

# California Public Finance Authority

Financial Statements and Supplemental Information

Years Ended June 30, 2020 and 2019



**CalPFA**

**CALIFORNIA  
PUBLIC  
FINANCE  
AUTHORITY**

**WIPFLI**

## **Independent Auditor's Report**

Board of Directors  
California Public Finance Authority  
Hanford, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of California Public Finance Authority, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

### **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; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Public Finance Authority as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## **Other Matter - Required Supplementary Information**

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 5 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, 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.

*Wipfli LLP*

Wipfli LLP  
Milwaukee, Wisconsin

December 9, 2020

# California Public Finance Authority

## Management's Discussion and Analysis

(Unaudited)

June 30, 2020 and 2019

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As management of the California Public Finance Authority ("CalPFA" or the "Authority"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2020 and 2019.

CalPFA is a political subdivision of the State of California established under the Joint Exercise of Powers Act for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities throughout California. CalPFA was created by Kings County and the Housing Authority of Kings County, California in May 2015.

The Authority's financings consist of conduit finance issuer transactions. Conduit debt obligations issued through CalPFA are those of the governments, nonprofit organizations, and private companies who are the borrower when the Authority issues conduit bonds under its own governmental status in the tax-exempt and taxable municipal finance marketplace.

CalPFA was established by local governments, for local governments, to provide a means to efficiently and reliably finance projects on behalf of local governments in California. CalPFA is empowered to promote economic, cultural, and community development opportunities that create temporary and permanent jobs, affordable housing, community infrastructure, and improve the overall quality of life in local communities.

Although cities, counties, and special districts are able to issue their own debt obligations or serve as a conduit issuer of private activity bonds that promote economic development and provide critical community services, many local agencies find stand-alone financing too costly or lack the necessary resources or experience to facilitate the bond issuance and perform post-issuance activities for the term of the bonds.

### **Financial Highlights**

For the years ended June 30, 2020 and 2019, the Authority issued a total of 8 conduit revenue bonds totaling \$216 million and 12 conduit revenue bonds totaling \$260 million, respectively. As of June 30, 2020 and 2019, the total amount of CalPFA conduit debt obligations outstanding issued on behalf of program participants totaled \$1,526 million and \$1,334 million.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to CalPFA's financial statements. The financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

### **Analysis of the Financial Statements**

The statement of net position provides information about the nature and amount of investment in resources (assets) and the obligations (liabilities) of the Authority, 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 Authority is improving or deteriorating.

# California Public Finance Authority

## Management's Discussion and Analysis

(Unaudited)

June 30, 2020 and 2019

**Table 1**  
**Condensed Statement of Net Position**

At June 30,	2020	2019
Total current assets	\$ 1,511,188	\$ 1,412,620
Total assets	1,511,188	1,412,620
Total current liabilities	747,730	806,872
Total liabilities	747,730	806,872
Net position:		
Restricted	723,594	565,757
Unrestricted	39,864	39,991
Total net position	\$ 763,458	\$ 605,748

Assets reported by CalPFA at June 30, 2020 and 2019, consist of cash and cash equivalents received from bond issuance and bond administration fee payments, borrower deposits, deposits held for housing projects submitted to the California Debt Limit Advisory Commission ("CDLAC"), bond administration fees receivable, and restricted cash held in reserve accounts to be used to pay specific expenses of the Authority. Current liabilities are comprised of amounts payable to the Authority's program administrator, GPM Municipal Advisors, LLC (the "Program Administrator"), per the provisions of the Master Services Agreement (Note 4), in reimbursement of costs incurred by the Program Administrator on the Authority's behalf and the annual municipal advisor fee, amounts payable to legal counsel for formation and initial organization related work, and unearned revenue related to pending bond issues and deposits held for CDLAC. At June 30, 2020 and 2019, total payables to the Program Administrator were \$165,756 and \$178,235, and total unearned revenue was \$91,293 and \$61,571.

The statement of revenues, expenses and changes in net position show how the Authority's net position changed during the years ended June 30, 2020 and 2019 and accounts for all of the period's revenues and expenses.

**Table 2**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

Years ended June 30,	2020	2019
Total revenues	\$ 598,837	\$ 607,487
Conduit debt expenses	453,423	430,724
Operating income	145,414	176,763
Interest income	12,296	15,903
Change in net position	157,710	192,666
Beginning net position	605,748	413,082
Ending net position	\$ 763,458	\$ 605,748

# California Public Finance Authority

## Management's Discussion and Analysis

(Unaudited)

June 30, 2020 and 2019

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Revenues are comprised of bond issuance and bond administration fees earned by the Authority. Issuance fees are amounts charged to borrowers by CalPFA to issue conduit revenue bonds. The Authority contracts program management services from the Program Administrator. The Authority invoices the borrower in advance for bond issuance fees for conduit issuance services and then places the payment on deposit in trust with nationally-recognized banking institutions. Once the bonds are issued, the trustee distributes payments for services directly to the Program Administrator and the Authority's sponsors, and the deposits become revenue.

