



CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2024 AND 2023

FINANCIAL STATEMENTS

Focused
on YOU



CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND

Financial Statements

For the Years Ended June 30, 2024 and 2023

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Financial Statements

For the Years Ended June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
Electric Department
City of Roseville, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Electric Fund (the "Fund") of the City of Roseville, California (the "City"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the 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 financial position of the Fund of the City, as of June 30, 2024 and 2023, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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.



To the Honorable Mayor and Members of the City Council
Electric Department
City of Roseville, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

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, and required pension and other postemployment benefits schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.



To the Honorable Mayor and Members of the City Council
Electric Department
City of Roseville, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2025, on our consideration of the City's internal control over the Fund's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Fund's financial reporting and compliance.

LSL, LLP

Irvine, California
March 18, 2025

**Electric Enterprise Fund
Management's Discussion and Analysis
June 30, 2024 and 2023**

Management of the Roseville Electric Enterprise Fund (Electric Fund), a fund of the City of Roseville (City) offers the following overview and analysis of the financial statements of the Electric Fund for the fiscal years ended June 30, 2024 and 2023. We encourage readers to utilize the information presented here in conjunction with the accompanying basic financial statements.

Overview of the Financial Statements

The Electric Fund's financial statements are divided into two sections: 1) basic financial statements, and 2) required supplementary information.

The basic financial statements include the *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, *Statement of Cash Flows*, and notes to the financial statements. Following the notes to the financial statements, the required supplementary information includes schedules related to pensions and other post-employment benefits.

Financial Highlights

2024 compared to 2023

The Electric Fund's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$555.6 million, an increase of \$36.1 million or 6.9% over the prior fiscal year.

Total operating revenue was \$213.0 million, an increase of \$31.3 million or 17.2% compared to fiscal year 2023. Total operating expense was \$186.9 million, up \$18.9 million or 11.2%. Operating income for the year totaled \$26.1 million, and the Electric Fund paid \$8.1 million to the City as a payment in lieu of taxes or franchise fee.

2023 compared to 2022

The Electric Fund's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$519.5 million, an increase of \$23.8 million or 4.8% over the prior fiscal year.

Total operating revenue was \$181.8 million, an increase of \$9.2 million or 5.3% compared to fiscal year 2022. Total operating expense was \$168.1 million, an increase of \$24.9 million or 17.4%. Operating income for the year total \$13.7 million, and the Electric Fund paid \$7.3 million to the City as a payment in lieu of taxes or franchise fee.

Financial Analysis

The *Statement of Net Position* for the Electric Fund is as follows:

Condensed Statement of Net Position (In thousands)			
	FY2024	FY2023	FY2022
Assets			
Current Assets	\$217,846.6	\$196,137.8	\$249,742.3
Capital Assets	502,332.5	490,741.9	490,784.6
Non-current Assets	7,307.7	6,862.8	8,637.6
Total Assets	727,486.8	693,742.5	749,164.4
Deferred Outflows	27,770.8	27,452.6	22,496.3
Liabilities			
Current Liabilities	21,068.2	21,476.2	43,838.2
Non-Current Long-term Debt	81,013.5	85,575.0	141,642.7
Long-term Liabilities	91,704.4	86,596.2	63,676.5
Total Liabilities	193,786.1	193,647.4	249,157.5
Deferred Inflows	5,917.3	8,049.2	26,771.7
Net Position			
Net Investment in Capital Assets	420,259.5	404,214.2	348,510.4
Restricted:			
Benefit of Rate Payers	6,264.6	8,607.5	11,415.4
Debt Service	9,507.5	10,134.4	15,087.3
Unrestricted	119,522.6	96,542.4	120,718.6
Total Net Position	\$555,554.2	\$519,498.5	\$495,731.7

2024 compared to 2023

As of June 30, 2024, the Electric Fund's total assets increased by \$33.7 million, or 4.9%, compared to the prior fiscal year. This increase was primarily driven by higher cash and investments held in the City Treasury, mainly due to increased customer receipts from rate increases. Additional contributors to the increase included higher accounts receivable, prepaid expenses, inventories, and a rise in capital assets (net of depreciation) resulting from ongoing infrastructure improvements. However, the increase was partially offset by a decrease in lease receivables due to the maturity of a lease agreement. Deferred outflows of resources increased by \$0.3 million, or 1.2%, primarily due to higher deferred amounts related to pensions and OPEB, partially offset by a decrease in the deferred charges on refunding.

As of June 30, 2024, total liabilities increased by \$0.1 million, or 0.1%, compared to the prior fiscal year. This increase was mainly attributed to higher accounts payable, accrued payroll, net pension liability, and net OPEB liability. However, this increase was partially offset by a decrease in outstanding debt. Deferred inflows of resources decreased by \$2.1 million, or 26.5%, primarily due to reductions in deferred inflows related to leases and OPEB.

2023 compared to 2022

As of June 30, 2023, the Electric Fund's total assets decreased by \$55.4 million, or 7.4%, compared to the prior fiscal year. This decrease was primarily due to a reduction in cash and investments held in the City Treasury and restricted cash and investments with fiscal agents, which the utility strategically repaid variable rate debt and terminated an interest rate swap. Additionally, a decrease in lease receivables reflected the maturity of a lease agreement. However, these declines were partially offset by increases in accounts receivable and inventories. Deferred outflows of resources increased by \$5.0 million, or 22.0%, largely due to changes in pension assumptions, partially offset by reductions in deferred charges on refunding, accumulated decreases in the fair value of hedging derivatives, and deferred amounts related to OPEB.

As of June 30, 2023, total liabilities decreased by \$55.5 million, or 22.3%, compared to the prior fiscal year. This reduction was primarily due to decreases in outstanding debt, deposit payables, and derivative liabilities at fair value. However, these decreases were partially offset by an increase in the net pension liability. Deferred inflows of resources decreased by \$18.7 million, or 69.9%, mainly due to a decrease in deferred inflows related to pensions and OPEB.

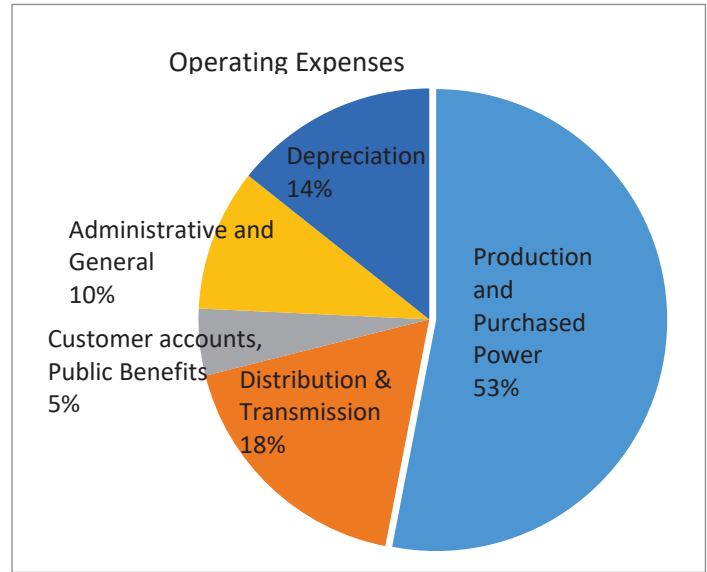
The Statement of Revenues, Expenses, and Changes in Net Position for the Electric Fund is as follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Position (in thousands)			
	FY2024	FY2023	FY2022
Operating Revenue			
Sales Revenue	\$190,013.0	\$176,889.9	\$166,656.2
Wholesale sales	7,922.8	1,629.0	1,482.9
Other Operating Revenue	15,112.1	3,271.7	4,447.8
Total Operating Revenue	213,047.9	181,790.6	172,587.0
Operating Expenses			
Production and Purchased Power	99,258.0	84,096.0	72,795.1
Transmission & Distribution	33,715.3	28,993.3	26,998.4
Customer Accounts, Administrative and General	27,147.6	29,691.8	19,235.3
Depreciation	26,786.7	25,272.4	24,099.8
Total Operating Expenses	186,907.6	168,053.5	143,128.5
Operating Income	26,140.3	13,737.1	29,458.4
Non-operating Revenues (Expenses)			
Interest Expense	(2,731.4)	(7,292.5)	(5,287.7)
Subventions and Grants	149.0	127.8	514.4
Payment in Lieu of Taxes	(8,075.8)	(7,295.2)	(6,439.0)
Investments, Amortization & Loss from Sale of Property	794.5	2,191.7	(10,534.2)
Lease Revenue	1,785.9	3,549.1	2,992.8
Proceeds from Litigation	-	9,427.1	-
Total Non-operating Revenues (Expenses)	(8,077.8)	708.0	(18,753.7)
Income before Capital Contributions and	18,062.5	14,445.1	10,704.8
Contributions and Transfers			
Capital Contributions	18,428.6	9,580.1	11,325.0
Transfers in/out from/to City	(435.4)	(258.4)	(412.6)
Total Contributions and Transfers	17,993.2	9,321.7	10,912.4
Change in Net Position	36,055.7	23,766.8	21,617.1
Net Position, Beginning	519,498.5	495,731.7	474,114.6
Net Position, Ending	\$555,554.2	\$519,498.5	\$495,731.7

2024 compared to 2023

The Electric Fund's operating revenue totaled \$213.0 million, an increase of \$31.3 million or 17.2%, compared to the prior fiscal year. This growth is primarily attributed to a \$13.1 million or 7.4% increase in sales revenue due to higher energy cost surcharges and rate increases. Out of the approximate \$190.0 million total sales revenue, \$97.1 million was attributed to commercial customers and \$92.9 million to residential customers. The wholesale energy sales revenue amounted to \$7.9 million, an increase of \$6.3 million or 386.3%, largely due to a one-time energy sale to trading partners in the Pacific Northwest during a significant power shortage in mid-January. Additionally, other operating revenues were \$15.1 million, an increase of \$11.8 million or 361.9%, primarily driven by proceeds from a non-recurring Greenhouse Gas (GHG) allowance sale.

Total operating expenses increased by \$18.9 million, or 11.2%, compared to the prior fiscal year, reaching \$186.9 million in FY2024. This increase was primarily driven by higher power supply purchase costs and increased distribution operations and maintenance costs. Production and purchased power expenses, the largest component, amounted to \$99.3 million, representing 53.1% of total operating expenses. Distribution and transmission expenses followed at \$33.7 million, or 18.0% of total expenses. Administrative and general expenses were \$18.6 million, accounting for 9.9% of the total. Customer accounts and public benefits expenses totaled \$8.6 million, or 4.6% of total expenses. Depreciation expenses increased by \$1.5 million, or 6.0%, to \$26.8 million, representing 14.3% of total operating expenses and reflecting the addition of capital assets from recent infrastructure investments.



