Regional Government Services Authority

Carmel Valley, California

Basic Financial Statements and Independent Auditor's Report

For the Years Ended June 30, 2025 and 2024

Regional Government Services Authority
Basic Financial Statements
For the Years Ended June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Regional Government Services Authority
Carmel Valley, California

Opinion

We have audited the accompanying financial statements of the of Regional Government Services Authority (the "Authority"), which comprise of the statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* during the year ended June 30, 2025. The adoption of this standard resulted in the restatement of the Authority's net position as of June 30, 2024. Our opinion is not modified with respect to this matter.

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 generally accepted 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 generally accepted 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 contexpt. 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.

The Pun Group, LLP

Santa Ana, California
February 10, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Regional Government Services Authority (the "Authority" or "RGS") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the Authority's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- In the fiscal year ending June 30, 2025, the Authority's net gain of $371,455 compares favorably and exceeds the budgeted gain of $33,996.
- As a result of GASB Statement No. 101, *Compensated Absences*, the Authority was required to recognize additional compensated absences liabilities attributable to expanded recognition criteria. As a result, the Authority restated beginning net position for FY2023-24, reducing it by $135,115.
- Charges for services totaled $24.73 million, an increase of 2.9% in fiscal year 2024-25 as compared to fiscal year 2023-24 driven by Client Billings.
- Operating costs increased by 5.7% and is primarily due to increase in salaries and benefits.
- For the year ending June 30, 2025, revenues were $2.43 million (10.9%) over budget, reflecting continued growth for advisory services in addition to the growth of RGS services to the California Statewide Automated Welfare System (CalSAWS), the Authority's largest client.
- This year's profitability, like last fiscal year, comes from a continued focus on an increase in clients, service lines, and services offered. Client billings increased by 7.7%. The increase in revenue above projected levels is due to an increase in new clients (50) or new projects, additional service line or project agreements for current or past clients including extended agreements or on-going work, and an increase in CalSAWS billing. Additionally, bill rates are revised each July based on economic indicators that increase the basis of all agreements/projects and Training Academies exceeded expectations. However, overall profitability was not as significant as last fiscal year. Expenses grew faster than revenue, driven by salary and benefit increases.

OPERATIONAL HIGHLIGHTS

- The Authority currently provides fifteen service lines: Communications & Engagement, Classification and Compensation, Disability and Leave Management, Economic Development, Emergency Management Services, Finance, Groundwater Sustainability Agency Management, Human Resources, NeoGov Support Services, Land Use Planning, Payroll, Pooled Programs, Recruitment, Training and Development, and Transparent Government.
- RGS provides agency administration for unstaffed JPA's including three Groundwater Sustainability agencies, two Interoperability agencies, and CalSAWS plus marketing functions for the STARS program (401a and 457b Plans); and financial and support functions for the Municipal Dental Pool and the Municipal Shared Services (MSS), a non-profit, tax-exempt benefit corporation.
- The investments in JPA resources resulted in lower operating costs, improved reporting and controls, and increased capacity to take on additional client work and new client services.

- The Authority continues to review its remaining technology needs, including improving the cost model, enhancements to financial and time recording data gathering and reporting, and better utilization of social media platforms and customer relations management software. The JPA is implementing Professional Services Automation (PSA) software which will combine its current timekeeping and accounting functions into an integrated project management-based system in FY2025-26.

- The Authority has administrative personnel, technical infrastructure, internal processes, and outreach activities in place to control costs and grow RGS services revenue.

USE OF FINANCIAL STATEMENTS TO ANALYZE THE AUTHORITY'S CONDITION

Financial statements can be used to answer the question, "Is an agency better off or worse off as a result of this year's activities?" The financial statements report information about the Authority's activities in a way that helps answer this question. The statements are prepared on the accrual basis of accounting, which means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. An explanation of each of the statements and the information they report follows.

THE STATEMENT OF NET POSITION

The Statement of Net Position details the Authority's assets, liabilities, and the difference between them, known as net position, for fiscal years, June 30, 2021, thru June 30, 2025. The level of net position is one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents information which shows how the Authority's net position changed during the fiscal year. The statement measures the success of the Authority's operations during the year and determines whether the Authority has recovered its costs through user fees, its only revenue source other than nominal interest earnings and client reimbursements.

