

ROCKLIN PUBLIC FINANCING AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011

Rocklin Public Financing Authority
Basic Financial Statements
For the year ended June 30, 2011

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Rocklin Public Financing Authority
Rocklin, California

We have audited the accompanying financial statements of the governmental activities of the Rocklin Public Financing Authority (Authority) as of and for the year ended June 30, 2011, which comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's June 30, 2010, financial statements in which an unqualified opinion was expressed on those financial statements.

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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Authority as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 3 through 6 and the Budgetary Comparison Schedule on page 22 are not required parts 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 required supplementary information. However, we did not audit the information and express no opinion on it.

September 30, 2011

JJACPA, Inc.
JJACPA, INC

Rocklin Public Financing Authority
Management's Discussion and Analysis
For the year ended June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Rocklin Public Financing Authority's (Authority) basic financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2011. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and current known facts, please read it in conjunction with the Authority's basic financial statements (pages 8 and 9) and the footnotes (pages 12 - 19).

FINANCIAL HIGHLIGHTS

At June 30, 2011, the Authority's net assets increased to \$2,143,575 from \$1,968,246 in 2010 as a result of decreases in liabilities.

Operating expenses decreased \$63,713, principally from debt service interest expense. General revenues decreased \$25,376, which was the result of a decrease in investment income.

USING THIS REPORT

In June 1999, GASB released Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Changes in Statement No. 34 require a comprehensive one-line look at the entity as a whole and capitalization of assets and depreciation. The major reconciling items necessary were long-term debt and intangible assets, including the applicable interest and amortization expense. The Authority has selected the single governmental fund (Debt Service Fund) presentation since this reflects the most concise and easily readable presentation for the Authority's operations.

The annual financial statements include the Independent Auditor's Report, this management's discussion and analysis, the basic financial statements, notes to basic financial statements, and required supplementary information.

Rocklin Public Financing Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net Assets				
As of June 30, 2011 and 2010				
	2011	2010	Increase (Decrease)	Percent Change
Assets:				
Current assets	\$ 13,131,526	\$ 13,011,825	\$ 119,701	0.9%
Non-current assets	303,374	336,888	(33,514)	-9.9%
Total assets	\$ 13,434,900	\$ 13,348,713	\$ 86,187	0.6%
Liabilities:				
Current liabilities	\$ 1,176,325	\$ 700,467	\$ 475,858	67.9%
Non-current liabilities	10,115,000	10,680,000	(565,000)	-5.3%
Total liabilities	11,291,325	11,380,467	(89,142)	-0.8%
Net assets:				
Unrestricted	2,143,575	1,968,246	175,329	8.9%
Total net assets	\$ 2,143,575	\$ 1,968,246	\$ 175,329	8.9%

This schedule is prepared from the Authority's Statement of Net Assets (page 8), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Net assets at June 30, 2011, increased to \$2,143,575 from \$1,968,246 in 2010.

Operating Results				
For the years ended June 30, 2011 and 2010				
	2011	2010	Increase (Decrease)	Percent Change
Operating expenses	\$ 507,961	\$ 571,674	\$ (63,713)	-11.1%
General revenue:				
Investment earnings	683,290	708,666	(25,376)	-3.6%
Contributions from City	-	300,000	(300,000)	-100.0%
Total general revenue	683,290	1,008,666	(325,376)	-32.3%
Change in net assets	175,329	436,992	(261,663)	-59.9%
Net assets:				
Beginning of year	1,968,246	1,531,254	436,992	28.5%
End of year	\$ 2,143,575	\$ 1,968,246	\$ 175,329	8.9%

Rocklin Public Financing Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE, Continued

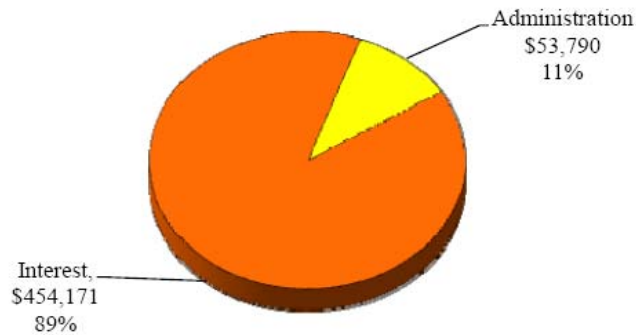
As indicated in the previous table, investment earnings and City contributions accounted for 100% of all revenue sources for the Authority. Interest rates on Authority investments are predetermined and, therefore, subject to limited interest rate risk providing a stable revenue source for the Authority.

