

**ROHNERT PARK  
FINANCING AUTHORITY  
(A Component Unit of the  
City of Rohnert Park, California)**

**Independent Auditors' Reports,  
Management's Discussion and Analysis,  
Basic Financial Statements  
and Supplemental Information**

**For the Fiscal Year Ended June 30, 2013**

**ROHNERT PARK FINANCING AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Rohnert Park Financing Authority  
Rohnert Park, California

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

We have audited the accompanying financial statements of the of Rohnert Park Financing Authority (the Authority), a component unit of the City of Rohnert Park, California, as of and for the year ended June 30, 2013, 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***

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.

### ***Auditors' Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rohnert Park Financing Authority of the City of Rohnert Park, California, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### ***Implementation of New Accounting Standards***

As discussed in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective July 1, 2012. Our opinion is not modified with respect to this matter.

### ***Individual Fund Financial Statements***

As discussed in Note 1, the financial statements present only the Rohnert Park Financing Authority and do not purport to, and do not, present fairly the financial position of the City of Rohnert Park, California, as of June 30, 2013, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed on 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 January 15, 2014, 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.

*Vavrinek, Trine, Day & Co., LLP*

Pleasanton, California  
January 15, 2014

**ROHNERT PARK FINANCING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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The following discussion and analysis of the City of Rohnert Park Financing Authority's (Authority) financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2013. Members of the City of Rohnert Park (City) Finance Department prepared this discussion and analysis. Please read it in conjunction with the Authority's basic financial statements, which begin on page 6.

**Financial Highlights**

- The Authority's net position decreased by \$145,390, from the prior year.
- Cash receipts from leases during the year totaled \$1,458,603 and were used to pay debt service requirements for fiscal year 2013.

**Basic Financial Statements**

The basic financial statements consist of the Authority's Enterprise Fund. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Enterprise Fund is used to account for the financing of public capital improvements provided by the Authority to the City's governmental operations. The financial statements provide both long-term and short-term financial information and information about cash flows. The Authority's Enterprise Fund basic financial statements are as follows:

1. Statement of Net Position;
2. Statement of Revenues, Expenses and Change in Net Position; and
3. Statement of Cash Flows.

The following table presents the Authority's net position as of June 30, 2013 and 2012:

|  | <u>2013</u>       | <u>2012</u>       | <u>\$ Change</u>    | <u>% Change</u> |
|--|-------------------|-------------------|---------------------|-----------------|
| Current assets                                 | \$ 2,909,582      | \$ 4,216,373      | \$ (1,306,791)      | -31.0%          |
| Noncurrent assets                              | 18,204,732        | 19,029,819        | (825,087)           | -4.3%           |
| Total assets                                   | <u>21,114,314</u> | <u>23,246,192</u> | <u>(2,131,878)</u>  | -9.2%           |
| Current liabilities                            | 2,683,806         | 3,892,443         | (1,208,637)         | -31.1%          |
| Long-term liabilities                          | 18,427,519        | 19,205,370        | (777,851)           | -4.1%           |
| Total liabilities                              | <u>21,111,325</u> | <u>23,097,813</u> | <u>(1,986,488)</u>  | -8.6%           |
| Total net position restricted for debt service | <u>\$ 2,989</u>   | <u>\$ 148,379</u> | <u>\$ (145,390)</u> | -98.0%          |

**ROHNERT PARK FINANCING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

Total assets decreased by \$2,131,878 from \$23,246,192 to \$21,114,314 during the fiscal year ended June 30, 2013. This is comprised of a decrease of \$1,306,791 in current assets and a decrease of \$825,087 in noncurrent assets. The decrease in current assets is primarily due to "project cash" bond draws to fund multiple capital projects. The decrease in noncurrent assets reflects the declining balance in the net investment in leases as the City pays the annual lease payments, as well as the amortization of the costs of issuance.

Total liabilities reflect a decrease of \$1,986,488 from the prior year. The decrease is primarily due to a \$740,000 reduction in long-term debt as a result of scheduled debt service payments, as well as a \$1,360,210 reduction in the amount due to the City of Rohnert Park from "project cash" bond draws.

Use of the Authority's net position is restricted for debt service. At June 30, 2013, total restricted net position reported is \$2,989.

