

**ROCKLIN PUBLIC
FINANCING AUTHORITY**

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023



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ROCKLIN PUBLIC FINANCING AUTHORITY
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FOR THE YEAR ENDED JUNE 30, 2023

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Rocklin Public Financing Authority
Rocklin, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities of the Rocklin Public Financing Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Deficit Net Position

As of June 30, 2023, the Authority's net position in its Government-wide financial statements was reported at a deficit mostly because of long-term liabilities as reported in Note 3 and deferred gains from the defeasance of long-term debt. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 of America, 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.

Prior-Year Comparative Information

We have previously audited the Authority's June 30, 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements in our report dated December 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

C & A LLP

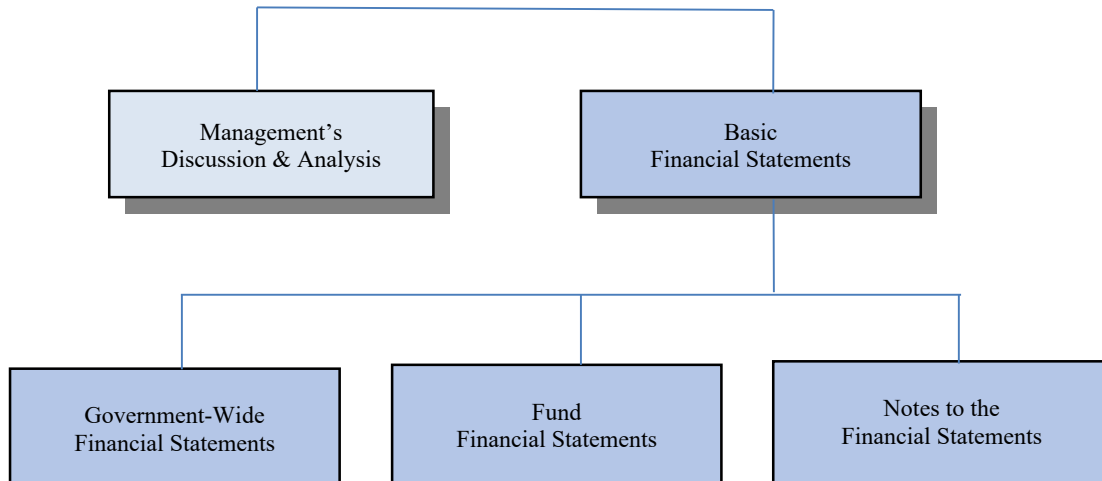
November 30, 2023
Morgan Hill, California

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

INTRODUCTION

The Management’s Discussion and Analysis (MD&A) is an integral component of the Authority’s Annual Financial Report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the Authority’s financial performance for the fiscal year ended on June 30, 2023. This information, presented in conjunction with the Basic Financial Statements, is intended to provide a comprehensive understanding of the Authority’s operations and financial standing.

Required Components of the Annual Financial Report



THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements are comprised of 1) Government-wide (Authority-wide) Financial Statements, and; 2) Fund Financial Statements. These two sets of financial statements provide the reader two different perspectives of the Authority’s financial activities and financial position.

Government-wide Financial Statements provide a longer-term view of the Authority’s activities as a whole, and comprise the *Statement of Net Position* and the *Statement of Activities*. The *Statement of Net Position* provides information about the financial position of the Authority as a whole, including all its capital assets and long-term liabilities on a full accrual basis, similar to that used by corporations. The *Statement of Activities* provides information about all the Authority’s revenues and its expenses, also on a full accrual basis, with the emphasis on measuring net revenues and/or expenses for each of the Authority’s programs. The *Statement of Activities* explains in detail the change in Net Position for the fiscal year.

All of the Authority’s activities are required to be grouped into government activities and business-type activities. The entire amount in the *Statement of Net Position* and the *Statement of Activities* are also required to be separated into governmental activities or business-type activities in order to distinguish between these two types of activities of the Authority.