Consistent with the City Charter, the Utility may pay an in-lieu franchise fee not exceeding 4% of expenses to the City General Fund as a Payment in Lieu of Taxes. For fiscal year 2024, this franchise fee transfer totaled \$8.1 million, an increase of \$0.8 million, or 10.7%, compared to the prior fiscal year.

Investment earnings, including the net change in the fair value of investments, totaled \$7.3 million, reflecting a \$4.7 million increase compared to the prior fiscal year. This increase was primarily driven by higher interest and dividend earnings, as well as rising fair market values in the pooled investment portfolio.

A loss on disposal of capital assets totaling \$6.6 million was recognized in fiscal year 2024, representing an increase of \$6.1 million, or 1,389.8%, compared to the prior fiscal year. The increase was primarily due to a one-time retirement of the legacy meter system, which was replaced by the Advanced Metering Infrastructure (AMI) System that became operational in May 2024.

Total capital contributions received were \$18.4 million, an increase of \$8.8 million, or 92.3%, largely driven by higher contributions in aid of construction and developer contributions.

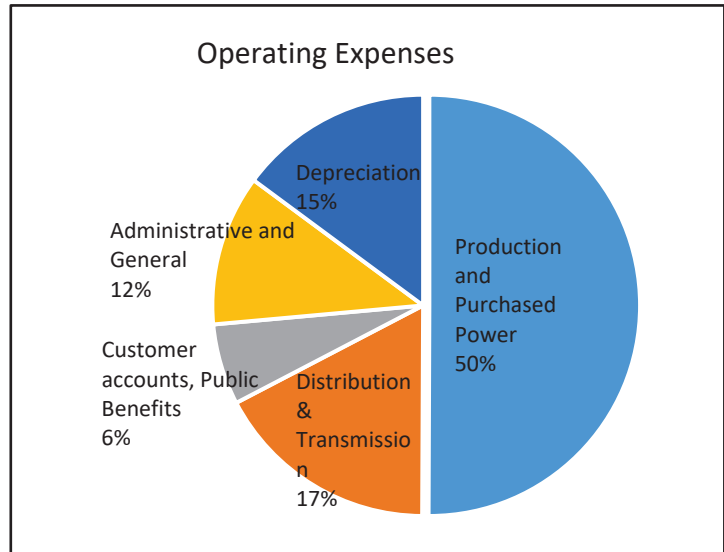
Interest and related fiscal charges on debt service totaled \$2.7 million, reflecting a decrease of \$4.6 million compared to the prior fiscal year, primarily due to a reduction in outstanding debt.

The net transfers out of the Electric Fund to the City projects was \$0.4 million.

2023 compared to 2022

The Electric Fund's operating revenue totaled \$181.8 million in FY2023, an increase of \$9.2 million, or 5.3%, compared to FY2022. This growth was primarily driven by a \$10.2 million, or 6.1%, rise in sales revenue due to increases in the energy cost surcharge and rate increases, partially offset by a decrease in the hydroelectric surcharge. Of the \$176.9 million in total sales revenue, \$91.2 million was attributed to commercial customers and \$85.7 million to residential customers. Wholesale energy sales revenue increased by \$0.1 million, or 9.8%, to \$1.6 million, reflecting additional wholesale power sold. However, other operating revenues declined by \$1.2 million, or 26.4%, primarily due to reduced mutual aid recovery from other agencies and lower carbon allowance and credit proceeds.

Operating expenses totaled \$168.1 million in FY2023, an increase of \$24.9 million, or 17.4%, compared to the prior fiscal year. This increase was primarily driven by higher power supply costs and increased higher salary and pension benefits. Production and purchased power expenses accounted for \$84.1 million, or 50.0% of total operating costs. Distribution and transmission expenses were \$29.0 million, representing 17.3% of expenses. Administrative and general expenses totaled \$19.3 million, or 11.5% of costs. Customer accounts and public benefits expenses amounted to \$10.4 million, or 6.2% of total costs. Additionally, depreciation expenses increased by \$1.2 million, or 4.9%, to \$25.3 million, representing 15.0% of total operating expenses and reflecting the addition of capital assets from recent infrastructure investments.



Consistent with the City Charter, the Utility may pay an in-lieu franchise fee of up to 4% of expenses to the City General Fund as a Payment in Lieu of Taxes. For fiscal year 2023, this franchise fee transfer totaled \$7.3 million, an increase of \$0.9 million, or 13.3%, compared to the prior fiscal year.

Investment earnings, which include the net change in the fair value of investments, amounted to \$2.2 million, reflecting a \$12.7 million increase primarily driven by rising fair market values in the pooled investment portfolio.

Capital contributions totaled \$9.6 million, a decline of \$1.7 million, or 15.4%, largely due to reduced contributions from developers.

The net transfers out of the Electric Fund to the City projects was \$0.3 million.

Capital Assets

2024 compared to 2023

As of June 30, 2024, the Electric Fund's net utility plant and equipment, which includes investments in land, buildings, production and distribution facilities, as well as general items like equipment, furniture and right-to-use leased assets, totaled \$502.3 million. This figure represents an increase of \$11.6 million or 2.4% compared to prior fiscal year.

2023 compared to 2022

As of June 30, 2023, the Electric Fund's net utility plant and equipment, which includes investments in land, buildings, production and distribution facilities, as well as general items like equipment, furniture and right-to-use leased assets, totaled \$490.7 million. This figure represents a decrease of \$0.1 million or 0.0% compared to prior fiscal year.

Capital Assets (In thousands)			
	FY2024	FY2023	FY2022
Land	\$5,467.3	\$5,467.3	\$5,173.0
Buildings & Improvements	31,789.7	31,789.7	31,067.9
Equipment & Vehicles	37,984.5	25,694.8	23,568.2
Traffic Signals	77,603.4	75,166.4	74,853.3
Plant and Substations	97,616.1	93,518.0	93,677.0
Distribution	413,762.6	392,600.6	381,056.1
Generation	219,618.6	218,132.9	216,985.2
Construction in Progress	10,402.4	20,623.4	14,150.7
Right-to-Use Leased Assets	1,370.9	1,347.9	-
Less: Accumulated Depreciation	(393,283.0)	(373,599.1)	(349,746.8)
Capital Assets, Net	\$502,332.5	\$490,741.9	\$490,784.6

Debt Administration

2024 compared to 2023

Total long-term debt, net of unamortized premium of \$3.1 million, was \$85.3 million at the end of fiscal year 2024. This represents a decrease of \$4.5 million or 5.0% compared to the prior fiscal year. The current long-term debt due within a year was \$4.3 million and non-current long-term debt was \$77.9 million. The debt is backed by the revenue of the Utility.

The Utility maintains a debt service coverage ratio that exceeds the current provisions in the bond indenture document. This debt service coverage ratio is a measure of the adequacy of cash to pay debt service. The Utility must maintain debt coverage of 1.1 as required by the bond indenture, however the City has an internal policy for the Utility to maintain a debt coverage of 2.0. As of June 30, 2024, the Utility had debt coverage of 6.77.

Interest rates on outstanding debt range from 0.39% to 5.25%.

2023 compared to 2022

Total long-term debt, net of unamortized premium of \$3.4 million, was \$89.8 million at the end of fiscal year 2023. This represents a notable decrease of \$59.0 million or 39.7% compared to the previous fiscal year. This reduction is primarily attributed to the retirement of \$51.1 million in variable rate 2012 Series Electric System Revenue Certificates of Participation (COP) in March 2023. The current long-term debt due within a year was \$4.3 million, while non-current long-term debt was \$82.2 million. The debt is backed by the revenue of the Utility.

The Utility maintains a debt service coverage ratio that exceeds the current provisions in the bond indenture document. This debt service coverage ratio is a measure of the adequacy of cash to pay debt service. The Utility must maintain debt coverage of 1.1 as required by the bond indenture, however the City has an internal policy for the Utility to maintain a debt coverage of 2.0. As of June 30, 2023, the Utility had debt coverage of 2.94.

Interest rates on outstanding debt range from 0.39% to 5.25%.

Long-Term Debt (In thousands)			
	FY2024	FY2023	FY2022
Certificates of Participation	\$5.0	\$5.0	\$54,005.0
Revenue Bonds	85,328.5	89,820.0	94,842.7
Total Long-Term Debt	85,333.5	89,825.0	148,847.7
Current Portion of Long-Term Debt	4,320.0	4,250.0	7,205.0

Economic Condition, Outlook and Activity

The Electric Fund experienced a 2.18% growth in its residential and commercial customer base compared to the prior fiscal year. However, total retail electric energy sales decreased 1.27%, totaling 1.2 million megawatt-hours. The decline was primary due to the largest industrial customer operating at reduced capacity due to facility rehabilitation beginning September 2023. The customer’s energy usage has gradually increased since January 2025 and is expected to return to normal production levels by the summer of 2025. Despite the slight decline in energy sales, total revenue increased by 7.4%, primarily driven by the implementation of the energy cost surcharge and rate increase.

During the fiscal year, the Electric Fund maintained strong credit ratings, with an “AA” rating by Fitch Ratings and a Stable, Standard & Poor’s Global Ratings was “AA” rating, and Moody’s Investors Service rating was “A1” with a Stable Outlook.

The revenue to expense outlook for the next several years forecasts revenues covering expenses. New development will continue to add residential and commercial customers to the service territory. To address the projected revenue shortfall, the utility plans to recommend a rate increase to ensure sufficient funding for operations and infrastructure. Several factors could impact future rate adjustments including the increasing volatility of natural gas and energy markets in California, compliance with state and federal renewable energy and environmental mandates, as well as rising adoption of distributed generation and energy efficiency programs throughout the service territory.

Requests for Information

This financial report is designed to provide a general overview of the Electric Fund’s finances. Questions concerning information provided in this report should be addressed to the Financial Administrator, Roseville Electric Utility, 116 South Grant Street, Roseville, California 95678.