The following table presents the Authority's change in net position for the fiscal years ended June 30, 2013 and 2012:

|  | <u>2013</u>      | <u>2012</u>       | <u>\$ Change</u>    | <u>% Change</u> |
|--|------------------|-------------------|---------------------|-----------------|
| Operating revenues:                      |                  |                   |                     |                 |
| Lease interest revenue                   | \$ 898,603       | \$ 933,979        | \$ (35,376)         | -3.8%           |
| Operating income                         | <u>898,603</u>   | <u>933,979</u>    | <u>(35,376)</u>     | -3.8%           |
| Nonoperating revenues(expenses):         |                  |                   |                     |                 |
| Investment income                        | 10,072           | 4,153             | 5,919               | 142.5%          |
| Interest expense and fiscal charges      | <u>(918,130)</u> | <u>(957,964)</u>  | <u>39,834</u>       | -4.2%           |
| Total nonoperating expenses              | <u>(908,058)</u> | <u>(953,811)</u>  | <u>45,753</u>       | -4.8%           |
| Transfer out to City of Rohnert Park     | <u>(105,730)</u> | -                 | <u>(105,730)</u>    | 0.0%            |
| Changes in net position                  | <u>(115,185)</u> | <u>(19,832)</u>   | <u>(95,353)</u>     | 480.8%          |
| Net position, beginning of year          | 148,379          | 168,211           | (19,832)            | -11.8%          |
| Restatement (Note 7)                     | <u>(30,205)</u>  | -                 | -                   | -100%           |
| Net position, beginning of year restated | <u>118,174</u>   | <u>168,211</u>    | <u>(19,832)</u>     |                 |
| Net position, end of year                | <u>\$ 2,989</u>  | <u>\$ 148,379</u> | <u>\$ (115,185)</u> | -77.6%          |

Lease interest revenue decreased by \$35,376 due to declining interest amounts due on bond debt service payments. Interest expense and fiscal charges decreased by \$39,834 due to declining interest amounts due on bond debt service payments. Investment income decreased by \$5,919 due to declining cash balances in the project funds.

**ROHNERT PARK FINANCING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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**Long-term Debt**

The long-term debt of the Authority at June 30, 2013 included \$14,300,000 of outstanding certificates of participation (COPs) and \$4,475,000 of outstanding lease revenue bonds. The long-term debt will be repaid through lease agreements with the City that are structured to meet principal and interest requirements when due. During the year, the outstanding debt was reduced by principal payments of \$740,000. More detailed information about the Authority's long-term debt is presented in Note 5 to the basic financial statements.

The latest rating assigned by Standard & Poor's is an "A+/Stable" rating for the 1999 Certificates of Participation, Rohnert Park Capital Facilities Project and the 2003 Lease Revenue Refunding Bonds. The latest rating assigned by Standard & Poor's for the 2005 Sewer System Revenue Certificates of Participation is "BBB+/Positive."

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the 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 financial information should be addressed to the City of Rohnert Park, Finance Director, P.O. Box 1489, Rohnert Park, California, 94927-1489.

## **BASIC FINANCIAL STATEMENTS**



# ROHNERT PARK FINANCING AUTHORITY

## STATEMENT OF NET POSITION JUNE 30, 2013

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### Assets:

#### Current assets:

|  |                |
|--|----------------|
| Restricted cash and cash equivalents       | \$ 1,924,582   |
| Net investment in leases - current portion | <u>985,000</u> |
| Total current assets                       | 2,909,582      |

#### Noncurrent assets:

|                                       |                   |
|---------------------------------------|-------------------|
| Deferred charges                      | 424,732           |
| Net investment in leases - noncurrent | <u>17,780,000</u> |
| Total assets                          | <u>21,114,314</u> |

### Liabilities:

#### Current liabilities:

|                                 |                |
|---------------------------------|----------------|
| Interest payable                | 226,625        |
| Due to the City of Rohnert Park | 1,680,870      |
| Long-term debt, current portion | <u>776,311</u> |
| Total current liabilities       | 2,683,806      |

#### Long-term liabilities:

|                     |                   |
|---------------------|-------------------|
| Long-term debt, net | <u>18,427,519</u> |
| Total liabilities   | <u>21,111,325</u> |

|  |                        |
|--|------------------------|
| Net position restricted for debt service | <u><u>\$ 2,989</u></u> |
|--|------------------------|

See accompanying notes to the basic financial statements.

