

**SHASTA JOINT POWERS
FINANCING AUTHORITY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Shasta Joint Powers Financing Authority
Redding, California

We have audited the accompanying basic financial statements of the Shasta Joint Powers Financing Authority (the "Authority"), a component unit of the County of Shasta, as of and for the year ended June 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Shasta Joint Powers Financing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Shasta Joint Powers Financing Authority at June 30, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Shasta Joint Powers Financing Authority

The Authority has not presented management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be a part of, the basic financial statements.

GALLINA LLP

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
December 29, 2009

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Statement of Net Assets and Governmental Funds Balance Sheet
June 30, 2009

	Debt Service	Adjustments (Note 2)	Statement of Net Assets
<u>ASSETS</u>			
Restricted investments (Note 4)	\$ 7,434,572	\$ --	\$ 7,434,572
Interest receivable	--	593,843	593,843
Investment in lease to County of Shasta (Note 5)	--	42,940,428	42,940,428
Bond issuance costs	--	1,186,541	1,186,541
Total Assets	<u>\$ 7,434,572</u>	<u>\$ 44,720,812</u>	<u>\$ 52,155,384</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Interest payable	\$ --	\$ 593,843	\$ 593,843
Long-term liabilities			
Due within one year (Note 6)	--	2,256,996	2,256,996
Due after one year (Note 6)	--	49,248,785	49,248,785
Total Liabilities	<u>--</u>	<u>52,099,624</u>	<u>52,099,624</u>
 Fund Balance/Net Assets:			
Fund Balance:			
Reserved for debt service	<u>7,434,572</u>	<u>(7,434,572)</u>	<u>--</u>
Total Liabilities and Fund Balance	<u>\$ 7,434,572</u>		
 Net Assets:			
Restricted for capital projects		<u>\$ 55,760</u>	<u>\$ 55,760</u>

The accompanying notes are an integral part of these financial statements

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2009

	<u>Debt</u> <u>Service</u>	<u>Adjustments</u> <u>(Note 3)</u>	<u>Statement of</u> <u>Activities</u>
<u>REVENUES</u>			
Interest from investments	\$ 82,928	\$ --	\$ 82,928
Lease interest income	2,493,925	(29,887)	2,464,038
Lease principal payments	4,203,405	(4,203,405)	--
Total Revenues	<u>6,780,258</u>	<u>(4,233,292)</u>	<u>2,546,966</u>
<u>EXPENDITURES/EXPENSES</u>			
General government	--	90,659	90,659
Debt Service:			
Principal payments	2,235,000	(2,235,000)	--
Interest charges	2,562,319	(76,882)	2,485,437
Fiscal agent charges	14,534	--	14,534
Total Expenditures/Expenses	<u>4,811,853</u>	<u>(2,221,223)</u>	<u>2,590,630</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,968,405</u>	<u>(2,012,069)</u>	<u>(43,664)</u>
CHANGES IN FUND BALANCE/NET ASSETS	<u>1,968,405</u>	<u>(2,012,069)</u>	<u>(43,664)</u>
FUND BALANCE/NET ASSETS			
Beginning balance	<u>5,466,167</u>	<u>(5,366,743)</u>	<u>99,424</u>
Ending balance	<u>\$ 7,434,572</u>	<u>\$ (7,378,812)</u>	<u>\$ 55,760</u>

The accompanying notes are an integral part of these financial statements

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 1: **Summary of Significant Accounting Policies**

A. Description of Reporting Entity

The Shasta Joint Powers Financing Authority (Authority) was created on May 29, 1990, as a result of a Joint Exercise Powers Agreement between the County of Shasta (County) and the Shasta County Redevelopment Agency (Agency). The Authority is empowered to exercise any powers common to the County and the Agency.

The Authority's purpose is to finance public capital improvements. The Authority undertakes the sale and issuance of bonds. Bond proceeds are then used to design, construct, and acquire public capital improvements and lease, lease-back, sell, or re-sell such improvements to the County.

The Agreement is effective until July 1, 2030, unless extended or terminated by supplemental written agreement between the County and the Agency. The Agreement cannot terminate while any bonds remain outstanding. Upon dissolution of the Authority, any surplus assets shall be returned to the County and the Agency.

