

**ROCKLIN PUBLIC
FINANCING AUTHORITY**

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

This Page Intentionally Left Blank

ROCKLIN PUBLIC FINANCING AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report.....	3
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position.....	13
Statement of Activities.....	14
<i>Fund Financial Statements</i>	
<i>Governmental Funds:</i>	
Balance Sheet.....	15
Reconciliation of the Government Funds Balance Sheet to the Government-Wide Financial Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances.....	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	18
Notes to the Basic Financial Statements	19

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis) – Public Finance Authority Debt Service Fund.....	30
---	----

OTHER INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	32
--	----

This page is intentionally blank

FINANCIAL SECTION

This page intentionally left blank



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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Rocklin Public Financing Authority as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Comparative Information

The financial statements of the Authority for the year ended June 30, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on February 10, 2015.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplementary information, as listed in the table of contents, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015 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

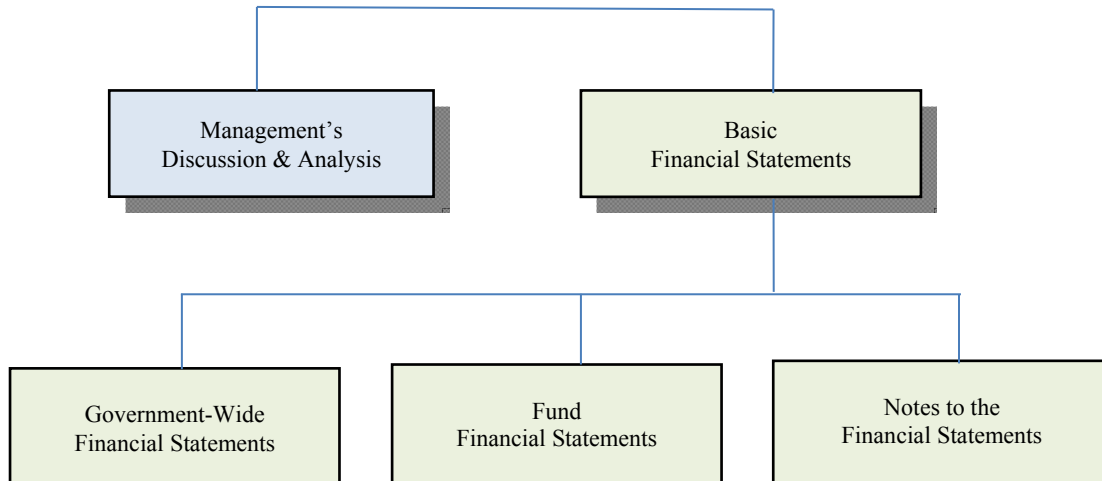
October 22, 2015
San Jose, California

**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 during the fiscal year that ended on June 30, 2015. 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



FISCAL YEAR 2014/15 FINANCIAL HIGHLIGHTS

- Total net position decreased by \$30,723 from last fiscal year due to lower interest revenue receipts on bond investments.
- The Authority's assets exceeded its liabilities by \$2.6 million.
- Net position consisted of \$2.6 million classified as restricted.
- Total Authority-wide revenues were \$565,028 which consisted entirely of investment earnings.
- Total Authority expenses were \$595,751.
- Total Governmental Fund fund balances were \$11 million. Total fund balance decreased by \$456,222 from last year due to decreases in restricted cash and investments.

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 all 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.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information other than through the MD&A follows the Notes and includes a budgetary comparison for the Authority's operating fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Dollar Change	Percent Change
	2015	2014		
Assets				
Current	\$ 10,994,196	\$ 11,653,706	\$ (659,510)	-5.7%
Total Assets	<u>\$ 10,994,196</u>	<u>\$ 11,653,706</u>	<u>\$ (659,510)</u>	-5.7%
Liabilities				
Current	\$ 768,000	\$ 751,787	\$ 16,213	2.2%
Noncurrent liabilities	7,665,000	8,310,000	(645,000)	-7.8%
Total Liabilities	<u>\$ 8,433,000</u>	<u>\$ 9,061,787</u>	<u>\$ (628,787)</u>	-6.9%
Net Position				
Restricted	2,561,196	2,591,919	(30,723)	-1.2%
Total Net Position	<u>\$ 2,561,196</u>	<u>\$ 2,591,919</u>	<u>\$ (30,723)</u>	-1.2%