## ROHNERT PARK FINANCING AUTHORITY

### STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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|  |                  |
|--|------------------|
| Operating revenues:                                  |                  |
| Lease interest revenue from the City of Rohnert Park | \$ 898,603       |
| Operating expenses                                   | <u>-</u>         |
| Operating income                                     | <u>898,603</u>   |
| Nonoperating revenues (expenses):                    |                  |
| Investment income                                    | 10,072           |
| Interest expense and fiscal charges                  | <u>(918,130)</u> |
| Total nonoperating revenues (expenses)               | <u>(908,058)</u> |
| Transfer out to City of Rohnert Park                 | <u>(105,730)</u> |
| Change in net position                               | <u>(115,185)</u> |
| Net assets, beginning of year                        | 148,379          |
| Restatement (Note 7)                                 | <u>(30,205)</u>  |
| Net position, beginning of year restated             | <u>118,174</u>   |
| Net position, end of year                            | <u>\$ 2,989</u>  |

See accompanying notes to the basic financial statements.

## ROHNERT PARK FINANCING AUTHORITY

### STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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|  |              |
|--|--------------|
| Cash flows from operating activities:  |              |
| Receipts from lessee, principal portion  | \$ 560,000   |
| Receipts from lessee, interest portion   | 898,603      |
|  | <hr/>        |
| Net cash provided by operating activities  | 1,458,603    |
| Cash flows from capital and related financing activities:                                  |              |
| Cash payments for principal on bonds   | (740,000)    |
| Cash payments for interest on bonds  | (915,256)    |
| Payments to the City of Rohnert Park   | (1,360,210)  |
|  | <hr/>        |
| Net cash used in capital and related financing activities                                  | (3,015,466)  |
| Cash flows from investing activities:  |              |
| Cash received from earnings on investments and cash equivalents                            | 10,072       |
|  | <hr/>        |
| Net change in cash and cash equivalents  | (1,546,791)  |
| Cash and cash equivalents, beginning of year   | 3,471,373    |
|  | <hr/>        |
| Cash and cash equivalents, end of year   | \$ 1,924,582 |
|  | <hr/>        |
| Reconciliation of operating income to net cash provided by operating activities:           |              |
| Operating income   | \$ 898,603   |
| Adjustments to reconcile operating income<br>to net cash provided by operating activities: |              |
| Changes in operating assets and liabilities:   |              |
| Decrease in net investment in leases   | 560,000      |
|  | <hr/>        |
| Net cash provided by operating activities  | \$ 1,458,603 |
|  | <hr/>        |

See accompanying notes to the basic financial statements.

# ROHNERT PARK FINANCING AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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### NOTE 1 – REPORTING ENTITY

#### *Organization*

The Rohnert Park Financing Authority (Authority) is a joint powers authority, organized pursuant to a Joint Exercise of Powers Resolution (Resolution), dated as of January 1, 1999, between the City of Rohnert Park (City) and the Community Development Commission of the City of Rohnert Park (Commission). The Resolution was entered into pursuant to the Government Code of the State of California, commencing with Section 6500. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing activities for the benefit of the City and the Commission.

Effective February 1, 2012, the Commission was dissolved and all of the assets and related activities were transferred to the Successor Agency (RDA Obligation Retirement Trust Fund).

The basic financial statements present only the Authority and are not intended to present fairly the financial position, the changes in financial position or the cash flows of the City or the RDA Obligation Trust Fund in conformity with accounting principles generally accepted in the United States of America (GAAP). The City Council of the City constitutes the Board of Directors of the Authority. As such, the Authority is an integral part of the City, and accordingly, the accompanying basic financial statements are blended as a component unit within the basic financial statements prepared by the City.

The Authority obtains financing for City sponsored projects and purchases using lease agreements signed by the City or Commission, (now the RDA Obligation Retirement Trust Fund) as collateral. These agreements provide sufficient resources to repay the debt incurred to finance the projects.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *(a) Basis of Presentation and Accounting*

All activities of the Authority are accounted for within an enterprise fund. The Authority's enterprise fund is used to report activity financed with debt that is secured solely by a pledge of revenues from the fees and charges of the activity (i.e., lease revenue).