Fund Financial Statements report the Authority’s operations in more detail than the government-wide statements and focus primarily on the short-term activities of the Authority’s general fund and other major funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table summarized the Authority's ending net position:

Table 1 - Net Position				
	<u>Governmental Activities</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	<u>2023</u>	<u>2022</u>		
Assets				
Current	\$ 1,602,199	\$ 2,088,247	\$ (486,048)	-23.3%
Total Assets	<u>\$ 1,602,199</u>	<u>\$ 2,088,247</u>	<u>\$ (486,048)</u>	-23.3%
Liabilities				
Current	\$ 508,623	\$ 501,348	\$ 7,275	1.5%
Noncurrent liabilities	1,029,183	1,526,806	(497,623)	-32.6%
Total Liabilities	<u>\$ 1,537,806</u>	<u>\$ 2,028,154</u>	<u>\$ (490,348)</u>	-24.2%
Deferred Inflows of Resources	<u>\$ 884,408</u>	<u>\$ 1,105,511</u>	<u>\$ (221,103)</u>	-20.0%
Net Position				
Restricted	\$ 68,193	\$ 68,025	\$ 168	0.2%
Unrestricted	(888,208)	(1,113,443)	225,235	20.2%
Total Net Position	<u>\$ (820,015)</u>	<u>\$ (1,045,418)</u>	<u>\$ 225,403</u>	21.6%

The changes in current assets, total liabilities and deferred inflow of resources were the results of scheduled debt service payments and the amortization of deferred gains from defeasance.

GOVERNMENTAL ACTIVITIES

An analysis of the changes in revenues, special items, and expenses by type of significant events follows:

Table 2 - Statement of Changes in Net Position

Functions/Programs	Governmental Activities		Dollar Change	Percent Change
	2023	2022		
General Revenues and Special Items				
Investment earnings	\$ 260,341	\$ 271,630	\$ (11,289)	-4.2%
Total General Revenues and Special Items	<u>260,341</u>	<u>271,630</u>	<u>(11,289)</u>	-4.2%
Expenses				
Interest and fiscal charges	34,938	46,357	(11,419)	-24.6%
Total Expenses	<u>34,938</u>	<u>46,357</u>	<u>(11,419)</u>	-24.6%
Increase / (Decrease) in Net Position	225,403	225,273	130	-0.1%
Net Position, Beginning of Year	<u>(1,045,418)</u>	<u>(1,270,691)</u>	<u>225,273</u>	-17.7%
Net Position, End of Year	<u>\$ (820,015)</u>	<u>\$ (1,045,418)</u>	<u>\$ 225,403</u>	-21.6%

Significant changes in governmental revenues consisted of the following:

- Investment earnings accounted for 100% of all revenue. Interest rates on Authority investments are predetermined and, therefore, subject to limited interest rate risk, providing a stable revenue source for the Authority.

DEBT ADMINISTRATION

The following table summarizes the Authority's debt at the end of the year:

Table 3 - Long-Term Debt

	Governmental Activities			
	2023	2022	Dollar Change	% Change
Bank Loan -				
RPFA Refunding	\$ 1,526,806	\$ 2,013,154	\$ (486,348)	-24.2%
Total Long-Term Debt	<u>\$ 1,526,806</u>	<u>\$ 2,013,154</u>	<u>\$ (486,348)</u>	-24.2%

Additional detail and information on long-term debt activity is described in the notes to the financial statements (Note 3).

BUDGETARY HIGHLIGHTS

Changes from the Authority's original budget to the final budget are detailed in the Required Supplementary Information Section along with a comparison to actual activity for the year ended. Changes to the Authority's budget that increase appropriations in a fund must be approved by a resolution of the Board. Appropriations did not change during the year. The adopted and final expenditure budget was \$525,400.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide our customers and creditors a general overview of the Rocklin Public Financing Authority's finances and seeks to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Deputy Director of Administrative Services, 3970 Rocklin Road, Rocklin, California, 95677.

