

# **Trabuco Canyon Public Financing Authority**

Trabuco Canyon, California

## **Annual Financial Report**

*For the Year Ended June 30, 2018*

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**Trabuco Canyon Public Financing Authority**  
**Annual Financial Report**  
**For the Year Ended June 30, 2018**

**Table of Contents**

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	<u>Page</u>
<b>Table of Contents</b> .....	i
<b>Independent Auditor’s Report on Financial Statements</b> .....	1
<b>Basic Financial Statements:</b>	
Balance Sheet.....	3
Statement of Revenues, Expenses and Changes in Net Position .....	4
Statements of Cash Flows.....	5
Notes to the Basic Financial Statements.....	6

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## **FINANCIAL SECTION**

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To the Board of Directors  
of the Trabuco Canyon Public Financing Authority  
Trabuco Canyon, California

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying basic financial statements of the Trabuco Canyon Public Financing Authority (Authority), which comprise of the balance sheet as of June 30, 2018, and the related statements of revenues, expenses and change in net position, cash flows, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express 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 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.

To the Board of Directors  
of the Trabuco Canyon Public Financing Authority  
Trabuco Canyon, California

***Opinion***

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

***Report on Summarized Comparative Information***

The financial statements of Trabuco Canyon Public Financing Authority for the year ended June 30, 2017 were audited by other auditors whose report dated October 31, 2017 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Required Supplementary Information***

Management has omitted the 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 operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Irvine, California  
November 7, 2018



## **BASIC FINANCIAL STATEMENTS**

**Trabuco Canyon Public Financing Authority**  
**Balance Sheet**  
**June 30, 2018**

(with prior year data for comparison purposes only)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Accrued interest receivable	\$ 52,308	\$ 76,250
Installment sale agreement receivable (note 2)	825,000	785,000
<b>Total current assets</b>	<u>877,308</u>	<u>861,250</u>
<b>Noncurrent assets:</b>		
Installment sale agreement receivable (note 2)	890,000	1,715,000
<b>Total noncurrent assets</b>	<u>890,000</u>	<u>1,715,000</u>
<b>Total assets</b>	<u>1,767,308</u>	<u>2,576,250</u>
 <u>LIABILITIES</u> 		
<b>Current liabilities:</b>		
Accrued interest payable	52,308	76,250
Long-term liabilities – due within one year:		
Refunding revenue bonds (note 3)	825,000	785,000
<b>Total current liabilities</b>	<u>877,308</u>	<u>861,250</u>
<b>Noncurrent liabilities:</b>		
Long-term liabilities – due in more than one year:		
Refunding revenue bonds (note 3)	890,000	1,715,000
<b>Total noncurrent liabilities</b>	<u>890,000</u>	<u>1,715,000</u>
<b>Total liabilities</b>	<u>1,767,308</u>	<u>2,576,250</u>
 <u>NET POSITION</u> 		
<b>Unrestricted:</b>		
<b>Total net position</b>	<u>-</u>	<u>-</u>
<b>Total liabilities and net position</b>	<u>\$ 1,767,308</u>	<u>\$ 2,576,250</u>

**Trabuco Canyon Public Financing Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**  
(with prior year data for comparison purposes only)

	2018	2017
<b>Operating revenues:</b>		
Interest earnings	\$ 104,616	\$ 152,500
<b>Total operating revenues</b>	104,616	152,500
<b>Operating expenses:</b>		
Interest expense	104,616	152,500
<b>Total operating expenses</b>	104,616	152,500
<b>Change in net position</b>	-	-
<b>Net position:</b>		
Beginning of year	-	-
End of year	\$ -	\$ -

**Trabuco Canyon Public Financing Authority**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2018**  
(with prior year data for comparison purposes only)

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	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Interest paid on refunding revenue bonds	\$ (128,558)	\$ (175,222)
Principal paid on refunding revenue bonds	(785,000)	(745,000)
Interest received on special assessment receivable	128,558	175,222
Principal received on special assessment receivable	785,000	745,000
<b>Net change in cash and cash equivalents</b>	-	-
<b>Cash and cash equivalents:</b>		
Beginning of year	-	-
End of year	\$ -	\$ -

There were no significant non-cash investing, capital and financing activities for the years ended June 30, 2018 and 2017.

**Trabuco Canyon Public Financing Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

***Organization and Operations of the Reporting Entity***

The Trabuco Canyon Public Financing Authority (Authority) was formed on August 18, 1993, under a joint Exercise of Powers Agreement, by and between the Trabuco Canyon Water District (District) and Community Facilities District No. 7 of the District. The purpose of the agreement was to establish an authority for the purpose of acquiring, constructing, modifying, and rehabilitating facilities; undertaking a program of local agency bond pooled financing, refinancing and lending pursuant to the Marks-Roos Act; and to develop other powers to benefit the group to the extent permitted by the laws and regulations governing such operations.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The Authority is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Authority is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

***Basis of Accounting and Measurement Focus***

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is to service the debt of the District through debt service payments received from the District. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Revenues and expenses result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values.

***Financial Reporting***

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Authority's enterprise fund.

***Use of Estimates***

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities they also include disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**Trabuco Canyon Public Financing Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition***

The Authority recognizes revenues from interest earnings when they are earned, operating activities generally result from providing services and producing and delivering goods. As such, the Authority considers interest earned to be operating revenue.

***Economic Dependence***

The Authority provides financial assistance to the District by financing the water improvement facilities for proposed future developments within the District. As such, all of the Authority’s revenues and installment sale agreement receivables result from an installment sale agreement between the Authority and the District.

***Comparative Financial Statements and Reclassifications***

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year’s presentation.

**Note 2 – Installment Sale Receivable**

The Authority entered into an installment sale agreement with the Trabuco Canyon Water District for the purpose of providing funding for the principal and interest on the long term debt.

Changes in the installment sale receivable were as follows:

Balance July 1, 2017	Payments	Balance June 30 2018	Current Portion	Noncurrent Portion
<u>\$2,500,000</u>	<u>(785,000)</u>	<u>1,715,000</u>	<u>825,000</u>	<u>890,000</u>

Installment Sale Agreement payments to be received are as follows:

Year	Principal	Interest	Total
2019	\$ 825,000	79,452	904,452
2020	890,000	27,145	917,145
Total	<u>\$1,715,000</u>	<u>106,597</u>	<u>1,821,597</u>

**Trabuco Canyon Public Financing Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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**Note 3 – Long-Term Debt**

Changes in long-term debt were as follows:

Balance July 1, 2017	Payments	Balance June 30 2018	Current Portion	Noncurrent Portion
<u>\$ 2,500,000</u>	<u>(785,000)</u>	<u>1,715,000</u>	<u>825,000</u>	<u>890,000</u>

***1994 Series C – Refunding Revenue Bonds***

On April 15, 1994, the Authority issued \$12,080,000 of water and wastewater refunding revenue bonds to refund a prior outstanding issuance. The bonds are scheduled to mature in fiscal year 2020. Interest installments are payable each fiscal year at rates of 6.0% to 6.1% on July 1<sup>st</sup> and January 1<sup>st</sup>, while principal payments are due on July 1<sup>st</sup>. Annual debt service requirements on the debt are as follows:

Year	Principal	Interest	Total
2019	\$ 825,000	79,452	904,452
2020	890,000	27,145	917,145
Total	<u>\$1,715,000</u>	<u>106,597</u>	<u>1,821,597</u>