

**ROCKLIN PUBLIC  
FINANCING AUTHORITY**

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022



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**ROCKLIN PUBLIC FINANCING AUTHORITY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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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

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, 2022, 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, 2022 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, 2022, 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.

### **Other Matters**

#### *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, 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements in our report dated November 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 December 20, 2022 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

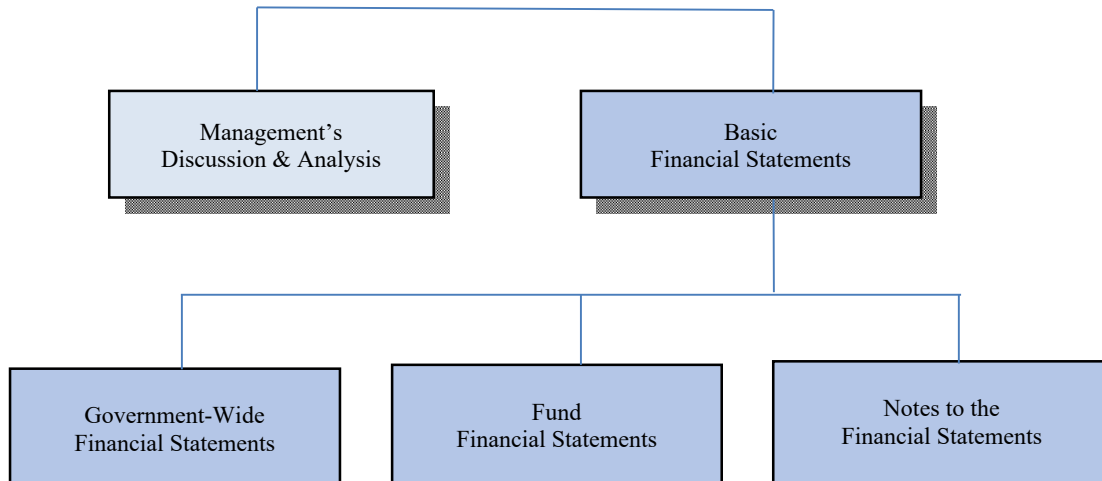
December 20, 2022  
Morgan Hill, California

**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, 2022. 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:

<b>Table 1 - Net Position</b>				
	<b>Governmental Activities</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2022</b>	<b>2021</b>		
<b>Assets</b>				
Current	\$ 2,088,247	\$ 2,639,789	\$ (551,542)	-20.9%
<b>Total Assets</b>	<b>\$ 2,088,247</b>	<b>\$ 2,639,789</b>	<b>\$ (551,542)</b>	<b>-20.9%</b>
<b>Liabilities</b>				
Current	\$ 501,348	\$ 570,712	\$ (69,364)	-12.2%
Noncurrent liabilities	1,526,806	2,013,154	(486,348)	-24.2%
<b>Total Liabilities</b>	<b>\$ 2,028,154</b>	<b>\$ 2,583,866</b>	<b>\$ (555,712)</b>	<b>-21.5%</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 1,105,511</b>	<b>\$ 1,326,614</b>	<b>\$ (221,103)</b>	<b>-16.7%</b>
<b>Net Position</b>				
Restricted	\$ 68,025	\$ 67,873	\$ 152	0.2%
Unrestricted	(1,113,443)	(1,338,564)	225,121	16.8%
<b>Total Net Position</b>	<b>\$ (1,045,418)</b>	<b>\$ (1,270,691)</b>	<b>\$ 225,273</b>	<b>17.7%</b>

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:

<b>Table 2 - Statement of Changes in Net Position</b>				
Functions/Programs	<b>Governmental Activities</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2022</b>	<b>2021</b>		
<b>General Revenues and Special Items</b>				
Investment earnings	\$ 271,630	\$ 283,716	\$ (12,086)	-4.3%
<b>Total General Revenues and Special Items</b>	<b>271,630</b>	<b>283,716</b>	<b>(12,086)</b>	<b>-4.3%</b>
<b>Expenses</b>				
Interest and fiscal charges	46,357	58,378	(12,021)	-20.6%
<b>Total Expenses</b>	<b>46,357</b>	<b>58,378</b>	<b>(12,021)</b>	<b>-20.6%</b>
Increase / (Decrease) in Net Position	225,273	225,338	(65)	0.0%
<b>Net Position, Beginning of Year</b>	<b>(1,270,691)</b>	<b>(1,496,029)</b>	<b>225,338</b>	<b>-15.1%</b>
<b>Net Position, End of Year</b>	<b>\$ (1,045,418)</b>	<b>\$ (1,270,691)</b>	<b>\$ 225,273</b>	<b>-17.7%</b>