Bond administration fees are amounts assessed by the Authority for the performance of ongoing administration and compliance work to help keep long-term bond issues in good standing. Bond administration fees are generally paid semi-annually in arrears by the borrower and are remitted into a trust account with a nationally-recognized bank. For the year ended June 30, 2020 and 2019, the amount of administration fees earned was \$332,246 and \$267,703.

The Authority's operating expenses are comprised of management fees and professional service fees.

The statement of cash flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, capital and related financing, and investing activities.

### **Currently Known Facts and Economic Factors**

The Authority expects revenues to remain consistent with past years as it leverages its years of experience in tax-exempt private activity and municipal finance to benefit local communities.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

California Public Finance Authority  
1400 West Lacey Boulevard, Building 1  
Hanford, California 93230

# California Public Finance Authority

## Statements of Net Position

At June 30,	2020	2019
<b>Assets</b>		
Current assets:		
Unrestricted cash and cash equivalents	\$ 151,517	\$ 156,256
Restricted cash and cash equivalents	850,366	607,624
Restricted cash and cash equivalents - CDLAC	437,845	518,221
Unbilled administration fees	71,460	130,519
Total assets	\$ 1,511,188	\$ 1,412,620
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 78,403	\$ 128,377
Accounts payable - from restricted assets	140,189	98,703
CDLAC deposits	437,845	518,221
Unearned revenue	91,293	61,571
Total current liabilities	747,730	806,872
Net position:		
Restricted	723,594	565,757
Unrestricted	39,864	39,991
Total net position	763,458	605,748
Total liabilities and net position	\$ 1,511,188	\$ 1,412,620

See accompanying notes to financial statements.

# California Public Finance Authority

## Statements of Revenues, Expenses and Change in Net Position

For the Years Ended June 30,	2020	2019
Bond issuance fees	\$ 266,591	\$ 339,784
Bond administration fees	332,246	267,703
<b>Total revenues</b>	<b>598,837</b>	<b>607,487</b>
Operating expenses:		
Management fees	390,647	376,802
Professional fees	55,297	45,422
Other expenses	7,479	8,500
<b>Total operating expenses</b>	<b>453,423</b>	<b>430,724</b>
<b>Operating income</b>	<b>145,414</b>	<b>176,763</b>
Nonoperating revenues:		
Interest income	12,296	15,903
<b>Change in net position</b>	<b>157,710</b>	<b>192,666</b>
<b>Total net position - Beginning</b>	<b>605,748</b>	<b>413,082</b>
<b>Total net position - Ending</b>	<b>\$ 763,458</b>	<b>\$ 605,748</b>

See accompanying notes to financial statements.



# California Public Finance Authority

## Statements of Cash Flows

For the Years Ended June 30,	2020	2019
Cash flows from operating activities:		
Cash received from customers	\$ 607,242	\$ 158,740
Cash paid to suppliers and service providers	(461,911)	(399,479)
Net cash and cash equivalents provided by (used in) operating activities	145,331	(240,739)
Cash flows from investing activities:		
Interest received	12,296	15,903
Net cash and cash equivalents from investing activities	12,296	15,903
Net increase (decrease) in cash and cash equivalents	157,627	(224,836)
Cash and cash equivalents - Beginning of period	1,282,101	1,506,937
Cash and cash equivalents - End of period	\$ 1,439,728	\$ 1,282,101
Schedule reconciling operating income to net cash and cash equivalents from operating activities:		
Operating income	\$ 145,414	\$ 176,763
Adjustments to reconcile net operating income to net cash and cash equivalents provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Unbilled administration fees	59,059	(77,488)
Accounts payable	(8,488)	31,245
CDLAC deposits	(80,376)	(364,650)
Unearned revenue	29,722	(6,609)
Total adjustments	(83)	(417,502)
Net cash and cash equivalents from operating activities	\$ 145,331	\$ (240,739)

See accompanying notes to financial statements.

# California Public Finance Authority

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Organization

California Public Finance Authority ("CalPFA" or the "Authority") is a political subdivision of the State of California established under the Joint Exercise of Powers Act. CalPFA is empowered to promote economic, cultural and community development opportunities through the issuance of tax-exempt and taxable bonds for public and private entities throughout California. CalPFA was created by Kings County, California and the Kings County Housing Authority.