Governmental Activities

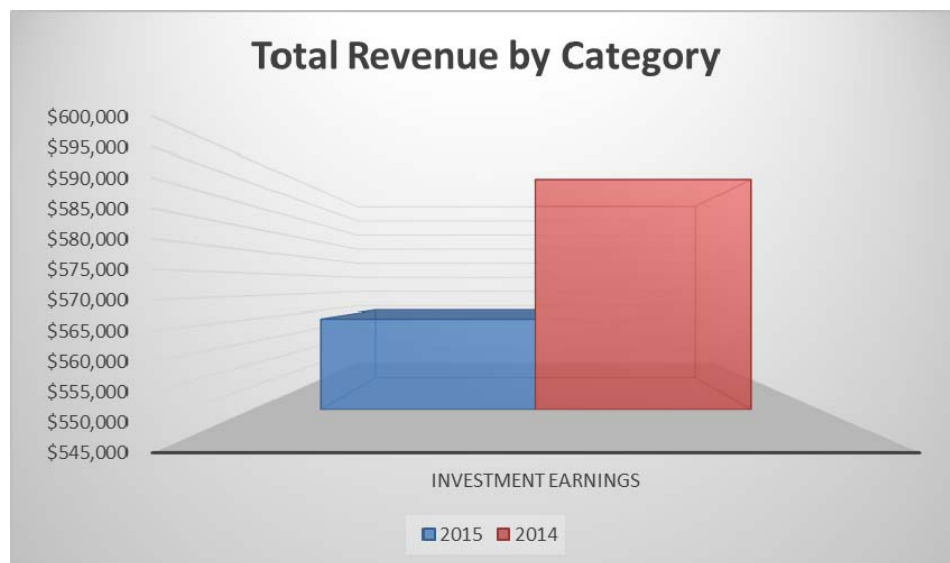
An analysis of the changes in revenues and expenses by type of significant events follows:

Table 2 - Statement of Changes in Net Position

Functions/Programs	Governmental Activities		Dollar Change	Percent Change
	2015	2014		
General Revenues				
Investment earnings	\$ 565,028	\$ 595,721	\$ (30,693)	-5.2%
Total General Revenues	565,028	595,721	(30,693)	-5.2%
Expenses				
General government	221,857	63,189	158,668	251.1%
Interest and fiscal charges	373,894	397,535	(23,641)	-5.9%
Total Expenses	595,751	460,724	135,027	29.3%
Increase / (Decrease) in Net Position	(30,723)	134,997	(165,720)	-122.8%
Net Position, Beginning of Year	2,591,919	2,456,922	134,997	5.5%
Net Position, End of Year	\$ 2,561,196	\$ 2,591,919	\$ (30,723)	-1.2%

Governmental Revenues

The following chart summarizes the changes in revenues by category during 2014/15:

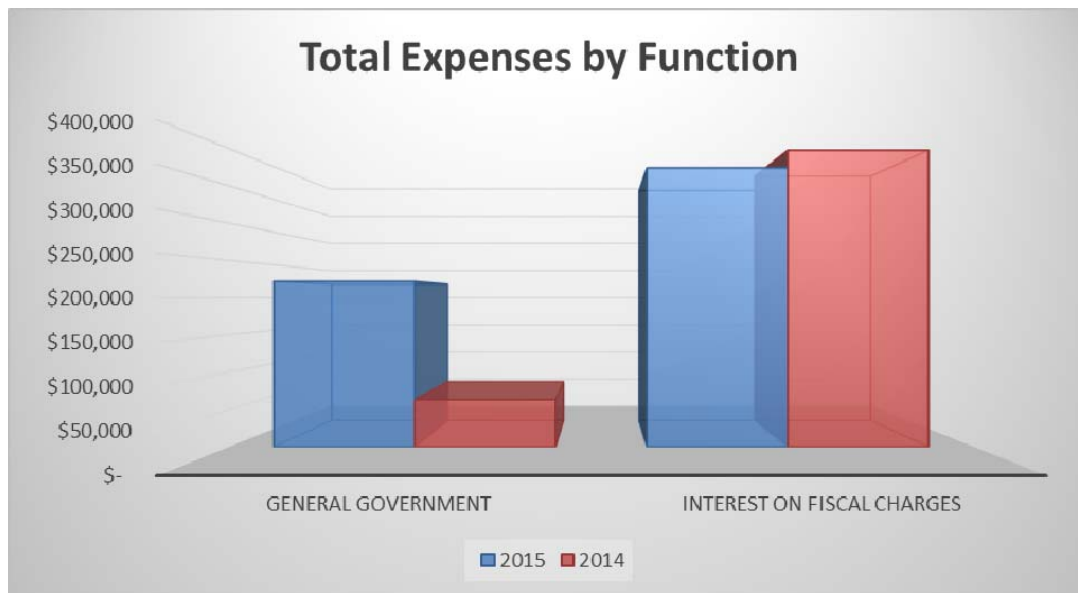


Significant changes in governmental revenues consisted of the following:

- 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.
- Interest earnings decreased by \$30,693 because cash and investments decreased by \$659,510.

Governmental Expenses

The 2014/15 expenses for Governmental Activities increased by \$135,027 as illustrated in the chart below:



Significant changes in governmental expenses consisted of the following:

- General government expenses include a one-time write-off of bond issuance costs and discounts. In prior years, bond issuance costs and discounts were amortized over the bond term. In 2014/15, the remaining costs of \$202,832 were expensed.

DEBT ADMINISTRATION

During the year, Long-Term Debt from governmental activities decreased by \$620,000 because of principal debt service payments.

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

	Governmental Activities			
	2015	2014	Dollar Change	% Change
2003 PFA Refunding Revenue				
Bonds-Senior	\$ 7,575,000	\$ 8,110,000	\$ (535,000)	-6.6%
2003 PFA Refunding Revenue				
Bonds - Subordinate	735,000	820,000	(85,000)	-10.4%
Total Long-Term Debt	\$ 8,310,000	\$ 8,930,000	\$ (620,000)	-6.9%

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

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 or decrease appropriations in a fund must be approved by a resolution of the Board. Appropriations did not change during the year. The Debt Service Fund adopted and final budgeted revenue was \$564,709. The adopted and final expenditure budget was \$1,022,150.

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 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 Chief Financial Officer, 3970 Rocklin Road, Rocklin, California, 95677.

**BASIC FINANCIAL
STATEMENTS**

This page intentionally left blank

Rocklin Public Financing Authority
Statement of Net Position
June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Governmental Activities	
	2015	2014
ASSETS		
Current Assets:		
Cash and investments	\$ 1,725	\$ -
Restricted cash and investments	10,992,471	11,450,874
Other assets	-	202,832
Total Assets	\$ 10,994,196	\$ 11,653,706
LIABILITIES		
Current Liabilities:		
Interest payable	\$ 123,000	\$ 131,331
Due to Rocklin General Fund	-	456
Long-term debt - due within one year	645,000	620,000
Total Current Liabilities	768,000	751,787
Noncurrent Liabilities:		
Long-term debt - due after one year	7,665,000	8,310,000
Total Liabilities	\$ 8,433,000	\$ 9,061,787
NET POSITION		
Restricted	\$ 2,561,196	\$ 2,591,919
Total Net Position	\$ 2,561,196	\$ 2,591,919

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

Rocklin Public Financing Authority
Statement of Activities
For the year ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