Operating Expenses
For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expense:				
Administration	\$ 53,790	\$ 52,914	\$ 876	1.7%
Interest	454,171	518,760	(64,589)	-12.5%
Total	<u>\$ 507,961</u>	<u>\$ 571,674</u>	<u>\$ (63,713)</u>	-11.1%

Operating expenses for fiscal 2011 decreased \$63,713 or 11.1 % over 2010 principally from decreases to interest expense on the debt. As shown in the following graphic illustration of operating expenses 89% of the operating expenses were attributed to interest, the remaining 11% of administrative service expenses were primarily for debt administration and amortization of bond issuance costs and discounts associated with the 2003 Refunding Revenue Bonds.

Operating Expenses \$507,961



Rocklin Public Financing Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE, Continued

Analysis of Net Assets
As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net Assets:				
Unrestricted	\$ 2,143,575	\$ 1,968,246	\$ 175,329	8.9%
Total	<u>\$ 2,143,575</u>	<u>\$ 1,968,246</u>	<u>\$ 175,329</u>	8.9%

The change in net assets of a \$175,329 increase is primarily the result of decreased liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The adopted budget for the fiscal year 2011-2012 was \$1,027,400 and is summarized as follows:

	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>Percentage change</u>
General government:			
Administration	\$ 18,900	\$ 24,537	-23.0%
Debt service:			
Principal	565,000	545,000	3.7%
Interest	443,500	459,063	-3.4%
Total budget	<u>\$ 1,027,400</u>	<u>\$ 1,028,600</u>	-0.1%

This table reflects the decreasing debt service payments as indicated in the official statement.

CONTACTING THE AUTHORITY

This financial report is designed to provide our customers and creditors a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, contact the Rocklin Public Financing Authority, Chief Financial Officer, 3970 Rocklin Road, Rocklin, CA 95677.

BASIC FINANCIAL STATEMENTS

Rocklin Public Financing Authority
Governmental Funds Balance Sheet/Statement of Net Assets
June 30, 2011

(With comparative totals for June 30, 2010)

	<u>Debt Service Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Net Assets</u>	<u>2010</u>
ASSETS				
Cash and investments	\$ 445,921	\$ -	\$ 445,921	\$ 5,453
Cash and investments with fiscal agents	1,605,605	-	1,605,605	1,471,372
Investment in Special Assessment Bonds	11,080,000	-	11,080,000	11,535,000
Intangible assets, net of accumulated amortization	-	303,374	303,374	336,888
Total assets	<u>\$ 13,131,526</u>	<u>\$ 303,374</u>	<u>\$ 13,434,900</u>	<u>\$ 13,348,713</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 750	\$ -	\$ 750	\$ -
Interest payable	-	150,575	150,575	155,467
Advance from the City of Rocklin Redevelopment Agency		460,000	460,000	-
Long-term debt:				
Due within one year	-	565,000	565,000	545,000
Due after one year	-	10,115,000	10,115,000	10,680,000
Total liabilities	<u>750</u>	<u>11,290,575</u>	<u>11,291,325</u>	<u>11,380,467</u>
Fund balances/Net assets:				
Nonspendable reported in:				
Debt service fund	11,080,000	(11,080,000)	-	-
Restricted reported in:				
Debt service fund	2,050,776	(2,050,776)	-	-
Total fund balances	<u>13,130,776</u>	<u>(13,130,776)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 13,131,526</u>			
NET ASSETS				
Unrestricted		2,143,575	2,143,575	1,968,246
Total net assets		<u>\$ 2,143,575</u>	<u>2,143,575</u>	<u>1,968,246</u>
Total liabilities and net assets			<u>\$ 13,434,900</u>	<u>\$ 13,348,713</u>

The accompanying notes are an integral part of these financial statements

Rocklin Public Financing Authority
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	<u>Debt Service Fund</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Activities</u>	<u>2010</u>
EXPENDITURES/EXPENSES:				
Administration	\$ 20,276	\$ 33,514	\$ 53,790	\$ 52,914
Debt service:				
Principal	545,000	(545,000)	-	-
Interest	459,063	(4,892)	454,171	518,760
Total expenditures/expenses	<u>1,024,339</u>	<u>(516,378)</u>	<u>507,961</u>	<u>571,674</u>
REVENUES:				
General revenues:				
Investment earnings	683,290	-	683,290	708,666
Total general revenues	<u>683,290</u>	<u>-</u>	<u>683,290</u>	<u>708,666</u>
OTHER FINANCING SOURCES:				
Contributions from the City of Rocklin	-	-	-	300,000
Transfers from the City of Rocklin Redevelopment Agency	460,000	(460,000)	-	-
REVENUES OVER (UNDER) EXPENDITURES	<u>118,951</u>			
CHANGE IN NET ASSETS		<u>516,378</u>	<u>175,329</u>	<u>436,992</u>
FUND BALANCES/NET ASSETS:				
Beginning of the year	13,011,825	(11,043,579)	1,968,246	1,531,254
End of the year	<u>\$ 13,130,776</u>	<u>\$(10,527,201)</u>	<u>\$ 2,143,575</u>	<u>\$ 1,968,246</u>