**BASIC FINANCIAL
STATEMENTS**

Rocklin Public Financing Authority
Statement of Net Position
June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Governmental Activities	
	2023	2022
ASSETS		
Current Assets:		
Cash and investments	\$ 7,200	\$ 7,068
Restricted cash and investments	1,594,999	2,081,179
Total Assets	\$ 1,602,199	\$ 2,088,247
LIABILITIES		
Current Liabilities:		
Interest payable	\$ 11,000	\$ 15,000
Long-term debt - due within one year	497,623	486,348
Total Current Liabilities	508,623	501,348
Noncurrent Liabilities:		
Long-term debt - due after one year	1,029,183	1,526,806
Total Liabilities	\$ 1,537,806	\$ 2,028,154
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Early Defeasance of Long-Term Debt	\$ 884,408	\$ 1,105,511
NET POSITION		
Restricted	\$ 68,193	\$ 68,025
Unrestricted	(888,208)	(1,113,443)
Total Net Position	\$ (820,015)	\$ (1,045,418)

The accompanying notes are an integral part of these financial statements.

Rocklin Public Financing Authority
Statement of Activities
For the year ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Functions/Programs	Expenses	Net (Expense) Revenue and Change in Net Position	
		2023	2022
Governmental Activities			
Interest and fiscal charges	\$ 34,938	\$ (34,938)	\$ (46,357)
Total Governmental Activities	\$ 34,938	(34,938)	(46,357)
General Revenues:			
Investment earnings		260,341	271,630
Total General Revenues and Special Items		<u>260,341</u>	<u>271,630</u>
Change in Net Position		225,403	225,273
Net Position - Beginning of Year		<u>(1,045,418)</u>	<u>(1,270,691)</u>
Net Position - End of Year		<u>\$ (820,015)</u>	<u>\$ (1,045,418)</u>

The accompanying notes are an integral part of these financial statements.

Rocklin Public Financing Authority
Balance Sheet
Governmental Funds
June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and investments	\$ 7,200	\$ 7,068
Restricted cash and investments	1,594,999	2,081,179
Total assets	<u>\$ 1,602,199</u>	<u>\$ 2,088,247</u>
FUND BALANCE		
Restricted for debt service	<u>\$ 1,602,199</u>	<u>\$ 2,088,247</u>
Total fund balance	<u>\$ 1,602,199</u>	<u>\$ 2,088,247</u>

The accompanying notes are an integral part of these financial statements.

Rocklin Public Financing Authority
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2023

Total Fund Balances - Total Governmental Funds \$ 1,602,199

Amounts reported for governmental activities in the statement of net position were different because:

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (11,000)

Long-term debt defeasances are reported in the funds as other financing uses based on cash payments related to the repayment of debt. However, the difference between the refunded debt and the refunding debt is reported as a deferred gain or loss in the government-wide statement of net position. (884,408)

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

OPUS Bank Loan (1,526,806)

Net Position of Governmental Activities \$ (820,015)

The accompanying notes are an integral part of these financial statements.

Rocklin Public Financing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
REVENUES		
Use of money and property	\$ 39,238	\$ 50,527
Total Revenues	<u>39,238</u>	<u>50,527</u>
EXPENDITURES		
Debt service:		
Principal	486,348	551,712
Interest and fiscal charges	38,938	50,357
Total Expenditures	<u>525,286</u>	<u>602,069</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(486,048)</u>	<u>(551,542)</u>
Net Change in Fund Balances	(486,048)	(551,542)
Fund Balances Beginning	<u>2,088,247</u>	<u>2,639,789</u>
Fund Balances Ending	<u>\$ 1,602,199</u>	<u>\$ 2,088,247</u>

The accompanying notes are an integral part of these financial statements.

Rocklin Public Financing Authority
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Government-Wide
Statement of Activities
For the year ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (486,048)
Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:	
Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of net position.	486,348
In governmental funds, deferred gain on early retirement of long-term debt is recognized as other financing uses. In the government-wide statements, the deferred gain on early retirement of long-term debt is amortized over the life of the debt. The difference between other financing uses and amortization is:	221,103
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from from prior year.	4,000
	<u>4,000</u>
Change in Net Position of Governmental Activities	<u><u>\$ 225,403</u></u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL
STATEMENTS**

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2023

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On December 13, 1994, pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the City of Rocklin (City) authorized the formation of a joint powers authority with the former Rocklin Redevelopment Agency to be known as the Rocklin Public Financing Authority (Authority).