CalPFA was established by local governments, for local governments, to provide a means to efficiently and reliably finance projects on behalf of local governments in California. CalPFA provides local governments and eligible private entities access to low-cost, tax-exempt and other financing for projects that contribute to social and economic growth and improve the overall quality of life in communities throughout the state.

CalPFA's governing board (the "Board") is comprised of elected Supervisors of Kings County. The Board determines all of CalPFA's financing policies and procedures, which includes a review and approval process for each proposed financing.

Conduit debt obligations issued through the Authority are those of the governments, non-profit organizations, and private companies who use the Authority's own governmental status to access the tax-exempt and taxable municipal finance marketplace. Once a borrower uses the Authority to issue debt, financial servicing of that debt falls to a trustee, or potentially to the investor itself in certain private placements. The Authority maintains no ongoing interest in bonds issued through its conduit and no debt servicing responsibility.

#### Basis of Accounting and Management Focus

These basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants in the publication entitled, State and Local Governments. The more significant of the Authority's accounting policies are described below.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Operating revenues result from providing services in connection with the Authority's principal ongoing operations. Operating expenses include management fees, professional fees, and other expenses. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

# California Public Finance Authority

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates and are subject to change in the near term.

#### **Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash and have remaining maturities of three months or less at the date of acquisition.

#### **Restricted Cash and Net Position**

Restricted cash and net position represent net position set aside for CalPFA or program manager purposes as required by the Authority's Services Agreement (see Note 4). Such funds may be disbursed for only the purposes specified in the Services Agreement. Accounts payable from these restricted accounts is separately classified. If disbursed for CalPFA purposes, authorization of the Board is required, and if disbursed for Program Manager purposes, the consent of all management service providers is required.

Certain restricted cash and cash equivalents consist of deposits received from applicants for housing projects submitted to the California Debt Limit Allocation Committee (CDLAC). Deposits are returned to the applicant or remitted to CDLAC based upon CDLAC instructions to the Authority. Funds reserved for these purposes have no impact on net position.

# California Public Finance Authority

## Notes to Financial Statements

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition

The Authority receives revenue from various fees. Bond issuance fees are received from bond proceeds and are recognized as revenue upon issuance of the bonds. Administrative fees are invoiced to bond issuers monthly or semiannually in arrears and recognized as revenue and receivables as earned.

CalPFA borrower fees consisted of the following for the year ended June 30, 2020:

Bond Program	Issuance Fee (up to \$20 million in bonding)	Issuance Fee (over \$20 million in bonding)	Annual Administration Fee
Affordable Housing	17.5 basis points (bps)	\$35,000 Plus 5.0 bps on bond amount over \$20 million	5.0 bps**
501(c)(3) Nonprofit ***	17.5 bps on the first \$10 million plus 5.0 bps on the amount over \$10 million	17.5 bps on the first \$10 million plus 5.0 bps on the amount over \$10 million	1.5 bps
Other exempt facilities, Airports, Solid waste	17.5 bps	\$35,000 plus 10.0 bps on bond amount over \$20 million	5.0 bps
Industrial development	\$20,000	N/A	10.0 bps
Taxable	15.0 bps	\$30,000 plus 5.0 bps on bond amount over \$20 million	1.5 bps
Municipal	12.5 bps	\$25,000 plus 2.5 bps on bond amount over \$20 million	1.5 bps

\*\* Annual administration fee for affordable housing bonds assessed against outstanding bond principal on interest payment date. Minimum fee for each affordable housing project is \$4,000 (a \$1,000 annual compliance monitoring fee will replace the existing annual administration fee throughout the CDLAC compliance period after the qualified project period has expired).

\*\*\*501(c)(3) nonprofit healthcare financing issuance fee will be capped at \$75,000 per issuance.

All bond-financed projects located within Kings County, California will receive a 25% discount from the standard fees stated above.

Unearned revenue is recorded when issuance fees or administration fees are received prior to their service period. As of June 30, 2020 and 2019, unearned revenues were \$91,293 and \$61,571.

CalPFA shares a portion of its annual administrative fee with public agencies under its Community Benefit Reserve Fund as indicated in Note 4.

# California Public Finance Authority

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Income Taxes

The Authority is a public entity that is exempt from federal and state taxation.

#### Subsequent Events

The Authority has evaluated subsequent events through December 9, 2020, which is the date the financial statements were available to be issued.

### Note 2: Deposits and Investments

California Government Code Section 53601 (the Code) permits the Authority to invest available cash balances in various investments, as outlined by the Code. The Authority maintains its cash and equivalents in a money market account with a financial institution.

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2020, the Authority's bank balances exceeded custodial limits by approximately \$1,120,000.