The accompanying notes are an integral part of these financial statements

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NOTES TO BASIC FINANCIAL STATEMENTS

Rocklin Public Financing Authority
Notes to Basic Financial Statements
For the year ended June 30, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On December 13, 1994, pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the City of Rocklin (City) authorized the formation of a joint powers authority with the Rocklin Redevelopment Agency to be known as the Rocklin Public Financing Authority (Authority).

The Authority is governed by a Board consisting of members of the City Council. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the Authority's governing board. The Authority is a blended component unit of the City for financial reporting purposes and the accompanying basic financial statements reflect the assets, liabilities, fund balances/net assets, revenues, and expenditures/expenses of the Authority only.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

In June 1999, GASB approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Authority implemented these changes in the fiscal year ended June 30, 2004. The change in financial statement presentation provides a comprehensive one-line look at the total entity. The only significant change made in order to comply with the new requirements was recording long-term debt. The Authority has selected the single governmental fund (Debt Service Fund) presentation since this reflects the most concise and easily readable presentation for the Authority's operations.

A. Reporting Entity

As defined by GASB Statement No. 39, *The Financial Reporting Entity*, the Authority is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete.

B. Basis of Accounting

The fund-based financial statement columns (Debt Service Fund column) on Pages 8 and 9 are accounted for using the modified accrual basis of accounting and reflect balances for the Authority's Debt Service Fund. This fund's revenues are recognized when they become measurable and available as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts, which could not be measured or were not available, were not accrued as revenue in the current fiscal year.

Rocklin Public Financing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

B. Basis of Accounting, Continued

The Statements of Net Assets and Activities columns on Pages 8 and 9 have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

C. Budgets

Budgets are prepared on the modified accrual basis of accounting, in which debt principal and interest, and capital assets acquired are recorded as expenditures and depreciation is not recorded.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the management recommends to the Board a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is legally enacted through passage of a motion during a Board meeting prior to the commencement of the new fiscal year.
- The Board approves all budget transfers and revisions.
- Formal budgeting is employed as a management control device during the year.
- Budgets for the Debt Service Fund are adopted on a basis consistent with accounting principles generally accepted in the United States (GAAP).

Budgeted amounts are as originally adopted or as amended by the Board. There were no amendments recorded for the fiscal year.

D. Cash and Investments

For the purposes of the Statement of Net Assets, "cash and investments" includes all demand, savings accounts, and certificates of deposits, or short-term investments with an original maturity of three months or less.

The City of Rocklin currently maintains \$445,921 of Authority funds in the City's pooled cash deposits. Union Bank is the fiscal agent for the Authority and maintains all other cash balances and authorized investments of Authority funds. The City/Authority has oversight responsibility for all Authority cash and investments.

Rocklin Public Financing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

D. Cash and Investments, Continued

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

Authorized Investments

Under provisions of the Authority/City's Investment Policy and in accordance with California Government Code Section 53600 *et seq.*, the Authority/City may invest or deposit in the following types of investments:

- Local Agency Bonds
- US Treasury Obligations
- US Agencies
- Time Deposits
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Funds (LAIF) of California State Treasurer's Office (State Pool)
- State of California Obligations
- CA Local Agency Obligations
- Repurchase Agreements (Repos)
- Reverse Repurchase Agreements
- Medium-Term Notes (Corporate Debt Investment Grade)
- Mutual Funds
- Money Market Funds
- Collateralized Bank Deposits
- Mortgage Pass-Through Securities

E. Long-term debt

Bond discounts and issuance costs are being amortized over the life of the applicable bonds and are presented as intangible assets, net of related amortization in the Statement of Net Assets.