THE STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information regarding the Authority's cash receipts and disbursements during the fiscal years. Cash activity is grouped in the following two categories: operations and investing. These statements differ from the Statements of Revenues, Expenses and Changes in Net Position, because they only account for transactions that result in cash receipts or disbursements. For example, the amount shown on the first line of the statements as cashed received for services, or receipts from customers represents cash received during the fiscal year, rather than revenue earned.

THE NOTES TO FINANCIAL STATEMENTS

The Notes to Financial Statements provide a description of accounting policies used to prepare the financial statements and present material disclosures required by accounting principles generally accepted in the United States that are not otherwise present in the financial statements.

FINANCIAL ANALYSIS

NET POSITION

The Authority's net position as of June 30, 2025, totaled $3,676,679 compared with $3,305,224 at June 30, 2024 (Restated). A summary of the Authority's asset, liability and net position balances at the end of the current and prior fiscal years appears on the following table.

	2021	2022	2023	Restated 2024	2025	2024-2025 Change	2024-2025 Percent Change
Current Assets	$4,010,274	$5,011,972	$5,421,219	$5,518,769	$5,776,473	$257,704	4.7%
Current Liabilities	1,192,421	1,289,572	1,836,832	1,547,3233	1,942,504	395,181	25.5
Non-Current Liabilities	2,096,879	2,120,816	1,072,915	666,222	157,290	-508,932	-76.4
Total Liabilities	3,289,330	3,410,388	2,909,747	2,213,545	2,099,794	-113,751	-5.1
Net Position							
Unrestricted	$720,974	$1,601,584	$2,511,472	$3,305,224	$3,676,679	$371,455	11.2%

Within Current Assets, the cash and cash equivalents balance of $2,957,459 increased $509,557 from the balance at the end of the prior year. Accounts receivable decreased $361,222 or 14.7%. The remainder is reflective of billing and client payment cycle fluctuations as well as an increased effort to collect receivables efficiently which is indicative of the increase in cash flow. The Authority underwent a banking transition from Community Bank of the Bay to Five Star Bank in September 2023. The Authority also opened a Prime Fund account with California CLASS in June 2024 for long-term investments. Cash can be invested in a Money Market account at Five Star Bank, California CLASS, the Local Agency Investment Fund, a governmental investment pool managed and directed by the California State Treasurer, and in the Investment Trust of California (CalTRUST), a public joint powers authority formed to pool and invest the funds of public agencies.

Current liabilities increased by $395,181 due mainly to increases in payroll, compensated absences, and the final pay down of the CJPIA claims liability coming due within one year. Non-current liabilities decreased by $508,932. The majority of the decrease is due to the reduction in retrospective contributions payable associated with the CJPIA claims liability.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenue and expenses resumed typical year-over-year growth. Operating revenues totaled $24.73 million, driven primarily by increased charges for services. Operating expenses include all costs related to payroll and employee benefits, as well as general and administrative expenses. Professional services expense growth reflects a client's use of independent contractors, for which the Authority is reimbursed. As with most agencies, salaries and benefits comprise most operational expenses for RGS. Salaries and benefits have increased by 11.9% or $2.21 million when compared to FY2023-24. Professional services expense includes client pass-through expenses that reflect the CalSAWS subcontractor consultant costs which are billed to the client at a markup. These expenses were anticipated to continue to decrease through FY2024-25 as the program continues operations in a maintenance phase. Comparing client pass-through expense totals at the end of each fiscal year, there has been a decrease of $837,562 or 27.2%. When comparing FY2024-25 to FY2023-24 expenses overall, total expenses increased 5.7%. or $1.31 million. The increases in salaries and benefits were offset by the decrease in professional services and administration that are both related to CalSAWS reduced operations.

The following table summarizes the Authority's Statement of Revenues, Expenses and Changes in Net Position for the current and prior fiscal years:

