Finance Director
Telephone: (925) 779-6135
Fax: (925) 779-7054

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3100
San Francisco, CA 94111
Attention: Corporate Trust Department
Telephone: (415) 263-2420
Fax: (415) 399-1647

To the Dissemination Agent: The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3100
San Francisco, CA 94111
Attention: Corporate Trust Department
Telephone: (415) 263-2420
Fax: (415) 399-1647

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2015

CITY OF ANTIOCH, CALIFORNIA

By _____
City Manager

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee and Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: City of Antioch, California

Name of Issue: City of Antioch Public Financing Authority
Lease Revenue Refunding Bonds (Municipal Facilities Project), Series 2015A

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the City of Antioch has not provided an Annual Report with respect to the above-named Bonds as required by Section 8.09 of the Facility Lease, dated as of _____ 1, 2015, between the City of Antioch Public Financing Authority and the City. [The City anticipates that the Annual Report will be filed by _____.]

Dated: _____

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee and Dissemination Agent

cc: City of Antioch

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APPENDIX F

FORM OF LEGAL OPINION

[Closing Date]

City of Antioch Public Financing Authority
Antioch, California

City of Antioch Public Financing Authority
Lease Revenue Refunding Bonds (Municipal Facilities Project), Series 2015A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Antioch Public Financing Authority (the "Authority") in connection with the issuance of \$ _____ aggregate principal amount of City of Antioch Public Financing Authority Lease Revenue Refunding Bonds (Municipal Facilities Project), Series 2015A (the "Bonds"), issued pursuant to a trust agreement, dated as of February 1, 2015 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed a Site Lease, dated as of February 1, 2015 (the "Site Lease"), between the City of Antioch (the "City"), as lessor, and the Authority, as lessee; a Facility Lease, dated as of February 1, 2015 (the "Facility Lease"), between the Authority, as lessor, and the City, as lessee; the Trust Agreement; the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), between the Authority and the City; opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Site Lease, the Facility Lease, the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Site Lease, the Facility Lease, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law,

choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Site Lease, the Facility Lease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.
3. The Site Lease and the Facility Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Authority and City take no responsibility for the accuracy or completeness thereof. The Authority and City cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued for the Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information contained in such website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee, or the Authority or City may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered in accordance with the provisions set forth in the Trust Agreement.



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272