CITY OF ROSEVILLE ELECTRIC FUND
Statement of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and investments in city treasury	\$ 149,146,902	\$ 134,784,933
Receivables (net of uncollectibles):		
Accounts	29,497,685	24,731,479
Notes and loans	791,487	-
Leases	110,526	1,857,893
Inventories	23,055,490	21,616,376
Prepaid costs	4,452,290	2,885,787
Restricted:		
Cash and investments with fiscal agents	10,792,185	10,261,381
Total current assets	<u>217,846,565</u>	<u>196,137,849</u>
Noncurrent:		
Leases	632,051	742,579
Investment in NCPA reserves	6,675,685	6,120,238
Capital assets not being depreciated	15,869,692	26,090,740
Capital assets - net of accumulated depreciation/amortization	<u>486,462,810</u>	<u>464,651,148</u>
Total noncurrent assets	<u>509,640,238</u>	<u>497,604,705</u>
Total assets	<u>727,486,803</u>	<u>693,742,554</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	4,089,910	4,435,192
Deferred pension related items	21,750,929	21,578,386
Deferred OPEB related items	1,930,000	1,439,000
Total deferred outflows of resources	<u>27,770,839</u>	<u>27,452,578</u>
LIABILITIES		
Current liabilities:		
Accounts payable	8,616,163	8,171,039
Accrued liabilities	2,629,203	2,459,123
Unearned revenues	3,751	-
Deposits payable	2,626,087	2,657,424
Subscriptions	318,000	323,775
Accrued compensated absences	2,555,042	3,614,801
Long-term debt - due in less than one year	4,320,000	4,250,000
Total current liabilities	<u>21,068,246</u>	<u>21,476,162</u>
Noncurrent liabilities:		
Subscriptions	511,368	814,105
Accrued compensated absences	2,921,861	1,662,522
Long-term debt - due in more than one year	81,013,533	85,574,958
Pension liability	78,200,115	74,341,652
Net OPEB liability	<u>10,071,000</u>	<u>9,778,000</u>
Total noncurrent liabilities	<u>172,717,877</u>	<u>172,171,237</u>
Total liabilities	<u>193,786,123</u>	<u>193,647,399</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB related items	5,206,000	5,509,000
Lease deferred inflows	711,327	2,540,223
Total deferred inflows of resources	<u>5,917,327</u>	<u>8,049,223</u>
NET POSITION		
Net investment in capital assets	420,259,511	404,214,242
Restricted for debt service	9,507,484	10,134,406
Restricted for sustainable energy program (AB 32)	6,264,572	8,607,478
Unrestricted	<u>119,522,625</u>	<u>96,542,384</u>
Total net position	<u>\$ 555,554,192</u>	<u>\$ 519,498,510</u>

CITY OF ROSEVILLE ELECTRIC FUND
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Residential sales	\$ 92,880,261	\$ 85,701,443
Commercial and industrial sales	97,105,051	91,155,270
Other sales	27,662	33,201
Wholesale sales	7,922,836	1,629,023
Other operating revenues	15,112,115	3,271,743
Total operating revenues	<u>213,047,925</u>	<u>181,790,680</u>
OPERATING EXPENSES		
Production and purchased power	99,258,029	84,096,004
Transmission	9,407,591	8,747,705
Distribution	24,307,700	20,245,641
Customer accounts, service and informational	5,317,453	4,500,359
Public benefits and administrative and general	21,830,191	25,191,443
Depreciation/Amortization	26,786,709	25,272,365
Total operating expenses	<u>186,907,673</u>	<u>168,053,517</u>
Operating income (loss)	<u>26,140,252</u>	<u>13,737,163</u>
NONOPERATING REVENUES (EXPENSES)		
Subvention and grants	149,011	127,820
Payment in lieu of taxes (franchise transfer)	(8,075,815)	(7,295,172)
Increase in value of certain NCPA projects and reserves	555,447	83,110
Investment income	6,858,825	3,941,525
Interest expense and fiscal charges	(2,731,435)	(7,292,473)
Amortization of gain (loss) on refunding	(103,857)	(1,395,602)
Loss on disposal of capital assets	(6,515,885)	(437,368)
Lease revenue	1,785,905	3,549,080
Proceeds from litigation	-	9,427,101
Total nonoperating revenues (expenses)	<u>(8,077,804)</u>	<u>708,021</u>
Income (loss) before capital contributions and transfers	<u>18,062,448</u>	<u>14,445,184</u>
Capital contributions - connection/impact fees	1,882,559	2,500,094
Capital contributions from developers and other agencies	8,710,776	5,014,316
Contributions in aid of construction	7,835,255	2,065,674
Transfers in	-	177,080
Transfers out	(435,356)	(435,501)
Change in net position	<u>36,055,682</u>	<u>23,766,847</u>
Net position-beginning	519,498,510	495,731,663
Net position-ending	<u>\$ 555,554,192</u>	<u>\$ 519,498,510</u>

CITY OF ROSEVILLE ELECTRIC FUND
Statement of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 194,595,821	\$ 177,955,062
Payments to suppliers	(115,090,435)	(110,002,012)
Payments to employees	(44,133,468)	(41,014,311)
Receipts from counterparties	7,900,000	22,600,000
Receipts returned to counterparties	(7,900,000)	(41,400,000)
Other receipts	14,175,905	2,434,384
Net cash provided by (used for) operating activities	49,547,823	10,573,123
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment in lieu of taxes (franchise transfer)	(8,075,815)	(7,295,172)
Proceeds from litigation	-	9,427,101
Subvention and grants	179,090	39,554
Loans to developers	(791,487)	-
Transfers in	-	177,080
Transfers out	(435,356)	(435,501)
Net cash provided by (used for) noncapital financing activities	(9,123,568)	1,913,062
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	7,835,255	2,065,674
Acquisition and construction of capital assets	(36,221,312)	(19,425,797)
Principal paid on long term debt	(4,250,000)	(7,205,000)
Principal paid on subscriptions	(331,476)	(217,391)
Interest paid on capital debt	(2,787,867)	(4,850,544)
Refunding principal payoff	-	(51,075,000)
Debt service related fees	-	(2,665,000)
Connection/impact fees	1,882,559	2,500,094
Proceeds from sales of assets	61,845	-
Net cash provided by (used for) capital and related financing activities	(33,810,996)	(80,872,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease payments received	1,825,112	3,627,946
Fair value adjustment	3,066,949	1,664,350
Interest on investments	3,387,453	2,244,775
Net cash provided by (used for) investing activities	8,279,514	7,537,071
Net increase (decrease) in cash and cash equivalents	14,892,773	(60,849,708)
Cash and cash equivalents-beginning	145,046,314	205,896,022
Cash and cash equivalents-ending	\$ 159,939,087	\$ 145,046,314

CITY OF ROSEVILLE ELECTRIC FUND
Statement of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ 26,140,252	\$ 13,737,163
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation/Amortization	26,786,709	25,272,365
(Increase) decrease in receivables	(4,427,075)	(1,153,740)
(Increase) decrease in inventories	(1,439,114)	(8,436,780)
(Increase) decrease in prepaids	(1,566,503)	705,686
Increase (decrease) in accounts payable	696,640	(973,263)
Increase (decrease) in deposits payable	(27,586)	(19,047,493)
Increase (decrease) in compensated absences	199,580	723,279
Increase (decrease) in net pension items	3,685,920	1,170,906
Increase (decrease) in net OPEB items	(501,000)	(1,425,000)
Total adjustments	<u>23,407,571</u>	<u>(3,164,040)</u>
Net cash provided by (used for) operating activities	<u>\$ 49,547,823</u>	<u>\$ 10,573,123</u>
SCHEDULE OF NON-CASH NONCAPITAL, CAPITAL, AND INVESTING ACTIVITIES		
Net amortization of premium and deferred loss	\$ (241,425)	\$ 742,753
Contribution of capital assets	8,710,776	5,014,316
Change in JPA reserves	555,447	83,110
Gain/(Loss) on disposition of capital assets	(6,577,730)	(437,368)
Initiation of subscriptions	22,964	1,130,533

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Electric Fund (Fund) is an enterprise fund of the City of Roseville (City) that owns and operates the electric systems and provides these services to the businesses and residents of the City. The Electric Fund is under the policy control of the City Council. The accompanying financial statements only reflect the activity of the Electric Fund as it does not have any component units. The Electric Fund is an integral part of the City and its financial statements are included in the basic financial statements of the City. These financial statements do not purport to, and do not represent the financial position, changes in financial position, and where applicable, cash flows of the City.

B. Basis of Presentation

The Financial Statements of the Electric Fund are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The accounting records of the Electric Fund are also substantially in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The Electric Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

C. Basis of Accounting

The Electric Fund is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of the private sector in which the purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Electric Fund may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

D. Cash and Investments

Cash and investments with original maturities of three months or less are treated as cash and cash equivalents for purpose of preparing the statements of cash flows. Also, the Electric Fund's portion of the City's overall cash and investment pool is treated as cash and equivalents since these amounts are in substance demand deposits. Further information related to the City's cash and investment pool can be found in the City's Annual Comprehensive Financial Report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Joint Powers Authorities

The Electric Fund records its equity in the general operating reserve of the Northern California Power Agency (NCPA), and its net equity in those projects in which it participates, as discussed in Note 8. The Electric Fund's share of individual project obligations has been netted against its share of the related project assets, as reported by NCPA, because the Electric Fund does not actively manage these projects and does not expect to become directly liable for any of the obligations of these projects. Amounts paid to the Transmission Agency of Northern California (TANC) are expensed currently because the Electric Fund's estimated equity, if any, in TANC is not material. Amounts paid to the California Joint Powers Risk Management and the Local Agency Workers Compensation Excess Joint Powers Authority are charged currently to insurance expense, as discussed in Note 9.

F. Prepays

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

G. Inventories

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported in the statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The accumulated decrease in the fair value of hedging derivatives is equal to the fair value of the associated derivative instrument liability so long as the instrument is deemed effective. The deferred outflows related to pensions are described in Note 6. The deferred outflows related to other postemployment benefits (OPEB) are described in Note 7.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows related to pensions are described in Note 6. The deferred inflows related to OPEB are described in Note 7.

I. Deposits from Customers

Deposits from Customers may be required by the Electric Fund from commercial and residential customers when they establish their account as specified in section 14.04.030 of the City of Roseville Municipal Code. Significant customer deposits may be held in the form of certificates of deposit in the Electric Fund's name with the interest paid to the customer.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

Compensated Absences including accumulated unpaid vacation, sick pay and other employee benefits are accounted for as expenses in the year earned.

Changes in compensated absences payable consist of the following:

	2024	2023
Beginning balance	\$ 5,277,323	\$ 4,554,044
Additions	1,590,850	3,197,406
Payments	(1,391,270)	(2,474,127)
Ending balance	<u>\$ 5,476,903</u>	<u>\$ 5,277,323</u>
Current portion	<u>\$ 2,555,042</u>	<u>\$ 3,614,801</u>

K. Revenue Recognition

Revenues are recognized based on cycle billings rendered to customers. All residential and commercial utility customers are billed once per month. There are twenty-three billing cycles per month which include all types of customers, based on their location within the City. Revenues for services provided but not billed at the end of a fiscal year are accrued.

Contributions of cash or assets to proprietary funds from state and federal agencies, developers and others are recorded as revenue when earned.

L. Classification of Revenues

Operating revenues consist mainly of electric sales. Operating revenues are used to finance the cost of operations, including the cost of delivering and providing services, maintenance and recurring capital replacement. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

M. Operating Expense

Operating expenses include expenses reflected by the City as related to rent payments, information technology and facility services, and other indirect cost transfers.

