

RESOLUTION NO. 2008-187

RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF ROCKLIN ACCEPTING THE AUDITED FINANCIAL
STATEMENTS FOR THE FISCAL YEAR 2006-2007

The City Council of the City of Rocklin does resolve as follows:

Section 1. The City Council of the City of Rocklin hereby accepts the audited financial statements for the fiscal year 2006-2007 attached hereto as Exhibit A and by this reference incorporated herein.

PASSED AND ADOPTED this 24th day of June, 2008, by the following roll call vote:

AYES: Councilmembers: Magnuson, Yuill, Storey

NOES: Councilmembers: None

ABSENT: Councilmembers: Hill, Lund

ABSTAIN: Councilmembers: None

Brett Storey, Mayor

ATTEST:

Barbara Ivanusich, City Clerk

EXHIBIT A
City of Rocklin Audited Financial Statements
2006-2007

ON FILE IN CITY CLERK'S OFFICE

THE CITY OF ROCKLIN, CALIFORNIA

Audited Financial Statements And
Supplemental Information

June 30, 2007

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CITY OF ROCKLIN, CALIFORNIA

Audited Financial Statements and
Supplemental Information

June 30, 2007

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CITY OF ROCKLIN, CALIFORNIA

Audited Financial Statements and
Supplemental Information

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council, and City Manager
City of Rocklin, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rocklin, California, as of and for the year then ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rocklin, California's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rocklin, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Rocklin, California's basic financial statements. The combining and individual

Honorable Mayor, Members of the City Council, and City Manager
City of Rocklin, California

nonmajor and agency fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of City of Rocklin, California. The combining and individual nonmajor and agency fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Richardson & Company

March 27, 2008

**CITY OF ROCKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2007**

This section of the City of Rocklin's (the City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2007. It should be read in conjunction with the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of fiscal year 2006-07 by \$410,383,219 (net assets). Of this amount, \$35,479,788 in unrestricted net assets is available to meet ongoing obligations to citizens and creditors, \$60,900,601 in restricted net assets must be used only for specific purposes and \$314,002,830 is invested in capital assets, net of related debt.
- The City's total net assets increased by \$19,895,719.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the City of Rocklin and its component units using the integrated approach as prescribed by GASB Statement No. 34. The Government-wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities, if any, separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities, if any, are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. A reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the City of Rocklin and its component units are described as follows:

The Primary Government

The City of Rocklin was incorporated in 1893 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: Public Safety (Police and Fire), Streets, Parks, Public Improvements, Planning and Zoning, and General Administrative Services.

The accompanying annual financial report includes the financial activities of the City of Rocklin, the primary government, and its component units, which are the Redevelopment Agency of the City of Rocklin, and the Rocklin Public Financing Authority. Financial information for the City and these component units are accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in concurrent session, serve as the governing board of the Redevelopment Agency and the Public Financing Authority, and, as such, these entities are presented on a blended basis.

The Redevelopment Agency of the City of Rocklin (the Agency) was established August 5, 1964 pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law", and on November 11, 1975, the City Council became the governing board. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Rocklin. City staff provides management assistance to the Agency. The funds of the Agency have been included in the governmental activities in the financial statements.

The Rocklin Public Financing Authority (the Authority) is a joint powers authority organized under Section 6500 et seq. of the California Government Code on June 21, 1989, between the City and the Agency for the purpose of acting as a vehicle for various financing activities of the City and the Agency. The Authority's Board of Directors is the Rocklin City Council. The funds of the Authority have been included in the governmental activities in the financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, the City's activities are as follows:

Governmental activities – Most of the City's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Community Development, Parks, Recreation and Community Services. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 27-53 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund Financial Statements to those in the Government-wide Financial Statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds – When the City charges internal customers for the services it provides these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. We use the internal service fund (a component of proprietary funds) to report activities that provide supplies and services for the City's Fleet Operations, which includes equipment replacement funds.

The Internal Service Fund is reported with governmental activities in the Government-wide Financial Statements.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for funds held on behalf of several agency funds. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The City's combined Net Assets for the fiscal year ended June 30, 2007 and 2006 were:

Table 1
Governmental Net Assets
June 30,

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 112,884,388	\$ 106,085,495
Capital assets	362,035,242	345,977,268
Total Assets	<u>474,919,630</u>	<u>452,062,763</u>
Current and other liabilities	13,250,334	14,175,030
Long-term liabilities	51,286,077	47,400,233
Total Liabilities	<u>64,536,411</u>	<u>61,575,263</u>
Net Assets:		
Invested in capital assets, net of related debt	314,002,830	301,542,340
Restricted net assets	60,900,601	55,165,034
Unrestricted net assets	35,479,788	33,780,126
Total Net Assets	<u>\$ 410,383,219</u>	<u>\$ 390,487,500</u>

As of June 30, 2007, the City's assets exceeded liabilities by \$410,383,219. This is an increase in net assets of \$19,895,719 over 2006.

The \$16,057,974 net increase in capital assets is a result of net additions to infrastructure of \$13,864,524, and net additions of \$35,595,473 to land, facilities, improvements, machinery and equipment as well as a net decrease in construction in progress of \$23,086,285 and a net increase in accumulated depreciation of \$10,315,738.

The following table indicates the changes in governmental net assets:

Table 2
Governmental Statement of Activities
For the Year Ended June 30,

	2007	2006
<i>Revenues:</i>		
<i>Program revenues:</i>		
Fees, fines and charges for services	\$ 10,703,540	\$ 10,532,891
Operating grants and contributions	510,641	2,548,421
Capital grants and contributions	16,291,432	24,891,312
 <i>General revenues:</i>		
Property taxes	15,143,507	13,077,447
Sales and use taxes	6,505,180	5,032,904
Gas taxes	4,876,889	4,048,413
Franchise fees	1,514,343	1,457,402
Other taxes	1,735,645	1,592,552
Occupancy tax	565,606	604,642
Motor vehicle fees	3,841,341	3,755,883
Impact fees	8,827,938	7,469,174
Interest and investment earnings	5,749,228	3,152,136
Miscellaneous	1,155,580	1,687,041
Gain/(Loss) on Sale of Assets	34,431	(14,102)
Total Revenues	77,455,301	79,836,116
 <i>Expenses:</i>		
General government	9,350,983	8,519,066
Public safety	17,561,793	15,237,633
Public works	3,590,204	3,602,819
Culture and recreation	10,086,084	10,506,878
Community development	4,492,882	4,575,485
Depreciation	10,798,526	7,957,440
Interest on long-term debt	1,679,110	1,400,509
Total Expenses	57,559,582	51,799,830
Change in Net Assets	19,895,719	28,036,286
Net Assets – Beginning of Year	390,487,500	362,451,214
Net Assets – End of Year	\$ 410,383,219	\$ 390,487,500

As Table 2 above shows, 27,505,613, or 36% of the City’s revenue came from program revenues and \$49,949,688, or 64% came from general revenues such as taxes and interest.

Program revenues were composed of fees, fines and charges for service of \$10,703,540 that include permit revenues, fees and charges used to fund expenses incurred in providing services and \$16,802,073 of operating and capital grants and contributions, which include education, recreation, transportation, housing and police grants.

General revenues are not allocable to programs, but are used to pay for the net costs of governmental programs.

Total revenues decreased \$2,380,815. This decrease is the result of higher prior year revenue which included \$23,272,727 in capital asset developer's contributions compared to \$5,246,873 in 2007. General Revenues, which include property and other taxes as well as impact fees, motor vehicle and franchise fees and interest and investment earnings, increased by 19% over prior year. Total expenses experienced a net increase of \$5,759,752. This net increase in expenses is attributed mainly to an increase in General Government, Public Safety and Public Works expenses as a result of increased payroll costs, as well as increased depreciation expense related to increased capital assets.

The City's net assets as of June 30, 2007 comprised the following:

	<u>2007</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 314,002,830
Restricted net assets:	
Debt service	19,003,083
Capital projects	25,743,901
Street projects	5,286,786
Housing projects	5,267,874
Low and moderate income housing	1,575,922
Community projects	1,441,222
Park projects	2,203,398
Other projects	378,415
Unrestricted net assets	<u>35,479,788</u>
Total Net Assets	<u>\$ 410,383,219</u>

GOVERNMENTAL ACTIVITIES

As shown on the statement of net activities on page 15, the cost of all governmental activities this year was \$57,559,582. The \$15,211,520 under Capital Grants and Contributions in Public Works includes a \$5,246,873 capital asset developer's contribution which is not available for financing governmental activities. Adding the \$5,246,873 to the net expenses of \$30,053,969 results in a total of \$35,300,842 of governmental activity expenses that our taxpayers ultimately financed through City taxes and fees. Therefore, \$57,559,582 minus \$35,300,842 equals \$22,258,740 which is amount paid by those who directly benefited from the programs through the City's program revenues and by intergovernmental grants and contributions.

The City's programs include: General Government, Public Safety, Public Works, Culture & Recreation and Community Development. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities Net (Expense) Revenue

General Government	\$ (9,245,248)
Public Safety	(17,350,435)
Public Works (net capital asset contributions)	(1,302,109)
Culture & Recreation	(6,531,525)
Community Development	807,585
Interest on Long-term Debt	(1,679,110)

Total resources available during the year to finance governmental operations were \$467,942,801, consisting of Net Assets at July 1, 2006 of \$390,487,500, program revenues of \$27,505,613 and general revenues of \$49,949,688. Total Governmental Activities during the year were \$57,559,582 thus Net Assets were increased by \$19,895,719 to \$410,383,219.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial information presented thus far has focused on government-wide statements prepared using the accrual method of accounting. As previously discussed, the focus of fund accounting is on how money flows into and out of funds, and the balances remaining at year-end that are available for spending. This serves as an important measure of working capital for providing service to Rocklin residents. In particular, unreserved fund balance is useful in measuring resources available for spending at fiscal year-end. Since the focus in fund accounting is on current resource activity, the balance sheet does not reflect long-term assets and long-term debt.

Governmental Funds

The governmental funds of the City reflected a combined total amount of assets and liabilities of \$111,022,029, and \$15,867,418, respectively. This resulted in a total combined fund balance of \$95,154,611. The unreserved portion of the combined fund balance amount was \$61,626,617.

The primary operating fund of the City is the General Fund. For the fiscal year-ended June 30, 2007, the unreserved fund balance of the General Fund was \$29,029,741 and the total fund balance was \$34,398,770. This represents a net increase in fund balance of \$2,768,957 over June 30, 2006.

Cash and investments represent the largest balance sheet asset component for the governmental funds, representing \$92,312,725 or 83% of total governmental fund assets.

The Public Financing Authority Debt Service Fund has total assets of \$13,870,163 and represents 13% of the total governmental fund assets. The fund balance is reserved for the repayment of principal and interest on debt.

The Redevelopment Agency Debt Service Fund has total assets of \$5,403,395 and represents 5% of the total governmental fund assets. The fund balance is reserved for the repayment of principal and interest on debt.

The Community Facilities District #11 Capital Projects Fund has total assets of \$7,086,395 and represents 6% of the governmental fund assets. The fund balance is unreserved and is reported in capital projects funds.

Proprietary Fund

The proprietary fund of the City is the Fleet Internal Service Fund. This fund reflected a total of assets and liabilities of \$9,190,428, and \$149,915, respectively. The unrestricted net assets increased by \$335,694.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 3
Capital Assets at End of Year

	Governmental Activities	
	2007	2006
Land	\$ 54,467,004	\$ 49,206,260
Land improvements	67,461	67,461
Construction in progress	47,333,573	70,419,858
Infrastructure	295,785,465	281,920,941
Building and improvements	46,812,169	18,140,978
Equipment	12,827,841	11,164,303
Accumulated depreciation	(95,258,271)	(84,942,533)
Total	\$ 362,035,242	\$ 345,977,268

The City's investment in capital assets for its governmental-type activities as of June 30, 2007 totaled \$362,035,242 (net of accumulated depreciation). The investment in capital assets includes land, building and improvements, equipment and construction in progress. The total increase in the City's investment in capital assets for the current year was \$16,057,974.

Major capital asset acquisitions during the current fiscal year include:

1. Police Station Solar Carport
2. Sierra College Blvd/ I-80 Interchange Right of Way Acquisition
3. Brigham & Hawes Neighborhood Park
4. Bolton Neighborhood Park

A summary of the City's capital assets is presented in Note – E, see pages 44–45 of this report.

Debt Administration

The following schedule shows the changes in long-term debt for the year:

Table 4
Long-term Debt at June 30, 2007

	Balance June 30, 2006	Incurred	Retired	Balance June 30, 2007
Governmental Activities Certificates of Participation and Bonds	\$ 44,270,000	\$ 15,815,000	\$ (11,850,000)	\$ 48,235,000
Promissory Note	550,000		(100,000)	450,000
Pass-through Obligation	48,686		(48,686)	0
	<u>\$ 44,868,686</u>	<u>\$ 15,815,000</u>	<u>\$ (11,998,686)</u>	<u>\$ 48,685,000</u>

Debt, considered a liability of governmental activities, had a net increase in fiscal year 2006–07 of \$3,816,314. The increase in debt is due to the Redevelopment Agency issuance of \$4,000,000 in new debt for capital projects. Additional information on the City’s long-term debt is presented in Note F, see page 45 of this report.