	2021	2022	2023	Restated 2024	2025	2024-2025 Change	2024-2025 Percent Change
Operating Revenues:							
Charges for services	$17,483,143	$21,716,087	$24,062,590	$24,030,827	$24,726,105	$695,278	2.9%
Insurance recovery	-	65,894	-	126	8,077	7,951	6310.3
Total Operating Revenues	17,483,143	21,781,981	24,062,590	24,030,953	24,7,34,182	703,229	2.9
Operating Expenses:							
Salaries and benefits	12,580,672	15,335,925	17,422,380	18,484,748	20,693,482	2,208,734	11.9
Professional services	4,275,453	5,048,833	4,663,185	3,645,859	2,777,622	-868,237	-23.8
Administration	54,051	500,418	1,105,374	974,645	948,941	-25,704	-2.6
Total Operating Expenses	16,910,176	20,885,176	23,190,939	23,105,252	24,420,045	1,314,793	5.7
Operating Income (Loss)	572,967	896,805	871,651	925,701	314,137	-611,564	-66.1
Non-Operating Revenues							
Investment income	4,654	-16,195	38,237	53,440	94,818	41,378	77.4
Interest expense	-	-	-	-50,274	-37,500	12,774	-25.4
Change in net position	577,621	880,610	909,888	928,867	371,455	-557,412	-60.0
Beginning Net Position, previous	143,353	720,974	1,601,584	2,511,472	3,305,224	793,752	31.6
Change in accounting (GASB101)	-	-	-	-135,115	-	-	-
Beginning of year, with adjustment	-	-	-	2,376,357	-	-	-
Ending Net Position	$720,974	$1,601,584	$2,511,472	$3,305,224	$3,676,679	$371,455	14.8%

BUDGETARY COMPARISON OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Authority ended the fiscal year with a strong financial performance and a significant positive variance compared with both the original and final budget. Actual operating revenues exceeded expectations substantially, outpacing the increases in operating expenses and resulting in a favorable operating income position. Non-operating revenues also contributed positively to the overall change in net position, reflecting improved investment performance and stable financial conditions.

The following table summarizes the Authority's Budgetary Comparison Schedule of Statement of Revenues, Expenses and Changes in Net Position for the current fiscal year:

	Budgeted Original Amounts	Budgeted Final Amounts	Variance with Original Budget	Actual Amounts	Variance with Final Budget and Actual Amounts
Operating Revenues:					
Charges for services	$22,304,926	$22,304,926	$-	$24,726,105	$2,421,179
Insurance recovery	-	-	-	8,077	8,077
Total Operating Revenues	22,304,926	22,304,926	-	24,734,182	2,429,256
Operating Expenses:					
Salaries and benefits	18,619,930	18,619,930	-	20,693,482	2,073,552
Professional services	2,753,000	2,753,000	-	2,777,622	24,622
Administration	933,000	933,000	-	948,941	15,941
Total Operating Expenses	22,305,930	22,305,930	-	24,420,045	2,114,115
Operating Income (Loss)	-1,004	-1,004	-	314,137	315,141
Non-Operating Revenues					
Investment income	35,000	35,000	-	94,818	59,818
Interest expense	-	-	-	-37,500	-37,500
Change in net position	33,996	33,996	-	371,455	337,459
Beginning Net Position	3,305,224	3,305,224	-	3,305,224	-
Ending Net Position	$3,339,220	$3,339,220	$-	$3,676,679	$337,459

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority does not own capital assets and carries no long-term debt. Retrospective contribution obligations continued to decline, ending FY2025-26 with a remaining balance of $500,000.

ECONOMIC FACTORS AND FUTURE OUTLOOK

The Authority is a unique government agency in that it is entirely fee-for-service funded and provides general and administrative services to public agencies and their nonprofit partners. Because the needs of each client agency differ, the value that RGS provides depends on the specific circumstances of its partners, and the Authority's service evolution has been driven by a market-needs-based approach. Agencies choose to utilize the Authority when doing so best supports their operational, staffing, or fiscal goals. As financial pressures in local governments remain cyclical yet steadily increasing, demand for RGS services is expected to continue fluctuating but generally growing over time, provided that the Authority's services remain relevant and cost-effective.

Consistent with this environment, the Authority is actively exploring expansion of its service lines to meet emerging needs within the governmental and nonprofit sectors. Prior investments in shared financial software have enabled RGS to offer comprehensive financial services to multiple agencies, with additional jurisdictions considering migration to the platform. The Authority continues to expand its training program to offer a variety of academies in future fiscal years. Strategic staff investments are also expected to support the JPA's long-term fiscal strength and enhance its capacity to deliver high-value services to client agencies.

Looking ahead, the Authority is pursuing partnerships with established organizations to expand specialized services, leverage existing expertise, and strengthen program delivery. These collaborations—whether with public agencies, nonprofit service providers, or regional partners—are expected to create new relationships and efficiencies and expand access to critical capabilities. Several exploratory discussions are underway, positioning the Authority to broaden its reach and deepen its impact through structured, strategic partnerships.