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:

<b>Table 3 - Long-Term Debt</b>				
	<b>Governmental Activities</b>			
	<b>2022</b>	<b>2021</b>	<b>Dollar Change</b>	<b>% Change</b>
Bank Loan -				
RPFA Refunding	\$ 2,013,154	\$ 2,564,866	\$ (551,712)	-21.5%
<b>Total Long-Term Debt</b>	<b>\$ 2,013,154</b>	<b>\$ 2,564,866</b>	<b>\$ (551,712)</b>	<b>-21.5%</b>

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 \$602,100.

**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, 2022**  
**(With Comparative Totals for the Year Ended June 30, 2021)**

	Governmental Activities	
	2022	2021
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 7,068	\$ 7,050
Restricted cash and investments	2,081,179	2,632,739
<b>Total Assets</b>	<b>\$ 2,088,247</b>	<b>\$ 2,639,789</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Interest payable	\$ 15,000	\$ 19,000
Long-term debt - due within one year	486,348	551,712
Total Current Liabilities	501,348	570,712
Noncurrent Liabilities:		
Long-term debt - due after one year	1,526,806	2,013,154
<b>Total Liabilities</b>	<b>\$ 2,028,154</b>	<b>\$ 2,583,866</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Gain on Early Defeasance of Long-Term Debt	\$ 1,105,511	\$ 1,326,614
<b>NET POSITION</b>		
Restricted	\$ 68,025	\$ 67,873
Unrestricted	(1,113,443)	(1,338,564)
<b>Total Net Position</b>	<b>\$ (1,045,418)</b>	<b>\$ (1,270,691)</b>

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

**Rocklin Public Financing Authority**  
**Statement of Activities**  
**For the year ended June 30, 2022**  
**(With Comparative Totals for the Year Ended June 30, 2021)**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Net (Expense) Revenue and Change in Net Position</b>	
		<b>2022</b>	<b>2021</b>
<b>Governmental Activities</b>			
Interest and fiscal charges	\$ 46,357	\$ (46,357)	\$ (58,378)
<b>Total Governmental Activities</b>	<u>\$ 46,357</u>	<u>(46,357)</u>	<u>(58,378)</u>
<b>General Revenues:</b>			
Investment earnings		271,630	283,716
Total General Revenues and Special Items		<u>271,630</u>	<u>283,716</u>
Change in Net Position		225,273	225,338
Net Position - Beginning of Year		<u>(1,270,691)</u>	<u>(1,496,029)</u>
Net Position - End of Year		<u>\$ (1,045,418)</u>	<u>\$ (1,270,691)</u>

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

**Rocklin Public Financing Authority**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**  
**(With Comparative Totals for the Year Ended June 30, 2021)**

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	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and investments	\$ 7,068	\$ 7,050
Restricted cash and investments	2,081,179	2,632,739
<b>Total assets</b>	<u>\$ 2,088,247</u>	<u>\$ 2,639,789</u>
<b>FUND BALANCE</b>		
Restricted for debt service	\$ 2,088,247	\$ 2,639,789
<b>Total fund balance</b>	<u>\$ 2,088,247</u>	<u>\$ 2,639,789</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, 2022**

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**Total Fund Balances - Total Governmental Funds** \$ 2,088,247

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. (15,000)

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. (1,105,511)

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 (2,013,154)