# ROHNERT PARK FINANCING AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Authority is lease interest income from the City. The Authority has no operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**(b) *Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with original purchase maturities of three months or less.

**(c) *Net Investment in Leases***

Debt service on the outstanding lease revenue bonds and certificates of participation is funded with lease payments made by the City or the Successor Agency to the Authority for the use of equipment and facilities acquired or constructed with bond proceeds issued by the Authority. In the lease agreements relating to the bonds and certificates of participation, the City and the Successor Agency have covenanted to make rental payments in amounts corresponding to the Authority's debt service requirements and related costs. The net investment in leases reflects the present value of the remaining future lease payments due from the City and Successor Agency. To the extent that funds are unexpended upon completion of all projects, such funds will be used to retire outstanding debt and rental payments required from the City and Successor Agency will be reduced accordingly.

**(d) *Net Position***

Net position comprises various net earnings from operating and nonoperating revenues and expenses. Net position is classified as *restricted for debt service*. This consists of funds held by the trustee for the repayment of debt principal and interest or as reserves.

**(e) *Estimates***

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

**(f) *Reclassifications***

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net position.

# ROHNERT PARK FINANCING AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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### NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS

(a) *Investments with Fiscal Agent*

Provisions of the Authority's bond trust agreements require that certain project and restricted accounts be established. These accounts are held by trustees and fiscal agents for debt service payments, reserves and capital improvement projects. These funds have been invested only as permitted by specific state statutes governing their investment or applicable Authority ordinance, resolution or bond indenture. The investments held have been classified as restricted on the statement of net position because their use is limited by bond covenants.

Information is not available on whether the various mutual funds in which the Authority has invested, used, or held wrote derivative financial products during the year ended June 30, 2013.

Qualified investments as defined by the trust agreement include the following:

- Federal securities
- Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by certain federal agencies, while for other federal agencies, these investments are permitted provided that such obligations are backed by the full faith and credit of the United States of America
- Money market funds having a rating by Standard and Poors (S&P) of AAAm-G; AAAm; or Aam
- Certificates of deposit secured at all times by collateral such as federal securities or bonds, debentures, notes guaranteed by federal agencies and backed by the United States of America
- Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC
- Investment agreements, including guaranteed investment contracts, acceptable to the insurer, if any
- Commercial paper rated at the time of purchase, "F-1" by Fitch IBCA and "A-1" or better by S&P
- Bonds or notes issued by any state or municipality, which are rated by Fitch IBCA and S&P in one of the two highest rating categories assigned by such agencies
- Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and not guaranteed obligation rating of "A" or better by Fitch IBCA and "A-1" or "A" or better by S&P
- Local Agency Investment Funds

(b) *Custodial Credit Risk*

As of June 30, 2013, none of the Authority's investments were exposed to custodial credit risk as all investments represent positions held in the State Treasurer's Local Agency Investment Fund (LAIF) and money market mutual funds.

# ROHNERT PARK FINANCING AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

### NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS (Continued)

***Credit Risk***

Credit risk relates to the possibility that an issuer/counterparty to an investment will be unable to fulfill its obligations. See the table below for the Authority’s investments subject to credit risk.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy to manage the affect of adverse changes in the fair value of an investment as a result of changes in interest rates.

As of June 30, 2013, the Authority had the following investments.

| Restricted Investments:      | Fair Value   | Maturities<br>Less than 1 yr. | S&P<br>Credit Rating |
|------------------------------|--------------|-------------------------------|----------------------|
| Money market mutual funds    | \$ 1,924,582 | \$ 1,924,582                  | AAAm                 |
| Total restricted investments | 1,924,582    | \$ 1,924,582                  |                      |