The fiscal year 2025–26 budget reflects these priorities and indicates a financially stable outlook. The budget is built on a stable base of large partner agencies, coupled with growth in advisory and consulting services and careful monitoring of rates charged to client agencies. For FY 2025–26, financial performance is projected to generate a conservative net income of $30,300, even as the JPA continues to absorb legal and administrative costs associated with CalPERS' increased involvement in local government operations. These external pressures underscore the continued importance of cost-effective service delivery and strategic financial management.

The Authority remains committed to being a valuable partner to the local government community, emphasizing innovation, responsiveness, and excellent customer service. With the continued contributions of staff, Board of Directors/Executive Committee members, and client agencies, the Authority is positioned to remain a meaningful public asset well into the future. The Strategic Plan adopted in fiscal year 2020–21 continues to guide long-term decision-making and provides a framework for advancing the Authority's mission, strengthening organizational sustainability, and meeting its strategic objectives.

Collectively, these economic indicators and strategic initiatives—expanding services, cultivating partnerships, investing in internal capabilities, and maintaining financial discipline—provide a solid foundation for the Authority's long-term growth and relevance in the local government landscape. As economic conditions continue to evolve, management believes that these efforts will support ongoing operational resilience and ensure the Authority remains a trusted, effective resource for public agencies across the region.

BASIC FINANCIAL STATEMENTS

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Regional Government Services Authority
Statements of Net Position
June 30, 2025 and 2024

	2025	2024 (As Restated)
ASSETS		
Current assets:		
Cash and investments	$ 2,957,459	$ 2,447,902
Accounts receivable	2,452,575	2,813,797
Due from other agencies	20,788	-
Prepaid expenses	345,651	257,070
Total current assets	5,776,473	5,518,769
Total assets	5,776,473	5,518,769
LIABILITIES		
Current liabilities:		
Accounts payable	330,822	328,661
Accrued payroll and related liabilities	839,418	732,992
Unearned revenue	57,726	69,323
Compensated absences, due in one year	214,538	166,347
Retrospective contributions payable, due in one year	500,000	250,000
Total current liabilities	1,942,504	1,547,323
Noncurrent liabilities		
Compensated absences, due in more than one year	132,290	141,222
Claims payable	25,000	25,000
Retrospective contributions payable, due in more than one year	-	500,000
Total noncurrent liabilities	157,290	666,222
Total liabilities	2,099,794	2,213,545
NET POSITION		
Unrestricted	3,676,679	3,305,224
Total net position	$ 3,676,679	$ 3,305,224

See accompanying Notes to the Basic Financial Statements.

Regional Government Services Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	2025	2024 (As Restated)
OPERATING REVENUES:		
Charges for services	$ 24,726,105	$ 24,030,827
Insurance recovery	8,077	126
Total operating revenues	24,734,182	24,030,953
OPERATING EXPENSES:		
Salaries and benefits	20,693,482	18,484,748
Professional services	2,777,622	3,645,859
Administration	948,941	974,645
Total operating expenses	24,420,045	23,105,252
OPERATING INCOME	314,137	925,701
NONOPERATING REVENUES (EXPENSE):		
Investment income	94,818	53,440
Interest expense	(37,500)	(50,274)
Total nonoperating revenues (expense)	57,318	3,166
NET INCOME	371,455	928,867
NET POSITION:		
Beginning of year, as previously reported	-	2,511,472
Change in accounting principle (GASB 101)	-	(135,115)
Beginning of year	3,305,224	2,376,357
End of year	$ 3,676,679	$ 3,305,224

See accompanying Notes to the Basic Financial Statements.

Regional Government Services Authority
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	2024 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers for services performed	$ 25,054,942	$ 24,561,679
Cash paid to supplier for goods and services	(4,054,906)	(5,604,799)
Cash paid to employees for services	(20,547,797)	(18,398,706)
Net cash provided by operating activities	452,239	558,174
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment earnings	94,818	53,440
Interest expense	(37,500)	(50,274)
Net cash provided by investing activities	57,318	3,166
Net change in cash and cash equivalents	509,557	561,340
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,447,902	1,886,562
End of year	$ 2,957,459	$ 2,447,902
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 314,137	$ 925,701
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities:		
Accounts receivable	361,222	534,971
Due from other agencies	(20,788)	158
Prepaid expenses	(88,581)	(71,339)
Accounts payable	2,161	(163,082)
Accrued payroll and related liabilities	106,426	9,419
Unearned revenue	(11,597)	(4,277)
Retrospective contributions payable	(250,000)	(750,000)
Compensated absences	39,259	76,623
Total adjustments	138,102	(367,527)
Net cash provided by operating activities	$ 452,239	$ 558,174

See accompanying Notes to the Basic Financial Statements.