The Authority is governed by a Board consisting of members of the City Council. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the Authority's governing board. The Authority is a blended component unit of the City for financial reporting purposes and the accompanying basic financial statements reflect the assets, liabilities, fund balances/net position, revenues, and expenditures/expenses of the Authority only.

The basic financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Financial Reporting Entity

As defined by GASB Statement No. 39, *The Financial Reporting Entity*, the Authority is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete.

B. Basis of Presentation, Accounting and Measurement Focus

The accounts of the Authority are organized and accounted for in a governmental type debt service fund, which is considered a separate accounting entity. This debt service fund was established to account for the debt service activity of the Public Financing authority. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in a fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Authority's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities*. These statements present summaries of governmental activities for the Authority.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources (including capital assets, as well as infrastructure assets, and long-term liabilities), are included in the accompanying *Statement of Net Position*, as applicable. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment.

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2023

Governmental Fund Financial Statements

Governmental fund financial statements include a *Balance Sheet* and a *Statement of Revenues, Expenditures and Changes in Fund Balances* for the Authority's one major governmental fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets, as applicable. The *Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (up to 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

C. Cash Deposits and Investments

For the purposes of the Statement of Net Position, "cash and investments" includes all demand, savings accounts, and certificates of deposits, or short-term investments with an original maturity of three months or less.

The City has oversight responsibility for all Authority cash and investments.

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2023

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized

D. Deferred Outflows/Deferred Inflows

Deferred outflows of resources is a consumption of net position by the Authority that is applicable to a future reporting period; for example, prepaid items and deferred charges. Deferred inflows of resources is an acquisition of net position by the Authority that is applicable to a future reporting period; for example, advance collections or deferred gains from the early defeasance of long-term debt.

E. Interest Payable

In the government-wide financial statements, interest payable for long-term debt is recognized as an incurred liability. In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statements when the payment is made.

F. Long-Term Debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The Long-term debt consists of a bank loan from Pacific Premier Bank.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures.

G. Fund Balances

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Authority classifies governmental fund balances as follows:

Nonspendable

Nonspendable fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2023

Committed

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the Authority's governing board.

Assigned

Assigned fund balance includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Authority Manager.

Unassigned

The Unassigned fund balance category represents fund balance which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose. The detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance.

Flow Assumption / Spending Order Policy

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Authority's governing board has directed otherwise.

H. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. The Authority did not report any capital assets at the end of the year.

Restricted Net Position

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. Certain proceeds from debt are reported as restricted net position because their use is limited by applicable debt or other covenants.

Unrestricted Net Position

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2023

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first.

I. Budgets

Budgets are prepared on the modified accrual basis of accounting, in which debt principal and interest, and capital assets acquired are recorded as expenditures and depreciation is not recorded.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By May 15, management recommends to the Board a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is legally enacted through passage of a motion during a Board meeting prior to the commencement of the new fiscal year.
3. The Board approves all budget transfers and revisions.
4. Formal budgeting is employed as a management control device during the year.
5. Budgets for the Debt Service Fund are adopted on a basis consistent with accounting principles generally accepted in the United States (GAAP).

Budgeted amounts are as originally adopted or as amended by the Board. There were no amendments recorded for the fiscal year.

J. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

L. Implemented Accounting Pronouncements

During the year, the Authority implemented *GASB Statement No. 96, Subscription-based Information Technology Arrangements*. *GASB Statement No. 96* is an accounting pronouncement issued by the Governmental Accounting Standards Board (GASB) that provides guidance on how the costs and investments for subscription-based information technology arrangements (SBITAs) are accounted for and disclosed by governmental entities. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as

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amended. As of June 30, 2023, the Authority did not identify any material SBITAs that were required to be reported under GASB 96.

