

CHICO PUBLIC FINANCING AUTHORITY

Chico, California



Component Unit Financial Report

Year Ended June 30, 2016

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

Independent Auditors' Report and
Financial Statements

Year Ended June 30, 2016

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Year Ended June 30, 2016

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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 of the Chico Public Financing Authority (the Authority), a component unit of the City of Chico, California, as of and for the year ended June 30, 2016, 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, 2016, 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 described in Note I-E to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our opinion is 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.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
November 28, 2016

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Assets

Current assets:

Restricted cash and investments	\$ 90,649
Accrued interest receivable from the City of Chico, Successor Agency to the Chico Redevelopment Agency	201,121
Loans receivable from the City of Chico, Successor Agency to the Chico Redevelopment Agency	<u>2,230,000</u>
Total current assets	<u>2,521,770</u>

Noncurrent assets:

Restricted cash and investments	1,684,941
Loans receivable from the City of Chico, Successor Agency to the Chico Redevelopment Agency	<u>13,955,000</u>
Total noncurrent assets	<u>15,639,941</u>

Total assets	<u>18,161,711</u>
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Liabilities

Current liabilities:

Bond interest payable	201,121
Bonds payable - due within one year	<u>2,230,000</u>
Total current liabilities	2,431,121

Noncurrent liabilities:

Bonds payable - due in more than one year	<u>13,955,000</u>
Total liabilities	<u>16,386,121</u>

Net Position

Restricted for debt service	<u>1,775,590</u>
Total net position	<u>\$ 1,775,590</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, 2016

Program Expenses	
Interest on long-term debt	\$ 870,600
 Program Revenue	
Operating grants and contributions	<u>827,845</u>
Net program expense	(42,755)
 General Revenues	
Investment earnings	<u>88,489</u>
Change in net position	45,734
Net position, beginning of year	<u>1,729,856</u>
Net position, end of year	<u><u>\$ 1,775,590</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, 2016

	Debt Service Funds		
	2001 Tax Allocation Revenue Bonds	Bond Reserves	Total
Assets			
Restricted cash and investments	\$ 90,649	\$ 1,684,941	\$ 1,775,590
Fund balances:			
Restricted for:			
Debt service	\$ 90,649	\$ 1,684,941	\$ 1,775,590

See accompanying notes to the financial statements.

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit to the City of Chico, California)
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances - total governmental funds (page 5)	\$	1,775,590
Reconciliation of the difference between the governmental funds balance sheet and the statement of net position:		
Receivables not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Interest - City of Chico, Successor Agency to the Chico Redevelopment Agency	\$	201,121
Loans - City of Chico, Successor Agency to the Chico Redevelopment Agency	<u>16,185,000</u>	16,386,121
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term obligations	(16,185,000)	
Accrued interest payable	<u>(201,121)</u>	<u>(16,386,121)</u>
Net position of governmental activities (page 3)	\$	<u><u>1,775,590</u></u>

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, 2016

	Debt Service Funds		
	2001 Tax Allocation Revenue Bonds	Bond Reserves	Total
Revenues:			
Intergovernmental revenue	\$ 2,224,134	\$ -	\$ 2,224,134
Investment earnings	98	88,391	88,489
Total revenues	2,224,232	88,391	2,312,623
Expenditures:			
Debt service:			
Principal retirement	1,380,000	-	1,380,000
Interest and fiscal charges	886,889	-	886,889
Total expenditures	2,266,889	-	2,266,889
Excess (deficiency) of revenues over (under) expenditures	(42,657)	88,391	45,734
Other financing sources (uses):			
Transfers in	88,391	-	88,391
Transfers out	-	(88,391)	(88,391)
Total other financing sources (uses)	88,391	(88,391)	-
Net change in fund balances	45,734	-	45,734
Fund balances, beginning of year	44,915	1,684,941	1,729,856
Fund balances, end of year	\$ 90,649	\$ 1,684,941	\$ 1,775,590

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, 2016

Net change in fund balances - total governmental funds (page 7)	\$	45,734
<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	\$ (16,289)	
Loans - City of Chico, Successor Agency to the Chico Redevelopment Agency	<u>(1,380,000)</u>	(1,396,289)
<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 debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position.</p>		
Principal retirement		1,380,000
<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		16,289
		<hr/>
Change in net position of governmental activities (page 4)	\$	<u><u>45,734</u></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, 2016

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.

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 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

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

The CPFA reports the following major governmental funds:

Debt Service Funds:

- 2001 Tax Allocation Revenue Bonds (2001 TARBS) – Accounts for the accumulation of resources for the payment of debt service on the related bonds.
- Bond Reserves – Accounts for the reserves as required by the Indentures of Trust for the 2001 Tax Allocation Revenue Bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the CPFA's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of 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.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Restricted Cash and Investments

Restricted assets represent cash and investments held by fiscal agents that are restricted for debt service.