Functions/Programs	Expenses	Net (Expense) Revenue and Change in Net Position	
		2015	2014
Governmental Activities			
General government	\$ 221,857	\$ (221,857)	\$ (63,189)
Interest and fiscal charges	373,894	(373,894)	(397,535)
Total Governmental Activities	<u>\$ 595,751</u>	<u>(595,751)</u>	<u>(460,724)</u>
General Revenues:			
Investment earnings		<u>565,028</u>	<u>595,721</u>
Change in Net Position		(30,723)	134,997
Net Position - Beginning of Year		<u>2,591,919</u>	<u>2,456,922</u>
Net Position - End of Year		<u>\$ 2,561,196</u>	<u>\$ 2,591,919</u>

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

Rocklin Public Financing Authority

Balance Sheet

Governmental Funds

June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

ASSETS	2015	2014
Cash and investments	\$ 1,725	\$ -
Restricted cash and investments	10,992,471	11,450,874
Total assets	\$ 10,994,196	\$ 11,450,874
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to Rocklin General Fund	\$ -	\$ 456
Total liabilities	-	456
 Fund Balances:		
Restricted	10,994,196	11,450,418
Total fund balances	10,994,196	11,450,418
Total liabilities and fund balances	\$ 10,994,196	\$ 11,450,874

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, 2015

Total Fund Balances - Total Governmental Funds \$ 10,994,196

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. (123,000)

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:

Long-term debt (8,310,000)

Net Position of Governmental Activities \$ 2,561,196

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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
REVENUES		
Use of money and property	\$ 565,028	\$ 595,721
Total Revenues	<u>565,028</u>	<u>595,721</u>
EXPENDITURES		
Current:		
General government	19,025	29,675
Debt service:		
Principal	620,000	600,000
Interest and fiscal charges	382,225	404,619
Total Expenditures	<u>1,021,250</u>	<u>1,034,294</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(456,222)</u>	<u>(438,573)</u>
Net Change in Fund Balances	(456,222)	(438,573)
Fund Balances Beginning	<u>11,450,418</u>	<u>11,888,991</u>
Fund Balances Ending	<u>\$ 10,994,196</u>	<u>\$ 11,450,418</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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ (456,222)
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.	620,000
Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the fund statements as follows:	
Bond discounts	(103,184)
Bond issuance costs	(99,648)
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.	<u>8,331</u>
Change in Net Position of Governmental Activities	<u><u>\$ (30,723)</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, 2015

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

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2015

function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment.

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.

MUFG Union Bank is the fiscal agent for the Authority and maintains all other cash balances and authorized investments of Authority funds. The City/Authority 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.

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2015

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. The Authority did not have any deferred outflows or inflows of resources at the end of the year.

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 the revenue refunding bonds of the Public Financing Authority.

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 Government Accounting Standards Board 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.

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.

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2015

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 sheet and in the combining nonmajor fund balance sheets.

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.

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.

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2015

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

1. By June 30, 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. Subsequent Events

Management has considered subsequent events through October 22, 2015, the date which the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined there are no non-recognized subsequent events that require additional disclosure.

L. 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.

M. Upcoming New Accounting Pronouncements

GASB Statement No. 72 – In February, 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (fiscal year ending June 30, 2016).

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective date: the provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2015

governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

GASB Statement No. 77 – Tax Abatement Disclosures. Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2015, 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	\$ 1,725	\$ -	\$ 1,725
MUFG Union Bank money market account	-	1,987,470	1,987,470
Special assessment bond investments	-	9,005,001	9,005,001
Total cash and investments	<u>\$ 1,725</u>	<u>\$ 10,992,471</u>	<u>\$ 10,994,196</u>

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).

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2015

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 in Special Assessment Bonds

Proceeds from the issuance of the 2003 Refunding Revenue Bonds were used to purchase \$14,030,000 of special tax bonds issued by special assessment districts in the City. These bonds mature through September 1, 2025, and are authorized investments of the Authority. The balance at June 30, 2015 was \$9,005,001.