BUDGETARY HIGHLIGHTS

The City adopts an annual budget that includes proposed expenditures and expected earnings. Public hearings are conducted to obtain comments from the public before finalizing the budget. The budget is adopted by the City Council on or before June 30th of each year. Subsequent changes to the original budget must be approved by the City Council.

There is a net favorable variance of \$2,046,290 between actual and final budgeted General Fund revenue amounts and is the result of increased sales tax, property tax, business license tax and interest revenues.

The net favorable variance in expenditures in the amount of \$2,430,742 was due primarily to an unanticipated decrease in personnel and general operation expenditures related to general government, public safety, culture and recreation, and community development.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006–2007 ARE NOTED BELOW:

- Multi-Modal Rail Station completed,
- Granite Drive overlay, landscaping & median projects completed,
- Police Department Solar Carport completed,
- Completion of cape seal and slurry seal projects at various locations,
- Brigham & Hawes Neighborhood Park completed,
- Bolton Neighborhood Park completed,
- Started construction on Sierra College/I-80 Interchange project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the City Budget for fiscal year 2007/2008 the City Council and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Property tax revenues will increase by 7% due to growth,
2. Sales tax revenues will increase by 5% as a result of anticipated growth in the retail base,
3. State subventions will be based on population of 51,951,
4. License and permit fees will decrease as residential development slows down,
5. Community Service program revenues will increase as the number and variety of programs have been increased.

The park construction budget of \$1,645,000 includes the following:

- Gayaldo Park construction,
- Corral-Alva Park construction,
- Twin Oaks Park playground,
- Johnson Springview Park sport fields, lighting and restroom upgrades,
- Off leash dog area,
- Water play area,
- Pebble Creek shade cover & pathway,
- Several park playground replacements.

The facilities construction budget of \$224,000 includes the following:

- Fire Station #3 carport
- ADA upgrades,
- Several building maintenance/repair projects.

The street construction budget of \$3,973,100 includes the following:

- Sierra College Blvd/I-80 Interchange construction support,
- Farron St. crossing bridge,
- Sierra College Blvd widening,
- Sunset Blvd overlay Topaz to Fairway,
- Lonetree Blvd widening project,
- Rocklin Road improvements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report, regarding either the City or any of its component units, or requests for additional information should be addressed to the Chief Financial Officer, 3970 Rocklin Road, Rocklin, California, 95677.

BASIC FINANCIAL STATEMENTS

CITY OF ROCKLIN, CALIFORNIA

STATEMENT OF NET ASSETS

As of June 30, 2007

	Governmental Activities
ASSETS	
Cash and investments	\$ 69,474,000
Receivables:	
Interest receivable	940,155
Taxes receivable	1,884,044
Notes receivable	8,232,866
Other	74,562
Inventory	140,865
Due from other agencies	2,628,631
Other assets	727,505
Restricted cash and investments	27,567,309
Unamortized bond issuance costs	1,214,451
Capital assets, net	<u>362,035,242</u>
TOTAL ASSETS	<u>474,919,630</u>
LIABILITIES	
Accounts payable	4,922,904
Accrued liabilities	1,178,663
Deposits payable	2,499,062
Interest payable	650,765
Due to other agencies	830,695
Deferred revenue	113,190
Long-term liabilities:	
Due within one year	3,055,055
Due in more than one year	<u>51,286,077</u>
TOTAL LIABILITIES	<u>64,536,411</u>
NET ASSETS	
Invested in capital assets, net of related debt	314,002,830
Restricted for:	
Debt service	19,003,083
Capital projects	25,743,901
Street projects	5,286,786
Housing projects	5,267,874
Low and moderate income housing	1,575,922
Community projects	1,441,222
Park projects	2,203,398
Other projects	378,415
Unrestricted	<u>35,479,788</u>
TOTAL NET ASSETS	<u><u>\$ 410,383,219</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

FUNCTIONAL/PROGRAMS	Operating Expenses	Charges for Services	Program Revenues		Net (Expenses) Revenue-Governmental Activities
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General government	\$ 9,741,574	\$ 482,992	\$ 13,334		\$ (9,245,248)
Public safety	19,083,423	1,316,682	260,433	\$ 155,873	(17,350,435)
Public works	11,290,399	23,643		15,211,520	3,944,764
Culture and recreation	11,054,035	3,863,001	236,874	422,635	(6,531,525)
Community development	4,711,041	5,017,222		501,404	807,585
Interest on long-term debt	1,679,110				(1,679,110)
TOTAL GOVERNMENTAL ACTIVITIES	57,559,582	10,703,540	510,641	16,291,432	(30,053,969)
GENERAL REVENUES:					
Taxes:					
Property taxes					15,143,507
Sales and use tax					6,505,180
Gas tax					4,876,889
Occupancy tax					565,606
Other taxes					1,735,645
Motor vehicle fees					3,841,341
Franchise fees					1,514,343
Impact fees					8,827,938
Interest and investment earnings					5,749,228
Miscellaneous					1,155,580
Gain on sale of assets					34,431
				Total General Revenues	49,949,688
				Change in net assets	19,895,719
				Net assets, beginning of year	390,487,500
				Net assets, end of year	<u><u>\$ 410,383,219</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

BALANCE SHEET – GOVERNMENTAL FUNDS

As of June 30, 2007

	Major Funds			
	General Fund	Public Financing Authority Debt Service Fund	Redevelopment Agency Debt Service Fund	Community Facilities District # 11 Capital Projects Fund
ASSETS				
Cash and investments	\$ 30,016,054	\$ 65,662	\$ 3,320,067	\$ 7,086,395
Receivables:				
Interest receivable	374,609			
Taxes receivable	1,309,057		286,749	
Notes receivable	5,100,000			
Other receivable	74,490			
Due from other funds	3,952,512			
Due from other governments	159,971			
Other assets	631,005			
Advances to other funds	269,029			
Restricted cash and investments		13,804,501	1,796,579	
TOTAL ASSETS	\$ 41,886,727	\$ 13,870,163	\$ 5,403,395	\$ 7,086,395
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,474,791		\$ 4,811	\$ 2,105,187
Accrued liabilities	1,067,730		20,504	11,337
Deposits payable	2,499,062			
Due to other funds				
Due to other governments	830,695			
Deferred revenue	46,553			
Compensated absences	1,569,126		25,751	1,817
Advances from other funds			269,029	
TOTAL LIABILITIES	7,487,957		320,095	2,118,341
FUND BALANCES				
Reserved for:				
Encumbrances				
Low and moderate income housing				
Advances to other funds	269,029			
Notes receivable	5,100,000			
Debt service		\$ 13,870,163	5,083,300	
Capital projects				
Unreserved, designated	13,814,541			
Unreserved, reported in:				
General fund	15,215,200			
Special revenue funds				
Capital projects funds				4,968,054
TOTAL FUND BALANCES	34,398,770	13,870,163	5,083,300	4,968,054
TOTAL LIABILITIES AND FUND BALANCES	\$ 41,886,727	\$ 13,870,163	\$ 5,403,395	\$ 7,086,395

The accompanying notes to financial statements are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 24,257,238	\$ 64,745,416
565,546	940,155
288,238	1,884,044
3,132,866	8,232,866
72	74,562
	3,952,512
2,468,660	2,628,631
96,500	727,505
	269,029
<u>11,966,229</u>	<u>27,567,309</u>
<u>\$ 42,775,349</u>	<u>\$ 111,022,029</u>
\$ 1,269,852	\$ 4,854,641
58,173	1,157,744
	2,499,062
3,952,512	3,952,512
	830,695
582,702	629,255
77,786	1,674,480
	269,029
<u>5,941,025</u>	<u>15,867,418</u>
2,018,683	2,018,683
462,724	462,724
	269,029
3,132,866	8,232,866
49,620	19,003,083
3,541,609	3,541,609
	13,814,541
	15,215,200
10,394,584	10,394,584
17,234,238	22,202,292
<u>36,834,324</u>	<u>95,154,611</u>
<u>\$ 42,775,349</u>	<u>\$ 111,022,029</u>

CITY OF ROCKLIN,CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

As of June 30, 2007

TOTAL GOVERNMENTAL FUND BALANCES	\$ 95,154,611
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds' balance sheet.	357,714,263
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds' balance sheet.	(53,258,507)
Governmental Funds report discounts on long-term bonds as another financing uses, whereas these amounts are capitalized and amortized in the Government-wide Statement of Net Assets	652,588
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(650,765)
Governmental funds report debt issuance costs (deferred charges) as expenditures, whereas these amounts are deferred and amortized in the Government-wide Statement of net assets	1,214,451
Long-term receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds.:	
Interest receivable	433,200
Due from other agencies	82,865
Internal service funds are used by management to charge the costs of fleet management services to individual funds. The assets and liabilities of internal service funds are included in the government-wide statement of net assets as governmental activities.	<u>9,040,513</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 410,383,219</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	Major Funds		
	General Fund	Public Financing Authority Debt Service Fund	Redevelopment Agency Debt Service Fund
REVENUES			
Taxes and assessments	\$ 21,363,394		\$ 3,605,004
Licenses and permits	3,006,262		
Fines and forfeitures	320,398		
Use of money and property	2,559,031	\$ 737,048	218,373
Intergovernmental	4,003,688		31,754
Charges for services	4,448,053		
Contributions from developers and homeowners	5,246,873		
Other revenues	1,191,364		
TOTAL REVENUES	42,139,063	737,048	3,855,131
EXPENDITURES			
Current:			
General government	7,238,906		1,320,422
Public safety	17,575,670		
Public works	477,753		1,331
Culture and recreation	9,331,083		20,201
Community development	3,797,735		139,558
Debt service:			
Principal retirement		605,000	10,953,686
Interest and other charges	20,932	524,348	1,590,114
Capital outlay	5,758,421		36,691
TOTAL EXPENDITURES	44,200,500	1,129,348	14,062,003
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,061,437)	(392,300)	(10,206,872)
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt			11,815,000
Transfers in	4,830,394	115,000	
Transfers out			(218,886)
TOTAL OTHER FINANCING SOURCES (USES)	4,830,394	115,000	11,596,114
NET CHANGE IN FUND BALANCES	2,768,957	(277,300)	1,389,242
Fund balances, beginning of year	31,629,813	14,147,463	3,694,058
FUND BALANCES, END OF YEAR	\$ 34,398,770	\$ 13,870,163	\$ 5,083,300

The accompanying notes to financial statements are an integral part of this statement.

Community Facilities District # 11 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 9,195,388	\$ 34,163,786
	5,500	3,011,762
	23,128	343,526
	2,136,978	5,651,430
	8,425,081	12,460,523
	2,630,644	7,078,697
\$ 7,850,000		13,096,873
	838,508	2,029,872
<u>7,850,000</u>	<u>23,255,227</u>	<u>77,836,469</u>
94,435	688,937	9,342,700
	286,710	17,862,380
	3,201,110	3,680,194
	818,346	10,169,630
164,744	297,698	4,399,735
	440,000	11,998,686
	316,385	2,451,779
<u>2,105,187</u>	<u>18,646,271</u>	<u>26,546,570</u>
<u>2,364,366</u>	<u>24,695,457</u>	<u>86,451,674</u>
5,485,634	(1,440,230)	(8,615,205)
	4,000,000	15,815,000
	3,132,190	8,077,584
(512,821)	(7,266,992)	(7,998,699)
<u>(512,821)</u>	<u>(134,802)</u>	<u>15,893,885</u>
4,972,813	(1,575,032)	7,278,680
(4,759)	38,409,356	87,875,931
<u>\$ 4,968,054</u>	<u>\$ 36,834,324</u>	<u>\$ 95,154,611</u>

CITY OF ROCKLIN, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 7,278,680
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	26,546,570
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(10,798,526)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayment exceeded proceeds.	(3,816,314)
Some expenses reported in the Government-wide Statement of Activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.	
Change in interest payable	96,678
Change in compensated absences	(222,911)
Governmental funds report debt issuance costs (deferred charges) as part of debt service expenditures, whereas these costs are deferred and amortized in the Government-wide Statement of Activities.	314,001
Governmental funds report bond discounts as an other financing uses; however, these costs are capitalized and amortized in the Government-wide Statement of Activities.	267,516
Some receivables are deferred in the Governmental Funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the Statement of Activities.	(415,599)
Internal service funds are used by management to charge the vehicle fleet maintenance to individual funds. The change in net assets of the Internal Service Funds is included in the governmental activities in the Government-wide Statement of Net Assets.	<u>645,624</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 19,895,719</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