Loans Receivable

Debt service on the CPFA's bonds is funded by the Agency's loan repayments. The loan agreement calls for loan repayments in amounts that correspond to the CPFA's debt service requirements. The loans receivable are equal to the outstanding bonds. The CPFA considers all loans receivable and related interest receivable to be collectible.

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

Long-Term Debt

In the government-wide financial statements long-term debt is reported as a liability.

Fund Equity – Governmental Funds

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Net Position – Statement of Net Position

The restricted net position category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

E. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the PFA's financial reporting process. New standards applicable to the year ending June 30, 2016 are as follows:

Statement No. 72 - Fair - Value Measurement and Application. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The disclosures required by this Statement are included in Note II A.

Statement No. 73 – Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68. This statement provides additional guidance and clarification regarding provisions of GASB No. 68. The provisions of this statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The CPFA has determined that the provisions of this Statement did not have a material impact on the CPFA's basic financial statements for the fiscal year ending June 30, 2016.

Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement provides a framework for the sources and authority of generally accepted accounting principles (GAAP). The CPFA has determined that the provisions of this Statement did not have a material impact on the CPFA's basic financial statements for the fiscal year ending June 30, 2016.

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

Statement No. 79 – *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The CPFA has determined that the provisions of this Statement did not have a material impact on the CPFA’s basic financial statements for the fiscal year ending June 30, 2016.

Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The CPFA has determined that the provisions of this Statement did not have a material impact on the CPFA’s basic financial statements for the fiscal year ending June 30, 2016.

The CPFA is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB statements:

Statement No. 73 – *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68*. This statement provides additional guidance and clarification regarding provisions of GASB No. 68. The provisions of this statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The CPFA has not determined its effect on the financial statements for the provisions of this Statement effective for fiscal years beginning after June 15, 2016.

Statement No. 74 – *Financial Reporting for Postemployment benefit Plans Other Than Pension Plans*. This statement provides guidance for recording other postemployment benefits or OPEB. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2016. The CPFA has not determined its effect on the financial statements.

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

Statement No. 75 – *Accounting and Financial Reporting for Postemployment benefit Plans Other Than Pension Plans.* This statement provides additional guidance and clarification for recording other postemployment benefits or OPEB. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017. The CPFA has not determined its effect on the financial statements.

Statement No. 77 – *Tax Abatement Disclosures.* This statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The provisions of this statement are effective for financial statements for reporting periods beginning after December 15, 2015. The CPFA has not determined its effect on the financial statements.

Statement No. 78 – *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* This statement amends the scope and applicability of Statement No. 68 to excluded pensions provided to employees of state or local governmental employers through a cost-sharing multiple-

employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The provisions of this statement are effective for financial statements for reporting periods beginning after December 15, 2015. The CPFA has not determined its effect on the financial statements.

Statement No. 79 – *Certain External Investment Pools and Pool Participants.* This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The CPFA has not determined its effect on the financial statements for the Statement’s provisions applicable to years beginning after December 15, 2015.

Statement No. 80 – *Blending Requirements for Certain Component Units - An Amendment of Statement No. 14.* This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The CPFA has not determined its effect on the financial statements.

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

Statement No. 81 – Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service CPFA of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The CPFA has not determined its effect on the financial statements.

II. DETAILED NOTES

A. RESTRICTED CASH AND INVESTMENTS

The cash and investment balance represents the CPFA’s investments held by fiscal agents as well as cash received from the Butte County Auditor-Controller for debt service payments as listed on the Recognized Obligation Payment Schedule and approved by the California State Department of Finance. The money market mutual funds are valued at fair market value while the guaranteed investment contract is valued at cost.

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Restricted cash and investments with fiscal agents:	
Money market mutual funds	\$ 90,649
Guaranteed investment contract	<u>1,684,941</u>
Total restricted cash and investments	<u>\$ 1,775,590</u>

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

II. DETAILED NOTES (Continued)

A. RESTRICTED CASH AND INVESTMENTS (Continued)

Authorized Investments

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code, although the investments must be legally permitted under the laws of the State of California.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
U.S. Treasury Securities	None	None	None	None
U.S. Agency Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Money Market Mutual Funds	None	None	None	AAA
Collateralized Bank Deposits	1 year	None	None	None
Commercial Paper	None	None	None	Prime-1
State of California and California Local Agency Bonds	5 years	None	None	One of two highest rating categories by Moody's and S&P
Banker's Acceptances	1 year	None	None	Prime-1
Other investments permitted in writing by MBIA	As applicable	None	None	None

Concentration of Credit Risk

The investment requirements of the CPFA contain no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer (other than U.S. Treasury Notes, mutual funds and external investment pools) that represent 5% or more of the total investments of the CPFA include \$1,684,941 in restricted cash and investments reported in the Bond Reserves Fund, which are held in a guaranteed investment contract issued by FSA Capital Management Services.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The custodian of the investments is not the counterparty for the investments held for the CPFA and hence these investments are not exposed to custodial credit risk.

