

**CHICO PUBLIC FINANCING AUTHORITY**  
(A Component Unit of the City of Chico, California)

Independent Auditors' Report and  
Financial Statements

Year Ended June 30, 2018

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**Year Ended June 30, 2018**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Chico Public Financing Authority  
Chico, California

We have audited the accompanying financial statements of the governmental activities and each major fund the capital projects fund of the Chico Public Financing Authority (Authority), a component unit of the City of Chico, California (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note I.A to the financial statements, during the year all of the Authority's outstanding debt was defeased, leaving the entity with no assets or liabilities to report. The entity will be formally dissolved in the subsequent period. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The debt service funds budget to actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The debt service funds budget to actual schedules 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.

*Vavrinick, Trine, Day & Co. LLP*

Sacramento, California  
January 22, 2019

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2018**

<b>Assets</b>	
Total assets	\$ <u>          -</u>
<b>Liabilities</b>	
Total liabilities	<u>                          -</u>
<b>Net Position</b>	
Total net position	<u><u>                          -</u></u>

See accompanying notes to the financial statements.

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

<b>Program Expenses</b>	
Interest on long-term debt	<u>\$ 374,557</u>
Loss on extinguishment of debt	1,426,698
Total program expenses	<u>1,801,255</u>
<b>General Revenues</b>	
Investment earnings	<u>73,439</u>
Change in net position	(1,727,816)
Net position, beginning of year	<u>1,727,816</u>
Net position, end of year	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	Debt Service Funds		
	2001 Tax Allocation	Bond Reserves	Total
<b>Assets</b>			
<b>Investment earnings</b>			
Total assets	\$ -	\$ -	\$ -
<b>Liabilities and Fund Balances</b>			
Total Liabilities			\$ -
<b>Fund balances:</b>			
Total fund balances	\$ -	\$ -	\$ -
Excess (deficinncy) of revenues over			

See accompanying notes to the financial statements.

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	Debt Service Funds		
	2001 Tax		
	Allocation Revenue Bonds	Bond Reserves	Total
<b>Revenues:</b>			
Intergovernmental revenue	\$ 12,702,691	\$ -	\$ 12,702,691
Investment earnings		59,235	73,439
Total revenues	14,503,946	59,235	12,776,130
<b>Expenditures:</b>			
Debt service:			
Principal retirement	13,955,000	-	13,955,000
Interest and fiscal charges	548,946	-	548,946
Total expenditures	14,503,946	-	14,503,946
Excess (deficiency) of revenues over (under) expenditures	\$ (1,878,051)	\$ 59,235	\$ (1,727,816)
<b>Other financing sources (uses):</b>			
Transfers in	1,744,176	-	1,744,176
Transfers out	-	(1,744,176)	(1,744,176)
Total other financing sources (uses)	1,744,176	(1,744,176)	-
Net change in fund balances	(133,875)	(1,684,941)	(1,727,816)
Fund balances, beginning of year	42,875	1,684,941	1,727,816
Fund balances, end of year	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.



**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds		\$	(1,727,816)
<p>Proceeds received from the repayment of the loans receivable are recorded as intergovernmental revenues in the government funds. Since the receivables are only reported on the government-wide statement of net position the amounts repaid represent the change in receivables.</p>			
Interest - City of Chico, Successor Agency to the Chico Redevelopment Agency		\$	(174,389)
Loans - City of Chico, Successor Agency to the Chico Redevelopment Agency		<u>(13,955,000)</u>	(14,129,389)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term transaction, however, has any affect on net position.</p>			
Principal Defeased			13,955,000
<p>Certain 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.</p>			
Change in interest payable			<u>174,389</u>
Change in net position of governmental activities		\$	<u>(1,727,816)</u>

See accompanying notes to the financial statements.