STATEMENT OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Budgetary Basis (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 20,732,300	\$ 20,732,300	\$ 21,363,394	\$ 631,094
Licenses and permits	3,445,700	3,445,700	3,006,262	(439,438)
Fines and forfeitures	329,000	329,000	320,398	(8,602)
Use of money and property	1,307,100	1,307,100	2,559,031	1,251,931
Intergovernmental	4,278,600	4,278,600	4,003,688	(274,912)
Charges for services	3,912,700	3,912,700	4,448,053	535,353
Other revenues	840,500	840,500	1,191,364	350,864
TOTAL REVENUES	34,845,900	34,845,900	36,892,190	2,046,290
EXPENDITURES				
Current:				
General government	7,633,200	7,633,200	7,238,906	394,294
Public safety	18,177,500	18,204,569	17,575,670	628,899
Public works	627,100	627,100	477,753	149,347
Culture and recreation	10,029,200	10,031,100	9,331,083	700,017
Community development	4,152,800	4,352,800	3,797,735	555,065
Debt service:				
Interest and other charges			20,932	(20,932)
Capital outlay	521,500	535,600	511,548	24,052
TOTAL EXPENDITURES	41,141,300	41,384,369	38,953,627	2,430,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,295,400)	(6,538,469)	(2,061,437)	4,477,032
OTHER FINANCING SOURCES (USES)				
Transfers in	5,377,300	4,649,380	4,830,394	181,014
TOTAL OTHER FINANCING SOURCES (USES)	5,377,300	4,649,380	4,830,394	181,014
NET CHANGE IN FUND BALANCES	(918,100)	(1,889,089)	2,768,957	4,658,046
Fund balances, beginning of year	31,629,813	31,629,813	31,629,813	
FUND BALANCES, END OF YEAR	\$ 30,711,713	\$ 29,740,724	\$ 34,398,770	\$ 4,658,046

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND
INTERNAL SERVICE FUND

As of June 30, 2007

	Vehicle Fleet Management Fund
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 4,728,584
Inventory	140,865
TOTAL CURRENT ASSETS	<u>4,869,449</u>
NONCURRENT ASSETS	
Capital assets, net	4,320,979
TOTAL ASSETS	<u>9,190,428</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	68,263
Accrued liabilities	20,919
Long-term liabilities, due within one year	35,575
TOTAL CURRENT LIABILITIES	<u>124,757</u>
NONCURRENT LIABILITIES	
Long-term liabilities, due in more than one year	25,158
TOTAL LIABILITIES	<u>149,915</u>
NET ASSETS	
Invested in capital assets	4,320,979
Unrestricted	4,719,534
TOTAL NET ASSETS	<u>\$ 9,040,513</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUND
INTERNAL SERVICE FUND

For the Year Ended June 30, 2007

	Vehicle Fleet Management Fund
OPERATING REVENUES	
Charges for services	\$ 2,086,373
Other	700,663
TOTAL REVENUES	<u>2,787,036</u>
OPERATING EXPENSES	
Salaries and benefits	756,395
Services and supplies	1,010,481
Depreciation	557,983
TOTAL OPERATING EXPENSES	<u>2,324,859</u>
OPERATING INCOME	462,177
NON-OPERATING REVENUES	
Gain on sale of assets	34,431
Interest revenue	227,901
TOTAL NON-OPERATING REVENUES	<u>262,332</u>
INCOME BEFORE TRANSFERS	724,509
TRANSFERS	
Transfers out	<u>(78,885)</u>
CHANGE IN NET ASSETS	645,624
Net assets, beginning of year	<u>8,394,889</u>
NET ASSETS, END OF YEAR	<u>\$ 9,040,513</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
INTERNAL SERVICE FUND

For the Year Ended June 30, 2007

	Vehicle Fleet Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 2,787,095
Payments to suppliers	(971,679)
Payments to employees	(760,794)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,054,622</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(78,885)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	<u>(78,885)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Proceeds from sale of capital assets	59,402
Purchase of property and equipment	(892,884)
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	<u>(833,482)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>227,901</u>
INCREASE IN CASH AND CASH EQUIVALENTS	370,156
Cash and cash equivalents, beginning of year	<u>4,358,428</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,728,584</u></u>
Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	\$ 462,177
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	557,983
Changes in assets and liabilities:	
Other receivables	59
Inventory	6,139
Accounts payable	19,380
Accrued liabilities	13,283
Compensated absences	(4,399)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,054,622</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

As of June 30, 2007

	<u>Total Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,221,964
Receivables:	
Accounts receivable	276
Taxes receivable	112,338
Other receivable	17,606
Restricted cash and investments	<u>12,701,168</u>
TOTAL ASSETS	<u><u>\$ 14,053,352</u></u>
LIABILITIES	
Accounts payable	\$ 80,217
Accrued liabilities	88,153
Due to other governments	229,217
Compensated absences	32,591
Agency obligations	<u>13,623,174</u>
TOTAL LIABILITIES	<u><u>\$ 14,053,352</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rocklin (the City) was incorporated in 1893 under the laws and regulations of the State of California (the State). The City operates under a City Council/Manager form of government and provides the following services: public safety (Police and Fire), highways and streets, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements related to its proprietary operations. The more significant of these accounting policies are described below.

Reporting Entity: The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, sales taxes, other intergovernmental revenue from state and federal sources, user fees and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Rocklin, 3970 Rocklin Road, Rocklin, California 95677.

The City's reporting entity includes the following blended component units:

Redevelopment Agency of the City of Rocklin:

The Redevelopment Agency of the City of Rocklin (the Redevelopment Agency) was formed on August 5, 1964 as a separate legal entity under the Community Redevelopment Law. The City Council acts as the governing board of the Redevelopment Agency in concurrent session. The City Manager acts as the Redevelopment Agency's executive director. The annual budget is approved by the Redevelopment Agency's Board of Directors. The State's redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a variety of public and private sources. The major source of financing to undertake redevelopment is a “tax increment.” Tax increment is the additional property taxes that are paid on the value of new development within the redevelopment project area. This increment can then be leveraged for financial investments to fund the identified projects. The Redevelopment Agency is reported as a special revenue fund, debt service fund and capital projects fund.

The Redevelopment Agency provides services entirely for the benefit of the City. Because of this and the governing body consisting solely of members of the City Council, the Redevelopment Agency is treated as a blended component unit. Separate financial statements for the Redevelopment Agency may be obtained at the City’s Finance Department.

Public Financing Authority of the City of Rocklin:

The Rocklin Public Financing Authority (the Financing Authority) was formed on June 21, 1989 as a joint powers authority between the City and the Redevelopment Agency to serve as a financing mechanism of various capital projects. The City Council acts as the governing board in a concurrent session, as necessary. The bond issuance authorizations are approved by the City Council and the legal ability for the Financing Authority’s debt remains with the City. The Financing Authority provides services solely for the benefit of the City and is presented as a debt service fund. Separate financial statements are issued and may be obtained at the City’s Finance Department.

The above component units are included in the City’s basic financial statements using the blended method. The governing body of these component units is substantially the same as the governing body of the City and these component units provide services entirely to the City. There are no component units of the City that meet the criteria for discrete presentation.

Basis of Presentation – Government-wide Financial Statements: The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties. The City has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying sales transaction takes place. Grants and similar items are recognized as revenues when all eligibility requirements are met.

Basis of Presentation – Fund Financial Statements: The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period, except for intergovernmental revenues, which are considered available if they are collected within 180 days. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – The fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the General Fund includes such activities as public safety, public works, culture and recreation services and community development services.

Public Financing Authority Debt Service Fund – This fund accounts for the activities of the Public Financing Authority of the City of Rocklin, as previously described. The Authority was organized to provide financial assistance to the City and Redevelopment Agency for public improvements for the benefit of the residents of the City and the surrounding areas.

Redevelopment Agency Debt Service Fund – This fund is used to account for the repayment of principal and interest on the tax allocation bonds issued by the Agency, as well as pass-through obligations to other taxing agencies, and the payment of operating expenditures.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Facilities District #11 Capital Projects Fund – This fund accounts for acquisition and construction activities of the Community Facilities District #11, a Mello-Roos Special Assessment District of the City.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds – Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

PROPRIETARY FUNDS

Internal Service Funds – Internal Service Funds are used to account for the financing of the City's fleet services provided by one City department to other departments on a cost-reimbursement basis. Internal Service fund balances and activities have been combined with governmental activities in the government-wide financial statements.

FIDUCIARY FUNDS

Agency Funds – Agency Funds account for assets held by the City in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City reports the following agency funds:

Mello-Roos Special Assessment Districts: The following funds account for the special assessment bonds issued by local improvement districts under the Mello-Roos Public Improvement Acts. Property owners are assessed their proportionate share, and the City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders: Community Facilities District (CFD)#2, CFD#3, CFD#4, CFD#6, CFD#7, CFD#8, CFD#9, CFD#10 and CFD #11.

Community Facilities District #5: This fund generates tax revenues levied to property owners in order to provide for the operations of a specific landscape maintenance district.

Monte Verde Assessment District: This fund provides for the debt service payment requirements on bonds issued under the 1915 Improvement Act Bonds, Division 11.5 of the Streets and Highways Code of California.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Granite Drive Assessment District: This fund provides for the debt service payment requirements on bonds issued under the 1915 Improvement Act Bonds, Division 11.5 of the Streets and Highways Code of California.

Health and Safety: This fund represents the City's portion of assets forfeited and distributed under the Health & Safety Code Section 11489 by the Rocklin Police Department.

Preschool Mothers Trust: This fund was established to account for various fundraising activities in support of preschool programs within the City.

Kids Junction Trust: This fund was established to account for private donations to support the Kids Junction daycare program.

Creative Performing Arts Trust: This fund accounts for private donations and fundraising activities that support the theatre programs of the City.

Teen Recreation Trust Fund: This fund accounts for the Teen Program fundraisers and is used for various teen activities throughout the year.

Youth Sports Trust: This fund accounts for the youth sports program fundraisers and is used to provide sports activities throughout the year.

EIR Consultant's Funds: This fund serves to mitigate the costs of Environmental Impact studies and other services required for proposed construction projects by collecting fees from developers and using those monies to pay for the consultant services.

Senior Programs Trust: This fund accounts for private donations as well as monies generated by fundraising activities to support Rocklin Senior programs.

Boroski Landfill Monitoring Trust: This fund was set up to provide for the maintenance and monitoring of a non-operational landfill within the City.

Wetlands Maintenance Trust: This fund holds invested monies in trust and uses the investment earnings to pay for annual maintenance of wetland areas within the City.

Conservation Easement Endowment Trust: This fund was set up to provide for the maintenance and operations of a preserve area within the City.

Rocklin Jubilee: This fund is used to account for all revenues and expenditures associated with the Annual Rocklin Jubilee celebration held at Johnson-Springview Park.

Park Improvement Trust: This fund was set up to provide for repairs and maintenance of city parks.

D.A.R.E.: This fund supports the Drug Awareness Reinforcement Education program provided by the Rocklin Police Department.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explorer Post 150: This fund is used to pay for the Rocklin Police Department's Explorer program.

Fire Prevention Education: This fund is used to account for fundraising activities and private donations given for the purpose of providing fire and safety education programs.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The City's only proprietary fund is the Internal Service Fund. The principal operating revenues of the City's Internal Service Fund are charges to user departments for services. Operating expenses for the Internal Service Fund include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents: For purposes of the accompanying Statement of Cash Flows, cash and cash equivalents are defined as deposits and highly liquid investments with original maturities of 90 days or less, and are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations. Cash and cash equivalents include: demand deposits, short-term, highly liquid investments including Treasury bills, commercial paper, certificates of deposit, money market funds and cash management pools, including California Local Agency Investment Fund (LAIF).

Investments: Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value using the aggregate method.

Receivables and Payables: Property, sales and use taxes related to the current fiscal year are accrued as revenue and accounts receivable and are considered available if received within 30 days of year end. Federal and state grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis is limited to the amount that is deemed measurable and collectible.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds to indicate they do not constitute resources available for appropriation.

Property Taxes: The County of Placer (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1%

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due provided they are collected within 30 days after year end. Secured property taxes are levied on or before January 1 of each year. They become a lien on real property on January 1. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid. These taxes are secured by liens on the property being taxed.

The term “unsecured” refers to taxes on personal property other than land and buildings. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan,” as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100% of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

Inventory: Inventories are stated at cost (average cost per unit). Cost of inventory is recorded as an expenditure when consumed, rather than when purchased. Inventories of governmental funds are offset by a reservation of fund balance to indicate that they do not constitute resources available for future appropriation.

Restricted Assets: Certain proceeds of the City’s long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets: Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, curbs and gutters, streets, traffic signals, signs, landscaped corridors, drainage systems and lighting systems) are reported in the government-wide financial statements. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are reported at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Equipment, machinery and vehicles	3 - 20
Facilities and improvements	15
Infrastructure	25 - 40
Buildings and building improvements	15 - 30

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the City's policy to capitalize non-infrastructure capital assets with a cost of \$5,000 or more and infrastructure with a cost of \$100,000 or more. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, proceeds from the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balance of the related fund. Proceeds reported in the governmental funds are eliminated and the gain or loss on sale is reported in the government-wide presentation.

Deposits Payable: Deposits payable consist of deposits received from developers to cover planning and other costs incurred by the City.