M. Upcoming Accounting and Reporting Changes

The Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, effective fiscal 2024.

This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 also requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. And, GASB 100 addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

GASB Statement No. 101, Compensated Absences, effective fiscal 2025.

Updates the recognition and measurement guidance for compensated absences by:

1. Aligning the recognition and measurement guidance under a unified model
2. Amending certain previously required disclosures
3. Amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability
4. Supersedes GASB 16

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2023, cash and investments were reported in the financial statements as follows:

	Fair Value		Total Cash and Investments
	Unrestricted	Restricted	
Cash held with City of Rocklin	\$ 7,200	\$ -	\$ 7,200
Bank money market accounts	-	68,193	68,193
Special assessment loan investments	-	1,526,806	1,526,806
Total cash and investments	\$ 7,200	\$ 1,594,999	\$ 1,602,199

A. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure the Authority's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the Authority ahead of general creditors of the institution.

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The market value of pledged securities must equal at least 110 percent of the Authority's cash deposits. California law also allows institutions to secure Authority deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the Authority's total cash deposits. The Authority has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

B. Safekeeping

Securities purchased from broker-dealers are held in third party safekeeping by the trust department of the broker-dealer or other designated third party trust in the Authority/City's name and control, whenever possible.

C. Investment

Loans to CFD's No. 6, No. 8 and No. 9 (special assessments) are investments of the Authority. The balance at June 30, 2023 was \$1,526,806.

D. Investment Policies

Under the provisions of the Authority's investment policy, and in accordance with California Government Code, the following investments are authorized:

Category	Standard
U.S. Treasuries	No portfolio limit; 5 years max maturity
Federal Agencies	No portfolio limit; 20% max callable federal agency securities; 30% max per institution/issuer; 5 years max maturity
Supranational Obligations	"AA" rated or better by a NRSRO; 30% portfolio max; 10% max per institution/issuer; 5 years max maturity; USD denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by IBRD, IFC, or IADB; Eligible for purchase and sale within the U.S.
Municipal Securities (CA, Other States)	"A" rating category or better by a NRSRO; 30% portfolio max; 5% max per institution; 5 years max maturity
Corporate Medium Term Notes	"A" rating category or better by a NRSRO; 30% portfolio max; 5% max per institution/issuer; 5 years max maturity; Issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.
Mortgage-Backed Securities	"AA" rating category or better by a NRSRO; 20% portfolio max; 5% max per institution/issuer; 5 years max maturity; Mortgage Pass-Through Securities, Collateralized Mortgage Obligations, or Mortgage-Backed bonds