### Note 3: Conduit Debt

Conduit debt refers to certain limited-obligation revenue bonds and notes issued by CalPFA for the express purpose of providing capital financing for a specific third party. Although the conduit debt obligations bear the name of CalPFA, CalPFA has no obligation for such debt beyond the resources provided by financing loans with third parties on whose behalf they were issued. Accordingly, the bonds and notes are not reported as liabilities in the Authority's basic financial statements. There were no conduit bonds authorized but unsold at June 30, 2020 and 2019.

Conduit debt activity for the years ended June 30, 2020 and 2019, are summarized as follows:

Balance at June 30, 2018	\$ 1,123,571,500
New issuances	259,864,475
Principal repayments	(49,323,209)
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Balance at June 30, 2019	1,334,112,766
New issuances	215,592,000
Principal repayments	(24,199,505)
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Balance at June 30, 2020	<u>\$ 1,525,505,261</u>

At June 30, 2020, there was \$1,592,458,450 in bonds pending but not issued.

# California Public Finance Authority

## Notes to Financial Statements

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### Note 4: Related-Party Transactions/Significant Contracts

CalPFA has entered into a Services Agreement with GPM Municipal Advisors, LLC and certain affiliates (collectively "GPM") for advisory, consulting, and project management services related to CalPFA's finance programs, including post-issuance management and compliance oversight. Acting as CalPFA's staff, GPM personnel implement the issuance policies established by the Board, present transactions to the Board for review and approval, and work with the financial and legal community, local agencies and regulatory bodies, and others, to ensure that bonds issued in CalPFA's name remain in good standing. The Services Agreement expires July 6, 2025, with the option for up to three successive five-year renewal periods.

Under the Services Agreement as amended, CalPFA incurred service, consulting, and management fees to GPM of \$400,647 and \$386,985 for the years ended June 30, 2020 and 2019. At June 30, 2020 and 2019, \$165,576 and \$178,235 was payable to GPM for such services.

The Services Agreement provides that when there are insufficient funds in the CalPFA's reserves to pay necessary operating costs, any such costs paid by GPM on behalf of CalPFA shall be repaid at such time as the reserves are sufficiently funded. During previous years, GPM paid \$9,858 of costs on behalf of CalPFA, which is due to GPM and outstanding as of June 30, 2020 and 2019 (and included in the above totals).

In addition, the Services Agreement calls for the establishment of the following reserve funds:

*Reserve Fund ("RF")* - A custody account owned by the Authority and maintained by GPM for the benefit of the Authority with a financial institution acceptable to the Authority for the purpose of payment by GPM on behalf of the Authority of legal, legislative representation, accounting, consulting, professional, and other service fees incurred by GPM in connection with any Authority programs or otherwise in connection with the Service Agreement, subject to authorization by the Authority. The RF receives 5% of issuance and administrative fees.

*Community Benefit Reserve Fund ("CBRF")* - A custody account owned by the Authority and maintained by GPM for the benefit of the Authority with a financial institution acceptable to the Authority for the purpose of payment by GPM of fees to public agencies. The CBRF receives 10% (affordable housing, industrial development, and other facilities) or 15% (501(c)(3) non-profit) of annual administrative fees collected. The CBRF is designed to offset the cost of public services to any Authority program over the life of the financing.

### Note 5: Restricted Net Position

According to the Services Agreement, GPM is directed to deposit 5% of bond issuance and administration fees into the RF (see Note 4). At June 30, 2020 and 2019, (\$69,461) and (\$55,533), of net position are restricted for this purpose. When the balance in the RF reaches \$250,000, deposits into the fund will be suspended until such time as the balance falls below \$200,000.

According to the Services Agreement, the Authority retains a portion of the issuance fees and administration fees received. These funds are reserved for use as directed by the CalPFA Board of Directors for the benefit of the Kings County community. Funds reserved for these purposes as of June 30, 2020 and 2019 are \$786,629 and \$605,119.

# California Public Finance Authority

## Notes to Financial Statements

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### Note 5: Restricted Net Position (Continued)

Additionally, GPM is directed to deposit a portion of bond administration fees into the CBRF (see Note 4). These funds are paid out to the Authority members who held required TEFRA meetings for the Authority in the process of issuing the conduit bonds. The funds are paid out annually, 45 days after fiscal year end. At June 30, 2020 and 2019, \$6,426 and \$16,171 of net position are restricted for this purpose.

Restricted net position is summarized as follows:

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
Reserve Fund	\$ (69,461)	\$ (55,533)
Kings County Community Fund	786,629	605,119
Community Benefit Reserve Fund	6,426	16,171
California Debt Limit Allocation Committee (CDLAC) deposits	-	-
<b>Total restricted net assets</b>	<b>\$ 723,594</b>	<b>\$ 565,757</b>