The Authority is a component unit of the County, and accordingly, is included in the basic financial statements of the County because the County's Board of Supervisors exercises oversight responsibility over the operation of the Authority and the Authority provides specific financial benefits to the County. Only the accounts of the Authority are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the County. The financial data of the Authority is included in the County's annual financial report. Administrative costs of the Authority are paid by the County and are not included in the accompanying financial statements.

B. Basis of Presentation

Government-Wide and Fund Financial Statements – The combined government-wide financial statements and fund financial statements (i.e. the statement of net assets and governmental funds balance sheet and the statement of activities and governmental fund revenues, expenditures and changes in fund balance) report information of the Authority on the accrual basis of accounting and the economic resources measurement focus, respectively.

The operations of the fund statements are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Authority resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Authority uses the following fund:

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

- Governmental fund types account for the activities of the Authority. The measurement focus is based upon spending or financial flow and the determination of changes in fund balance (net current assets). The following are the Authority's governmental fund types:
 - *Debt service fund* accounts for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs.

The statement of net assets and statement of activities columns reflect consolidated results of operations using the accrual basis of accounting and eliminating all interfund activity.

Basis of Accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Governmental fund types are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available as net current assets. Revenues not considered available are recorded as deferred revenues. Revenues considered susceptible to accrual include interest and lease payments. Expenditures are generally recognized when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

The statement of net assets and statement of activities columns represent operations on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Capital Assets are not capitalized in the accompanying financial statements as they are under capital lease to the County.

Investment in Lease to County of Shasta is recorded as direct financing leases to the County. The County may, pursuant to the lease agreement, abate the lease payments by the amount of investment interest income earned by the trustee on the reserve and lease payment accounts.

Bond Issuance Costs are amortized on a straight-line basis over the life of the related debt obligations.

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

Bond Premium and discount are amortized on a straight-line basis over the life of the related debt obligations which is not materially different from the effective interest method.

Reserved Fund Balance represents that portion of a fund balance, which is not available for appropriation or expenditure or is legally segregated for a specific future use.

Use of Estimates in preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America are required by management as well as assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: **Explanation of Adjustments Between the Governmental Funds Balance Sheet and the Statement of Net Assets**

The long-term investment in the capital lease to the County of Shasta and corresponding long-term debt obligations are not due and payable in the current period for governmental funds. However, the statement of net assets includes the capital lease investment and long-term debt obligation of \$42,940,428 and \$51,505,781 respectively.

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when legally due. However, the statement of net assets reflects interest payable as the obligation is incurred in the amount of \$593,843. Concurrently, interest receivable from the County in the amount of \$593,843 is not an available resource for the governmental funds. However, the statement of net assets reflects this receivable as the interest has been earned.

Bond issuance costs of \$1,186,541 are assets that are not available financial resources for the governmental funds. However, this cost is capitalized in the statement of net assets and amortized over the life of the of the related debt obligations.

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 2: **Explanation of Adjustments Between the Governmental Funds Balance Sheet and the Statement of Net Assets** (continued)

The differences arising from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheets are summarized as follows:

Fund balance as of June 30, 2009		\$ 7,434,572
Investment in County lease receivable	\$ 42,940,428	
Accrued interest receivable	593,843	
Bond issuance costs	1,186,541	
Revenue bonds payable	(51,505,781)	
Accrued interest payable	<u>(593,843)</u>	
Total Adjustments		<u>(7,378,812)</u>
Net assets as of June 30, 2009		<u>\$ 55,760</u>

Note 3: **Explanation of Adjustments Between the Governmental Funds Revenues, Expenditures and Changes in Fund Balance and Statement of Activities**

Lease repayments in the governmental funds are reported as revenues as they increase fund balance and reflect an inflow of current resources. However, principal lease repayments of \$4,203,405 are a reduction of the investment in the capital lease with the County and do not result in income in the statement of activities. In addition, the net change in the interest receivable from the County of \$29,887 represents a reduction of earned income in the statement of activities.

Repayment of bond principal is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balance because current resources have been used. However, the principal payments of \$2,235,000 reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Interest expense in the statement of activities is reported when incurred in contrast to governmental funds where it is recorded when legally due. As a result, interest expense in the statement of activities is \$29,887 less than the amount reported in the governmental funds revenues, expenditures and changes in fund balance.