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. THE FINANCIAL REPORTING ENTITY**

In order to facilitate the financing of public improvements, as well as other facilities and improvements which can be funded through the issuance of tax exempt bonds, the Chico City Council (City) and the governing board of the Chico Redevelopment Agency, which due to State Assembly Bill 1X 26 is now known as the City of Chico, Successor Agency to the Chico Redevelopment Agency (Agency), established a joint powers agency, known as the Chico Public Financing Authority (CPFA), pursuant to the provisions of the joint powers laws of the State of California, as set forth in Article 1, Chapter 5, Division 7, Title 1, of the California Government Code (commencing with Government Code Section 6500). The CPFA is authorized, among other things, to issue bonds pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, as set forth in Article 4, Chapter 5, Division 7, Title 1, of the California Government Code (commencing with Government Code Section 6584) for the purpose of financing facilities and improvements.

The City exercises significant management and financial control over the CPFA. As such, the CPFA is considered a component unit of the City and is reported along with the activities of the Successor Agency to the Chico Redevelopment Agency in a private-purpose trust fund in the City's financial statements.

During the year all debt was defeased leaving the entity with no assets or liabilities to report. The entity will be formally dissolved in the coming months.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the CPFA.

The statement of activities demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Investment earnings and other items which are excluded from program revenues are reported instead as general revenues.

Separate financial statements are provided for the CPFA's major governmental funds and are reported as separate columns in the fund financial statements.

**C. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS**

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

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

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS**  
(Continued)

period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CPFA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Investment earnings are considered to be susceptible to accrual and have been recognized as revenue of the current period. Other revenues are considered to be measurable and available only when cash is received by the CPFA.

**II. DETAILED NOTES**

**B. LONG-TERM DEBT**

2001 Tax Allocation Revenue Bonds

In July 2001, the CPFA issued \$32,060,000 of 2001 Tax Allocation Revenue Bonds (2001 TARBS). The proceeds of the 2001 TARBS were loaned to the Agency to finance redevelopment projects in the Chico Amended and Merged Redevelopment Project Area and to repay the Agency’s prior loans from the CPFA relating to the CPFA’s 1991 Revenue Bonds, Series A. In December 2017, the 2001 TARBS were refunded with the 2017 Series and Series B Bonds issued through the Successor Agency to the Chico Redevelopment Agency.

Changes in the CPFA’s long-term debt for the year ended June 30, 2018 were as follows:

	July 1, 2017	Retirements	Defeased	June 30, 2018
Bonds Payable:				
2001 Tax Allocation Revenue Bonds	\$ 13,955,000		\$ (13,955,000)	\$ -

**C. PLEDGED REVENUES**

The Agency, through an approved recognized obligation payment schedule approved by the State of California Department of Finance, has pledged revenue necessary to repay the annual loan principal and interest of the CPFA over the life of the loan.

**D. INTERFUND TRANSFERS**

Transfers between funds were made to move the excess resources in the Bond Reserve Fund, due to interest earnings, to other debt service funds for the payment of debt service on the outstanding tax allocation revenue bonds.

## **SUPPLEMENTAL BUDGETARY COMPARISONS**

Schedules of Revenues, Expenditures, and Changes in Fund Balances, Budget to Actual (Debt Service Funds):

- 2001 Tax Allocation Revenue Bonds Fund
- Bond Reserves Fund

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**BOND RESERVES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Investment earnings	\$ 88,375	\$ 58,801	\$ 59,235	\$ 434
OTHER FINANCING SOURCES:				
Transfers out	(88,375)	(1,743,742)	(1,744,176)	(434)
Net change in fund balances	-	(1,684,941)	(1,684,941)	-
Fund balance, beginning of year	1,684,941	1,684,941	1,684,941	-
Fund balance, end of year	\$ 1,684,941	\$ -	\$ -	\$ -

**CHICO PUBLIC FINANCING AUTHORITY**  
**(A Component Unit of the City of Chico, California)**  
**2001 TAX ALLOCATION REVENUE BONDS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	88,375	-	14,204	14,204
OTHER FINANCING SOURCES:				
Transfers in	(88,375)	1,743,742	1,744,176	434
Total other financing sources (uses)	(88,375)	1,743,742	1,744,176	434
Net change in fund balances	-	(42,876)	(42,875)	1
Fund balance, beginning of year	45,660	45,660	42,875	(2,785)
Fund balance, end of year	<u>\$ 45,660</u>	<u>\$ 2,784</u>	<u>\$ -</u>	<u>\$ (2,784)</u>