

**SACRAMENTO COUNTY
PUBLIC FINANCING AUTHORITY**
(A Component Unit of the County of Sacramento, California)

Independent Auditor's Reports,
Basic Financial Statements,
and Required Supplementary Information

For the Year Ended June 30, 2024

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
For the Year Ended June 30, 2024

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Certified
Public
Accountants

Independent Auditor's Report

Board of Directors
Sacramento County Public Financing Authority
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Sacramento County Public Financing Authority (Authority), a component unit of the County of Sacramento, California, as of and for the year ended June 30, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (*Government Auditing Standards*). 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 requirements, in accordance with the relevant ethical responsibilities relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 opinion. 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 and *Government Auditing Standards* 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 *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 August 30, 2024, 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 solely 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 the effectiveness of the Authority's 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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
August 30, 2024

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2024

As management of the Sacramento County Public Financing Authority (Authority), a component unit of the County of Sacramento, California, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the period ended June 30, 2024.

Financial Highlights

- The Authority's total assets were \$59,527,777. The primary assets of the Authority are a receivable from loans made to the Sacramento Housing and Redevelopment Agency (Agency) in the amount of \$52,742,116 and cash and investments of \$6,544,786.
- The Authority's liabilities consisted mainly of revenue bonds payable totaling \$59,286,902, the net proceeds of which were loaned to the Agency in previous years.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements.

Financial Statements are designed to provide readers with a broad overview of the Authority's finances.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Change in Net Position* presents information showing how the Authority's net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the Authority during the most recent period. When used with related disclosures and information in the other financial statements, the information provided in this statement should help financial report users assess the Authority's ability to generate future net cash flows, its ability to meet its obligations as they become due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the Authority's financial position of its cash and its noncash investing, capital and related financing transactions during the period.

The financial statements can be found on pages 8 through 10 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 11 through 17 of this report.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Management's Discussion and Analysis (Unaudited)(Continued)
For the Year Ended June 30, 2024

Analysis

The primary asset of the Authority is the receivable from the Agency, which decreased by \$3,021,319 during the year. The reason for the decrease this year is primarily due to payment received from the Agency in the amount of \$3,325,000. The receivable was slightly offset by an increase of \$264,747 as a result of accretion of the capital appreciation bonds. The primary liability is the outstanding balance of the revenue bonds. Both the receivable and bonds payable balances will decrease over time, as the bonds are paid-off.

In compliance with the loan agreement, the Agency paid the Authority \$5,900,186 in principal and interest during the year. The Authority used those funds, in addition to the \$315,634 interest and investment income to make the scheduled \$6,281,818 debt service payments on the tax revenue bonds during the year.

The following table summarizes the changes between assets, liabilities and net position as of June 30, 2024 and 2023:

Authority's Condensed Statements of Net Position

	<u>2024</u>	<u>% Change</u>	<u>2023</u>
<u>Assets:</u>			
Restricted cash and investments	\$ 6,544,786	-0.3%	\$ 6,563,335
Accrued interest receivable	240,875	-4.4%	251,927
Loans receivable from participating government	<u>52,742,116</u>	-5.4%	<u>55,763,435</u>
Total Assets	<u>59,527,777</u>	-4.9%	<u>62,578,697</u>
<u>Liabilities:</u>			
Accrued interest payable	240,875	-4.4%	251,927
Long-term liabilities	<u>59,286,902</u>	-4.1%	<u>62,326,770</u>
Total Liabilities	<u>59,527,777</u>	-4.9%	<u>62,578,697</u>
<u>Net Position:</u>			
Unrestricted	<u>\$ -</u>	n/a	<u>\$ -</u>

Net position did not change during the year ended June 30, 2024. Restricted cash and investments represent funds held as liquidity reserves for debt service. Any amounts in excess of the required liquidity reserve balance of \$5,662,947 are used to fund debt service payments.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Financial Analysis (Continued)

The following table summarizes changes in net position for the fiscal years ended June 30, 2024 and 2023:

Authority's Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2024</u>	<u>% Change</u>	<u>2023</u>
<u>Operating Revenues:</u>			
Interest income from participating government	\$ 2,867,815	-11.3%	\$ 3,233,069
<u>Nonoperating Revenues (Expenses):</u>			
Interest and investment income	315,634	67.5%	188,421
Net increase in fair value of investments	47,750	261.3%	(29,417)
Interest expense and amortization of bond discount	<u>(3,230,899)</u>	4.8%	<u>(3,392,073)</u>
Total Nonoperating Revenues (Expenses)	<u>(2,867,815)</u>	11.3%	<u>(3,233,069)</u>
Changes in net position	-		-
Net position, beginning of year	<u>-</u>		<u>-</u>
Net position, end of year	<u>\$ -</u>		<u>\$ -</u>

Debt Administration

Effective February 1, 2012, the County of Sacramento (County) assumed the role of the Redevelopment Agency Successor Agency (RASA) and took responsibility for the debt obligations of the former Sacramento Housing and Redevelopment Agency (Agency). Under the provisions of AB X1 26 and AB 1484, the RASA became responsible for remitting payments on enforceable obligations of the former Agency, and to ensure that all enforceable obligations are reported on the recognized obligation payment schedule (ROPS) every six months and submitted to the State Department of Finance for review and approval. Once approved, and provided sufficient revenues are available, the County Auditor-Controller's Office distributes property taxes to the RASA from the County's Redevelopment Property Tax Trust Fund (RPTTF) to the RASA's Redevelopment Obligation Retirement Fund (RORF) for payment of the enforceable obligations.

Long-term liabilities decreased as a result of the scheduled debt service payment of \$3,325,000 offset by the accrual of accreted interest on the capital appreciation bonds of \$264,747 and amortization of the bond discount of \$20,385 during the year. Additional information on the Authority's long-term liabilities can be found in Note 4.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Requests for Information

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

Peter Aw-Yang
Assistant Treasurer
700 H Street, Room 1703
Sacramento, CA 95814

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Statement of Net Position
June 30, 2024

ASSETS

Restricted cash and investments	\$ 6,544,786
Accrued interest receivable	240,875
Loans receivable from participating government	<u>52,742,116</u>
Total assets	<u>59,527,777</u>

LIABILITIES

Accrued interest payable	240,875
Long-term liabilities:	
Due within one year	3,210,000
Due after one year (net of bond discount)	<u>56,076,902</u>
Total liabilities	<u>59,527,777</u>

NET POSITION

Unrestricted	<u><u>\$ -</u></u>
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See accompanying notes to the basic financial statements.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY

(A Component Unit of the County of Sacramento, California)

Statement of Revenues, Expenses, and Change in Net Position

For the Year Ended June 30, 2024

OPERATING REVENUES

Interest income from participating government	\$ <u>2,867,815</u>
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NONOPERATING REVENUES (EXPENSES)

Interest and investment income	315,634
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Net increase in fair value of	
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Investments	47,450
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Interest expense and amortization of bond discount	<u>(3,230,899)</u>
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Total nonoperating revenues (expenses)	<u>(2,867,815)</u>
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Change in net position	-
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Net position, beginning of year	<u>-</u>
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Net position, end of year	<u><u>\$ -</u></u>
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See accompanying notes to the basic financial statements.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Statement of Cash Flows
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Principal received from participating government	\$ 3,034,428
Interest received from participating government	<u>2,865,758</u>
Net cash provided by operating activities	<u>5,900,186</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on long-term liabilities	(3,325,000)
Interest payments on long-term liabilities	<u>(2,956,819)</u>
Net cash used in capital and related financing activities	<u>(6,281,819)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net increase (decrease) in fair value of measurements	47,450
Interest received on investments	<u>315,634</u>
Net cash provided by investing activities	363,084

NET DECREASE IN CASH AND CASH EQUIVALENTS (18,549)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 6,563,335

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 6,544,786

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 2,867,815
Change in assets and liabilities:	
Decrease in accrued interest receivable	11,052
Decrease in loans receivable from participating government	<u>3,021,319</u>
Net cash provided by operating activities	<u>\$ 5,900,186</u>

Noncash investing, capital and financing activities:

Amortization of bond discounts	\$ 20,385
Accreted interest on capital appreciation bonds	264,747

See accompanying notes to the basic financial statements.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Sacramento County Public Financing Authority (Authority) was created by a Joint Exercise of Powers Agreement (Agreement) effective as of November 25, 2003, between the County of Sacramento (County) and the Sacramento Housing and Redevelopment Agency (Agency). The County Board of Supervisors (Board) sits as the Board of Directors of the Authority. The Authority was created for the purpose of obtaining financing for various designated redevelopment and housing projects in the greater Sacramento area. The Authority meets the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) as a blended component unit of the County because the governing body is the same as the County, and otherwise meets the criteria set forth by GAAP because of the financial benefit/burden relationship of their activities.