Compensated Absences: The City's policies regarding vacation and sick leave permit employees to accumulate earned, but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary fund reports the liability as it is incurred. Typically, the compensated absence liability is liquidated in the various City funds.

Long-term Obligations: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Issuance costs are reported as unamortized bond issuance costs and are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, incurred during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Assets: The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Assets – This category represents net assets of the City not restricted for any project or other purpose.

Fund Balance: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties to use for a specific purpose. Designations of fund balance represent management's tentative plans for use of financial resources in a future period. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. See Note H for designated amounts. The following is a descriptive list of the reserves used by the City.

Reserved for encumbrances – used to segregate that portion of fund balance to indicate that encumbrances do not represent available, spendable resources.

Reserved for low and moderate income housing – used to represent that portion of fund balance reserved for low and moderate income housing.

Reserved for advances to other funds and notes receivable – used to indicate that the advances to other funds do not represent available, spendable resources even though they are components of assets.

Reserved for debt service – used to represent that portion of fund balance/retained earnings segregated for service of long-term indebtedness.

Reserved for capital projects – used to represent that portion of fund balance representing revenues from developer agreements earmarked for certain capital projects.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Budgetary Information: The City Council establishes budgets for all governmental funds. Budgetary control is legally maintained at the fund level. The City Manager submits a proposed budget to the City Council for the following year beginning July 1. The preliminary budget may or may not be amended by the City Council after public hearings are held and is adopted by City Council resolution prior to July 1 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budgeted amounts within a single fund. However, the City Council must approve revisions that alter the total expenditures of any fund.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. All budget amounts presented in the accompanying financial statements and supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year. Amounts represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget information is presented for the General Fund and major Special Revenue Funds, if any. The budget information is presented on a budgetary basis consistent with GAAP except for infrastructure contributed in lieu of developer fees which are recorded as revenue and capital outlay expenditures on the GAAP basis, but are not reflected in the budget. Governmental Fund budgets are maintained on the modified accrual basis of accounting. Appropriations, except, encumbrances, lapse at the end of each fiscal year. The reconciliations of excess of revenues over expenditures to the non-GAAP budgetary basis of accounting for the General Fund are as follows:

	Modified Accrual Basis	To Adjust To Budgetary Basis	Non-GAAP Budgetary Basis
Revenues	\$ 42,139,063	\$ (5,246,873)	\$ 36,892,190
Expenditures	(44,200,500)	5,246,873	(38,953,627)
Other financing sources (uses)	4,830,394		4,830,394
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 2,768,957</u>	<u>\$ -</u>	<u>\$ 2,768,957</u>

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Excess Expenditures Over Appropriations: The following funds had excess expenditures over appropriations:

Fund	Appropriations	Total Expenditures	Excess Expenditures
Special Revenue Funds:			
Community Facilities District #1 Fund	\$ 8,500	\$ 8,739	\$ (239)
Housing Rehabilitation Program 1 Fund	64,000	112,935	(48,935)
Housing Rehabilitation Program 2 Fund	13,300	14,917	(1,617)
Traffic Safety Trust Fund	165,800	193,064	(27,264)
Vehicle Theft Task Force Fund		180	(180)
Supplemental Law Enforcement Grant Fund		1,946	(1,946)
Debt Service Funds:			
Capital Construction Debt Service	632,400	632,405	(5)
Capital Projects Funds:			
Community Park Fees Fund	134,000	149,805	(15,805)
Granite Drive Assessment District Fund	553,600	562,367	(8,767)

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deficit Fund Equity: The following funds had a fund deficit at June 30, 2007:

<u>Fund</u>	<u>Deficit</u>
Lighting District #1 Fund	\$ (587,934)
Department of Education Fund	(399)
Traffic Safety Trust Fund	(2,310)
Park Development Fees	(1,041,915)
Community Park Fees Fund	(1,442,513)
Capital Construction Capital Projects Fund	(273,941)

The deficit balances of these Funds will be eliminated with future special assessments and grants.

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and investments	\$ 69,474,000	\$ 1,221,964	\$ 70,695,964
Restricted assets:			
Cash and investments	<u>27,567,309</u>	<u>12,701,168</u>	<u>40,268,477</u>
	<u>\$ 97,041,309</u>	<u>\$ 13,923,132</u>	<u>\$ 110,964,441</u>

Cash and investments as of June 30, 2007 consisted of the following:

Cash on hand	\$ 2,060
Deposits with financial institutions	<u>6,593,741</u>
Total cash and cash equivalents	6,595,801
U.S. Agency securities	21,871,232
U.S. Treasury securities	15,397,262
Mortgage-backed securities	11,143
Corporate bonds	9,538,377
Local Agency Investment Fund (LAIF)	39,805,094
Money market mutual funds	4,977,793
Negotiable certificates of deposit	17,739
Local agency bonds	<u>12,750,000</u>
Total investments	<u>104,368,640</u>
Total cash and investments	<u>\$ 110,964,441</u>

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE B – CASH AND INVESTMENTS (Continued)

Investment policy: California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy provides additional restrictions as to the investment type, maximum maturity, maximum percentage of portfolio and maximum investment in a single issuer. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy. During the year ended June 30, 2007, the City's permissible investments included the following instruments:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. Agencies obligations	5 years	None	None
State of California bonds	5 years	None	None
Banker's acceptances	180 days	40%	5%
Commercial paper	270 days	25%	5%
Negotiable certificates and time deposits	N/A	30%	5%
Repurchase agreements	90 days	15%	5%
Reverse repurchase agreement	90 days	15%	5%
LAIF	N/A	None	None
Time deposits	N/A	10%	5%
Medium-term notes	5 years	30%	5%
Money market mutual funds	N/A	15%	5%
Collateralized obligations	N/A	10%	5%
Mortgage pass-through securities	5 years	20%	5%
Local investment pool	N/A	25%	None

The City complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The debt agreements contain certain provisions that address interest rate risk, and credit risk and concentration of credit risk.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bond	3 years/None	None	None
U.S. Treasury obligations	None	None	None
U.S. Agency securities	3 years/None	None	None
State of California bonds	3 years/None	None	None
Banker's acceptance	92/360 Days	None	None
Commercial paper	180/270 Days	20%/None	None
Negotiable certificates of deposit	None	None	None
Repurchase agreement	None	None	None
Local agency investment fund	N/A	None	None
Time deposits	30 Days	None	None
Medium-term notes	None	None	None
Money market mutual funds	None	None	None
Investment Agreements	None	None	None
Local agency investments pool	40%	None	10%
Deposits with financial institutions	365/None	None	None
Other investments (approved by Insurer with notice to S&P)	None	None	None

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Type of Investment	Total	Remaining Maturity			
		12 Months or less	13-24 Months	25-60 Months	> 60 months
U.S. Agency securities	\$ 21,871,232	\$ 12,447,014	\$ 8,445,357	\$ 978,861	
U.S. Treasury securities	7,335,438	3,238,989	1,567,361	2,529,088	
Mortgage-backed securities	11,143				\$ 11,143
Corporate bonds	9,538,377	4,141,088	4,133,207	1,243,378	20,704
LAIF	39,805,094	39,805,094			
Money market mutual funds	91,693	91,693			
Negotiable certificates of deposit	17,739	17,739			

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE B – CASH AND INVESTMENTS (Continued)

Type of Investment	Total	Remaining Maturity			
		12 Months or less	13-24 Months	25-60 Months	> 60 months
Held by Bond Trustee:					
U.S. Treasury securities	\$ 8,061,824	\$ 8,061,824			
Money market mutual funds	4,886,100	4,211,084			\$ 675,016
Local agency bonds	12,750,000				12,750,000
	<u>\$ 104,368,640</u>	<u>\$ 72,014,525</u>	<u>\$ 14,145,925</u>	<u>\$ 4,751,327</u>	<u>\$ 13,456,863</u>

The City’s investments (including investments held by bond trustees) include only one investment that is highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Mortgage-backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates. \$ 11,143

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Type of Investment	Minimum Legal Rating	Total	AAA	AA+ to A-	Unrated
U.S. Agency Securities	N/A	\$ 21,871,232	\$ 21,871,232		
U.S. Treasury Securities	N/A	7,335,438			\$ 7,335,438
Mortgage-backed Securities	P1/A1	11,143			11,143
Corporate bonds	A	9,538,377	991,162	\$ 8,547,215	
LAIF	N/A	39,805,094			39,805,094
Money Market Mutual Funds	AAA	91,693	91,693		
Negotiable certificates of deposit		17,739			17,739
Held by Bond Trustee:					
U.S. Treasury Securities	N/A	8,061,824	4,988,307		3,073,517
Money Market Mutual Funds	N/A	4,886,100	4,886,100		
Local Agency Bond		12,750,000	12,750,000		
		<u>\$ 104,368,640</u>	<u>\$ 45,578,494</u>	<u>\$ 8,547,215</u>	<u>\$ 50,242,931</u>

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE B – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the City provides additional restrictions to the amount stipulated by the California Government Code as to the amount that can be invested in any one issuer. As of June 30, 2007, the following are investments in any one issuer (other than U.S. Treasury Obligations, mutual funds and external investment pools) that represent 5% or more of total City investments:

Issuers	Investment Type	Amount
Federal Home Loan Bank	U.S. Agencies Securities	\$ 5,284,417
Federal Home Loan Mortgage Corporation	U.S. Agencies Securities	5,857,393
Federal National Mortgage Association	U.S. Agencies Securities	10,729,422
Rocklin Community Facilities District #6, 8, 9	Local Agency Bonds	12,750,000

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer or custodian) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2007, the carrying amount of the City's deposits were \$6,593,741 and the balances in financial institutions were \$7,697,069. Of the balance in financial institutions, \$200,000 was covered by federal depository insurance and \$7,497,069 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City.

Investment in LAIF: LAIF is stated at fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$66,051,251,287 managed by the State Treasurer. Of that amount, 96.5% is invested in non-derivative financial products and 3.5% in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2007 were as follows:

Due to General Fund from:

Non-major Special Revenue Funds	\$ 974,586
Non-major Capital Projects Funds	<u>2,977,926</u>
	<u><u>\$ 3,952,512</u></u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund advances at June 30, 2007 were as follows:

RDA Debt Service Fund	<u><u>\$ 269,029</u></u>
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This amount was loaned by the City to the Redevelopment Agency to pay debt service expenses. This advance will be paid off in following years from tax increment revenues. This advance is not expected to be repaid within one year.

Interfund transfers for the year ended June 30, 2007 were as follows:

Transfers to the General Fund from:

RDA Debt Service Fund	\$ 218,886
CFD #11 Capital Projects Fund	512,821
Internal Service Fund	78,885
Nonmajor Special Revenue Funds	2,080,607
Nonmajor Capital Projects Funds	<u>1,939,195</u>

Total transfers to the General Fund \$ 4,830,394

Transfers to the Public Financing Authority Debt Service Fund from:

Nonmajor Capital Projects Fund	<u><u>\$ 115,000</u></u>
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Transfer to Down Payment Assistance Fund

(Nonmajor Special Revenue Fund) from:

RDA Low/Mod Income Housing Fund (Nonmajor Special Revenue Fund)	<u><u>\$ 2,500,000</u></u>
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Transfer to Nonmajor Debt Service Funds from:

Nonmajor Capital Projects Fund	<u><u>\$ 632,190</u></u>
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CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE C – INTERFUND TRANSACTIONS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

The transfer of \$2,500,000 from the Redevelopment Agency to the City represents Low/Mod Income Housing funds that will be used by the City to issue down payment assistance loans.

NOTE D – NOTES RECEIVABLE AND DEFERRED REVENUES

Through the City’s various housing rehabilitation funds and first-time home buyers funds, the City has loaned funds to qualifying individuals and businesses. Interest rates vary depending on the terms of the loan. Interest is accrued on the loans that bear interest. However, if payment of interest is deferred and not expected to be repaid until the title to the property changes, the City has recorded a corresponding deferred revenue instead of recognizing the revenue, since the receipt of this revenue does not meet the availability criteria. In addition, the City loaned funds to the CFD #11 Debt Service Fund, which is an Agency Fund.

Notes receivable for the year ended June 30, 2007 consists of the following:

General Fund:	
Private Placement Bonds and related issuance costs	\$ 5,100,000
Nonmajor Special Revenue Funds:	
Redevelopment Agency	1,113,198
Down Payment Assistance Fund	226,131
Housing Rehabilitation Program 1 Fund	303,930
Housing Rehabilitation Program 2 Fund	116,629
2000 Housing Rehabilitation Fund	277,547
First Time Home Buyers Grant Fund	<u>1,095,431</u>
Total Notes Receivables	<u>\$ 8,232,866</u>

The following is a summary of the notes receivable outstanding as of June 30, 2007:

Private Placement Bonds and Related Issuance Costs – The City loaned funds to the Community Facilities District #11 Debt Service Fund, through a program called Private Placement Bonds, for a major construction project within the City. This loan is anticipated to be paid off in following years by the CFD #11 issuing special assessment bonds within the CFD #11 Agency Fund. The City also paid for \$100,000 in issuance costs associated with these Private Placement Bonds. The balance of this loan at June 30, 2007 was \$5,100,000.