N. Allocation and Capitalization of Operating Overhead Expenses and General and Administrative Costs

The allocation of operating overhead expenses and general and administrative costs to capital projects, as well as FERC distribution and maintenance operating expenses, was based on a comprehensive analysis and study prepared by the City’s staff. This analysis and allocation process is conducted annually in conformance with the generally accepted electric utility accounting practices within the Uniform System of Accounts (USOA) prescribed by FERC and utility accounting guides published by the American Public Power Association (APPA) regarding job costing and utility accounting.

The process of allocating and capitalizing operating overhead expenses and general and administrative costs was implemented to allow the Electric Fund Financial Statements to reflect a chart of accounts consistent with industry standards, provide more accurate operation and maintenance costs, and track the total actual costs of electric capital assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Fair Value Measurements

The Electric Fund categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the City's California Public Employees Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

S. Capital Asset Policies

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

Capital assets with limited useful lives are depreciated/amortized over their estimated useful lives. The purpose of depreciation/amortization is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation/amortization expense each year represents that year's pro rata share of the cost of capital assets.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation/amortization is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated/amortized. The Electric Fund has assigned the useful lives and capitalization thresholds listed below to capital assets:

	Useful Lives	Capitalization Thresholds
Buildings	40 years	\$ 20,000
Improvements	20-75 years	no threshold
Equipment	6-20 years	5,000
Plants and Substations	40 years	5,000
Distribution System	15-60 years	no threshold
Electric Generation	15-30 years	5,000
Traffic Signals	20 years	no threshold
Landscaping	12 years	20,000
Leases	Varies by contract	75,000
SBITA	Varies by contract	75,000

Major outlays for capital assets and improvements are capitalized as projects are constructed.

T. New Accounting Pronouncements

New Pronouncements

Effective in Current Fiscal Year

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for reporting periods beginning after June 15, 2023. There is no effect on the Electric Fund’s financial statements.

Effective in Future Fiscal Years

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 Statement is effective for reporting periods beginning after June 15, 2023. The City has not determined the effect on the Electric Fund’s financial statements.

GASB Statement No. 102 – In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The Statement is effective for reporting periods beginning after June 15, 2024. The City has not determined the effect on the Electric Fund’s financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 103 – In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The Statement is effective for reporting periods beginning after June 15, 2025. The City has not determined the effect on the Electric Fund’s financial statements.

GASB Statement No. 104 – In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The Statement is effective for reporting periods beginning after June 15, 2025. The City has not determined the effect on the Electric Fund’s financial statements.

U. Net Position

Net position is the excess of all the Electric Fund’s assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net position is classified into the captions below:

Net Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the Electric Fund’s capital assets less accumulated depreciation and less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws enabling legislation, or other restrictions which the Electric Fund cannot unilaterally alter.

Unrestricted describes the portion of net position which is not restricted to use.

It is the City’s policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 2: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, is as follows:

	Balance at June 30, 2023	Additions	Retirements	Transfers	Balance at June 30, 2024
Capital assets, not being depreciated					
Land	\$ 5,467,335	\$ -	\$ -	\$ -	\$ 5,467,335
Construction in progress	20,623,405	30,450,005	-	(40,671,053)	10,402,357
Total capital assets not being depreciated	<u>26,090,740</u>	<u>30,450,005</u>	<u>-</u>	<u>(40,671,053)</u>	<u>15,869,692</u>
Capital assets, being depreciated					
Buildings	28,679,133	-	-	-	28,679,133
Improvements	1,878,973	-	-	-	1,878,973
Vehicles and equipment	25,694,756	381,965	(932,762)	12,840,531	37,984,490
Landscaping	1,231,560	-	-	-	1,231,560
Traffic signals	75,166,416	1,939,814	(711,238)	1,208,443	77,603,435
Plant and substations	93,517,964	-	(59,000)	4,157,099	97,616,063
Distribution	392,600,624	11,824,849	(11,977,614)	21,314,771	413,762,630
Generation	218,132,941	335,455	-	1,150,209	219,618,605
Subscriptions	1,347,924	22,964	-	-	1,370,888
Total capital assets being depreciated	<u>838,250,291</u>	<u>14,505,047</u>	<u>(13,680,614)</u>	<u>40,671,053</u>	<u>879,745,777</u>
Less accumulated depreciation for					
Buildings	(8,220,648)	(716,978)	-	-	(8,937,626)
Improvements	(1,314,573)	(73,540)	-	-	(1,388,113)
Vehicles and equipment	(18,091,392)	(3,360,514)	744,643	-	(20,707,263)
Landscaping	(579,565)	(56,797)	-	-	(636,362)
Traffic signals	(51,370,832)	(2,554,638)	322,544	-	(53,602,926)
Plant and substations	(38,882,703)	(2,377,889)	21,487	-	(41,239,105)
Distribution	(135,635,394)	(9,035,422)	6,014,211	-	(138,656,605)
Generation	(119,209,999)	(8,301,348)	-	-	(127,511,347)
Subscriptions	(294,037)	(309,583)	-	-	(603,620)
Total accumulated depreciation	<u>(373,599,143)</u>	<u>(26,786,709)</u>	<u>7,102,885</u>	<u>-</u>	<u>(393,282,967)</u>
Net capital assets being depreciated	<u>464,651,148</u>	<u>(12,281,662)</u>	<u>(6,577,729)</u>	<u>40,671,053</u>	<u>486,462,810</u>
Capital assets, net	<u>\$ 490,741,888</u>	<u>\$ 18,168,343</u>	<u>\$ (6,577,729)</u>	<u>\$ -</u>	<u>\$ 502,332,502</u>

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 2: CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2023, is as follows:

	Balance at June 30, 2022	Additions	Retirements	Transfers	Balance at June 30, 2023
Capital assets, not being depreciated					
Land	\$ 5,173,011	\$ 294,324	\$ -	\$ -	\$ 5,467,335
Construction in progress	14,150,660	16,818,351	-	(10,345,606)	20,623,405
Total capital assets not being depreciated	<u>19,323,671</u>	<u>17,112,675</u>	<u>-</u>	<u>(10,345,606)</u>	<u>26,090,740</u>
Capital assets, being depreciated					
Buildings	28,679,133	-	-	-	28,679,133
Improvements	1,788,833	-	-	90,140	1,878,973
Vehicles and equipment	23,568,195	192,499	(206,776)	2,140,838	25,694,756
Landscaping	599,975	-	-	631,585	1,231,560
Traffic signals	74,853,320	-	(1,091,218)	1,404,314	75,166,416
Plant and substations	93,676,970	-	(159,006)	-	93,517,964
Distribution	381,056,064	7,134,937	(521,406)	4,931,029	392,600,624
Generation	216,985,241	-	-	1,147,700	218,132,941
Subscriptions	-	1,347,924	-	-	1,347,924
Total capital assets being depreciated	<u>821,207,731</u>	<u>8,675,360</u>	<u>(1,978,406)</u>	<u>10,345,606</u>	<u>838,250,291</u>
Less accumulated depreciation for					
Buildings	(7,503,670)	(716,978)	-	-	(8,220,648)
Improvements	(1,237,694)	(76,879)	-	-	(1,314,573)
Vehicles and equipment	(15,499,851)	(2,662,747)	71,206	-	(18,091,392)
Landscaping	(553,470)	(26,095)	-	-	(579,565)
Traffic signals	(49,659,936)	(2,505,434)	794,538	-	(51,370,832)
Plant and substations	(36,714,075)	(2,307,357)	138,729	-	(38,882,703)
Distribution	(127,613,427)	(8,437,542)	415,575	-	(135,635,394)
Generation	(110,964,703)	(8,245,296)	-	-	(119,209,999)
Subscriptions	-	(294,037)	-	-	(294,037)
Total accumulated depreciation	<u>(349,746,826)</u>	<u>(25,272,365)</u>	<u>1,420,048</u>	<u>-</u>	<u>(373,599,143)</u>
Net capital assets being depreciated	<u>471,460,905</u>	<u>(16,597,005)</u>	<u>(558,358)</u>	<u>10,345,606</u>	<u>464,651,148</u>
Capital assets, net	<u>\$ 490,784,576</u>	<u>\$ 515,670</u>	<u>\$ (558,358)</u>	<u>\$ -</u>	<u>\$ 490,741,888</u>

Depreciation and amortization on capital assets and intangibles included in the statement of revenues, expenses and changes in net position for the years ended June 30, 2024 and 2023 was \$26,786,709 and \$25,272,365 respectively.

During the fiscal year, the City updated its system to standardize the number of years of depreciation by asset class and updated accumulated depreciation to reflect the standardized years of certain assets.

NOTE 3: CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

In order to mitigate its credit exposure to energy market risk and protect its financial position, the City requested its trading counterparties to post collateral. The collateral was held by the City in a specific account. If its trading counterparties defaulted on their contract obligations, the City could seize the collateral. Otherwise, the City would ultimately be obligated to return the entire amount back to those companies.

The City’s investments of the Electric Fund are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. The City’s investment pool is not registered with the Security and Exchange Commission and is not rated.

A. Classification

Cash and investments of the Electric Fund are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or other agreements.

	<u>2024</u>	<u>2023</u>
Cash and investments in City Treasury	\$ 149,146,902	\$ 134,784,933
Restricted cash and investments with fiscal agent	10,792,185	10,261,381
 Total cash and investments	 <u>\$ 159,939,087</u>	 <u>\$ 145,046,314</u>

Cash and investments with original maturities of three months or less are treated as cash and equivalents for purpose of preparing the statement of cash flows. Also, the Electric Fund’s portion of the City’s overall cash and investment pool is treated as cash and equivalents since these amounts are in substance demand deposits.

Cash and investments as of June 30, consist of the following:

	<u>2024</u>	<u>2023</u>
Cash on hand	\$ 3,450	\$ 4,312
City of Roseville pooled cash and investments	149,143,452	134,780,621
Investments	10,792,185	10,261,381
 Total cash and investments	 <u>\$ 159,939,087</u>	 <u>\$ 145,046,314</u>

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by the California Government Code and the City’s Investment Policy

The City’s Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City’s Investment Policy where it is more restrictive:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations (a)	5 Years	None	None	None
U.S. Agency Securities (a)	5 Years	None	None	None
Forward Delivery Agreements	N/A	A	None	None
Local Agency Bonds	5 Years	None	None	None
Repurchase Agreements	1 Years	None	None	None
Bankers' Acceptances	180 Days	None	40%	30%
Commercial Paper	270 Days	A-1	25%	10% (b)
Medium-Term Notes (Corporate Notes)	5 Years	A	30%	None
Collateralized Time Deposits	5 Years	None	30%	None
Negotiable Certificates of Deposit	5 Years	A	30%	None
Local Agency Investment Fund	N/A	None	None	LAIF Limit
Insured Saving Accounts	N/A	None	None	None
Money Market Mutual Funds	N/A	None	20%	10%
Shares in a California Common Law Trust	N/A	None	None	None
Interest Rate Swaps (c)	N/A	None	None	None
Supranationals	5 Years	AA	30%	None
Mortgage Pass-Through Securities	5 Years	AA	20%	None

(a) In specified fund accounts where liquidity is not the primary investment objective, the maximum maturity can be up to ten years with granted express authority by the City Council. Such investments cannot be made less than three months following the approval of extended investment terms. All longer-term investments must be federal Treasury or Agency securities.