Assembly Bill X1 26 enacted on June 29, 2011, was upheld and declared constitutional by the California Supreme Court on December 29, 2011. As of February 1, 2012, redevelopment agencies in California were dissolved and successor agencies were appointed to wind down the affairs of the redevelopment agencies in accordance with the provisions of Assembly Bill X1 26. The County has elected to be appointed as Redevelopment Agency Successor Agency (Successor Agency) for purpose of winding down the affairs of the Redevelopment Agency of the County of Sacramento (Redevelopment Agency). The Housing Authority of the County of Sacramento has been appointed as the Housing Successor Agency.

Section 34178(b)(3) of the California Health and Safety Code indicates that where the Redevelopment Agency was a member of a Joint Exercise of Powers Agreement, the Successor Agency replaces the Redevelopment Agency by operation of law. Therefore, the Successor Agency has assumed the roles and responsibilities of the Redevelopment Agency under the terms of the original agreement.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses when the liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenue of the Authority is interest income from the Agency.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

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

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all short-term highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

NOTE 2 – RESTRICTED CASH AND INVESTMENTS

Cash and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

Statement of net position:

Restricted cash and investments	\$ <u>6,544,786</u>
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Cash and investments as of June 30, 2024, consist of the following:

Negotiable certificate of deposit	\$ 951,466
Money market mutual fund	<u>5,593,320</u>
Total Cash and Investments	<u>\$ 6,544,786</u>

At June 30, 2024, the restricted cash and investments of \$6,544,786 were held as reserves for debt service. All policies for investing cash and investments are governed by the bond indentures. The Authority believes it is not at measurable risk as follows:

Custodial Credit Risk – This is the risk that in the event a financial institution or counterparty fails, the Authority would not be able to recover the value of its deposits and investments. As of June 30, 2024, one hundred percent of the Authority's investments are held in the Authority's name and the investments are not exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The Authority's policy, per the bond indenture, is that investments shall mature or are so redeemable in an amount sufficient to make payments as required by the indenture. The Authority's investment in the money market mutual fund has a weighted average to maturity of 39 days. The Authority's investment in the negotiable certificate of deposit has a maturity date of March, 31, 2026.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's policy is dictated by the bond indenture. The Authority's investment in the money market mutual fund has credit ratings of Aaa-mf and AAAM by Moody's and S&P, respectively. The Authority's investment in a certificate of deposit has a credit rating of A+ by S&P.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 2 – RESTRICTED CASH AND INVESTMENTS (Continued)

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The negotiable certificate of deposit has a fair value of \$951,466 and is classified as a Level 2 input of the fair value hierarchy. Level 2 inputs are defined as other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. The quoted prices are similar assets or liabilities in an active market.

The valuation of the 2a-7 money market mutual fund held by the Authority is at one-dollar net asset value (NAV) per share. The total value of the investment as of June 30, 2024 was \$5,593,320 with zero unfunded commitments. The redemption frequency is daily and redemption notice period of intra-daily. This type of investment primarily invests in short-term U.S. Treasury and government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities).

NOTE 3 – LOAN TO PARTICIPATING GOVERNMENT

During the fiscal year ended June 30, 2004, the Authority loaned \$54,920,588 of the bond proceeds received to the Agency pursuant to the 2003 Loan Agreements. In addition, on March 5, 2008, the Authority loaned an additional \$48,545,000 in bond proceeds to the Agency pursuant to the 2008 Loan Agreements. In return, the Agency agreed to repay these funds and interest, as well as repay the Authority for any costs incurred such as bond issuance and discount costs. Such repayments, net of any interest earned by the Authority, are required to be sufficient to cover the Authority's debt service requirements on the bonds. As such, the set repayment schedule is consistent with the long-term liabilities' repayment schedule. The balance of the loans as of June 30, 2024, is \$52,742,116.