### NOTE 4 – NET INVESTMENTS IN LEASES

The Authority’s net investment in leases, between the Authority and the City and Successor Agency, at June 30, 2013 is as follows:

| Fiscal Year Ending June 30.                           | Capital<br>Facilities<br>Project | Lease Revenue<br>Refunding<br>Bonds | Sewer System<br>Revenue<br>COP's | Total         |
|---|----------------------------------|-------------------------------------|----------------------------------|---------------|
| 2014  | \$ 543,930                       | \$ 493,153                          | \$ 817,205                       | \$ 1,854,288  |
| 2015  | 349,500                          | 496,915                             | 816,517                          | 1,662,932     |
| 2016  | 348,750                          | 494,715                             | 815,143                          | 1,658,608     |
| 2017  | 347,500                          | 496,800                             | 812,888                          | 1,657,188     |
| 2018  | 350,750                          | 493,188                             | 815,138                          | 1,659,076     |
| 2019-2023   | 1,739,500                        | 2,471,824                           | 4,083,263                        | 8,294,587     |
| 2024-2028   | 346,500                          | 986,025                             | 4,070,625                        | 5,403,150     |
| 2029-2033   | -                                | -                                   | 4,071,000                        | 4,071,000     |
| 2034-2036   | -                                | -                                   | 2,440,375                        | 2,440,375     |
| Total future minimum lease<br>payments to be received | 4,026,430                        | 5,932,620                           | 18,742,153                       | 28,701,203    |
| Less unearned interest income                         | (936,430)                        | (1,467,620)                         | (7,532,153)                      | (9,936,203)   |
| Net investment in leases                              | 3,090,000                        | 4,465,000                           | 11,210,000                       | 18,765,000    |
| Less current portion                                  | (400,000)                        | (290,000)                           | (295,000)                        | (985,000)     |
| Long-term portion                                     | \$ 2,690,000                     | \$ 4,175,000                        | \$ 10,915,000                    | \$ 17,780,000 |

# ROHNERT PARK FINANCING AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

### NOTE 5 – LONG-TERM DEBT

The Authority's long-term debt at June 30, 2013 was as follows:

| Type of Indebtedness               | Interest Rate | Final Maturity | Annual Principal Installments (thousands) | Original Issue Amount | Outstanding at June 30 2013 |
|------------------------------------|---------------|----------------|---|-----------------------|-----------------------------|
| 1999 Certificates of Participation | 3.6% - 4.6%   | 7/1/2024       | \$135 - 330                               | \$ 5,055,000          | \$ 3,090,000                |
| 2003 Lease Revenue Refunding Bonds | 2.5% - 4.8%   | 7/1/2025       | 240 - 470                                 | 6,950,000             | 4,745,000                   |
| 2005 Sewer System Revenue COP's    | 3.0% - 4.0%   | 5/27/2036      | 230 - 775                                 | 13,000,000            | 11,210,000                  |
| Total long-term debt               |               |                |   |                       | <u>\$ 19,045,000</u>        |

Changes in long-term debt during the fiscal year ended June 30, 2013 were as follows:

| Type of Indebtedness                  | June 30, 2012        | Addition    | Retirements       | June 30, 2013        | Amount Due Within One Year |
|---------------------------------------|----------------------|-------------|-------------------|----------------------|----------------------------|
| <b>Long-term Debt:</b>                |                      |             |                   |                      |                            |
| <b>Certificates of Participation:</b> |                      |             |                   |                      |                            |
| 1999 Certificates of Participation    | \$ 3,280,000         | \$ -        | \$ 190,000        | \$ 3,090,000         | \$ 195,000                 |
| 2003 Lease Revenue Refunding Bonds    | 5,015,000            | -           | 270,000           | 4,745,000            | 280,000                    |
| 2005 Sewer System Revenue COP's       | 11,490,000           | -           | 280,000           | 11,210,000           | 295,000                    |
| Total long-term debt                  | 19,785,000           | -           | 740,000           | 19,045,000           | 770,000                    |
| Original issue discount               | (16,907)             | -           | (1,301)           | (15,606)             | (1,301)                    |
| Original issue premium                | 182,048              | -           | 7,612             | 174,436              | 7,612                      |
| Total long-term liabilities           | <u>\$ 19,950,141</u> | <u>\$ -</u> | <u>\$ 746,311</u> | <u>\$ 19,203,830</u> | <u>\$ 776,311</u>          |

#### ***1999 Certificates of Participation***

The 1999 Certificates of Participation were used to fund the Capital Facilities Project, the purpose of which was to finance the design and construction of a new city hall.

#### ***2003 Lease Revenue Refunding Bonds***

On July 1, 2003, the Authority issued Lease Revenue Refunding Bonds, Series 2003 in the amount of \$6,950,000. The proceeds were used to refund the 1999 Certificates of Participation (Master Equipment Lease) and the 1994 Refunding Certificates of Participation (Public Safety Facility Project) issued by the City.