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Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Regional Government Services Authority (the "Authority") is an independent administrative and fiscal government agency whose purpose is to provide services for public agencies and other non-profit entities at reduced net costs. The Authority was established by a Joint Powers Agreement on March 2001, under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California.

Members of the Authority include the City of Soledad, the City of Larkspur, the City of Napa, the Town of Yountville, the City of Walnut Creek, the Citrus Heights Water District, and the City of Dublin. A seven-member board consisting of one representative from each member controls the Authority. None of the member entities exercise specific control over budgeting and financing of the Authority's activities beyond their representation on the board.

B. Basis of Presentation

The basic financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Authority is accounted for as an enterprise fund and its financial statements are prepared using the economic measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenue of the Authority are fee for services. Operating expenses of the Authority include the cost of personnel providing the services, administrative expenses, and other professional services. All revenues and expenses not meeting this definition are reporting as nonoperating revenue and expense.

C. Financial Statements

The financial statements (i.e., the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows) report information on all the activities of the Authority. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

D. Measurement Focus and Basis of Accounting

The financial statements are reported using the "*economic resources*" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when 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. The principal operating revenues of the Authority are fee for services. Operating expenses of the Authority include the cost of personnel providing the services, administrative expenses, and other professional services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Use of Restricted/Unrestricted Assets

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Cash, Cash Equivalents, and Investments

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Risk Disclosures – Certain disclosures requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
    - Overall
    - Custodial Credit Risk
    - Concentration of Credit Risk

Investment Valuation – GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the statement of net position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

G. Accounts Receivable

The Authority extends credit to customers in the normal course of operations. Management evaluates accounts receivable for collectability and recorded no allowance for doubtful accounts as of June 30, 2025 and 2024.

H. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

I. Compensated Absences

The Authority maintains a paid time off (PTO) policy as part of its employee compensation and benefits program. Under the Authority's established policy, full-time employees accrue PTO, which encompasses both vacation and sick leave. PTO accrual rates vary based on years of service and employment classification. Part-time employees do not accrue PTO but are eligible to earn sick leave in accordance with policy. Accrued PTO is subject to carryover limits and may be paid out upon separation from service, depending on eligibility and policy provisions.

The liability for compensated absences is recognized as leave is earned, based on the employee's pay rate in effect at the financial statement date, including any applicable salary-related costs. The liability includes only leave attributable to services already rendered and that is more likely than not to be paid.

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Unearned Revenue

When the Authority collect fees in advance for services provided to others, these amounts are recorded as unearned revenue on the statement of net position until the respective services have been provided.

K. Net Position

Net position of the Authority includes the following component.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of "net investment in capital assets", or "restricted net position".

L. Use of Estimates

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

M. Implementation of New Pronouncements

GASB Statement No. 101 – In June 2022, the 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. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Implementation of this Statement resulted in restatement of beginning net position on July 1, 2023 presented in Note 9.

Note 2 – Cash and Investments

Cash and investments at June 30, 2025 and 2024 are classified in the accompanying financial statements as follows:

	2025	2024
Demand Deposits	$ 622,337	$ 471,599
Investments:		
Money Market Account	288,466	1,474,897
CalClass	2,045,956	500,738
Local Agency Investment Fund	700	668
Total cash and investments	$ 2,957,459	$ 2,447,902

A. Demand Deposits

As of June 30, 2025, the carrying amount of demand deposits was $622,337 and the bank balance was $622,497 compared to $471,559 and $491,074 at June 30, 2024, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the Authority's name as discussed below under *Disclosures Relating Custodial Credit Risk.*

Note 2 – Cash and Investments (Continued)

B. Investments

Under provisions of the Authority's investment policy, and in accordance with Section 53601 of the California Government Code, the Authority may deposit and invest in the following:

- Local Agency Bonds
- U.S. Treasury Obligation
- U.S. Agency Securities
- Negotiable Certificates of Deposit
- CalTrust Investment Pool
- California Cooperative Liquid Assets Securities System (California CLASS)
- Local Agency Investment Fund

C. California CLASS Investment Pool

The Authority was a voluntary participant in the California Cooperative Liquid Assets Securities System (California CLASS), a joint powers authority investment pool that provides public agencies the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law.