(b) Eligible Commercial Paper may not represent more than 10 percent of the outstanding paper of an issuing corporation.

(c) Interest rate swaps may only be used in conjunction with enterprise fund debt or investments.

C. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures, or State statutes.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	N/A	None
U.S. Agencies Securities	N/A	None
Certificates of Deposit	N/A - 30 days	None to A-1
Time Deposits	30 days	None to A-1
Bankers' Acceptance	N/A - 270 days	None to A-1
Money Market Funds	N/A	None to Aam-G
Pre-refunded Municipal Obligations	N/A	AAA
Repurchase Agreements	N/A - 30 days	None to A
Investment Agreements	N/A	A+ to AA
California Asset Management Pool (CAMP)	N/A	None
Local Agency Investment Fund (LAIF)	N/A	None
Guaranteed Investment Contract	N/A	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City also manages its interest rate risk by holding most investments to maturity.

Information about the sensitivity of the fair values of the investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity or earliest call date, as of June 30, 2024:

June 30, 2024	Remaining Maturity (in Months)		Total
	12 Months or Less	More than 60 Months	
City of Roseville Investment Pool	\$ 149,146,902	\$ -	\$ 149,146,902
Money Market Mutual Funds	8,637,998	-	8,637,998
Guaranteed Investment Contract (GIC)	-	2,150,737	2,150,737
Total investments	\$ 157,784,900	\$ 2,150,737	\$ 159,935,637

Information about the sensitivity of the fair values of the investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity or earliest call date, as of June 30, 2023:

June 30, 2023	Remaining Maturity (in Months)		Total
	12 Months or Less	More than 60 Months	
City of Roseville Investment Pool	\$ 134,784,605	\$ -	\$ 134,784,605
Money Market Mutual Funds	8,106,660	-	8,106,660
Guaranteed Investment Contract (GIC)	-	2,150,737	2,150,737
Total investments	\$ 142,891,265	\$ 2,150,737	\$ 145,042,002

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

E. Credit Risk

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. Presented below is the actual rating as of June 30, 2024 and 2023 for each investment type as provided by Standard and Poor's investment rating system:

June 30, 2024	Total
Not Rated	
City of Roseville Investment Pool	\$ 149,146,902
Money Market Mutual Funds	8,637,998
Guaranteed Investment Contract (GIC)	2,150,737
Total Investments	\$ 159,935,637
June 30, 2023	Total
Not Rated	
City of Roseville Investment Pool	\$ 134,784,605
Money Market Mutual Funds	8,106,660
Guaranteed Investment Contract (GIC)	2,150,737
Total Investments	\$ 145,042,002

F. Fair Value Measurements

The Electric Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is used on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable input; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The Electric Fund has the following recurring fair value measurements as of June 30, 2024 and 2023:

	Balance at June 30, 2024	Significant Other Observable Inputs (Level 2)
<u>Investment at Fair Value</u>		
Money Market Mutual Funds	\$ 8,637,998	<u>\$ 8,637,998</u>
<u>Investments not subject to the Fair Value Hierarchy</u>		
City of Roseville Investment Pool	149,146,902	
<u>Investments Measured at Amortized Cost</u>		
Guaranteed Investment Contract (GIC)	<u>2,150,737</u>	
Total Investments	<u>\$ 159,935,637</u>	
	Balance at June 30, 2023	Significant Other Observable Inputs (Level 2)
<u>Investment at Fair Value</u>		
Money Market Mutual Funds	\$ 8,106,660	<u>\$ 8,106,660</u>
<u>Investments not subject to the Fair Value Hierarchy</u>		
City of Roseville Investment Pool	134,784,605	
<u>Investments Measured at Amortized Cost</u>		
Guaranteed Investment Contract (GIC)	<u>2,150,737</u>	
Total Investments	<u>\$ 145,042,002</u>	

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 4: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A. Lessor Leases

For the year ended June 30, 2024, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

Lease Receivable for the year ended June 30, 2024, and June 30, 2023 are as follows:

2024	Balance as of July 1, 2023	Additions	Reductions	Balance as of June 30, 2024
Lease Receivable				
Buildings	\$ 851,902	\$ -	\$ 109,325	\$ 742,577
Land	1,748,570	-	1,748,570	-
Total Lease Receivable	\$ 2,600,472	\$ -	\$ 1,857,895	\$ 742,577
2023	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Lease Receivable				
Buildings	\$ 960,035	\$ -	\$ 108,133	\$ 851,902
Land	5,240,000	-	3,491,430	1,748,570
Total Lease Receivable	\$ 6,200,035	\$ -	\$ 3,599,563	\$ 2,600,472

Deferred Inflows of Resources for the year ended June 30, 2024, and June 30, 2023 are as follows:

2024	Balance as of July 1, 2023	Additions	Reductions	Balance as of June 30, 2024
Deferred Inflow of Resources:				
Buildings	\$ 829,881	\$ -	\$ 118,554	\$ 711,327
Land	1,710,342	-	1,710,342	-
Total Deferred Inflows of Resources	\$ 2,540,223	\$ -	\$ 1,828,896	\$ 711,327
2023	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Deferred Inflow of Resources:				
Buildings	\$ 948,436	\$ -	\$ 118,555	\$ 829,881
Land	5,131,026	-	3,420,684	1,710,342
Total Deferred Inflows of Resources	\$ 6,079,462	\$ -	\$ 3,539,239	\$ 2,540,223

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 4: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

B. Subscription-Based Information Technology Arrangements (SBITAs)

The Fund is a subscriber for a noncancellable subscription of information technology services. The Fund recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the financial statements. The Fund recognized subscription liabilities with an initial, individual value of \$75,000 or more.

At the commencement of a subscription, the Fund initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the Fund

determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

- The Fund uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Fund generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the Fund is reasonably certain to exercise.

The Fund monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

<u>Subscription Type</u>	<u>Amount of SBITA Capital Assets</u>	<u>Accumulated Amortization</u>
Software as a service	\$ 1,370,888	\$ (603,620)

<u>For the Year Ending June 30,</u>	<u>Subscription Liability</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 318,000	\$ 13,536
2026	279,252	8,200
2027	232,116	3,806
Total	<u>\$ 829,368</u>	<u>\$ 25,542</u>

NOTE 5: LONG-TERM DEBT

A. Composition and Changes

The Electric Fund generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The Electric Fund's debt issues and transactions are summarized below and discussed in detail thereafter.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 5: LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended June 30, 2024, is as follow:

	Original Issue Amount	Balance at June 30, 2023	Additions	Retirements	Balance at June 30, 2024	Current Portion
Certificates of Participation:						
2004 Electric System Reveue, 3.00-5.25%, due 2/1/34	\$ 39,940,000	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -
Less: deferred bond discount	(728,254)	-	-	-	-	-
Total certificates of participation	<u>39,211,746</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Revenue Bonds:						
2017A Electric System Reveue Refunding 3.00-5.00%, due 2/1/37	56,210,000	53,270,000	-	(3,605,000)	49,665,000	1,170,000
Add: bond premium	5,069,937	3,379,958	-	(241,425)	3,138,533	-
2020 Electric System Reveue Refunding 0.39-2.08%, due 2/1/34	34,770,000	33,170,000	-	(645,000)	32,525,000	3,150,000
Total revenue bonds	<u>96,049,937</u>	<u>89,819,958</u>	<u>-</u>	<u>(4,491,425)</u>	<u>85,328,533</u>	<u>4,320,000</u>
Total certificates of participation & revenue debt	<u>135,261,683</u>	<u>89,824,958</u>	<u>-</u>	<u>(4,491,425)</u>	<u>85,333,533</u>	<u>4,320,000</u>
Subscriptions	-	1,137,880	22,963	(331,475)	829,368	318,000
Total	<u>\$ 225,261,683</u>	<u>\$ 90,962,838</u>	<u>\$ 22,963</u>	<u>\$ (4,822,900)</u>	<u>\$ 86,162,901</u>	<u>\$ 4,638,000</u>

Long-term debt activity for the year ended June 30, 2023, is as follow:

	Original Issue Amount	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023	Current Portion
Direct Placement Debt						
Certificates of Participation:						
2012 Electric System Revenue variable rate, due 2/1/35	\$ 90,000,000	\$ 54,000,000	\$ -	\$ (54,000,000)	\$ -	\$ -
Direct placement debt total	<u>90,000,000</u>	<u>54,000,000</u>	<u>-</u>	<u>(54,000,000)</u>	<u>-</u>	<u>-</u>
Certificates of Participation:						
2004 Electric System Reveue, 3.00-5.25%, due 2/1/34	39,940,000	5,000	-	-	5,000	-
Less: deferred bond discount	(728,254)	-	-	-	-	-
Total certificates of participation	<u>39,211,746</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Revenue Bonds:						
2013 Electric System Reveue Refunding 2.00-5.00%, due 2/1/29	48,780,000	875,000	-	(875,000)	-	-
Add: bond premium	5,899,513	501,326	-	(501,326)	-	-
2017A Electric System Reveue Refunding 3.00-5.00%, due 2/1/37	56,210,000	56,035,000	-	(2,765,000)	53,270,000	3,605,000
Add: bond premium	5,069,937	3,621,385	-	(241,427)	3,379,958	-
2020 Electric System Reveue Refunding 0.39-2.08%, due 2/1/34	34,770,000	33,810,000	-	(640,000)	33,170,000	645,000
Total revenue bonds	<u>150,729,450</u>	<u>94,842,711</u>	<u>-</u>	<u>(5,022,753)</u>	<u>89,819,958</u>	<u>4,250,000</u>
Total certificates of participation & revenue debt	<u>189,941,196</u>	<u>94,847,711</u>	<u>-</u>	<u>(5,022,753)</u>	<u>89,824,958</u>	<u>4,250,000</u>
Subscriptions	-	-	1,347,924	(210,044)	1,137,880	323,775
Total	<u>\$ 279,941,196</u>	<u>\$ 148,847,711</u>	<u>\$ 1,347,924</u>	<u>\$ (59,232,797)</u>	<u>\$ 90,962,838</u>	<u>\$ 4,573,775</u>

NOTE 5: LONG-TERM DEBT (CONTINUED)

B. Direct Placement

2012 Electric System Revenue Refunding Certificates of Participation

On November 7, 2012 the City entered into a direct placement agreement with U.S. Bank for the purchase of the 2012 bonds. The COP's were issued to refund and retire the outstanding balance of the 2008A Electric System Revenue COPs. As of June 30, 2024, the balance was fully paid.