Changes in loan to participating government for the period ended June 30, 2023, were as follows:

	<u>Balance</u> <u>July 1, 2023</u>		<u>Increase</u>		<u>Decrease</u>		<u>Balance</u> <u>June 30, 2024</u>
Loans receivable from participating government:							
Principal portion	\$ 51,233,046	\$	-	\$(3,286,066)		\$	47,946,980
Accreted interest	<u>4,530,389</u>		<u>264,747</u>		<u>-</u>		<u>4,795,136</u>
Total	<u>\$ 55,763,435</u>	<u>\$</u>	<u>264,747</u>	<u>\$(3,286,066)</u>		<u>\$</u>	<u>52,742,116</u>

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities consist of the following as of June 30, 2024:

Series 2003 Revenue Bonds

The Authority issued three series of Revenue Bonds on December 23, 2003, totaling \$54,920,588. The net proceeds were then loaned to the Agency in order to finance four redevelopment projects in designated redevelopment project areas in the City of Sacramento and the County. The source of repayment of the bonds is tax increment and/or housing set-aside tax increment revenues, depending upon the project. The City of Sacramento paid off the Series C Bonds and a portion of its share of the Series A Bonds during fiscal year 2016, leaving the County's share and a portion of the City's share of the Series A Bonds and the Series B Bonds.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Tax increment revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$29,150,394 payable through December 2033. For the current year, principal and interest paid and total tax increment revenues were \$2,300,000 and \$996,669, respectively.

- **Series A – \$33,695,588** Mather/McClellan and Del Paso Heights project areas improvements. The series includes \$13,940,000 in serial bonds, maturing from December 2004 through December 2022, with interest rates ranging from 2.0% to 5.0%.

In addition, \$8,165,000 in term bonds was issued with a stated rate of 5.125% maturing in December 2028. Another term bond of \$9,065,000 was issued with a stated interest

Rate of 4.75%, which matures in December 2033. Finally, \$2,525,588 in capital appreciation bonds were issued with a stated interest rate ranging from 5.18% to 5.58% that mature from December 2020 through December 2030.

- **Series B – \$8,345,000** Mather/McClellan Housing Project. The issue consists of four term bonds ranging in value from \$670,000 to \$4,450,000. The bonds mature from December 2008 through December 2033. Stated interest rates range from 3.82% to 6.26%.

Principal payments on the two remaining Series are due December 1st each year through final maturity in 2033. Interest payments are due on December 1st and June 1st. Beginning December 1, 2013, the Series B Bonds are optionally callable in whole or in part prior to maturity. There have been no optional bond calls through June 30, 2024. The 2003 Series A Capital Appreciation Bonds are non-callable.

Series 2008 Revenue Bonds

The Authority issued two series of Tax Allocation Revenue bonds on March 5, 2008, totaling \$48,545,000. The net proceeds were then loaned to the Agency to finance redevelopment activities, including low- and moderate-income housing in the designated redevelopment project area in the County of Sacramento. The source of repayment of the bonds is tax increment and/or housing set-aside tax increment revenues, depending upon the project. The 2008 loans are issued on parity to the outstanding 2003A and 2003B loans. The loans are sized to satisfy the coverage and cash flow requirements of the project area wrapping around parity debt.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Tax increment revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Payment of debt service on the Bonds is insured by Assured Guaranty. Total principal and interest remaining on the bonds is \$55,439,073 payable through December 2038. For the current year, principal and interest paid and total tax increment revenues were \$1,025,000 and \$1,960,149, respectively.