California CLASS is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. Investment guidelines adopted by the board of Trustees may further restrict the types of investments that are held by the Trust. Leveraging within the Trust's portfolios is prohibited. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by CalTrust and California CLASS for the entire CalTrust and California CLASS portfolio (in relation to the amortized cost of that portfolio). As of June 30, 2025 and 2024, the Authority had $2,045,956 and $500,738, respectively, invested in CalCLASS.

D. Local Agency Investment Fund

As of June 30, 2025 and 2024, the City had $700 and $668, respectively, invested in LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The Authority's investment in LAIF is reported at amortized cost.

E. Fair Value Measurement

The following is a summary of the fair value hierarchy of investments held by the Authority as of June 30, 2025 and 2024:

	2025	2024
Investment not subject to fair value hierarchy:		
Money Market Account	$ 288,466	$ 1,474,897
CalClass/CalTrust Funds	2,045,956	500,738
Local Agency Investment Fund	700	668
Total investments	$ 2,335,122	$ 1,976,303

Note 2 – Cash and Investments (Continued)

F. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that an agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Investment Type	2025 Fair Value	Maturities 1 year or Less
Money Market Account	$ 288,466	$ 288,466
CalClass	2,045,956	2,045,956
Local Agency Investment Fund	700	700
Total investments	$ 2,335,122	$ 2,335,122

Investment Type	2024 Fair Value	Maturities 1 year or Less
Money Market Account	$ 1,474,897	$ 1,474,897
CalClass	500,738	500,738
Local Agency Investment Fund	668	668
Total investments	$ 1,976,303	$ 1,976,303

Disclosures Relating to 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 monies held in the California CLASS and LAIF investment pools are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

Disclosures Relating to Custodial Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments for the years ended June 30, 2025 and 2024.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Note 2 – Cash and Investments (Continued)

F. Risk Disclosures (Continued)

Disclosures Relating to Custodial Credit Risk (Continued)

The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2025 and 2024, none of the Authority's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Note 3 – Compensated Absences

Summary of changes in compensated absences for the years ended June 30, 2025 and 2024, were as follows:

	Beginning Balance (As Restated)	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2025	$ 307,569	$ 241,281	$ (202,022)	$ 346,828	$ 214,538	$ 132,290
June 30, 2024	170,498	309,468	(172,397)	307,569	166,347	141,222

Note 4 – Risk Management

For the year ended June 30, 2025 and 2024, liability and workers' compensation coverages are purchased from commercial insurance companies.

Personal Injury and Property Coverage
Limit: $5 million in aggregate, $50,000 per occurrence self-insured retention.

Non-Owned and Hired Automotive Liability Coverage
Limit: $5 million in aggregate, $50,000 per occurrence self-insured retention.

Public Officials Errors and Omissions Coverage
Limit: $5 million in aggregate, $50,000 per occurrence self-insured retention.

Employment Practice Liability Coverage
Limit: $5 million in aggregate, $50,000 per occurrence self-insured retention.

Note 4 – Risk Management (Continued)

Employment Practice Liability Coverage (Continued)

The claims liability for the years ended June 30, 2025 and 2024 was based on actuarial valuation. The ending balance of the claims liabilities are due in more than one year. The schedule below represents changes in claims liabilities for the Authority for the years ended June 30, 2025, 2024, and 2023:

	Beginning Balance	New Claims and Changes in Estimates	Claims Payments	Ending Balance
June 30, 2025	$ 25,000	$ -	$ -	$ 25,000
June 30, 2024	25,000	-	-	25,000
June 30, 2023	25,000	-	-	25,000

Note 5 – Retrospective Contribution

The Authority was a member of Municipal Services Authority (MSA), which provided coverage for workers' compensation, general liability, and errors and omissions. MSA dissolved during fiscal year 2019, and risk for workers' compensation, general liability, and errors and omissions was assumed by the Authority.

The financial statements reflect the assumption of the retrospective contribution liabilities related to prior participation in California Joint Powers Insurance Authority (CJPIA), a risk sharing pool. These liabilities were previously assumed and reported by MSA, however, were transferred to the Authority after MSA's dissolution during fiscal year 2019.