The COPs are secured by a pledge of the net revenue of the Electric Department. The revenue may not be used for any other purpose while any of the bonds remain outstanding.

The continuing covenant agreement for the bonds includes a provision that in an event of default, the repayment of the outstanding principal plus any accrued interest becomes immediately due. The City is responsible for cost increases caused by the adoption of a law or rule applicable to the bonds, changes in the taxes or tax basis of the Purchaser or Credit Protection Provider.

The terms of this agreement were renewed on April 20, 2016, and will expire on November 1, 2019. The City originally entered into a 27-year interest rate swap agreement for the entire amount of the 2008A COPs, and the interest rate swap agreement remains outstanding after the refunding, but notional amount of the swap is based on the notional amount of the 2008A COPs. The combination of the variable rate COPs and a floating rate swap creates synthetic fixed-rate debt for the City. The synthetic fixed rate for the COPs was 3.919 percent for the year ended June 30, 2023. The COPs were subject to mandatory prepayment annually beginning February 1, 2023 through 2035.

On November 1, 2019, the 2012 Electric COPs were paid down by \$36,000,000 leaving a balance of \$54,000,000. In addition, the Bank of America Merrill Lynch swap was terminated as of this date. As a result, the City paid \$7,176,500 to terminate the interest rate swap agreement. The US Bank direct placement was renewed with new interest rate terms of 80% of one-month LIBOR plus 60 basis points with direct placement expiring May 1, 2023. On April 3, 2023, the remaining balance of the 2012 Electric COPs, amounting to \$51,075,000, was fully paid off. Concurrently, the associated interest rate swap with Morgan Stanley Capital Services was terminated as of this date. The City paid \$2,665,000 to terminate the interest rate swap agreement.

C. Certificates of Participation

2004 Electric System Revenue Certificates of Participation

On July 1, 2004, the City issued \$39,940,000 of Certificates of Participation (COPs) to finance capital improvements to the City's Electric System. The COPs are repayable from net revenue of the Electric Utility System. The COPs bear interest at 3.00 percent to 5.25 percent and are due semi-annually on February 1 and August 1 of each year beginning February 1, 2005. Principal payments are due annually on February 1 through February 2034. The COPs were partially refunded by the 2013 Electric System Revenue Refunding Bonds as discussed in Note 5D below. In August 2014, the 2004 Electric System Revenue COP was partially refunded by the 2014 Electric System Revenue Refunding Bonds, leaving a par amount of \$5,000.

NOTE 5: LONG-TERM DEBT (CONTINUED)

D. Revenue Bonds

2013 Electric System Revenue Refunding Bonds

On November 14, 2013, the Roseville Finance Authority issued the Electric System Revenue Refunding Bonds, Series 2013, in the principal amount of \$48,780,000 to refund a portion of each of the 2004 Electric System Revenue and 2005 Electric System Revenue, Series A, COPs. The Bonds bear interest at 2.00 percent to 5.00 percent, and are due semi-annually on February 1 and August 1 of each year. The Bonds are repayable by a pledge of net revenue from the Electric System. Principal payments are due annually on February 1 through 2029. In September 2020, the City issued the 2020 Taxable Electric System Revenue Refunding Bonds, which refunded a portion of the 2013 bonds, which are further described below. As of June 30, 2023, the balance was fully paid.

2017A Electric System Revenue Refunding Bonds

On February 8, 2017, the City issued Revenue Bonds in the original principal amount of \$56,210,000. The Bonds were issued to refund a portion of the 2009 Electric System Revenue Refunding Certificates of Participation and the 2010 Electric System Revenue Refunding Bonds. The Revenue Bonds bear interest at 3.00 percent to 5.00 percent and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually on February 1 starting in 2022 and running through 2037. The balance outstanding as of June 30, 2024 is \$49,665,000.

2020 Electric System Revenue Refunding Bonds

On September 2020, the City issued Taxable Revenue Bonds in the original principal amount of \$34,770,000. The Bonds were issued to refund a portion of the 2013 and 2014 Electric System Revenue Refunding Bonds. The Revenue Bonds bear interest at 0.389 percent to 2.081 percent and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually on February 1 through 2034. The balance outstanding as of June 30, 2024 is \$32,525,000.

E. Electric System Pledged Revenues

As of June 30, 2024, the total principal and interest remaining to be paid on the 2004 Electric System Revenue COPs, the 2017A Electric System Revenue Refunding bonds and the 2020 Electric System Revenue Refunding Bonds was \$106,484,066. As disclosed in the official statements, all net revenues of the Electric System are expected to provide coverage over debt service of 110 percent over the lives of the Bonds. For fiscal year 2024, net revenues amounted to \$47,342,500 which represents coverage of 678 percent over the \$6,981,435 in debt service.

F. Original Issue Discounts and Premiums, Deferred Amounts on Refunding

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any difference between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 5: LONG-TERM DEBT (CONTINUED)

G. Debt Service Requirements

Annual debt service requirements are shown for all long-term debt:

For the Year Ending June 30,	Principal	Interest
2025	\$ 4,320,000	\$ 2,586,266
2026	4,400,000	2,499,576
2027	4,450,000	2,403,441
2028	4,565,000	2,296,148
2029	4,645,000	2,179,528
2030-2034	23,645,000	9,079,663
2035-2039	36,170,000	3,244,444
Total	\$ 82,195,000	\$ 24,289,066

NOTE 6: PENSION PLAN

A. Plan Description

Substantially all Electric Fund employees are eligible to participate in the City’s Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2024 and 2023, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	After January 1, 2013
Hire date		
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of annual salary	2.0-2.7%	1.0-2.5%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates*	11.04%	15.26%

*There was an additional contribution amount related to the payment of the Unfunded Actuarial Liability (UAL). This amount is allocated by the City to the City's various funds.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

C. Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Electric Fund is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

The Electric Fund's proportionate share of the City's contributions to the Miscellaneous Plan was 8,644,684 and 8,057,403 for the year ended June 30, 2024 and 2023, respectively.

D. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2024 and 2023, the Electric Fund reported a net pension liability of \$78,200,115 and \$74,341,652 respectively for its proportionate share of the City's Miscellaneous Plan's net pension liability.

The net pension liability of the Plan was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The Electric Fund's proportion of the City's Miscellaneous Pension Plan's net pension liability was based on the Electric Fund's fiscal year 2022 contributions to the City's miscellaneous pension plan relative to the total contributions of the City as a whole. The Electric Fund's proportionate share of the City's miscellaneous pension plan net pension liability, measured as of June 30, 2023 and June 30, 2022, for June 30, 2024 and 2023 was 23.95 percent and 24.07 percent respectively.

For the year ended June 30, 2024 and 2023, the Electric Fund recognized pension expense of \$12,329,356 and \$9,228,309 respectively. At June 30, 2024 and 2023, the Electric Fund reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	\$ 8,644,684	\$ -
Differences between expected and actual experience	3,387,703	-
Changes in assumptions	3,534,699	-
Net differences between projected and actual earnings on pension plan investments	6,183,843	-
Total	\$ 21,750,929	\$ -

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	\$ 8,057,403	\$ -
Differences between expected and actual experience	1,631,894	-
Changes in assumptions	5,328,836	-
Net differences between projected and actual earnings on pension plan investments	6,560,253	-
Total	\$ 21,578,386	\$ -

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

The amount of \$8,644,684 reported at June 30, 2024 in the enterprise fund as deferred outflows of resources related to pensions, resulting from the Electric Fund’s contributions to the City’s plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

For the Year Ending June 30,	Net Deferred Outflows/(Inflows) of Resources
2025	\$ 4,246,732
2026	3,536,734
2027	5,155,660
2028	167,119
Total	<u>\$ 13,106,245</u>

E. Actuarial Assumptions

The Electric Fund’s proportion of the City’s Miscellaneous Plan total pension liability in the June 30, 2024 and 2023, actuarial valuation was determined using the following actuarial assumptions.

	Miscellaneous	
	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2022	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method; Level % of pay	
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.80%	2.80%
Payroll Growth	2.80%	2.80%
Projected Salary Increase	3.3-14.2% (1)	3.3-14.2% (1)
Investment Rate of Return	7.00% (2)	7.00% (2)
Mortality	Derived using CalPERS membership data	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses, includes inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense an inflation) are developed for each major asset class.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

In determining the long-term expected rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class ⁽¹⁾	2024	
	Assumed Asset Allocation	Real Return ^(1, 2)
Global Equity - Cap-weighted	30%	4.54%
Global Equity - Non-Cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-back Securities	5%	0.50%
Investment Grade Corporates	10%	1.60%
High Yield	5%	2.27%
Merging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100%	

(1) An expected inflation of 2.3% used for this period

(2) Figures are based on the 2022 Asset Liability Management study

Asset Class ⁽¹⁾	2023		
	Assumed Asset Allocation	Real Return Years 1-10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

(1) In the Basic Financial Statement, Fixed Income is included in Global

(2) An expected inflation of 2.0% used for this period

(3) An expected inflation of 2.92% used for this period

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Plan as of the measurement date of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Electric Fund's proportionate share of the City's Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Electric Fund for the Plan, calculated using the discount rate for the Plan, as well as what the Electric Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>2024</u>	<u>2023</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 107,734,441	\$ 71,961,663
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 78,200,115	\$ 74,341,652
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 53,853,671	\$ 35,784,240

H. Pension Plan Fiduciary Net Position

Detailed information the City's collective net pension liability is available in the City's separately issued Annual Comprehensive Financial Report. The City's financial statements may be obtained by contacting the City of Roseville's Finance Department. That report may be obtained on the internet at www.roseville.ca.us.

NOTE 7: POSTEMPLOYMENT BENEFITS

Plan Description - The City provides medical benefits to substantially all retirees under the City of Roseville Retiree Healthcare Plan, a sole employer defined benefit healthcare plan administered by the Trust Investment Review Committee. The City is responsible for establishing and amending the funding policy of the Plan. The plan financial statements can be obtained by contacting the City of Roseville Finance Department at 311 Vernon Street, Roseville, California 95678. For financial reporting purposes, the Electric Fund reports a proportionate share of the City's net OPEB liability. Accordingly, the disclosures and required supplementary information (RSI) have been reported for the Electric Fund as a cost-sharing participant.

Benefits Provided – The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Plan. Benefit provisions are established and may be amended by City labor agreements, which are approved by the City Council.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 7: POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions – Contribution requirements of the Electric Fund are established and may be amended by the City Council. The Council established rates based on an actuarially determined rate. For the year ended June 30, 2024 and 2023, the Electric Fund contributed \$1,715,212 and \$1,306,373 respectively.

OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB.