SHASTA JOINT POWERS FINANCING AUTHORITY
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Notes to Financial Statements
June 30, 2009

Note 3: **Explanation of Adjustments Between the Governmental Funds Revenues, Expenditures and Changes in Fund Balance and Statement of Activities** (continued)

The effects of the differences for amounts reported in the statement of activities are summarized as follows:

Net change in fund balance – governmental funds		\$ 1,968,405
Lease principal payments	\$ (4,203,405)	
Change in interest receivable	(29,887)	
Change in interest payable	29,887	
Repayment of bond principal	2,235,000	
Amortization of bond issuance costs	(90,659)	
Amortization of bond premium and discount	<u>46,995</u>	
Total Adjustments		<u>(2,012,069)</u>
Change in net assets of governmental activities		<u>\$ (43,664)</u>

Note 4: **Restricted Investments**

Under the terms of the indenture agreements, the trustee receives and disburses all Certificates of Participation (COP) proceeds and income of the Authority. The trustee also acts as paying agent and COP registrar for the Authority. The Authority's investments are recorded at fair market value.

The indenture agreements also provide for the establishment of special accounts, all to be held and administered by the trustee in accordance with the provisions described in the indenture agreements, lease payments received from the County are recorded in restricted asset accounts.

State statute requires that all deposits be insured or collateralized. Depositories holding public funds on deposit are required to maintain collateral in the form of a pool of securities with the agent of the depository having a market value of at least 10 to 50 percent in excess of the total amount of all public funds on deposit. The Authority's deposits are entirely insured or collateralized.

At June 30, 2009, the Authority had the following investments:

Cash and Investments	
Money Market Funds	\$ <u>7,434,572</u>
Total Cash and Investments	<u>\$ 7,434,572</u>

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 4: **Restricted Investments** (continued)

The Authority maintains all of its cash and investments outside Shasta County's investment pool. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Shasta's financial statements may be obtained by contacting the County of Shasta's Administrative Office at 1450 Court Street, Suite 308A, Redding, CA 96001. The Shasta County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Government Accounting Standards Board Statement No. 40 requires additional disclosures about a government's deposits and investments risks that include credit risk, custodial risk, concentration risk and interest rate risk. The Authority has no deposit or investment policy that addresses a specific type of risk.

Required disclosures for the Authority's deposit and investment risks at June 30, 2009 were as follows:

Credit risk	Not rated
Custodial risk	N/A
Concentration of credit risk	N/A
Interest rate risk	Not available

Authorized Investments

The Authority is authorized to make direct investments in local agency bonds, notes or investments within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies/certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 5: **Investment in Lease to County of Shasta**

The following is a summary of the Authority's combined investment in leases to the County:

Year Ending June 30	Payments
2010	\$ 4,681,322
2011	4,675,302
2012	4,122,309
2013	4,127,508
2014	4,127,269
2015 - 2019	17,896,053
2020 - 2024	17,813,313
2025 - 2029	14,359,500
2030 - 2033	11,483,750
Total Lease Payments	83,286,326
Less: Unearned Income	(32,911,326)
Less: Fiscal Agent Cash	(7,434,572)
Net Investment in Lease Receivable	\$ 42,940,428

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 5: **Investment in Lease to County of Shasta** (continued)

Justice Center

The Authority leases the Justice Center and the related improvements to the County. At the termination of the lease, March 1, 2015, ownership of the Justice Center and improvements will pass to the County.

The lease payments are structured so as to be sufficient in timing and amount to meet the debt service requirements of the 2003 Series B Refund Lease Revenue bonds. Interest earned on the lease payment account and any other monies held by the trustee are applied to the lease payment made by the County. Lease payments are due semi-annually on September 1 and March 1 through the year 2015. The interest rate on the lease varies from 2.00 to 4.125 percent.