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<u>Category</u>	<u>Standard</u>
Negotiable Certificates of Deposit (NCD)	The amount invested in NCDs subject to limitations of California Government Code; Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or better by a NRSRO; or long-term obligations rated "A" or its equivalent or better by a NRSRO; 30% portfolio max; 5% max per institution/ issuer; 5 years max maturity
Time Deposits (Non-negotiable CD/TD)	20% portfolio max; Max per institution/issuer limited to maximum covered under federal insurance; 5 years max maturity; Non-negotiable time deposits FDIC or collateralized in accordance with California Government Code and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)
Collateralized Bank Deposits	No portfolio limit; deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651
Banker's Acceptances	Short-term debt obligations "A-1" rating category or better by a NRSRO or long-term debt obligations "A" rating category or better by a NRSRO; 40% portfolio max; 5% max per institution/issuer; 180 days max maturity; Issued by prime money center banks
Commercial Paper	Issued by domestic corporation with assets >\$500 million and having an "A-1" long-term rating or better by a NRSRO or if the issuer has other debt obligations, having an "A" long-term rating or better by a NRSRO; or Issuer organized in the U.S. as a special purpose corporation, trust, or limited liability company with program-wide credit enhancements and an "A-1" rating or better by a NRSRO; 25% portfolio max; 5% max per institution/issuer; 10% max of the outstanding paper of the issuing corporation; 270 days maturity
Money Market Mutual Funds	20% portfolio max; 20% max per shares of any one Money Market Mutual Fund; Shares of beneficial interest issued by Mutual Funds and Money Market Funds; Companies shall either: (i) Attain highest rating by two NRSROs; or (ii) Have an investment adviser registered with SEC with > 5 years experience investing in securities as authorized by California Government Code, Section 53601, inclusive and with AUM >\$500 million; The purchase price of shares of Mutual Funds or Money Market Funds shall not include any commission that the companies may charge
Mutual Funds	20% portfolio max; 10% max per shares of any one mutual fund; Shares of beneficial interest issued by Mutual Funds and Money Market Funds; Companies shall either: (i) Attain highest rating by two NRSROs; or (ii) Have an investment adviser registered with SEC with > 5 years experience investing in securities as authorized by California Government Code, Section 53601 and with AUM >\$500 million; Mutual Fund is SEC registered and met requirements of Rule 2a-7 of the Investment Company Act of 1940; The purchase price of shares of Mutual Funds or Money Market Funds shall not include any commission that the companies may charge
Local Agency Investment Fund (LAIF)	Maximum amount permitted by State law and LAIF
Local Government Investment Pools	25% portfolio max in the County Treasurer's Investment Pool
Repurchase Agreements	No portfolio limit; 1 year max maturity; 102% collateralized

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E. Risk Disclosures

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 term of an investment's maturity, the greater the sensitivity to changes in market interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2023, the Authority's investments were in compliance with the ratings required by the Authority's investment policy, indenture agreements and Government Code.

Concentrations of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2023, the Authority invested 1% of its cash in money market accounts with Pacific Premier Bank and 99% in special assessment debt.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

F. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

In the table on page 22, money market accounts are valued using Level 2 inputs and special assessment bonds are valued using Level 1 inputs.

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NOTE 3 - NONCURRENT LIABILITIES

The Authority's noncurrent liabilities consisted of the following as of June 30, 2023:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Direct Borrowing:					
Pacific Premier Bank Loan - RPFA Refunding	\$ 2,013,154	\$ -	\$ 486,348	\$ 1,526,806	\$ 497,623

Rocklin Public Finance Authority Bank Loan

On July 1, 2017, the City, on behalf of Community Facilities Districts (CFD) 6, 8 and 9, agreed to borrow from the Rocklin Public Financing Authority (Authority) an amount necessary to refund 1999 CFD special tax bonds and pledged the special tax revenues levied in each CFD to the Authority. In the 2017 Special Tax Revenue Refunding Loan Agreement, the Authority agrees to borrow from Bank, the funds necessary to refund the 1999 CFD special tax bonds and in turn, refund the Authority's 2003 refunding revenue bonds. The Bank loan is secured by a pledge of the revenues received by the Authority from the 2017 CFD loan payments. Bank has no remedy against the City if special taxpayers in the CFD's fail to make their payments. The loan was \$5,000,077 at a fixed interest rate of 2.2% and matures on September 1, 2025. This loan was reported as City debt as required by GASB 62 and NCGA Statement 5. The refunding resulted in an economic gain of \$1,989,923, which will be amortized over the life of the loan.

The annual debt service requirements on long-term debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 497,623	\$ 28,116	\$ 525,739
2025	508,181	17,052	525,233
2026	521,002	5,731	526,733
Total	\$ 1,526,806	\$ 50,899	\$ 1,577,705

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Lawsuits

The Authority could be exposed to certain matters of litigation that arise in the normal course of conducting Authority business. Management believes, based upon consultation with the Authority Attorney, that any cases, in the aggregate, would not be expected to result in a material adverse financial impact on the Authority.

**OTHER INDEPENDENT
AUDITOR'S REPORTS**



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the
Rocklin Public Financing Authority
Rocklin, California

We have audited, 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, the financial statements of the Rocklin Public Financing Authority (the “Authority”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 30, 2023.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion



on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

November 30, 2023
Morgan Hill, California