# ROHNERT PARK FINANCING AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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### NOTE 5 – LONG-TERM DEBT (Continued)

The refunding resulted in the accounting recognition of a loss of \$210,943 for the fiscal year ended June 30, 2004 which has been deferred in accordance GASB Statement No. 23. The deferred amounts on bond refundings are amortized over the life of the old or the new debt, whichever is shorter, on a straight-line basis. See note 2(c) for further explanation.

#### *2005 Sewer System Revenue Certificates of Participation*

On May 27, 2005, the Authority issued Sewer System Certificates of Participation, Series 2005 in the amount of \$13,000,000. The proceeds were used to fund a parallel sewer interceptor line to the Sub-regional plant. A portion of the sewer line is related to expansion of the sewer system. Private development will reimburse the City 25% of the project cost. The remaining 75% will be paid by the sewer customers through sewer rates.

#### *Debt Service Requirements*

Future debt service requirements for the outstanding long-term debt are as follows:

| Fiscal Year<br>Ending June 30, | 1999 Certificates of Participation |                     | 2003 Lease Revenue Refund Bond |                     | 2005 Sewer System Revenue COP |                     |
|--------------------------------|------------------------------------|---------------------|--------------------------------|---------------------|-------------------------------|---------------------|
|                                | Principal                          | Interest            | Principal                      | Interest            | Principal                     | Interest            |
| 2014                           | \$ 195,000                         | \$ 148,318          | \$ 280,000                     | \$ 208,333          | \$ 295,000                    | \$ 522,205          |
| 2015                           | 205,000                            | 139,215             | 290,000                        | 197,534             | 305,000                       | 511,518             |
| 2016                           | 215,000                            | 129,125             | 305,000                        | 185,815             | 315,000                       | 500,143             |
| 2017                           | 225,000                            | 118,125             | 315,000                        | 173,258             | 325,000                       | 487,888             |
| 2018                           | 235,000                            | 106,625             | 330,000                        | 159,994             | 340,000                       | 475,138             |
| 2019-2023                      | 1,370,000                          | 338,750             | 1,875,000                      | 551,356             | 1,930,000                     | 2,153,263           |
| 2024-2028                      | 645,000                            | 32,625              | 1,350,000                      | 98,088              | 2,415,000                     | 1,655,625           |
| 2029-2033                      | -                                  | -                   | -                              | -                   | 3,065,000                     | 1,006,000           |
| 2034-2036                      | -                                  | -                   | -                              | -                   | 2,220,000                     | 220,375             |
| Total                          | <u>\$ 3,090,000</u>                | <u>\$ 1,012,783</u> | <u>\$ 4,745,000</u>            | <u>\$ 1,574,378</u> | <u>\$ 11,210,000</u>          | <u>\$ 7,532,155</u> |

#### *Conduit Debt*

During fiscal year ended June 30, 2001, the Authority participated in the issuance of the Mobile Home Park Revenue Bonds 2001 Series A (Las Casitas De Sonoma) in the amount of \$4,875,000. The bonds are payable solely from the revenue collected by the builders of the projects. The Authority is not obligated in any manner for repayment of the indebtedness. Accordingly, the liabilities had not been reported in the Authority's basic financial statements. The outstanding balance was paid off during the year.

During the fiscal year ended June 30, 2004, the Authority also participated in the issuance of the Mobile Home Park Revenue Bonds Series A and Series B (Rancho Feliz Mobile Home Park) in the amount of \$16,705,000. In September 2003, the Rohnert Park Housing Financing Authority sold the park to Millenium Housing Corporation, a nonprofit organization. The Authority is not obligated in any manner for repayment of the indebtedness. Accordingly, the liabilities are not reported in the Authority's basic financial statements. At June 30, 2013, outstanding balance of these bonds was \$14,825,000.

# **ROHNERT PARK FINANCING AUTHORITY**

## **NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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### **NOTE 6 – RELATED PARTY TRANSACTIONS**

#### ***Lease Agreements with the Commission***

The Authority receives lease revenues from the Commission in exchange for the use of certain buildings and leasehold improvements through June 1, 2036. The Commission made \$444,161 in lease payments during the year ended June 30, 2013.