- **Series A – \$24,765,000** Mather/McClellan (Tax Exempt) Redevelopment Area improvements. The bonds were structured with one serial maturity in 2028 and three term bonds. The \$950,000 2028 serial was priced with a 4.50% coupon to yield 4.66%. The \$4,930,000 2032 term bond was priced with a 4.625% coupon to yield 4.80%. The \$18,885,000 2038 term bond was split into two: \$5,000,000 was priced with a 5% coupon to yield 4.76%; the balance of \$13,885,000 was priced with a 4.625% coupon to yield 4.85%.
- **Series B – \$23,780,000** Mather/McClellan (Taxable) Redevelopment Area and Housing Project. The bonds were structured with serial maturities in 2008 through 2014 and three term bonds – all sold as par bonds with coupon equal to yield. Yields on the \$4,500,000 serials ranged from 3.33% in 2008 to 4.52% in 2014. The \$2,815,000 2018 term bonds were priced to yield 5.317%; the \$9,795,000 2028 term bonds were priced to yield 6.227%; and the \$6,670,000 term bonds were priced to yield 6.577%.

Principal payments on both series are due December 1st each year through final maturity in 2038. Interest payments are due on December 1st and June 1st. The tax-exempt Series A Bonds maturing on or after December 1, 2019 are subject to redemption in whole, or in part among such maturities as designated by the Authority. The taxable Series B Bonds are subject to optional redemption on any date, with a "make-whole premium" determined at the time of optional redemption on the basis of the value of debt service otherwise due on the redeemed bonds discounted at the comparable Treasury yield plus 12.5 basis points.

Future debt service requirements as of June 30, 2024, are as follows:

Years Ended June 30,	Principal	Interest	Total
2025	\$ 2,688,741	\$ 3,341,333	\$ 6,030,074
2026	2,818,171	3,211,824	6,029,995
2027	2,954,827	3,071,475	6,026,302
2028	3,097,654	2,921,059	6,018,712
2029	3,256,111	2,768,722	6,024,834
2030-2034	18,344,998	9,589,733	27,934,731
2035-2039	23,385,000	3,139,819	26,524,819
Totals	<u>\$ 56,545,502</u>	<u>\$ 28,043,965</u>	<u>\$ 84,589,467</u>

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Changes in long-term liabilities for the year ended June 30, 2024, were as follows:

	<u>July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2024</u>	<u>One Year</u>
Revenue bonds	\$ 59,203,024	\$ -	\$ (2,657,522)	\$ 56,545,502	\$ 2,688,741
Accreted interest	3,412,953	264,748	(667,478)	3,010,223	521,259
Less: bond discounts	<u>(289,208)</u>	<u>-</u>	<u>20,385</u>	<u>(268,823)</u>	<u>-</u>
Total	<u>\$ 62,326,769</u>	<u>\$ 264,748</u>	<u>\$ (3,304,615)</u>	<u>\$ 59,286,902</u>	<u>\$ 3,210,000</u>

In an event of default all outstanding bonds contain a provision that repayment of outstanding amounts become immediately due and payable if the Authority is unable to make payment.

Accreted Interest

The accreted interest balance at June 30, 2024, represents accreted interest on the 2003 Series A Capital Appreciation bonds originally issued for \$2,525,588. Total unaccreted interest was \$914,273 at June 30, 2024.

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment every five years. As of June 30, 2024, the Authority has no arbitrage liability.

NOTE 5 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, for which the Authority purchases commercial insurance.

During the year ended June 30, 2024, the Authority did not reduce insurance coverage from coverage levels in place as of June 30, 2023. There have been no insurance settlements or claims during the years ended June 30, 2024, 2023 and 2022.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
(A Component Unit of the County of Sacramento, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 6 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Corporation's financial reporting process. Future new standards which may impact the Corporation include the following:

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement is effective for reporting period beginning after December 15, 2023 or the 2024-2025 fiscal year. The Authority has determined that there is no effect on its financial statements.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, or the 2024-2025 fiscal year. The Authority has determined that there is no effect on its financial statements.

GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues: (1) Management's Discussion and Analysis, (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, (4) Expenses, and Changes in Fund Net Position, (5) Major Component Unit Information, and (6) Budgetary Comparison Information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, or the 2025-2026 fiscal year. The Authority has not determined the effect, if any, on the financial statements.

OTHER REPORT

**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**

Board of Directors
Sacramento County Public Financing Authority
Sacramento, California

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Sacramento County Public Financing Authority (Authority), a component unit of the County of Sacramento, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 30, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
August 30, 2024