Future minimum lease payments to be received as of fiscal year end are as follows:

Year Ending June 30	Payments
2010	\$ 629,894
2011	628,384
2012	639,466
2013	647,706
2014	648,806
2015	658,303
Total Lease Payments	3,852,559
Less: Unearned Income	(422,559)
Less: Fiscal Agent Cash	(570,536)
Net Investment in Lease Receivable	\$ 2,859,464

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 5: **Investment in Lease to County of Shasta** (continued)

Solid Waste – Landfill

On November 1, 1997, the Authority entered into a new lease with the County for improvements and expansion of the West Central Landfill. The lease calls for payments identical to the payments required on the Landfill Revenue Bonds – 1997 Series A. Lease payments are due semi-annually each January 1 and July 1 through the year 2010. The interest rate on the lease varies from 3.85 to 5.00 percent.

Future minimum lease payments to be received as of fiscal year end are as follows:

Year Ending June 30	Payments
2010	\$ 570,735
2011	<u>568,875</u>
Total Lease Payments	1,139,610
Less: Unearned Income	(54,610)
Less: Fiscal Agent Cash	<u>(665,437)</u>
Net Investment in Lease Receivable	<u>\$ 419,563</u>

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 5: **Investment in Lease to County of Shasta** (continued)

County Courthouse Improvement Project

On February 1, 1998, the Authority entered into a lease with the County for certain Courthouse Improvements. The lease calls for payments identical to the payments required on the 2003 Lease Revenue Bonds – Administration Center. Lease payments are due semi-annually on December 1 and June 1 of each year through the year 2023. The interest rate on the lease varies from 3.40 to 5.00 percent.

Future minimum lease payments to be received as of fiscal year end are as follows:

Year Ending June 30	Payments
2010	\$ 609,230
2011	606,180
2012	612,380
2013	607,340
2014	606,500
2015 - 2019	2,883,500
2020 - 2023	3,458,500
Total Lease Payments	9,383,630
Less: Unearned Income	(2,913,630)
Less: Fiscal Agent Cash	(837,836)
Net Investment in Lease Receivable	\$ 5,632,164

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 5: **Investment in Lease to County of Shasta** (continued)

Administration Center

On February 1, 2003, the Authority entered into a lease with the County for the Administration Center. The lease calls for payments identical to the payments required on the County 1997 Lease Revenue Bonds – Courthouse Improvement Project Bonds. Lease payments are due semi-annually on October 1 and April 1 of each year through the year 2033. The interest rate on the lease varies from 4.00 to 5.25 percent.

Future minimum lease payments to be received as of fiscal year end are as follows:

Year Ending June 30	Payments
2010	\$ 2,871,463
2011	2,871,863
2012	2,870,463
2013	2,872,462
2014	2,871,963
2015 - 2019	14,354,250
2020 - 2024	14,354,813
2025 - 2029	14,359,500
2030 - 2033	11,483,750
Total Lease Payments	68,910,527
Less: Unearned Income	(29,520,527)
Less: Fiscal Agent Cash	(5,360,763)
Net Investment in Lease Receivable	\$ 34,029,237

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 6: **Long-Term Debt**

The Authority's long-term debt obligations consist of the following as of June 30, 2009:

Long-Term Debt Summary

	<u>Balance July 1 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30 2009</u>	<u>Due Within One Year</u>
Governmental Activities					
1998 Lease revenue bonds - Courthouse Improvements	\$ 6,745,000	\$ --	\$ 275,000	\$ 6,470,000	\$ 290,000
2003 (Series B) Refunding lease revenue bonds - Justice Center	3,920,000	--	490,000	3,430,000	510,000
1997 (Series A) Landfill revenue bonds - Solid Waste	1,710,000	--	625,000	1,085,000	530,000
2003 Lease revenue bonds - County Administration Building	40,235,000	--	845,000	39,390,000	880,000
Unamortized bond premium/ discount	<u>1,177,776</u>	<u>--</u>	<u>46,995</u>	<u>1,130,781</u>	<u>46,995</u>
Total	<u>\$ 53,787,776</u>	<u>\$ --</u>	<u>\$ 2,281,995</u>	<u>\$ 51,505,781</u>	<u>\$ 2,256,995</u>

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 6: **Long-Term Debt** (continued)

1998 Series A – Lease Revenue Bonds – Courthouse Improvements

On February 1, 1998, the Shasta Joint Powers Financing Authority refinanced the 1992, \$8,350,000 lease revenue bonds issued on December 1, 1993, for \$9,165,000 in lease revenue bonds to enable the County to finance certain courthouse improvements. Payments on the bonds are due semi-annually on December 1 and June 1 of each year through the year 2023. The interest rate on the bonds varies from 3.40 to 5.00 percent.