#### ***Due to the City of Rohnert Park***

At June 30, 2013, the amount of proceeds from the issuance of debt owed to the City was \$1,544,935 from the Sewer Revenue Bond fund.

### **NOTE 7 –RESTATEMENT TO THE FINANCIAL STATEMENTS**

Prior year net position has been restated as of July 1, 2012, to more accurately reflect the substance of the underlying transactions and be in full compliance with GAAP. As such, the beginning net position in the amount of \$30,205 was restated to reflect that adjustment.

**SUPPLEMENTAL INFORMATION**

# ROHNERT PARK FINANCING AUTHORITY

## COMBINING SCHEDULE OF NET POSITION BY BOND PROGRAM JUNE 30, 2013

|  | Capital<br>Facilities<br>Project | Lease<br>Revenue<br>Refunding<br>Bonds | Sewer<br>System<br>Revenue<br>Bonds | Total             |
|--|----------------------------------|--|-------------------------------------|-------------------|
| <b>Assets:</b>                             |                                  |  |                                     |                   |
| <b>Current assets:</b>                     |                                  |  |                                     |                   |
| Restricted cash and cash equivalents       | \$ 76,352                        | \$ 416,961                             | \$ 1,431,269                        | \$ 1,924,582      |
| Net investment in leases - current portion | <u>400,000</u>                   | <u>290,000</u>                         | <u>295,000</u>                      | <u>985,000</u>    |
| Total current assets                       | 476,352                          | 706,961                                | 1,726,269                           | 2,909,582         |
| <b>Noncurrent assets:</b>                  |                                  |  |                                     |                   |
| Deferred charges                           | -                                | 165,084                                | 259,648                             | 424,732           |
| Net investment in leases - noncurrent      | <u>2,690,000</u>                 | <u>4,175,000</u>                       | <u>10,915,000</u>                   | <u>17,780,000</u> |
| Total assets                               | <u>3,166,352</u>                 | <u>5,047,045</u>                       | <u>12,900,917</u>                   | <u>21,114,314</u> |
| <b>Liabilities:</b>                        |                                  |  |                                     |                   |
| <b>Current liabilities:</b>                |                                  |  |                                     |                   |
| Interest payable                           | 76,352                           | 106,756                                | 43,517                              | 226,625           |
| Due to City of Rohnert Park                | -                                | 30,205                                 | 1,650,665                           | 1,680,870         |
| Long-term debt, current portion            | <u>195,000</u>                   | <u>278,699</u>                         | <u>302,612</u>                      | <u>776,311</u>    |
| Total current liabilities                  | 271,352                          | 415,660                                | 1,996,794                           | 2,683,806         |
| <b>Long-term liabilities:</b>              |                                  |  |                                     |                   |
| Long-term debt, net                        | <u>2,895,000</u>                 | <u>4,450,695</u>                       | <u>11,081,824</u>                   | <u>18,427,519</u> |
| Total liabilities                          | <u>3,166,352</u>                 | <u>4,866,355</u>                       | <u>13,078,618</u>                   | <u>21,111,325</u> |
| Restricted for debt service                | -                                | 180,690                                | (177,701)                           | 2,989             |
| Net position restricted for debt service   | <u>\$ -</u>                      | <u>\$ 180,690</u>                      | <u>\$ (177,701)</u>                 | <u>\$ 2,989</u>   |

**ROHNERT PARK FINANCING AUTHORITY**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION BY BOND PROGRAM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