Rocklin Public Financing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

A. Cash Deposits

At June 30, 2011, the Authority had funds with the City in the amount of \$445,921 as adjusted to fair value. The Authority invests excess cash with its fiscal agent, Union Bank. Cash and investments with the fiscal agent consisted primarily of money market accounts, which at June 30, 2011 were adjusted to fair value of \$1,605,605. Investment income was adjusted accordingly as follows:

	<u>Fair Value</u>
Total investment income received	\$ 683,296
Adjustment to fair value	(6)
Total adjusted investment income	<u>\$ 683,290</u>

B. Safekeeping

Securities purchased from broker-dealers are held in third party safekeeping by the trust department of the broker-dealer or other designated third party trust in the Authority/City's name and control, whenever possible.

C. Investment in Special Assessment Bonds

Proceeds from the issuance of the 2003 Refunding Revenue Bonds were used to purchase \$14,030,000 of special tax bonds issued by special assessment districts in the City. These bonds mature through September 1, 2025, and are authorized investments of the Authority. The balance at June 30, 2011 was \$11,080,000.

Rocklin Public Financing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. INTANGIBLE ASSETS

Intangible assets include bond issuance costs and discounts as follows:

	<u>Original Amount</u>	<u>Accumulated Amortization</u>	<u>Amortization Expense</u>	<u>Balance June 30, 2011</u>
Intangible assets:				
2003 Refunding Revenue Bonds:				
Bond issuance costs	\$ 282,336	\$ (116,256)	\$ (16,608)	\$ 149,472
Bond discount	289,152	(118,344)	(16,906)	153,902
Intangible assets totals	<u>\$ 571,488</u>	<u>\$ (234,600)</u>	<u>\$ (33,514)</u>	<u>\$ 303,374</u>

4. LONG-TERM DEBT

The following is a summary of changes in long-term debt for governmental activities for the year ended June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Governmental activities:				
2003 Refunding Revenue Bonds - Senior	\$ 10,100,000	\$ -	\$ (475,000)	\$ 9,625,000
2003 Refunding Revenue Bonds - Subordinate	1,125,000	-	(70,000)	1,055,000
Total governmental activities	<u>\$ 11,225,000</u>	<u>\$ -</u>	<u>\$ (545,000)</u>	<u>\$10,680,000</u>
Due within one year	\$ 545,000	\$ 20,000	\$ -	\$ 565,000
Due after one year	10,680,000	-	(565,000)	10,115,000
Total	<u>\$ 11,225,000</u>	<u>\$ 20,000</u>	<u>\$ (565,000)</u>	<u>\$10,680,000</u>

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 \$240,000 to \$850,000 are payable annually on September 1 and interest payments ranging from \$19,550 to \$229,102 are payable semi-annually on March 1 and September 1 through September 1, 2025, for the Senior issue. Principal payments ranging from \$60,000 to \$120,000 are payable annually on September 1 and interest payments ranging from \$3,375 to \$33,173 are payable semi-annually on March 1 and September 1 through September 1, 2021, for the Subordinate issuance.

Rocklin Public Financing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. LONG-TERM DEBT, Continued

Future debt service at June 30, 2011, is as follows:

Year Ending June 30,	Governmental activities			
	2003		2003	
	Refunding Revenue Bonds - Senior		Refunding Revenue Bonds - Subordinate	
	Principal	Interest	Principal	Interest
2012	\$ 490,000	\$ 391,429	\$ 75,000	\$ 52,012
2013	505,000	376,485	80,000	48,715
2014	520,000	359,504	80,000	45,115
2015	535,000	341,032	85,000	41,193
2016	555,000	320,235	90,000	36,871
2017-2021	3,135,000	1,238,038	525,000	107,053
2022-2026	3,885,000	462,875	120,000	3,375
Total	<u>\$ 9,625,000</u>	<u>\$ 3,489,598</u>	<u>\$ 1,055,000</u>	<u>\$ 334,334</u>
Due within one year	\$ 490,000	\$ 391,429	\$ 75,000	\$ 52,012
Due after one year	9,135,000	3,098,169	980,000	282,322
Total	<u>\$ 9,625,000</u>	<u>\$ 3,489,598</u>	<u>\$ 1,055,000</u>	<u>\$ 334,334</u>
	Total			
	Principal	Interest		
2012	\$ 565,000	\$ 443,441		
2013	585,000	425,200		
2014	600,000	404,619		
2015	620,000	382,225		
2016	645,000	357,106		
2017-2021	3,660,000	1,345,091		
2022-2026	4,005,000	466,250		
Total	<u>\$ 10,680,000</u>	<u>\$ 3,823,932</u>		
Due within one year	\$ 565,000	\$ 443,441		
Due after one year	10,115,000	3,380,491		
Total	<u>\$ 10,680,000</u>	<u>\$ 3,823,932</u>		

5. FUND BALANCES/NET ASSETS

Fund balance consists of nonspendable and restricted amounts. Nonspendable fund balance consists of investments that will not convert to cash soon enough to affect the current period. The remaining portion is restricted and consists of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government.