Community Development Block Grant (CDBG) Revolving Loans – The City participates in a CDBG Revolving Loan program. The program is federally funded and provides housing rehabilitation loans to eligible applicants. The City makes loans to resident homeowners who qualify as low income, some of which are deferred and are not repaid until the title to the property changes. The balance of these loans at June 30, 2007, was \$698,106.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE D – NOTES RECEIVABLE AND DEFERRED REVENUES (Continued)

First Time Home Buyers – The City and the RDA have made various loans to qualifying participants within the City as part of the Federal First Time Home Buyers Program (HOME). Interest rates vary depending on the terms of the loan and interest is deferred until the loan is refinanced or title to the property changes and may be waived under certain conditions if the loan is carried to full term. The HOME notes receivable at June 30, 2007, were \$1,095,431, while the RDA notes receivable at June 30, 2007 were \$13,198.

Down Payment Assistance Loans – The City has made various loans to qualifying participants within the City. Interest rates vary depending on the terms of the loan and interest is deferred until the loan is refinanced or title to the property changes and may be waived under certain conditions if the loan is carried to full term. The Down Payment Assistance notes receivable at June 30, 2007, were \$226,131.

Villa Serena II Loan – On July 24, 2001, the Redevelopment Agency entered into an agreement with Stanford Arms, a California Limited Partnership, for a loan in the amount of \$1,100,000. The loan has been used to finance the acquisition of real property located at Villa Serena Way and Park Drive. The loan is at 3% simple interest and is to be repaid from residual receipts over a thirty-year period. The loan is secured by a deed of trust covering the property, improvements, fixtures and by all deposits of the borrower.

NOTE E – CAPITAL ASSETS

Governmental capital asset activities for the year ended June 30, 2007 was as follows:

	Balance at July 1, 2006	Additions	Retirements	Transfers	Balance at June 30, 2007
Capital assets, not being depreciated:					
Land	\$ 5,759,185	\$ 13,871			\$ 5,773,056
Land improvements	67,461				67,461
Park land	43,447,075	5,246,873			48,693,948
Construction in progress	70,419,858	20,344,855		\$ (43,431,140)	47,333,573
	<u>119,693,579</u>	<u>25,605,599</u>		<u>(43,431,140)</u>	<u>101,868,038</u>
Capital assets, being depreciated:					
Buildings	11,062,342	46,548		21,955,540	33,064,430
Facilities and other improvements	1,190,462	231,769		1,335,525	2,757,756
Machinery and equipment	10,011,976	1,133,167	\$ (511,210)	747,992	11,381,925
Park buildings	422,226				422,226
Park equipment	1,152,327	293,589			1,445,916
Park improvements	5,465,948	76,137		5,025,672	10,567,757
Infrastructure	281,920,941	52,645	(554,532)	14,366,411	295,785,465
	<u>311,226,222</u>	<u>1,833,855</u>	<u>(1,065,742)</u>	<u>43,431,140</u>	<u>355,425,475</u>

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE E – CAPITAL ASSETS (Continued)

	Balance at July 1, 2006	Additions	Retirements	Transfers	Balance at June 30, 2007
Less accumulated depreciation for:					
Buildings	\$ (6,184,845)	\$ (1,827,751)			\$ (8,012,596)
Facilities and other improvements	(337,924)	(178,801)			(516,725)
Machinery and equipment	(5,467,759)	(962,352)	\$ 486,239		(5,943,872)
Park buildings	(156,268)	(14,074)			(170,342)
Park equipment	(1,043,346)	(104,373)			(1,147,719)
Park improvements	(2,273,588)	(704,517)			(2,978,105)
Infrastructure	(69,478,803)	(7,564,641)	554,532		(76,488,912)
Total accumulated depreciation	(84,942,533)	(11,356,509)	1,040,771		(95,258,271)
Capital assets being depreciated, net	226,283,689	(9,522,654)	(24,971)	\$ 43,431,140	260,167,204
TOTAL CAPITAL ASSETS, NET	\$ 345,977,268	\$ 16,082,945	\$ (24,971)	\$ -	\$ 362,035,242

Depreciation expense for capital assets was charged to functions as follows:

General government	\$ 390,591
Public safety	1,521,630
Public works	7,700,195
Culture and recreation	967,951
Community development	218,159
Capital assets held by government's internal service funds are charged to the various functions based on their useage of assets	557,983
Total governmental activities depreciation expense	\$ 11,356,509

NOTE F – LONG-TERM LIABILITIES

	Balance at July 1, 2006	Incurred	Retired	Balance at June 30, 2007	Due Within One year
2003 Certificates of Participation	\$ 5,985,000		\$ (440,000)	\$ 5,545,000	\$ 450,000
2003 Public Financing Authority (PFA) Refunding Revenue Bonds-Senior	11,905,000		(440,000)	11,465,000	445,000
2003 PFA Refunding Revenue Bonds-Subordinate	1,395,000		(65,000)	1,330,000	65,000
2002 Refunding Tax Allocation Bonds	13,085,000		(10,685,000)	2,400,000	40,000
2005 Refunding Tax Allocation Bonds	11,900,000		(220,000)	11,680,000	245,000

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE F – LONG-TERM LIABILITIES (Continued)

	Balance at July 1, 2006	Incurred	Retired	Balance at June 30, 2007	Due Within One year
2007 Refunding Tax					
Allocation Bonds		\$ 15,815,000		\$ 15,815,000	
Ganiats promissory note	\$ 550,000		\$ (100,000)	450,000	\$ 100,000
Pass-through obligation	48,686		(48,686)		
Claims payable	2,754,425			2,754,425	
Compensated absences	3,226,617	657,866	(330,188)	3,554,295	1,710,055
	<u>50,849,728</u>	<u>\$ 16,472,866</u>	<u>\$(12,328,874)</u>	<u>54,993,720</u>	<u>\$ 3,055,055</u>
Less: Bond discounts	(385,073)			(652,588)	
	<u>\$ 50,464,655</u>			<u>\$ 54,341,132</u>	

Long-term debt consists of the following:

2003 Certificates of Participation: In December 2003, the City issued certificates of participation in the amount of \$6,650,000. The proceeds from this issuance were used to finance a portion of the police station construction costs and related facilities and defeased outstanding 1995 certificates of participation. The required reserve balances provide the security for this issuance. Interest rates range from 2% to 4.20%. Principal payments, ranging from \$405,000 to \$525,000 are payable annually on September 1 and interest payments ranging from \$11,025 to \$94,002 are payable semi-annually on March 1 and September 1, through September 1, 2018. \$ 5,545,000

2003 Senior and Subordinate Refunding Revenue Bonds: In January 2004, the Rocklin Public Financing Authority issued \$12,575,000 of Senior Refunding Revenue Bonds and \$1,455,000 of Subordinate Refunding Revenue Bonds. Proceeds from these bonds were used to refund the outstanding 1999 Public Financing Authority Revenue Bonds. The Bonds are secured by revenues from specific assessment districts. Interest rates range from 2% to 4.6% for the Senior issue and 3.125% to 5.625% for the Subordinate issue. Principal payments ranging from \$445,000 to \$850,000 are payable annually on September 1 and interest payments ranging from \$19,550 to \$220,402 are payable semi-annually on March 1 and September 1 through September 1, 2025 for the Senior issue. Principal payments ranging from \$65,000 to \$120,000 are payable annually on September 1 and interest payments ranging from \$3,375 to \$31,645 are payable semi-annually on March 1 and September 1 through September 1, 2021 for the Subordinate issuance. 12,795,000

2002 Refunding Tax Allocation Bonds: On February 1, 2002, tax allocation bonds were issued, in the amount of \$13,730,000, to defease the 1994 tax allocation bonds of the Redevelopment Agency. The proceeds of the tax allocation bonds are being used to finance certain capital improvements within the Redevelopment Agency's project area. On February 23, 2007, \$10,535,000 of principal was defeased from the issuance of the 2007 Tax Allocation Bonds. The remaining bonds are payable from and secured by certain tax revenues payable to the Redevelopment Agency. Tax

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE F – LONG-TERM LIABILITIES (Continued)

increment revenues are the sole revenue source pledged for repayment of this debt. Interest rates range from 4.60% to 5.50%. New principal payments ranging from \$40,000 to \$190,000 are payable annually on September 1 and interest payments ranging from \$5,225 to \$63,466 are payable semi-annually on March 1 and September 1 through September 1, 2032. \$ 2,400,000

2005 Tax Allocation Bonds: On July 15, 2005, tax allocation bonds were issued, in the amount of \$11,900,000. A portion of the proceeds of the tax allocation bonds were used to defease the 1997 refunding tax allocation bonds of the Redevelopment Agency's project area and the remaining \$8 million will be used for redevelopment projects. The bonds are payable from and secured by certain tax revenues payable to the Redevelopment Agency. Tax increment revenues are the sole revenue source pledged for repayment of this debt. Interest rates range from 3% to 4.5%. Principal payments ranging from \$245,000 to \$1,530,000 are payable annually on September 1 and interest payments ranging from \$34,425 to \$241,063 are payable semi-annually on March 1 and September 1 through 2035. 11,680,000

2007 Tax Allocation Bonds: On February 23, 2007, tax allocation bonds were issued, in the amount of \$15,815,000 to partially defease the 2002 Tax Allocation Bond of the Agency and to fund the costs of capital improvements and facilities within the Agency. The bonds are payable from and secured by certain tax revenues payable to the Agency. Tax revenues are the sole revenue source pledged for repayment of this debt. Interest rates range from 4% to 4.375%. Principal payments ranging from \$90,000 to \$1,700,000 are payable annually on September 1 and interest payments ranging from \$15,969 to \$332,916 are payable semi-annually on March 1 and September 1 through September 1, 2037. 15,815,000

Ganiats Promissory Note: On March 31, 1999, the Rocklin Public Financing Authority entered into an installment sale agreement with George C. Ganiats to purchase property. The original principal amount of \$1,250,000 will be paid in ten equal installments of \$100,000 and a final payment of \$250,000. The installment payments are due on April 1, of each year commencing in 2000 and ending in 2009. The final payment is due April 1, 2010. Interest is accrued and due annually at 5% on the outstanding principal amount related to the installments and 1.84% on the final payment. 450,000

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE F – LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding debt as of June 30, 2007 are as follows:

Year Ending June 30:	2003 Certificates of Participation		2003 PFA Refunding Revenue Bonds - Senior		2003 PFA Refunding Revenue Bonds-Subordinate	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 450,000	\$ 183,505	\$ 445,000	\$ 436,354	\$ 65,000	\$ 62,274
2009	460,000	173,715	455,000	426,785	70,000	60,078
2010	470,000	162,315	465,000	415,854	70,000	57,628
2011	485,000	148,930	475,000	404,104	70,000	54,959
2012	405,000	134,973	490,000	391,429	75,000	52,012
2013 - 2017	2,245,000	440,053	2,695,000	1,694,791	430,000	204,081
2018 - 2022	1,030,000	43,428	3,265,000	1,102,883	550,000	78,241
2023 - 2027			3,175,000	300,495		
	<u>\$ 5,545,000</u>	<u>\$ 1,286,919</u>	<u>\$11,465,000</u>	<u>\$ 5,172,695</u>	<u>\$ 1,330,000</u>	<u>\$ 569,273</u>

Year Ending June 30:	2002 Refunding Tax Allocation Bonds		2005 Tax Allocation Bonds		2007 Tax Allocation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 40,000	\$ 125,990	\$ 245,000	\$ 478,451		\$ 654,734
2009	40,000	124,105	250,000	471,026	\$ 255,000	660,731
2010	45,000	122,105	255,000	463,451	265,000	650,331
2011	45,000	119,990	265,000	455,651	275,000	639,531
2012	45,000	117,875	280,000	447,301	280,000	628,431
2013 - 2017	290,000	552,773	1,325,000	2,094,809	1,760,000	2,954,156
2018 - 2022	460,000	455,369	1,045,000	1,885,341	2,600,000	2,510,556
2023 - 2027	485,000	322,205	1,845,000	1,622,522	2,715,000	1,942,119
2028 - 2032	760,000	169,400	1,505,000	1,185,747	3,985,000	1,286,578
2033 - 2037	190,000	5,225	4,665,000	506,363	2,950,000	547,094
2038 - 2042					730,000	15,969
	<u>\$ 2,400,000</u>	<u>\$ 2,115,037</u>	<u>\$ 11,680,000</u>	<u>\$ 9,610,662</u>	<u>\$ 15,815,000</u>	<u>\$ 12,490,230</u>

Year Ending June 30:	Ganiats Promissory Note	
	Principal	Interest
2008	\$ 100,000	\$ 10,000
2009	100,000	5,000
2010	250,000	50,000
	<u>\$ 450,000</u>	<u>\$ 65,000</u>

On February 23, 2007, the Redevelopment Agency of the City of Rocklin issued \$15,815,000 of Refunding Tax Allocation Bonds (2007 Bonds), to partially refund outstanding 2002 Tax Allocation Bonds (2002 Bonds) and generate \$4,000,000 of additional proceeds to fund new projects. An analysis of the debt issuance indicates \$10,928,015 of the \$15,815,000 principal amount of the 2007 Bonds was required to refund the outstanding 2002 Bonds. The portions of the 2007 Bonds responsible for the

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE F – LONG-TERM LIABILITIES (Continued)

refunding of the 2002 Bonds had an average interest rate of 4.24%. The 2007 Bonds advance refunded a portion of the 2002 Bonds with an average interest rate of 5.40% and a par value of \$10,535,000.