|  | Capital<br>Facilities<br>Project | Lease<br>Revenue<br>Refunding<br>Bonds | Sewer<br>System<br>Revenue<br>Bonds | Total      |
|--|----------------------------------|--|-------------------------------------|------------|
| Operating revenues:                                  |                                  |  |                                     |            |
| Lease interest revenue from the City of Rohnert Park | \$ 152,704                       | \$ 213,513                             | \$ 532,386                          | \$ 898,603 |
| Operating expenses                                   | -                                | -                                      | -                                   | -          |
| Operating income                                     | 152,704                          | 213,513                                | 532,386                             | 898,603    |
| Nonoperating revenues (expenses):                    |                                  |  |                                     |            |
| Investment income                                    | -                                | 7                                      | 10,065                              | 10,072     |
| Interest expense and fiscal charges                  | (152,704)                        | (222,559)                              | (542,867)                           | (918,130)  |
| Total nonoperating revenues (expenses)               | (152,704)                        | (222,552)                              | (532,802)                           | (908,058)  |
| Transfers out to City of Rohnert Park                | -                                | (105,730)                              | -                                   | (105,730)  |
| Change in net position                               | -                                | (114,769)                              | (416)                               | (115,185)  |
| Net position, beginning of year                      | -                                | 325,664                                | (177,285)                           | 148,379    |
| Restatement (Note 7)                                 | -                                | (30,205)                               | -                                   | (30,205)   |
| Net position, beginning of year restated             | -                                | 295,459                                | (177,285)                           | 118,174    |
| Net position, end of year                            | \$ -                             | \$ 180,690                             | \$ (177,701)                        | \$ 2,989   |

# ROHNERT PARK FINANCING AUTHORITY

## COMBINING SCHEDULE OF CASH FLOWS BY BOND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

|   | Capital<br>Facilities<br>Project | Lease<br>Revenue<br>Refunding<br>Bonds | Sewer<br>System<br>Revenue<br>Bonds | Total               |
|---|----------------------------------|--|-------------------------------------|---------------------|
| Cash flows from operating activities:   |                                  |  |                                     |                     |
| Cash receipts from lessee, principal portion  | \$ -                             | \$ 280,000                             | \$ 280,000                          | \$ 560,000          |
| Cash receipts from lessee, interest portion   | 152,704                          | 213,513                                | 532,386                             | 898,603             |
| Net cash provided by operating activities   | <u>152,704</u>                   | <u>493,513</u>                         | <u>812,386</u>                      | <u>1,458,603</u>    |
| Cash flows from capital and related financing activities:                               |                                  |  |                                     |                     |
| Cash payments for principal on bonds  | (190,000)                        | (270,000)                              | (280,000)                           | (740,000)           |
| Cash payments for interest on bonds   | (156,885)                        | (218,373)                              | (539,998)                           | (915,256)           |
| Payments to the City of Rohnert Park  | -                                | (105,730)                              | (1,254,480)                         | (1,360,210)         |
| Net cash used in capital and related financing activities                               | <u>(346,885)</u>                 | <u>(594,103)</u>                       | <u>(2,074,478)</u>                  | <u>(3,015,466)</u>  |
| Cash flows from investing activities:   |                                  |  |                                     |                     |
| Cash received from earnings on investments and cash equivalents                         | -                                | 7                                      | 10,065                              | 10,072              |
| Net change in cash and cash equivalents   | (194,181)                        | (100,583)                              | (1,252,027)                         | (1,546,791)         |
| Cash and cash equivalents, beginning of year  | 270,533                          | 517,544                                | 2,683,296                           | 3,471,373           |
| Cash and cash equivalents, end of year  | <u>\$ 76,352</u>                 | <u>\$ 416,961</u>                      | <u>\$ 1,431,269</u>                 | <u>\$ 1,924,582</u> |
| Reconciliation of operating income to net cash provided by operating activities:        |                                  |  |                                     |                     |
| Operating income  | \$ 152,704                       | \$ 213,513                             | \$ 532,386                          | \$ 898,603          |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                                  |  |                                     |                     |
| Changes in operating assets and liabilities:  |                                  |  |                                     |                     |
| Decreases in net investment in leases   | -                                | 280,000                                | 280,000                             | 560,000             |
| Net cash provided by operating activities   | <u>\$ 152,704</u>                | <u>\$ 493,513</u>                      | <u>\$ 812,386</u>                   | <u>\$ 1,458,603</u> |

**OTHER REPORT**



**INDEPENDENT AUDITORS' 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***

The Board of Directors  
Rohnert Park Financing Authority  
Rohnert Park, 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, the financial statements of the Rohnert Park Financing Authority (the Authority), a component unit of the City of Rohnert Park, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 15, 2014. Our report included an explanatory paragraph stating that the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of the City of Rohnert Park, California as of June 30, 2013, and the changes in its financial position, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our report also included an emphasis of a matter paragraph regarding the Authority's adoption of GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

**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 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 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 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 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.

*Vavrinek, Trine, Day & Co., LLP*

Pleasanton, California  
January 15, 2014