**Net Position of Governmental Activities** \$ (1,045,418)

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, 2022**  
**(With Comparative Totals for the Year Ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Use of money and property	\$ 50,527	\$ 62,613
<b>Total Revenues</b>	<u>50,527</u>	<u>62,613</u>
<b>EXPENDITURES</b>		
Debt service:		
Principal	551,712	540,963
Interest and fiscal charges	50,357	62,378
<b>Total Expenditures</b>	<u>602,069</u>	<u>603,341</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(551,542)</u>	<u>(540,728)</u>
Net Change in Fund Balances	(551,542)	(540,728)
Fund Balances Beginning	<u>2,639,789</u>	<u>3,180,517</u>
Fund Balances Ending	<u>\$ 2,088,247</u>	<u>\$ 2,639,789</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, 2022**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (551,542)
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.	551,712
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>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 225,273</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, 2022**

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**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, 2022**

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**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, 2022**

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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, 2022**

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**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**  
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**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***

GASB Statement No. 87, "*Leases*". The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of



# Rocklin Public Financing Authority

## Notes to the Basic Financial Statements

### June 30, 2022

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information about governments' leasing activities. As of June 30, 2022, this Statement did not have an impact on the Authority's financial statements.

GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*" The statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Management does not believe this statement will have a significant impact on the Authority's financial statements.

The requirements of this Statement are effective as follows:

- The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately
- The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021

The Authority did not report any significant accounting changes from the implementation of this Statement during the year ended June 30, 2022

#### ***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. 91, "*Conduit Debt Obligations.*" The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the Authority's financial statements.

GASB *Statement* No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*" The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a

**Rocklin Public Financing Authority**  
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service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the Authority's financial statements.

GASB *Statement No. 96, "Subscription-Based Information Technology Arrangements."* GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*. GASB 96 is effective for fiscal years beginning after June 15, 2022. Management does not believe this statement will have a significant impact on the Authority's financial statements

GASB Statement No. 99, *Omnibus 2022*, Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – *Leases*, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic. Management does not believe this statement will have a significant impact on the Authority's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, this Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements.

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The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the Authority’s financial statements.

GASB Statement No. 101, *Compensated Absences*, this Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is in the process of evaluating the impact this standard will have on the Authority’s financial statements

**NOTE 2 - CASH AND INVESTMENTS**

As of June 30, 2022, 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	\$ 7,068	\$ -	\$ 7,068
Bank money market accounts	-	68,025	68,025
Special assessment loan investments	-	2,013,154	2,013,154
Total cash and investments	\$ 7,068	\$ 2,081,179	\$ 2,088,247

**Rocklin Public Financing Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

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**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.

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, 2022 was \$2,013,154.

**D. Investment Policies**

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

Authorized Investment Type	Maximum Maturity <sup>(1)</sup>	Maximum Total of Portfolio	Maximum Investment in Any One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	90 days	15%	5%
Reverse Repurchase Agreements	90 days	15%	5%
Medium-Term Notes	5 years	30%	5%
Time Deposits	5 years	10%	5%
Mutual Funds (Including Money Markets)	N/A	15%	5%
Mortgage Pass-Through Securities	5 years	20%	5%
Local Agency Investment Fund (LAIF)	N/A	None	None
Placer County Investment Pool	N/A	25%	N/A
Collateralized Obligations	None	10%	5%

<sup>(1)</sup> However, if in the judgement of the City Treasurer it is to the advantage of the City, investments may be made with maturities longer than five years, as long as the weighted average maturity of the City's Fund is five years or less.

**Rocklin Public Financing Authority**  
**Notes to the Basic Financial Statements**  
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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, 2022, 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, 2022, 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 24, money market accounts are valued using Level 2 inputs and special assessment bonds are valued using Level 1 inputs.

**Rocklin Public Financing Authority**  
**Notes to the Basic Financial Statements**  
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**NOTE 3 - NONCURRENT LIABILITIES**

The Authority's noncurrent liabilities consisted of the following as of June 30, 2022:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Direct Borrowing:					
Pacific Premier Bank Loan - RPPFA Refunding	\$ 2,564,866	\$ -	\$ 551,712	\$ 2,013,154	\$ 486,348

**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
2023	\$ 486,348	\$ 38,940	\$ 525,288
2024	497,623	28,116	525,739
2025	508,181	17,052	525,233
2026	521,002	5,730	526,732
Total	\$ 2,013,154	\$ 89,838	\$ 2,102,992

**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, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated December 20, 2022.

**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

December 20, 2022  
Morgan Hill, California