The 2007 Bonds were issued at a discount of \$202,296 and, after paying issuance costs of \$217,757, contributing \$1,136,648 to the 2007 Bonds reserve fund, paying a bond insurance premium of \$157,094 and paying an underwriter's discount of \$98,844, the net proceeds were \$13,978,047. A total of \$10,928,015 of the net proceeds was used to refund the 2002 Bonds.

The net proceeds from the issuance of the 2007 Bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on September 1, 2009. The partial advance refunding met the requirements of an in-substance defeasance and the term bonds were removed from the Agency's government-wide financial statements as of June 30, 2007.

As a result of the partial refunding, Redevelopment Agency of the City of Rocklin reduced its total debt service requirements by \$1,322,363 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$513,033.

Claims payable: The City has recorded a liability for potential claims in excess of amounts covered by the insurance pool. See Note L for further discussion of the City's risk management activities.

Arbitrage: The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The City performed calculations of excess investment earnings on various bonds and financings and at June 30, 2007, there were no arbitrage liabilities.

NOTE G – AGENCY BONDS PAYABLE

Special Assessment bonds have been issued under the 1915 Bond Act and the Mello-Roos Community Facilities Act of 1982. The City is in no way liable for repayment of any bonds of the funds reflected in the Agency Funds, according to bond counsel, but is acting only as an agent for the property owners/bond holders in collecting and forwarding the special assessments. Balances of the various assessment district bonds are as follows as of June 30, 2007:

Stanford Ranch CFD No. 2 Refunding Special Tax Bonds	\$ 4,810,000
Stanford Ranch CFD No. 3 C (Stanford Ranch) Special Tax Bonds	4,660,000
Rocklin Southeast CFD No. 4 (Southeast Rocklin) Special Tax Bonds	1,520,000
Granite Drive Assessment District Refunding Special Tax Bonds	1,070,000
Monte Verde Assessment District Refunding Special Tax Bonds	220,000
Rocklin CFD No. 7 (Sunset West Interchange/Major Street) Special Tax Bonds	3,000,000
Rocklin CFD No. 6 (Sunset West Drainage) Special Tax Bonds	1,915,000
Rocklin CFD No. 8 (Sunset West Park Drive) Special Tax Bonds	4,945,000

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE G – AGENCY BONDS PAYABLE (Continued)

Rocklin CFD No. 9 (Sunset West/Blue Oaks) Special Tax Bonds	\$ 5,890,000
Rocklin CFD No. 10 (Whitney Ranch) Special Tax Bonds	24,855,000
Rocklin CFD No. 3 Refunding Special Tax Bonds	5,155,000
Rocklin CFD No. 3 2005 Refunding Bond	12,525,000
Rocklin CFD No. 11 Private Placement Bonds	<u>7,850,000</u>
Total	<u><u>\$ 78,415,000</u></u>

NOTE H – FUND BALANCE/NET ASSETS DESIGNATIONS

Designated fund balance/net assets consist of the following at June 30, 2007:

Retiree’s health insurance premiums	\$ 10,026,559
Disaster contingency	2,000,000
Self-insured losses	1,000,000
Building repair	94,774
ADA improvements	286,141
Parks repair and maintenance	379,672
Swimming pool capital improvements	<u>27,395</u>
	<u><u>\$ 13,814,541</u></u>

NOTE I – DEFINED BENEFIT PENSION PLAN

Plan Description: The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent full and part time City employees working at least 1,000 hours per year are enrolled in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over twelve consecutive months of employment. Benefit provisions and all other requirements are established by state statute.

The establishment and amendment of specific benefit provisions of the plan is authorized by resolution of the City Council. Copies of the PERS annual financial report and pertinent past trend information may be obtained from their Executive Offices at 400 P Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Contributions made by the City on behalf of the employees totaled \$1,442,561. The City is required to contribute at actuarially determined rates, which are 10.298% for miscellaneous plan employees, 27.168% for safety police plan employees and 22.607% for safety fire plan employees of annual covered payroll. The contribution requirement of plan members and the City are established and may be amended by PERS.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost: For the year ended June 30, 2007, the City’s annual pension costs of \$3,175,652 for PERS were equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 13.15% for safety employees and 3.25% to 14.45% for non-safety employees and (c) 3.25% payroll growth factor. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). The PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization of the unfunded liability at June 30, 2005 is 26 years for miscellaneous employees and 17 years for safety employees.

Three-year Trend Information for PERS

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2005	\$ 1,943,730	100.00%	None
2006	2,645,589	100.00%	None
2007	3,175,652	100.00%	None

NOTE J – DEFERRED COMPENSATION PLAN

Eligible City employees can participate in a Section 457 Deferred Compensation Plan. Participants are allowed to contribute funds on a pretax basis up to a specified maximum. The City makes contributions in amounts ranging from \$50 to \$750 per month. For the year ended June 30, 2007 the City’s contribution is \$474,796.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits, the City provides certain healthcare benefits for retired employees through PERS. The City’s full-time employees may become eligible for those benefits if they reach normal retirement age while working for the City. At June 30, 2007, 48 retired employees/survivor dependents meet those eligibility requirements. The City contributions are financed on a pay-as-you-go basis and thus the City recognizes the cost of providing those benefits by budgeting for and expensing the annual insurance premiums, which amounted to \$384,215 for the year ended June 30, 2007.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE L – RISK MANAGEMENT

The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF) along with twenty other northern California cities. The NCCSIF is a joint powers authority (JPA) organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The NCCSIF provides claims processing administrative services, risk management services and actuarial studies.

A member from each city governs the NCCSIF. City Council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The NCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The City's insurance coverage and the respective coverage providers are as follows:

<u>Amount</u>	<u>Coverage provider</u>	<u>Payment Source</u>
<i>LIABILITY CLAIM</i>		
\$ 0 - \$ 25,000	Self-insured	Banking layer
25,001 - 500,000	Northern California Cities Self Insurance Fund	Shared risk
500,001 - 15,000,000	California Joint Powers Risk Management	Shared risk
<i>WORKERS' COMPENSATION</i>		
\$ 0 - \$ 100,000	Self-insured	Banking layer
100,001 - 300,000	Northern California Cities Self Insurance Fund	Shared risk
300,001 - statutory	Commercial insurance	

The City purchases commercial insurance for all other risks of loss. The City is self-insured for amounts in excess of these amounts. The City is also self-insured for employee dental and vision claims. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years.

The City's equity investment in the NCCSIF of \$631,005 is recorded in the General Fund. The audited financial statements of the JPA are available at the NCCSIF's office.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE M – CONTINGENT LIABILITIES

The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City’s legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

The City participates in various federal and state assisted grant programs. These programs are subject to compliance audits by the grantors. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the agreements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE N – COMMITMENTS

The City had the following significant unexpended contractual commitments as of June 30, 2007:

Sierra College Blvd. and I-80 interchange project	\$ 20,212,300
Sunset Blvd. reconstruction and overlay project	538,600
Corral Alva Park	458,200
Cold foam overlay project	<u>1,430,500</u>
Total commitments	<u>\$ 22,639,600</u>

NOTE O – SUBSEQUENT EVENTS

The City has approved the purchase of the Granite Business Center Building in the amount of \$3,705,000 for Redevelopment Agency purposes.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ROCKLIN, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS OF
 PENSION PLAN (UNAUDITED)
 June 30, 2007

The information below, which is from the latest available actuarial valuation reports, shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the funded status of the accrued liability as a percentage of the annual covered payroll for the City's contributions to PERS for the miscellaneous plan as of June 30. The City Safety Police and Fire Plans have less than 100 active members and thus participate in a risk pool, so this funding progress information is not available for these plans.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	(Excess Assets) Unfunded Liability	Funded Ratio	Annual Covered Payroll	(Excess Assets) Unfunded Liability as a % of Covered Payroll
<i>MISCELLANEOUS PLAN:</i>						
6/30/2004	\$ 19,677,521	\$ 15,215,492	\$ 4,462,029	77.30%	\$ 8,780,736	50.80%
6/30/2005	22,606,521	17,437,059	5,169,462	77.10%	10,083,098	51.30%
6/30/2006	27,441,481	20,516,145	6,925,336	74.80%	11,986,380	57.80%

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COMBINING INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ROCKLIN, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental
ASSETS				
Cash and investments	\$ 13,056,779	\$ 49,593	\$ 11,150,866	\$ 24,257,238
Receivables:				
Interest receivable	433,200		132,346	565,546
Taxes receivable	288,238			288,238
Notes receivable	3,132,866			3,132,866
Other receivables	48		24	72
Due from other governments	919,735		1,548,925	2,468,660
Other assets	89,194		7,306	96,500
Restricted cash and investments		27	11,966,202	11,966,229
	TOTAL ASSETS	\$ 49,620	\$ 24,805,669	\$ 42,775,349
LIABILITIES				
Accounts payable	\$ 740,875		\$ 528,977	\$ 1,269,852
Accrued liabilities	47,061		11,112	58,173
Due to other funds	974,586		2,977,926	3,952,512
Deferred revenue	533,020		49,682	582,702
Compensated absences	61,544		16,242	77,786
	TOTAL LIABILITIES	\$ 49,620	3,583,939	5,941,025
TOTAL LIABILITIES AND FUND BALANCES				
FUND BALANCES				
Reserved for:				
Encumbrances	1,572,800		445,883	2,018,683
Low and moderate income housing	462,724			462,724
Notes receivable	3,132,866			3,132,866
Debt service		\$ 49,620		49,620
Capital projects			3,541,609	3,541,609
Unreserved:				
Undesignated	10,394,584		17,234,238	27,628,822
	TOTAL FUND BALANCES	49,620	21,221,730	36,834,324
	TOTAL LIABILITIES AND FUND BALANCES	\$ 49,620	\$ 24,805,669	\$ 42,775,349

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and assessments	\$ 857,671		\$ 8,337,717	\$ 9,195,388
Licenses and permits	2,500		3,000	5,500
Fines and forfeitures	23,128			23,128
Use of money and property	714,401	\$ 2,353	1,420,224	2,136,978
Intergovernmental	7,390,028		1,035,053	8,425,081
Charges for services	2,630,644			2,630,644
Other revenues	1,545		836,963	838,508
TOTAL REVENUES	11,619,917	2,353	11,632,957	23,255,227
EXPENDITURES				
Current:				
General government	678,840		10,097	688,937
Public safety	108,067		178,643	286,710
Public works	3,069,060		132,050	3,201,110
Culture and recreation	111,641		706,705	818,346
Community development	270,606		27,092	297,698
Debt service:				
Principal retirement		440,000		440,000
Interest and other charges	24,496	192,405	99,484	316,385
Capital outlay	4,694,138		13,952,133	18,646,271
TOTAL EXPENDITURES	8,956,848	632,405	15,106,204	24,695,457
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,663,069	(630,052)	(3,473,247)	(1,440,230)
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt			4,000,000	4,000,000
Transfers in	2,500,000	632,190		3,132,190
Transfers out	(4,580,607)		(2,686,385)	(7,266,992)
TOTAL OTHER FINANCING SOURCES (USES)	(2,080,607)	632,190	1,313,615	(134,802)
NET CHANGE IN FUND BALANCES	582,462	2,138	(2,159,632)	(1,575,032)
Fund balances, beginning of year	14,980,512	47,482	23,381,362	38,409,356
FUND BALANCES, END OF YEAR	\$ 15,562,974	\$ 49,620	\$ 21,221,730	\$ 36,834,324

CITY OF ROCKLIN, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS

As of June 30, 2007

	Gas Tax Fund	SB 325 Sales Tax Fund	Bicycle and Pedestrian Facilities Fund	Redevelopment Agency Low/Moderate Income Housing Fund	Down Payment Assistance Fund
ASSETS					
Cash and investments	\$ 937,610	\$ 4,236,637	\$ 118,451	\$ 482,235	\$ 2,267,069
Receivables:					
Interest receivable				154,474	472
Taxes receivable	170,907	20,000			
Notes receivable				1,113,198	226,131
Other receivables					
Due from other governments		836,936			
Other assets	3,786				
TOTAL ASSETS	\$ 1,112,303	\$ 5,093,573	\$ 118,451	\$ 1,749,907	\$ 2,493,672
 TOTAL LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable		\$ 731,370			
Accrued liabilities		127		\$ 9,088	
Due to other funds	\$ 177,024				
Deferred revenue				154,474	\$ 472
Compensated absences	10,569			10,423	
TOTAL LIABILITIES	187,593	731,497		173,985	472
 FUND BALANCES					
Reserved for:					
Encumbrances		1,572,800			
Low and moderate income housing				462,724	
Notes receivable				1,113,198	226,131
Unreserved:					
Undesignated	924,710	2,789,276	\$ 118,451		2,267,069
TOTAL FUND BALANCES	924,710	4,362,076	118,451	1,575,922	2,493,200
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,112,303	\$ 5,093,573	\$ 118,451	\$ 1,749,907	\$ 2,493,672