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

II. DETAILED NOTES (Continued)

A. RESTRICTED CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The money market funds mature in less than 30 days, while the guaranteed investment contract matures in March 2024.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market funds are rated AAAM/Aaa-mf and guaranteed investment contract is not rated.

Fair Value Measurements

Statement No. 72 of the Governmental Accounting Standards Board (“GASB”) *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes investment valuation techniques used to measure fair value. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the CPFA has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments in money market mutual funds and guaranteed investment contracts are reported at amortized cost and are not subject to the fair value hierarchy.

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

II. DETAILED NOTES (Continued)

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. Interest rates for the remaining term of the 2001 TARBS range from 4.88%-5.13% and payments are due in semi-annual installments on October 1 and April 1 through April 1, 2024. Additionally, term bonds of \$5,255,000 and \$3,890,000 are due April 1, 2021 and 2024, respectively. The Agency is subject to mandatory sinking fund payments ranging from \$1,235,000 to \$2,695,000 beginning 2020 and ending 2024.

Changes in the CPFA's long-term debt for the year ended June 30, 2016 were as follows:

	<u>July 1, 2015</u>	<u>Retirements</u>	<u>June 30, 2016</u>	<u>Due within One Year</u>
Bonds Payable:				
2001 Tax Allocation Revenue Bonds	\$ 17,565,000	\$ (1,380,000)	\$ 16,185,000	\$ 2,230,000

Future annual debt service requirements for the 2001 TARBS are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,230,000	\$ 817,894	\$ 3,047,894
2018	2,345,000	709,181	3,054,181
2019	2,465,000	591,931	3,056,931
2020	2,560,000	468,681	3,028,681
2021	2,695,000	337,481	3,032,481
2022-2024	3,890,000	404,875	4,294,875
Total	<u>\$ 16,185,000</u>	<u>\$ 3,330,043</u>	<u>\$ 19,515,043</u>

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.

CHICO PUBLIC FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
Notes to Financial Statements
Year Ended June 30, 2016

II. DETAILED NOTES (Continued)

E. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The 2001 Tax Allocation Revenue Bonds Fund has a negative expenditure variance of \$35 related to interest charges that exceeded the approved budget.

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)
2001 TAX ALLOCATION REVENUE BONDS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 2,177,854	\$ 2,177,854	\$ 2,224,134	\$ 46,280
Investment earnings	-	-	98	98
Total revenues	<u>2,177,854</u>	<u>2,177,854</u>	<u>2,224,232</u>	<u>46,378</u>
EXPENDITURES:				
Debt service:				
Principal retirement	1,380,000	1,380,000	1,380,000	-
Interest and fiscal charges	886,854	886,854	886,889	(35)
Total expenditures	<u>2,266,854</u>	<u>2,266,854</u>	<u>2,266,889</u>	<u>(35)</u>
Deficiency of revenues under expenditures	(89,000)	(89,000)	(42,657)	46,343
OTHER FINANCING SOURCES:				
Transfers in	89,000	89,000	88,391	(609)
Total other financing sources (uses)	<u>89,000</u>	<u>89,000</u>	<u>88,391</u>	<u>(609)</u>
Net change in fund balances	-	-	45,734	45,734
Fund balance, beginning of year	<u>88,866</u>	<u>88,866</u>	<u>44,915</u>	<u>(43,951)</u>
Fund balance, end of year	<u>\$ 88,866</u>	<u>\$ 88,866</u>	<u>\$ 90,649</u>	<u>\$ 1,783</u>

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	<u>89,000</u>	<u>89,000</u>	<u>88,391</u>	<u>(609)</u>
OTHER FINANCING SOURCES:				
Transfers out	<u>(89,000)</u>	<u>(89,000)</u>	<u>(88,391)</u>	<u>609</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>1,684,941</u>	<u>1,684,941</u>	<u>1,684,941</u>	-
Fund balance, end of year	<u>\$ 1,684,941</u>	<u>\$ 1,684,941</u>	<u>\$ 1,684,941</u>	<u>\$ -</u>