As of June 30, 2024 and 2023, the Electric Fund reported a net OPEB liability of \$10,071,000 and \$9,778,000 respectively for its proportionate share of the City's net OPEB liability.

The net OPEB liability of the Plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The Electric Fund's proportion of the Plan's net OPEB liability was based on the Electric Fund's fiscal year 2024 contributions to the Plan relative to the total contributions of the City as a whole. The Electric Fund's proportionate share of the Plan's net OPEB liability, measured as of June 30, 2024 and 2023, was 13.08 percent 12.43 percent respectively.

For the year ended June 30, 2024 and 2023, the Electric Fund recognized OPEB expense (income) of \$10,595 and (\$64,627) respectively. At June 30, 2024 and 2023, the Electric Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 479,847	\$ 2,333,801
Differences between expected and actual experience	1,450,153	2,517,570
Net differences between projected and actual earnings on plan investments	-	354,629
Total	\$ 1,930,000	\$ 5,206,000

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 758,198	\$ 1,981,335
Differences between expected and actual experience	-	3,527,665
Net differences between projected and actual earnings on plan investments	680,802	-
Total	\$ 1,439,000	\$ 5,509,000

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 7: POSTEMPLOYMENT BENEFITS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an reduction to pension expense for the year ending June 30, 2025 are as follows:

For the Year Ending June 30,	Net Deferred Outflows/(Inflows) of Resources
2025	\$ (998,521)
2026	(437,194)
2027	(982,456)
2028	(712,633)
2029	(353,399)
Therafter	208,203
Total	<u>\$ (3,276,000)</u>

The Electric Fund's proportion of the City's total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	
	June 30, 2023	June 30, 2021
Valuation Date	June 30, 2023	June 30, 2021
Measurement Date	June 30, 2024	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method; Level % of pay	
Actuarial Assumptions:		
Discount Rate	6.25%	5.75%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	2.75%	2.75%
Investment Rate of Return	6.25%	5.75%
Healthcare cost trend rate	Non-Medicare: 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076. Medicare: 6.28% for 2026, decreasing to an ultimate rate of 3.45% in 2076.	
Mortality	Mortality projected fully generational with Scale MP-2021	

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

In measurement year ended June 30, 2024 and 2023, the discount rate was 6.25 percent and 5.75 percent respectively.

The table below reflects long-term expected real rate of return by asset class for the year ended June 30, 2024. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 7: POSTEMPLOYMENT BENEFITS (CONTINUED)

Asset Class	2024	
	Assumed Asset Allocation	Real Return
Equities	52%	4.56%
Private Equity	5%	7.09%
Fixed Income	33%	0.78%
Private Debt	5%	4.38%
Real Assets	5%	4.03%
Total	100%	

Assumed long-term rate of inflation	2.50%
Expected long-term net rate of return, rounded	6.25%

The table below reflects long-term expected real rate of return by asset class for the year ended June 30, 2023. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	2023	
	Assumed Asset Allocation	Real Return
Equities	60%	4.65%
Fixed Income	40%	0.78%
Total	100%	

Assumed long-term rate of inflation	2.50%
Expected long-term net rate of return, rounded	5.75%

A. Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent and 5.75 percent as of measurement date of June 30, 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

B. Sensitivity of the Electric Fund's proportionate share of the Plan's net OPEB Liability to changes in the discount rate

The following presents the Electric Fund's proportionate share of the net OPEB liability, calculated using the discount rate for the Plan, as well as what the Electric Fund's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2024		
	1% decrease 5.25%	Current 6.25%	1% increase 7.25%
Net OPEB Liability	\$ 13,590,479	\$ 10,071,000	\$ 6,326,276

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 7: POSTEMPLOYMENT BENEFITS (CONTINUED)

	2023		
	1% decrease 4.75%	Current 5.75%	1% increase 6.75%
Net OPEB Liability	\$ 13,633,457	\$ 9,778,000	\$ 6,652,820

C. Sensitivity of the Electric Fund’s proportionate share of the Plan’s net OPEB Liability to changes in the healthcare cost trend rate

The following presents the Electric Fund’s proportionate share of the net OPEB liability, as well as what the Electric Fund’s proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	2024		
	1% decrease (5.5% decreasing to 2.75%)	1% decrease (6.5% decreasing to 3.75%)	1% decrease (7.5% decreasing to 4.75%)
Net OPEB Liability	\$ 6,823,560	\$ 10,071,000	\$ 12,378,061

	2023		
	1% decrease (5.5% decreasing to 2.75%)	1% decrease (6.5% decreasing to 3.75%)	1% decrease (7.5% decreasing to 4.75%)
Net OPEB Liability	\$ 6,719,255	\$ 9,778,000	\$ 13,116,802

OPEB Plan Fiduciary Net Position – Detailed information about the City’s collective net OPEB liability is available in the City’s separately issued Annual Comprehensive Financial Report. The City’s Annual Comprehensive Financial Report may be obtained at www.roseville.ca.us.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 8: NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. General

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among fifteen public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

The City receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine the City's equity in NCPA as a whole. NCPA reports only the City's share of its General Operating Reserve, comprised of cash and investments, and the City's share of those Projects in which the City is a participant. These amounts are reflected in the financial statements as Investment in NCPA Reserve.

In the fiscal year ending June 30, 2024, the City had expenses totaling \$7,425,716 from resource contracts and the sale of energy generated by NCPA. In contrast, for the fiscal year ending June 30, 2023, the City generated net revenues totaling \$7,470,295 from resource contracts and the sale of energy produced by NCPA.

The City's interest in certain NCPA Projects and Reserve, as computed by NCPA using unaudited information, is set forth below.

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
General Operation Reserve (included advances)	\$ 5,008,942	\$ 4,461,627
Associated Member Services (including advances)	100,313	92,212
Undivided equity interest, at cost, in certain NCPA Power Projects:		
Geothermal Projects	762,998	762,969
Calavera Hydroelectric Project	490,690	490,689
Combustion Turbine Project No. 2	312,742	312,741
Total	<u>\$ 6,675,685</u>	<u>\$ 6,120,238</u>

The General Operating Reserve (GOR) is an additional operating reserve for non-budgeted items that are contingent or non-specific. Deposits to the GOR include items such as the City's portion of funds which resulted from the settlement with third parties of issues with financial consequences and reconciliations of prior years' budgets for programs. It is recognized that all the funds credited to the City are linked to the collection of revenue from the City's ratepayers, or to the settlement of disputes relating to electric power supply and that the money was collected from the City's ratepayers to pay power bills. Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employees post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam field depletion which will require funding to cover debt service and operational costs in excess of the expected value of the electric power. The General Operating Reserve is intended to minimize the number and amount of

NOTE 8: NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City maintains funds with NCPA as a reserve against these contingencies identified by NCPA.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

B. Projects

1. *Geothermal Projects*

NCPA's Geothermal Project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. NCPA will continue to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and is attempting to increase water reinjection at strategic locations. NCPA, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, when compared to local investor-owned utility rates, while meeting all electric system obligations including those to NCPA. In March 2009, NCPA issued \$35,610,000 Geothermal Project Number 3 Revenue Bonds (2009 Series A). The proceeds were used to finance and operate the two NCPA 110 MW geothermal steam powered generating plants, Plant Number 1 and Plant Number 2. In 2012, NCPA issued \$12,910,000 Geothermal Project Number 3 Revenue Bonds to facilitate turbine upgrades (2012 Series A) for Plant Number 1. In 2016, NCPA refinanced a portion of the outstanding Geothermal Project Number 3 Revenue Bonds by the issuance of the \$17,530,000 Fixed Rate Geothermal Project Number 3 Revenue Bonds (2016 Refunding Series A). The City is obligated to pay its contractual share of 7.883 percent of the operating costs and debt service until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2024, the book value of this Project's plant, equipment and other assets was \$140,753,000 while its long-term debt totaled \$3,425,000 and other liabilities totaled \$127,654,794. The City's share of the Project's long-term debt amounted to \$269,993 at that date. At June 30, 2023, the book value of this Project's plant, equipment and other assets was \$131,814,266 while its long-term debt totaled \$6,785,000 and other liabilities totaled \$115,356,060. The City's share of the Project's long-term debt amounted to \$534,862 at that date.

NOTE 8: NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

2. *Calaveras Hydroelectric Project*

In July 1981, NCPA agreed with Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project and to finance its construction. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants. Under its power purchase agreement with NCPA, the City is obligated to pay 12 percent of this Project's debt service and operating costs. In March 2018, NCPA refunded a portion of the outstanding Revenue Bonds with the \$70,215,000 2018 Hydroelectric Project Number One Revenue Bonds. The City's share of the 2018 bonds is 4.586 percent. In April 2019, NCPA refunded a portion of the outstanding Revenue Bonds with the \$39,250,000 2019 Hydroelectric Project Number One Revenue Bonds. In April 2022, NCPA refunded a portion of the outstanding Revenue Bonds with the \$132,310,000 2022 Hydroelectric Project Number One Revenue Bonds. As of June 30, 2024, the balance of the 2019 Hydroelectric Project Number One Revenue Bonds was fully paid. At June 30, 2024, the book value of this Project's plant, equipment and other assets was \$222,953,000, while its long-term debt totaled \$174,117,786, and other liabilities totaled \$44,746,139. The City's share of the Project's long-term debt amounted to \$19,838,010 at that date. At June 30, 2023, the book value of this Project's plant, equipment and other assets was \$250,743,387, while its long-term debt totaled \$203,500,748, and other liabilities totaled \$43,153,564. The City's share of the Project's long-term debt amounted to \$21,502,287 at that date.

3. *Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)*

The City is a participant in a 49.8 megawatt Steam Injected Gas Turbine project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued \$152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project. In January 2010, NCPA refinanced the outstanding Capital Facilities Revenue Bonds by the issuance of the \$55,120,000 Capital Facilities Revenue Bonds Series A (2010 Refunding Series A). In December 2019, NCPA refinanced the outstanding Capital Facilities Revenue Bonds by the issuance of the \$20,450,000 Capital Facilities Revenue Bonds Series A (2019 Refunding Series A). Under the NCPA power purchase agreement, the City is obligated to pay 36.50 percent of the debt service and operating costs for the Lodi unit.

The City's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, the City and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. The City is obligated to pay 17.9218 percent of the natural gas purchase contract.

At June 30, 2024, the book value of this Project's plant, equipment and other assets was \$11,656,000, while its long-term debt totaled \$4,977,567 and other liabilities totaled \$5,821,605. The City's share of the Project's long-term debt amounted to \$1,816,812 at that date. At June 30, 2023, the book value of this Project's plant, equipment and other assets was \$14,075,998, while its long-term debt totaled \$9,909,721 and other liabilities totaled \$3,317,441. The City's share of the Project's long-term debt amounted to \$3,614,131 at that date.