Rocklin Public Financing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

**6. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
BALANCE SHEETS AND THE STATEMENTS OF NET ASSETS**

“Total fund balances” of the Authority’s Governmental funds \$13,130,776, differs from “net assets” of governmental activities \$2,143,575, reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the Governmental funds balance sheets. The effect of the difference is illustrated below:

	<u>Debt Service Fund</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Assets</u>
Assets:			
Cash and investments	\$ 445,921	\$ -	\$ 445,921
Cash and investments with fiscal agents	1,605,605	-	1,605,605
Investment in Special Assessment Bonds	11,080,000	-	11,080,000
Intangible assets, net of accumulated amortization	-	303,374	303,374
Total assets	<u>\$ 13,131,526</u>	<u>\$ 303,374</u>	<u>\$ 13,434,900</u>
Liabilities:			
Accounts payable	\$ 750	\$ -	\$ 750
Interest payable	-	150,575	150,575
Advance from the City of Rocklin Redevelopment Agency	-	460,000	460,000
Long-term debt:			
Due within one year	-	565,000	565,000
Due after one year	-	10,115,000	10,115,000
Total liabilities	<u>750</u>	<u>11,290,575</u>	<u>11,291,325</u>
Fund Balances/Net Assets:			
Total fund balances/net assets	<u>13,130,776</u>	<u>(10,987,201)</u>	<u>2,143,575</u>
Total liabilities and fund balances/net assets	<u>\$ 13,131,526</u>	<u>\$ 303,374</u>	<u>\$ 13,434,900</u>

Rocklin Public Financing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

**7. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The “net change in fund balances” for the Debt Service fund of \$118,951 differs from the “change in net assets” for governmental activities of \$175,329 reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the Debt Service fund. The effect of the difference is illustrated below:

**Statement of Revenues, Expenditures, and Changes in
Fund Balances/Statement of Activities**

	<u>Debt Service Fund</u>	<u>Reclassifications and Eliminations ¹</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:			
Administration	\$ 20,276	\$ 33,514	\$ 53,790
Debt service:			
Principal	545,000	(545,000)	-
Interest	459,063	(4,892)	454,171
Total expenditures/expenses	<u>1,024,339</u>	<u>(516,378)</u>	<u>507,961</u>
REVENUES:			
General revenues:			
Investment earnings	683,290	-	683,290
Total general revenues	<u>683,290</u>	<u>-</u>	<u>683,290</u>
OTHER FINANCING SOURCES:			
Transfers from the City of Rocklin Redevelopment Agency	460,000	(460,000)	-
REVENUES OVER (UNDER) EXPENDITURES	<u>118,951</u>		
CHANGE IN NET ASSETS		<u>516,378</u>	<u>175,329</u>
FUND BALANCES/NET ASSETS:			
Beginning of the year	13,011,825	(11,043,579)	1,968,246
End of the year	<u>\$ 13,130,776</u>	<u>\$ (10,527,201)</u>	<u>\$ 2,143,575</u>

¹ Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Governmental funds also report principal payments on debt as expenditures while governmental activities report reductions to the long-term liability.

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REQUIRED SUPPLEMENTARY INFORMATION

Rocklin Public Financing Authority
Required Supplementary Information
For the year ended June 30, 2011

Budgetary Comparison Schedule
Debt Service Fund
For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2010	\$ 13,011,825	\$ 13,011,825	\$ 13,011,825	\$ -
Resources (inflows):				
Interest income	683,200	683,200	683,290	90
Transfer from the City of Rocklin Redevelopment Agency	-	-	460,000	460,000
Amounts available for appropriation	<u>13,695,025</u>	<u>13,695,025</u>	<u>14,155,115</u>	<u>460,090</u>
Charges to appropriations (outflows):				
General government:				
Administration	24,500	24,500	20,276	4,224
Debt service:				
Principal	545,000	545,000	545,000	-
Interest	459,100	459,100	459,063	37
Total charges to appropriations	<u>1,028,600</u>	<u>1,028,600</u>	<u>1,024,339</u>	<u>4,261</u>
Budgetary fund balance, June 30, 2011	<u>\$ 12,666,425</u>	<u>\$ 12,666,425</u>	<u>\$ 13,130,776</u>	<u>\$ 464,351</u>