Affordable Housing Fund	Lighting District #1 Fund	Lighting District #2 Fund	Community Facilities District #1 Fund	Atherton Technical Center Fund	Community Facilities District #6 Fund	Housing Rehabilitation Program 1 Fund
\$ 346,943		\$ 1,048,797		\$ 8,692	\$ 290,604	\$ 162,981
	\$ 12,440	66,651	\$ 16,173		2,067	47,692
		48				303,930
	31,729	53,679				
<u>\$ 346,943</u>	<u>\$ 44,169</u>	<u>\$ 1,169,175</u>	<u>\$ 16,173</u>	<u>\$ 8,692</u>	<u>\$ 292,671</u>	<u>\$ 514,603</u>
	\$ 6,179				\$ 71	\$ 4,263
	622,927				5,837	105,312
	2,997	\$ 28,499			2,390	47,692
	632,103	28,499			8,298	890
						158,157
						303,930
<u>\$ 346,943</u>	<u>(587,934)</u>	<u>1,140,676</u>	<u>\$ 16,173</u>	<u>\$ 8,692</u>	<u>284,373</u>	<u>52,516</u>
<u>346,943</u>	<u>(587,934)</u>	<u>1,140,676</u>	<u>16,173</u>	<u>8,692</u>	<u>284,373</u>	<u>356,446</u>
<u>\$ 346,943</u>	<u>\$ 44,169</u>	<u>\$ 1,169,175</u>	<u>\$ 16,173</u>	<u>\$ 8,692</u>	<u>\$ 292,671</u>	<u>\$ 514,603</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (Continued)

As of June 30, 2007

	Housing Rehabilitation Program 2 Fund	2000 Housing Rehabilitation Fund	First Time Home Buyer Grant Fund	Federal Asset Forfeiture Fund	Whitney Oaks Park Improvement Fund
ASSETS					
Cash and investments	\$ 108,204	\$ 13,041	\$ 467,836	\$ 84,852	\$ 2,203,398
Receivables:					
Interest receivable	52,813	35,693	142,056		
Taxes receivable					
Notes receivable	116,629	277,547	1,095,431		
Other receivables					
Due from other governments					
Other assets					
TOTAL ASSETS	\$ 277,646	\$ 326,281	\$ 1,705,323	\$ 84,852	\$ 2,203,398
TOTAL LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 750				
Accrued liabilities			\$ 6,120		
Due to other funds					
Deferred revenue	52,813	\$ 35,693	142,056		
Compensated absences			533		
TOTAL LIABILITIES	53,563	35,693	148,709		
FUND BALANCES					
Reserved for:					
Encumbrances					
Low and moderate income housing					
Notes receivable	116,629	277,547	1,095,431		
Unreserved:					
Undesignated	107,454	13,041	461,183	\$ 84,852	\$ 2,203,398
TOTAL FUND BALANCES	224,083	290,588	1,556,614	84,852	2,203,398
TOTAL LIABILITIES AND FUND BALANCES	\$ 277,646	\$ 326,281	\$ 1,705,323	\$ 84,852	\$ 2,203,398

Traffic Safety Trust Fund	Traffic Congestion AB2928	DOE 2005 Grant Fund	Vehicle Theft Task Force	Supplemental Law Enforcement Grant Fund	Totals
\$ 930	\$ 166,223	\$ 8,027	\$ 100,000	\$ 4,249	\$ 13,056,779
					433,200
					288,238
					3,132,866
					48
79,494		3,305			919,735
					89,194
<u>\$ 80,424</u>	<u>\$ 166,223</u>	<u>\$ 11,332</u>	<u>\$ 100,000</u>	<u>\$ 4,249</u>	<u>\$ 17,920,060</u>
\$ 8,504			\$ 180		\$ 740,875
4,907		\$ 10,517		\$ 23	47,061
69,323					974,586
			99,820		533,020
		1,214		4,029	61,544
<u>82,734</u>		<u>11,731</u>	<u>100,000</u>	<u>4,052</u>	<u>2,357,086</u>
					1,572,800
					462,724
					3,132,866
(2,310)	\$ 166,223	(399)		197	10,394,584
<u>(2,310)</u>	<u>166,223</u>	<u>(399)</u>		<u>197</u>	<u>15,562,974</u>
<u>\$ 80,424</u>	<u>\$ 166,223</u>	<u>\$ 11,332</u>	<u>\$ 100,000</u>	<u>\$ 4,249</u>	<u>\$ 17,920,060</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2007

	Gas Tax Fund	SB 325 Sales Tax Fund	Bicycle and Pedestrian Facilities Fund	Redevelopment Agency Low/Moderate Income Housing Fund	Down Payment Assistance Fund
REVENUES					
Taxes and assessments				\$ 842,758	
Licenses and permits					
Fines and forfeitures					
Use of money and property	\$ 67,296	\$ 205,382	\$ 3,192	124,779	
Intergovernmental	979,084	5,541,390	110,760	8,812	
Charges for services					
Other revenues					
TOTAL REVENUES	<u>1,046,380</u>	<u>5,746,772</u>	<u>113,952</u>	<u>976,349</u>	
EXPENDITURES					
Current:					
General government		510,562		120,200	
Public safety					
Public works	884,805	266,414			
Culture and recreation					
Community development				73,628	\$ 6,800
Debt service:					
Interest and other charges					
Capital outlay		3,891,464	23,199	301	
TOTAL EXPENDITURES	<u>884,805</u>	<u>4,668,440</u>	<u>23,199</u>	<u>194,129</u>	<u>6,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	161,575	1,078,332	90,753	782,220	(6,800)
OTHER FINANCING SOURCES (USES)					
Transfers in					2,500,000
Transfers out	(237,016)	(688,475)	(1,100)	(2,522,313)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(237,016)</u>	<u>(688,475)</u>	<u>(1,100)</u>	<u>(2,522,313)</u>	<u>2,500,000</u>
NET CHANGE IN FUND BALANCES	(75,441)	389,857	89,653	(1,740,093)	2,493,200
Fund balances, beginning of year	1,000,151	3,972,219	28,798	3,316,015	
FUND BALANCES, END OF YEAR	<u>\$ 924,710</u>	<u>\$ 4,362,076</u>	<u>\$ 118,451</u>	<u>\$ 1,575,922</u>	<u>\$ 2,493,200</u>

Affordable Housing Fund	Lighting District #1 Fund	Lighting District #2 Fund	Community Facilities District #1 Fund	Atherton Technical Center Fund	Community Facilities District #6 Fund	Housing Rehabilitation Program 1 Fund
		\$ 72	\$ 12,393		\$ 2,448	
\$ 20,903	\$ (7,498)	78,824		\$ 9,996	15,334	\$ 12,054
	249,495	3,986	851,739		166,422	
		1,362,988	1,330		215	
<u>20,903</u>	<u>241,997</u>	<u>1,445,870</u>	<u>865,462</u>	<u>9,996</u>	<u>184,419</u>	<u>12,054</u>
			8,739		3,474	26,359
	303,045	1,447,413			89,926	
	2,495	13,630				86,576
	24,496					
		37,985		301,349		
	<u>330,036</u>	<u>1,499,028</u>	<u>8,739</u>	<u>301,349</u>	<u>93,400</u>	<u>112,935</u>
20,903	(88,039)	(53,158)	856,723	(291,353)	91,019	(100,881)
	(6,762)	(137,641)	(825,825)		(28,977)	(12,068)
	<u>(6,762)</u>	<u>(137,641)</u>	<u>(825,825)</u>		<u>(28,977)</u>	<u>(12,068)</u>
20,903	(94,801)	(190,799)	30,898	(291,353)	62,042	(112,949)
<u>326,040</u>	<u>(493,133)</u>	<u>1,331,475</u>	<u>(14,725)</u>	<u>300,045</u>	<u>222,331</u>	<u>469,395</u>
<u>\$ 346,943</u>	<u>\$ (587,934)</u>	<u>\$ 1,140,676</u>	<u>\$ 16,173</u>	<u>\$ 8,692</u>	<u>\$ 284,373</u>	<u>\$ 356,446</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (Continued)

For the Year Ended June 30, 2007

	Housing Rehabilitation Program 2 Fund	2000 Housing Rehabilitation Fund	First Time Home Buyer Grant Fund	Federal Asset Forfeiture Fund	Whitney Oaks Park Improvement Fund
REVENUES					
Taxes and assessments					
Licenses and permits					\$ 2,500
Fines and forfeitures				\$ 23,128	
Use of money and property	\$ 6,241	\$ 3,978	\$ 37,702	4,384	107,803
Intergovernmental					
Charges for services					
Other revenues					
TOTAL REVENUES	<u>6,241</u>	<u>3,978</u>	<u>37,702</u>	<u>27,512</u>	<u>110,303</u>
EXPENDITURES					
Current:					
General government	7,027		11,218		
Public safety					
Public works					
Culture and recreation					
Community development	7,890		79,587		
Debt service:					
Interest and other charges					
Capital outlay					
TOTAL EXPENDITURES	<u>14,917</u>	<u></u>	<u>90,805</u>	<u></u>	<u></u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,676)</u>	<u>3,978</u>	<u>(53,103)</u>	<u>27,512</u>	<u>110,303</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	(1,460)		(10,449)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,460)</u>	<u></u>	<u>(10,449)</u>	<u></u>	<u></u>
NET CHANGE IN FUND BALANCES	<u>(10,136)</u>	<u>3,978</u>	<u>(63,552)</u>	<u>27,512</u>	<u>110,303</u>
Fund balances, beginning of year	<u>234,219</u>	<u>286,610</u>	<u>1,620,166</u>	<u>57,340</u>	<u>2,093,095</u>
FUND BALANCES, END OF YEAR	<u>\$ 224,083</u>	<u>\$ 290,588</u>	<u>\$ 1,556,614</u>	<u>\$ 84,852</u>	<u>\$ 2,203,398</u>

Traffic Safety Trust Fund	Traffic Congestion AB2928	DOE 2005 Grant Fund	Vehile Theft Task Force	Supplemental Law Enforcement Grant Fund	Totals
					\$ 857,671
					2,500
					23,128
\$ 1,144	\$ 17,233			\$ 5,654	714,401
188,925	344,027	\$ 112,864	\$ 180	100,000	7,390,028
					2,630,644
					1,545
<u>190,069</u>	<u>361,260</u>	<u>112,864</u>	<u>180</u>	<u>105,654</u>	<u>11,619,917</u>
					678,840
97,202			180	1,946	108,067
	77,457				3,069,060
		111,641			111,641
					270,606
					24,496
<u>95,862</u>	<u>343,978</u>	<u>111,641</u>	<u>180</u>	<u>1,946</u>	<u>4,694,138</u>
<u>193,064</u>	<u>421,435</u>	<u>111,641</u>	<u>180</u>	<u>1,946</u>	<u>8,956,848</u>
(2,995)	(60,175)	1,223		103,708	2,663,069
					2,500,000
<u>(8,521)</u>				<u>(100,000)</u>	<u>(4,580,607)</u>
<u>(8,521)</u>				<u>(100,000)</u>	<u>(2,080,607)</u>
(11,516)	(60,175)	1,223		3,708	582,462
9,206	226,398	(1,622)		(3,511)	14,980,512
<u>\$ (2,310)</u>	<u>\$ 166,223</u>	<u>\$ (399)</u>	<u>\$ -</u>	<u>\$ 197</u>	<u>\$ 15,562,974</u>

CITY OF ROCKLIN, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS

As of June 30, 2007

	<u>Capital Construction Debt Service Fund</u>	<u>Totals</u>
ASSETS		
Cash and investments	\$ 49,593	\$ 49,593
Restricted cash and investments	27	27
TOTAL ASSETS	<u>\$ 49,620</u>	<u>\$ 49,620</u>
FUND BALANCES		
Reserved:		
Debt service	\$ 49,620	\$ 49,620
TOTAL FUND BALANCES	<u>49,620</u>	<u>49,620</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,620</u>	<u>\$ 49,620</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS

For the Year Ended June 30, 2007

	Capital Construction Debt Service Fund	Totals
	<u> </u>	<u> </u>
REVENUES		
Use of money and property	\$ 2,353	\$ 2,353
TOTAL REVENUES	<u>2,353</u>	<u>2,353</u>
EXPENDITURES		
Debt service:		
Principal retirement	440,000	440,000
Interest and other charges	192,405	192,405
TOTAL EXPENDITURES	<u>632,405</u>	<u>632,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(630,052)	(630,052)
OTHER FINANCING SOURCES (USES)		
Transfers in	632,190	632,190
TOTAL OTHER FINANCING SOURCES (USES)	<u>632,190</u>	<u>632,190</u>
NET CHANGE IN FUND BALANCES	2,138	2,138
Fund balances, beginning of year	<u>47,482</u>	<u>47,482</u>
FUND BALANCES, END OF YEAR	<u>\$ 49,620</u>	<u>\$ 49,620</u>