The Authority entered an payment agreement with CJPIA on May 24, 2023 to reduce the amount of retrospective contribution liability to $1,500,000. The interest rate that is being charged is 5%. The outstanding balance on June 30, 2025 and 2024 was is $500,000 and $750,000, respectively. The future payment schedule is as follows:

Date	Principal	Interest Rate	Interest Amount	Total Payment	Outstanding Balance
6/1/2026	$ 500,000	5.00%	$ 25,000	$ 525,000	$ -

Note 6 – Employee Retirement Plans

A. Deferred Compensation Plan

The Authority had established a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. Plan assets are invested in each individual's name with a deferred compensation plan provider. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. All employees are eligible for plan participation. However, there is no deferred compensation plan provided by the Authority for the years ended June 30, 2025 and 2024. Employee contributions to the plan for the years ended June 30, 2025 and 2024 were $1,123,487 and $1,013,187, respectively.

The Authority believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority has formally established a trust in accordance with Internal Revenue Code Section 457(g) for its deferred compensation plan to provide protection from the claims of the employer's general creditors. Accordingly, deferred compensation assets placed in the trust are not reflected in these financial statements.

Note 6 – Employee Retirement Plans

B. Other Defined Contribution Plans

The Authority has also established a defined contribution plan in accordance with Internal Revenue Code Section 401(a). The employer contributes 10% of regular salary on behalf of the employee and may contribute an additional amount up to 5% subject to individual employee's employment agreement. Plan assets are invested in each individual's name with the defined contribution plan provider.

Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. Contributions to the plan for the years ended June 30, 2025 and 2024 totaled $1,653,616 and $1,437,838 respectively, and were contributed by the Authority.

The Authority believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority has formally established a trust in accordance with Internal Revenue Code Section 401(f) for its defined contribution plan to provide protection from the claims of the employer's general creditors. Accordingly defined contribution assets placed in the trust are not reflected in the accompanying financial statements.

Note 7 – Other Postemployment Benefits

A. Health Reimbursement Account (HRA) Plan

Effective January 1, 2014, the Authority implemented a Health Reimbursement Account (HRA) plan. Those employees participating in the medical plan are now enrolled in the HRA plan. Employees are separated by tiers and these tiers dictate the amount of annual contributions made by the Authority into the HRA for each individual employee. Contributions are made for all employees at $250 per quarter. Additionally, select employees are divided into two tiers, the first tier receives a contribution of $2,500 per year that vests after five years of service and the second tier receives a contribution of $10,000 per year that vests after ten years of service.

The Authority contracts with MidAmerica Administrative and Retirement Solutions to administer its HRA plan. The Authority funds the Plan fully each year, as vesting and subsequent years of service requirements are met.

Note 8 – Commitments and Contingencies

A. Litigation

In the ordinary course of operations, the Authority is subject to other claims and litigation from outside parties. After consultation with legal counsel, the Authority believes the ultimate outcome of such matters, will not materially affect its financial condition.

Note 9 – Restatement

Implementation of GASB Statement No. 101, Compensated Absences

Effective for the fiscal year ended June 30, 2025, the Authority implemented GASB Statement No. 101, *Compensated Absences*. This statement establishes accounting and financial reporting standards for compensated absences, including vacation, sick leave, and other paid time off. The implementation of GASB 101 resulted in a change in accounting principle, and prior year amounts have been restated accordingly.

Under GASB 101, a liability must be recognized for leave that is attributable to services already rendered, accumulates and carries forward to future periods, and is more likely than not to be used or paid. This represents a shift from previous guidance, particularly in how likelihood and eligibility are assessed.

The implementation of GASB 101 resulted in a change in accounting principle, and prior year amounts have been restated accordingly. As of July 1, 2024, the beginning net position was adjusted to reflect the cumulative effect of the change.

Specifically, the liability for compensated absences increased by $135,115, resulting in a corresponding decrease in beginning net position of $135,115. The financial impact was primarily due to the expanded scope of recognized leave and the lowered threshold for determining likelihood of use.

	June 30, 2023 As previously Reported	Change in Accounting Principle	June 30, 2023 As Restated
Net Position	$ 2,511,472	$ (135,115)	$ 2,376,357
Total	$ 2,511,472	$ (135,115)	$ 2,376,357

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