The debt service schedules for these bonds are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 290,000	\$ 319,230	\$ 609,230
2011	300,000	306,180	606,180
2012	320,000	292,380	612,380
2013	330,000	277,340	607,340
2014	345,000	261,500	606,500
2015 - 2019	2,020,000	863,500	2,883,500
2020 - 2023	2,865,000	593,500	3,458,500
Total	<u>\$ 6,470,000</u>	<u>\$ 2,913,630</u>	<u>\$ 9,383,630</u>

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 6: **Long-Term Debt** (continued)

2003 (Series B) Refunding Lease Revenue Bonds - Justice Center Project

On September 1, 2003, the County of Shasta Joint Powers Financing Authority issued \$5,705,000 in bonds to advance refunding of the outstanding 1993 Refunding Lease Revenue Bonds, Series A. The proceeds of the bonds were used to refund the bonds described above and acquire a lease. Payments on the bonds are due semi-annually on September 1 and March 1 through the year 2015. The interest rate on the bonds varies from 2.00 to 4.125 percent.

The debt service schedule for these bonds is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 510,000	\$ 119,894	\$ 629,894
2011	525,000	103,384	629,384
2012	550,000	84,466	639,466
2013	585,000	62,706	647,706
2014	610,000	38,806	648,806
2015	<u>645,000</u>	<u>13,303</u>	<u>658,303</u>
Total	<u>\$ 3,430,000</u>	<u>\$ 422,559</u>	<u>\$ 3,852,559</u>

1997 Series A Solid Waste – Landfill Revenue Bonds

On November 1, 1997, the Shasta Joint Powers Financing Authority refinanced the original \$6,760,000, 1990 Series A Landfill Revenue Bonds which financed the construction of the expansion of the County's West Central Landfill. Payments on the 1997 bonds are due semi-annually each January 1 and July 1 through the year 2010. The interest rate on the bonds varies from 3.85 to 5.00 percent.

The debt service schedule for these bonds is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 530,000	\$ 40,735	\$ 570,735
2011	<u>550,000</u>	<u>13,875</u>	<u>568,875</u>
Total	<u>\$ 1,085,000</u>	<u>\$ 54,610</u>	<u>\$ 1,139,610</u>

SHASTA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of Shasta, California)

Notes to Financial Statements
June 30, 2009

Note 6: **Long-Term Debt** (continued)

2003 Lease Revenue Bonds – Administration Center

On February 12, 2003, the Shasta Joint Powers Financing Authority issued \$42,575,000 for the construction of an administration building, parking structure, other land acquisitions, establish a reserve fund and pay capitalized interest. The bonds mature in annual installments due each April 1 in amounts ranging from \$750,000 to \$1,675,000. The stated interest on the bonds ranges from 4.00 to 5.25 percent per annum with interest payments made each April 1 and October 1. Commencing in 2024 through the remaining life of the bonds, the bonds are subject to mandatory sinking fund redemption.

The payment schedules for these bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 880,000	\$ 1,991,463	\$ 2,871,463
2011	920,000	1,951,863	2,871,863
2012	960,000	1,910,463	2,870,463
2013	1,010,000	1,862,462	2,872,462
2014	1,060,000	1,811,963	2,871,963
2015 - 2019	6,175,000	8,179,250	14,354,250
2020 - 2024	7,975,000	6,379,813	14,354,813
2025 - 2029	10,230,000	4,129,500	14,359,500
2030 - 2034	<u>10,180,000</u>	<u>1,303,750</u>	<u>11,483,750</u>
Total	<u>\$ 39,390,000</u>	<u>\$ 29,520,527</u>	<u>\$ 68,910,527</u>



**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***

Board of Directors
Shasta Joint Powers Financing Authority
Redding, California

We have audited the financial statements of Shasta Joint Powers Financing Authority (the “Authority”) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for determining our auditing procedures 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 Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Board of Directors
Shasta Joint Powers Financing Authority

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shasta Joint Powers Financing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Supervisors and Grand Jury of the County of Shasta and the Management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

GALLINA LLP

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
December 29, 2009