C. NCPA Financial Information

NCPA's financial statements can be obtained from NCPA, 651 Commerce Drive, Roseville, California 95678.

NOTE 9: RISK MANAGEMENT

The Electric Fund, as a Fund of the City, is included in the City's risk management program. The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member agencies. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

The contributions made to the risk pools below equal the ratio of the respective member payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

A. Risk Coverage

General Liability, Property and Boiler and Machinery

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims, property, and boiler and machinery losses. Once the City's self-insured retention (SIR) is met, CJPRMA becomes responsible for payment of all claims up to the limit. Financial statements for the risk pool and more information may be obtained from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, California 94551.

General Liability Coverage

The City has a self-insured retention (SIR) of \$1,000,000 per claim up to a \$40,000,000 limit.

Property Coverage

CJPRMA has purchased commercial insurance against property damage, boiler machinery claims. The City has a SIR of \$250,000 per claim up to a \$400,000,000 limit.

Roseville Energy Park Property Coverage

The City purchased commercial property insurance specifically to cover the Roseville Energy Park. The City has a SIR of \$250,000 per claim up to a \$200,000,000 limit.

Fiduciary Coverage

The City purchased fiduciary insurance specifically to cover the OPEB Trust. The SIR is \$25,000 per claim up to a \$3,000,000 limit.

NOTE 9: RISK MANAGEMENT (CONTINUED)

Workers' Compensation

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which covers workers' compensation claims up to \$5,000,000 and has excess coverage through CSAC-EIA up to the statutory limit. The City has a SIR of \$500,000 per claim.

Financial statements for the risk pool and more information may be obtained from LAWCX, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

Claims have not exceeded coverage at any time in the last three years.

NOTE 10: CONTINGENT LIABILITIES

A. NCPA, Transmission Agency of Northern California and Western Area Power Administration

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 8. The City's estimated share of such debt outstanding at June 30, 2024 and 2023, was \$21,924,815 and \$25,651,279, respectively. Under certain circumstances, the City may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

The City is a member of the Transmission Agency of Northern California (TANC), a joint powers agency. The City is entitled to 2.1119 percent of TANC's share of transfer capability in the California-Oregon Transmission Project (approximately 29.35MW). The City is responsible for a share of debt service on debt issued by TANC under a take-or-pay agreement, approximately \$350,000 annually through 2039. The City's estimated share of debt outstanding at June 30, 2024 and 2023 was \$3,641,409 and \$3,776,850 respectively.

In addition, the City has a long-term obligation to the United States Department of Energy, Western Area Power Administration, for 4.85333 percent of the output of the Central Valley Project, California. This contract, also known as the Western Base Resource, obligates the City to make payments on a "take-or-pay" basis through December 31, 2024. The City expects to pay approximately \$3.25 million annually for the term of this contract. The City receives approximately 155,000 MWh of energy per year under average hydro and storage conditions.

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

C. Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, other than disclosed above, which is likely to have a material adverse effect on the financial position of the City.

CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

NOTE 10: CONTINGENT LIABILITIES (CONTINUED)

D. Other Commitments

The Electric Fund had the following outstanding significant commitments at June 30, 2024 and 2023:

Projects	2024		2023	
	Amount (in millions)		Amount (in millions)	
Purchase Contracts:				
Roseville Energy park long-term service agreement	\$	26.4	\$	29.0
Net power purchase contracts		4.8		6.8
Natural gas forward obligation		38.7		49.3
Renewable power purchase obligations		7.6		15.1
Advanced metering infrastructure		-		4.0
SWAP Contracts:				
Forward Contract, Power (1)		4.3		(2.8)
Forward Contract, Natural Gas (1)		5.3		1.4

(1) The City enters into contracts to hedge its exposure to power and natural gas price fluctuations and to procure energy supplies. These forward contracts for both power and natural gas are intended to stabilize future costs and reduce the impact of market volatility. The net fair value of these contracts represents the difference between the contract price and the prevailing market price as of the reporting date. Net fair values are estimated by comparing contract prices to forward market prices quoted by third party market participants or provided in relevant industry publications. A negative net fair value indicates a favorable market condition. Conversely, a positive net fair value represents an unfavorable market condition.

NOTE 11: SUBSEQUENT EVENTS

On November 1, 2024, the Electric Fund took title to two General Electric TM2500 combustion turbine generators (the "Units") from the California Department of Water Resources (CDWR). These Units, which were installed by CDWR at the Roseville Energy Park in 2021 to enhance grid reliability, were part of the State of California's response to projected energy supply challenges amid climate-driven emergencies. The net book value of these units and associated equipment was approximately \$71.6 million as of the transfer date. With immediate ownership, the Electric Fund anticipates leveraging the capacity and energy from the Units to benefit its customers, including reducing reliance on other generation sources during high-demand months.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROSEVILLE ELECTRIC FUND
Schedule of Pension Contributions
City's Miscellaneous Plan Net Pension Liability
As of June 30, for the Last Ten Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Measurement date				
Proportion of the City's miscellaneous plan net pension liability	21.27%	21.27%	15.10%	24.20%
Proportionate share of the City's miscellaneous plan net pension liability	\$ 35,340,103	\$ 37,644,806	\$ 45,137,479	\$ 55,319,523
Covered payroll	\$ 14,222,485	\$ 15,098,184	\$ 16,397,168	\$ 19,055,633
Proportionate share of the net pension liability as a percentage of covered payroll	248.48%	249.33%	275.28%	290.31%
Miscellaneous plan fiduciary net position as a percentage of the total pension liability	67.62%	66.97%	63.89%	63.85%

2019	2020	2021	2022	2023	2024
6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
24.80%	25.60%	25.93%	24.58%	24.07%	23.95%
\$ 58,193,004	\$ 63,291,847	\$ 68,619,020	\$ 47,478,679	\$ 74,341,652	\$ 78,200,115
\$ 19,169,023	\$ 20,288,169	\$ 20,586,805	\$ 22,270,720	\$ 21,355,722	\$ 22,445,040
303.58%	311.96%	333.32%	213.19%	348.11%	348.41%
65.21%	65.09%	64.55%	75.39%	63.82%	63.92%

CITY OF ROSEVILLE ELECTRIC FUND
Schedule of Pension Contributions
As of June 30, for the Last Ten Fiscal Years

Valuation Date	2015	2016	2017	2018
	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous
Actuarial Determined Contribution	\$ 3,375,790	\$ 3,884,489	\$ 4,699,119	\$ 4,463,913
Contribution in relation to the Actuarially Determined Contribution	(3,375,790)	(3,884,489)	(4,699,119)	(4,463,913)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 15,098,184	\$ 16,397,168	\$ 19,055,633	\$ 19,169,023
Contributions as a percentage of covered payroll	22.36%	23.69%	24.66%	23.29%

Notes to Schedule:

Valuation date June 30, 2022
Methods and assumptions used to determine contribution rates:

Actuarial cost method
Amortization method

Entry age normal cost method
Level percentage of pay, a summary of the current policy is provided in the table below:

Driver	Source				
	(Gain)/Loss		Assumption/ Method Change	Benefit Change	Golden Handshake
	Investment	Non-investment			
Amortization Period	30 years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	2.750%	2.750%	2.750%	2.750%	2.750%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

Asset valuation method
Inflation
Salary increases
Payroll growth
Investment rate of return
Retirement age

Market Value
2.50%
Varies by Entry Age and Service
2.75%
7.00%, net of pension plan investment expenses, including inflation.
All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Mortality

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report.

**Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

2019		2020		2021		2022		2023		2024	
June 30, 2017		June 30, 2018		June 30, 2019		June 30, 2020		June 30, 2021		June 30, 2022	
Miscellaneous		Miscellaneous		Miscellaneous		Miscellaneous		Miscellaneous		Miscellaneous	
\$	5,112,952	\$	5,888,148	\$	7,058,610	\$	7,457,891	\$	8,057,403	\$	8,644,684
	(5,112,952)		(5,888,148)		(7,058,610)		(7,457,891)		(8,057,403)		(8,644,684)
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	20,288,169	\$	20,586,805	\$	22,270,720	\$	21,355,722	\$	22,445,040	\$	23,606,035
	25.20%		28.60%		31.69%		34.92%		35.90%		36.62%

CITY OF ROSEVILLE ELECTRIC FUND
Schedule of the Electric Fund's
Proportionate Share of the City's Net OPEB Liability
Last Ten Years**

Measurement Date	<u>2018</u>	<u>2019</u>	<u>2020</u>
	June 30, 2018	June 30, 2019	June 30, 2020
Proportion of the City's miscellaneous plan net OPEB liability	11.11%	13.43%	12.18%
Proportionate share of City's miscellaneous plans net OPEB liability	\$ 15,897,000	\$ 18,900,000	\$ 14,134,000
Covered payroll	\$ 13,336,246	\$ 17,651,501	\$ 20,586,805
Proportionate share of net OPEB liability as a percentage of covered payroll	119.20%	107.07%	68.66%
Miscellaneous plan fiduciary net position as a percentage of the total OPEB liability	37.07%	41.04%	48.58%

** Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

2021	2022	2023	2024
June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
11.72%	12.45%	12.43%	13.08%
\$ 11,681,000	\$ 10,427,000	\$ 9,778,000	\$ 10,071,000
\$ 22,270,720	\$ 21,355,722	\$ 22,445,040	\$ 23,606,877
52.45%	48.83%	43.56%	42.66%
58.95%	60.73%	64.17%	68.43%

CITY OF ROSEVILLE ELECTRIC FUND
Schedule of OPEB Contributions
Last Ten Years**

Valuation Date	<u>2018</u>	<u>2019</u>	<u>2020</u>
	June 30, 2017	June 30, 2017	June 30, 2019
Actuarially Determined Contribution	\$ 2,016,000	\$ 2,079,000	\$ 2,224,000
Contribution in Relation to the Actuarially Determined Contributions	<u>(2,016,000)</u>	<u>(2,079,000)</u>	<u>(2,224,000)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 13,336,246	\$ 17,651,501	\$ 20,586,805
Contributions as a percentage of covered-employee payroll	15.12%	11.78%	10.80%

** Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

Methods and assumptions used to determine contributions:

Most Recent Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal, level percent of payroll
Amortization Method	Level percent of pay
Asset Valuation Method	Investment gains and losses spread over 5 year rolling period
Inflation	2.50%
Salary Increase	Aggregate of 2.75%
Discount rate	5.75%
Mortality	Derived using CalPERS membership data

2021	2022	2023	2024
June 30, 2019	June 30, 2021	June 30, 2021	June 30, 2023
\$ 2,286,000	\$ 1,936,000	\$ 1,602,000	\$ 1,375,231
(2,286,000)	(1,936,000)	(1,602,000)	(1,375,231)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,270,720	\$ 21,355,722	\$ 22,445,040	\$ 23,606,877
10.26%	9.07%	7.14%	5.83%