CITY OF ROCKLIN, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS

As of June 30, 2007

	<u>Park Development Fund</u>	<u>Community Park Fees Fund</u>	<u>Traffic Circulation Impact Fees Fund</u>
ASSETS			
Cash and investments			\$ 9,791,624
Receivables:			
Interest receivable			
Other receivable	\$ 24		
Due from other governments	422,635		585,260
Other assets			
Restricted cash and investments			
TOTAL ASSETS	<u>\$ 422,659</u>		<u>\$ 10,376,884</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 40,532		\$ 327,523
Accrued liabilities	6,793	\$ 4,319	
Due to other funds	1,415,114	1,432,977	
Deferred revenue			
Compensated absences	2,135	5,217	4,487
TOTAL LIABILITIES	<u>1,464,574</u>	<u>1,442,513</u>	<u>332,010</u>
 FUND BALANCES			
Reserved for:			
Encumbrances			
Capital projects			3,541,609
Unreserved:			
Undesignated	(1,041,915)	(1,442,513)	6,503,265
TOTAL FUND BALANCES	<u>(1,041,915)</u>	<u>(1,442,513)</u>	<u>10,044,874</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 422,659</u>	<u>\$ -</u>	<u>\$ 10,376,884</u>

Captial Construction Capital Projects Fund	Oak Tree Mitigation Fund	Redevelopment Agency Capital Projects Fund	2003 Certificate of Participation Fund	Community Facilities District # 8 Capital Fund	Community Facilities District # 10 Capital Fund	Totals
	\$ 1,312,644	\$ 40,580	\$ 6,018			\$ 11,150,866
		132,346				132,346
\$ 49,682		491,348				1,548,925
7,306						7,306
		9,424,794		\$ 35	\$ 2,541,373	11,966,202
<u>\$ 56,988</u>	<u>\$ 1,312,644</u>	<u>\$ 10,089,068</u>	<u>\$ 6,018</u>	<u>\$ 35</u>	<u>\$ 2,541,373</u>	<u>\$ 24,805,669</u>
\$ 147,009	\$ 63	\$ 13,850				\$ 528,977
						11,112
129,835						2,977,926
49,682						49,682
4,403						16,242
<u>330,929</u>	<u>63</u>	<u>13,850</u>				<u>3,583,939</u>
445,883						445,883
						3,541,609
<u>(719,824)</u>	<u>1,312,581</u>	<u>10,075,218</u>	<u>\$ 6,018</u>	<u>\$ 35</u>	<u>\$ 2,541,373</u>	<u>17,234,238</u>
<u>(273,941)</u>	<u>1,312,581</u>	<u>10,075,218</u>	<u>6,018</u>	<u>35</u>	<u>2,541,373</u>	<u>21,221,730</u>
<u>\$ 56,988</u>	<u>\$ 1,312,644</u>	<u>\$ 10,089,068</u>	<u>\$ 6,018</u>	<u>\$ 35</u>	<u>\$ 2,541,373</u>	<u>\$ 24,805,669</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2007

	Park Development Fund	Community Parks Fees Fund	Traffic Circulation Impact Fees Fund	Capitol Construction Capital Projects Fund	Oak Tree Mitigation Fund
REVENUES					
Taxes and assessments	\$ 26,376	\$ 27,896	\$ 5,214,648	\$ 3,038,930	\$ 29,867
Licenses and permits			3,000		
Use of money and property		(21,052)	655,487	(15,284)	75,222
Intergovernmental	422,635		417,381	127,035	
Other revenues			144,281	601,737	
TOTAL REVENUES	<u>449,011</u>	<u>6,844</u>	<u>6,434,797</u>	<u>3,752,418</u>	<u>105,089</u>
EXPENDITURES					
Current:					
General government			7,657	2,440	
Public safety				178,643	
Public works		1,741	130,309		
Culture and recreation	257,282	67,911		381,512	
Community development			18,565		8,465
Debt service:					
Interest and other charges		57,577		41,907	
Capital outlay	2,522,784	22,576	3,678,990	626,022	13,871
TOTAL EXPENDITURES	<u>2,780,066</u>	<u>149,805</u>	<u>3,835,521</u>	<u>1,230,524</u>	<u>22,336</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,331,055)	(142,961)	2,599,276	2,521,894	82,753
OTHER FINANCING SOURCES (USES)					
Issuance of long term debt					
Transfers out	(521,097)	(24,891)	(761,255)	(950,031)	(1,591)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(521,097)</u>	<u>(24,891)</u>	<u>(761,255)</u>	<u>(950,031)</u>	<u>(1,591)</u>
NET CHANGE IN FUND BALANCES	(2,852,152)	(167,852)	1,838,021	1,571,863	81,162
Fund balances, beginning of year	<u>1,810,237</u>	<u>(1,274,661)</u>	<u>8,206,853</u>	<u>(1,845,804)</u>	<u>1,231,419</u>
FUND BALANCES, END OF YEAR	<u>\$ (1,041,915)</u>	<u>\$ (1,442,513)</u>	<u>\$ 10,044,874</u>	<u>\$ (273,941)</u>	<u>\$ 1,312,581</u>

Redevelopment Agency Capital Projects Fund	2003 Certificates of Participation Fund	Granite Drive Assessment District Fund	Community Facilities District #8 Capital Fund	Community Facilities District # 9 Capital Fund	Community Facilities District # 10 Capital Fund	Totals
						\$ 8,337,717
						3,000
\$ 562,448	\$ 355	\$ (1,860)		\$ 7	\$ 164,901	1,420,224
68,002						1,035,053
90,945						836,963
<u>721,395</u>	<u>355</u>	<u>(1,860)</u>		<u>7</u>	<u>164,901</u>	<u>11,632,957</u>
						10,097
						178,643
						132,050
						706,705
62						27,092
						99,484
<u>2,160,360</u>		<u>562,367</u>			<u>4,365,163</u>	<u>13,952,133</u>
<u>2,160,422</u>		<u>562,367</u>			<u>4,365,163</u>	<u>15,106,204</u>
(1,439,027)	355	(564,227)		7	(4,200,262)	(3,473,247)
4,000,000						4,000,000
<u>(427,520)</u>						<u>(2,686,385)</u>
<u>3,572,480</u>						<u>1,313,615</u>
2,133,453	355	(564,227)		7	(4,200,262)	(2,159,632)
<u>7,941,765</u>	<u>5,663</u>	<u>564,227</u>	<u>\$ 35</u>	<u>(7)</u>	<u>6,741,635</u>	<u>23,381,362</u>
<u>\$ 10,075,218</u>	<u>\$ 6,018</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 2,541,373</u>	<u>\$ 21,221,730</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS

As of June 30, 2007

	Community Facilities District #2 Fund	Community Facilities District #3 Fund	Community Facilities District #4 Fund	Community Facilities District #5 Fund
ASSETS				
Cash and investments				
Receivables:				
Accounts receivable				\$ 276
Taxes receivable	\$ 14,661	\$ 41,271	\$ 3,900	25,167
Other receivables	908	6,286	3,587	
Restricted cash and investments	<u>1,872,912</u>	<u>3,137,705</u>	<u>717,086</u>	<u>1,056,279</u>
TOTAL ASSETS	<u><u>\$ 1,888,481</u></u>	<u><u>\$ 3,185,262</u></u>	<u><u>\$ 724,573</u></u>	<u><u>\$ 1,081,722</u></u>
LIABILITIES				
Accounts payable				\$ 52,907
Accrued liabilities				88,083
Due to other governments	\$ 112,245			
Compensated absences				25,521
Agency obligations	<u>1,776,236</u>	<u>\$ 3,185,262</u>	<u>\$ 724,573</u>	<u>915,211</u>
TOTAL LIABILITIES	<u><u>\$ 1,888,481</u></u>	<u><u>\$ 3,185,262</u></u>	<u><u>\$ 724,573</u></u>	<u><u>\$ 1,081,722</u></u>

Community Facilities District #6 Fund	Community Facilities District #7 Fund	Community Facilities District #8 Fund	Community Facilities District #9 Fund	Community Facilities District # 10 Fund	Community Facilities District # 11 Fund	Monte Verde Assessment District Fund
\$ 3,065	\$ 1,887	\$ 8,194	\$ 5,224	\$ 7,426		\$ 847
<u>163,625</u>	<u>764,031</u>	<u>304,115</u>	<u>468,789</u>	<u>2,778,186</u>	\$ 22,865	<u>358,568</u>
<u>\$ 166,690</u>	<u>\$ 765,918</u>	<u>\$ 312,309</u>	<u>\$ 474,013</u>	<u>\$ 2,785,612</u>	<u>\$ 22,865</u>	<u>\$ 359,415</u>
					\$ 107,033	
<u>\$ 166,690</u>	<u>\$ 765,918</u>	<u>\$ 312,309</u>	<u>\$ 474,013</u>	<u>\$ 2,785,612</u>	<u>(84,168)</u>	<u>\$ 359,415</u>
<u>\$ 166,690</u>	<u>\$ 765,918</u>	<u>\$ 312,309</u>	<u>\$ 474,013</u>	<u>\$ 2,785,612</u>	<u>\$ 22,865</u>	<u>\$ 359,415</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS (Continued)

As of June 30, 2007

	Granite Drive Assessment District Fund	Health and Saftey Fund	Preschool Mothers Trust Fund	Kids Junction Trust Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments		\$ 33,366	\$ 103,737	\$ 107
Receivables:				
Accounts receivable				
Taxes receivable	\$ 696			
Other receivables			6,625	
Restricted cash and investments	<u>1,018,625</u>			
TOTAL ASSETS	<u>\$ 1,019,321</u>	<u>\$ 33,366</u>	<u>\$ 110,362</u>	<u>\$ 107</u>
LIABILITIES				
Accounts payable				
Accrued liabilities				
Due to other governments				
Compensated absences				
Agency obligations	<u>\$ 1,019,321</u>	<u>\$ 33,366</u>	<u>\$ 110,362</u>	<u>\$ 107</u>
TOTAL LIABILITIES	<u>\$ 1,019,321</u>	<u>\$ 33,366</u>	<u>\$ 110,362</u>	<u>\$ 107</u>

Creative Performing Arts Trust Fund	Teen Recreation Trust Fund	Youth Sports Trust Fund	EIR Consultant's Trust Fund	Senior Programs Trust Fund	Boroski Landfill Monitoring Trust Fund	Wetlands Maintenance Trust Fund
\$ 8,400	\$ 19,371	\$ 3,480	\$ 414,455	\$ 24,842		\$ 15,989
						38,382
<u>\$ 8,400</u>	<u>\$ 19,371</u>	<u>\$ 3,480</u>	<u>\$ 414,455</u>	<u>\$ 24,842</u>	<u>\$ -</u>	<u>\$ 54,371</u>
\$ 1,582	\$ 804 70				\$ 2,457	
	166				9,939	
<u>6,818</u>	<u>18,331</u>	<u>\$ 3,480</u>	<u>\$ 414,455</u>	<u>\$ 24,842</u>	<u>(12,396)</u>	<u>\$ 54,371</u>
<u>\$ 8,400</u>	<u>\$ 19,371</u>	<u>\$ 3,480</u>	<u>\$ 414,455</u>	<u>\$ 24,842</u>	<u>\$ -</u>	<u>\$ 54,371</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS (Continued)

As of June 30, 2007

	Conservation Easement Endowment Fund	Rocklin Jubilee Fund	Park Improvement Trust Fund	D.A.R.E. Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 483,533	\$ 29,170	\$ 13,727	\$ 4,592
Receivables:				
Accounts receivable				
Taxes receivable				
Other receivable		200		
Restricted cash and investments				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 483,533</u>	<u>\$ 29,370</u>	<u>\$ 13,727</u>	<u>\$ 4,592</u>
LIABILITIES				
Accounts payable		\$ 22,467		
Accrued liabilities				
Due to other governments				
Compensated absences		6,904		
Agency obligations	\$ 483,533	(1)	\$ 13,727	\$ 4,592
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 483,533</u>	<u>\$ 29,370</u>	<u>\$ 13,727</u>	<u>\$ 4,592</u>

Explorer Post 150 Trust Fund	Fire Prevention Education Fund	Totals
\$ 6,741	\$ 60,454	\$ 1,221,964
		276
		112,338
		17,606
		<u>12,701,168</u>
<u>\$ 6,741</u>	<u>\$ 60,454</u>	<u>\$ 14,053,352</u>
		\$ 80,217
		88,153
		229,217
		32,591
<u>\$ 6,741</u>	<u>\$ 60,454</u>	<u>13,623,174</u>
<u><u>\$ 6,741</u></u>	<u><u>\$ 60,454</u></u>	<u><u>\$ 14,053,352</u></u>