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 ⁽¹⁾	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%
Medium-Term Notes	5 years	30%	5%
Mutual Funds (Including Money Markets)	N/A	15%	5%
Mortgage Pass-Through Securities	5 years	20%	5%
County Pooled Investment Funds	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Placer County Investment Pool	N/A	25%	N/A
Collateralized Obligations	None	10%	5%

⁽¹⁾ However, if in the judgement of the Investment Committee 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.

The Authority is in compliance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools* which requires the Authority's investments be recorded at fair value instead of cost. Under GASB 31, the carrying value of investments are adjusted to reflect their fair value at each fiscal year-end, with the effects of these adjustments included in the carrying value of the investments.

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2015

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, 2015, 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, 2015, the Authority invested 18% of its cash in money market accounts with Union Bank and 82% in special assessment bonds held by a fiscal agent.

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.

NOTE 3 - NONCURRENT LIABILITIES

The Authority's noncurrent liabilities consisted of the following as of June 30, 2015:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2003 Public Financing Authority (PFA)					
Refunding Revenue Bonds-Senior	\$ 8,110,000	\$ -	\$ 535,000	\$ 7,575,000	\$ 555,000
2003 PFA Refunding Revenue					
Bonds - Subordinate	820,000	-	85,000	735,000	90,000
Total Noncurrent Liabilities	\$ 8,930,000	\$ -	\$ 620,000	\$ 8,310,000	\$ 645,000

2003 Senior and Subordinate Refunding Revenue Bonds

In January 2004, the Rocklin Public Financing Authority issued \$12,575,000 of Senior Refunding Revenue Bonds and \$1,455,000 of Subordinate Refunding Revenue Bonds. Proceeds from these bonds were used to refund the outstanding 1999 Public Financing Authority Revenue Bonds. The Bonds are secured by revenues from specific assessment districts. Interest rates range from 2% to 4.6% for the Senior issue and 3.125% to 5.625% for the Subordinate issue. Principal payments ranging from \$555,000 to \$850,000 are payable annually on September 1 and interest payments ranging from \$19,550 to \$165,668 are payable semi-annually on March 1 and September 1 through September 1, 2025, for the

Rocklin Public Financing Authority
Notes to the Basic Financial Statements
June 30, 2015

Senior issue. Principal payments ranging from \$90,000 to \$120,000 are payable annually on September 1 and interest payments ranging from \$3,375 to \$19,561 are payable on March 1 and September 1 through September 1, 2021, for the Subordinate issuance.

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 645,000	\$ 357,106	\$ 1,002,106
2017	675,000	329,722	1,004,722
2018	700,000	301,088	1,001,088
2019	730,000	271,205	1,001,205
2020	760,000	239,154	999,154
2021-2025	3,950,000	650,623	4,600,623
2026-2030	850,000	19,550	869,550
Total	<u>\$ 8,310,000</u>	<u>\$ 2,168,447</u>	<u>\$ 10,478,447</u>

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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Rocklin Public Financing Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Public Financing Authority Debt Service Fund
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 564,709	\$ 564,709	\$ 565,028	\$ 319
Total Revenues	<u>564,709</u>	<u>564,709</u>	<u>565,028</u>	<u>319</u>
EXPENDITURES				
Current:				
General government	19,900	19,900	19,025	875
Debt service:				
Principal retirement	620,000	620,000	620,000	-
Interest and fiscal charges	382,250	382,250	382,225	25
Total Expenditures	<u>1,022,150</u>	<u>1,022,150</u>	<u>1,021,250</u>	<u>900</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(457,441)</u>	<u>(457,441)</u>	<u>(456,222)</u>	<u>1,219</u>
Net Change in Fund Balances	(457,441)	(457,441)	(456,222)	1,219
Fund Balances Beginning	<u>11,450,418</u>	<u>11,450,418</u>	<u>11,450,418</u>	<u>-</u>
Fund Balances Ending	<u>\$ 10,992,977</u>	<u>\$ 10,992,977</u>	<u>\$ 10,994,196</u>	<u>\$ 1,219</u>

**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, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 22, 2015.

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

San Jose, California
October 22, 2015