

RESOLUTION NO. 2007-93

RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF ROCKLIN ACCEPTING THE AUDITED FINANCIAL
STATEMENTS FOR THE FISCAL YEAR 2005-2006

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 2005-2006 attached hereto as Exhibit A and by this reference incorporated herein.

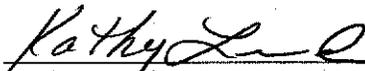
PASSED AND ADOPTED this 8th day of May, 2007, by the following roll call vote:

AYES: Councilmembers: Hill, Magnuson, Yuill, Lund

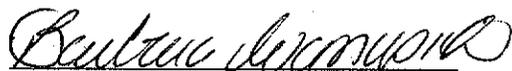
NOES: Councilmembers: None

ABSENT: Councilmembers: Storey

ABSTAIN: Councilmembers: None


Kathy Lund, Mayor

ATTEST:


Barbara Ivanusich, City Clerk

THE CITY OF ROCKLIN, CALIFORNIA

Audited Financial Statements And
Supplemental Information

June 30, 2006

CITY OF ROCKLIN, CALIFORNIA

Audited Financial Statements and
Supplemental Information

June 30, 2006

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CITY OF ROCKLIN, CALIFORNIA

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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, 2006, 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, 2006, 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.

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

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 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

November 17, 2006

**CITY OF ROCKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2006**

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, 2006. 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 2005-06 by \$390,487,500 (*net assets*). Of this amount, \$33,780,126 in *unrestricted net assets* is available to meet ongoing obligations to citizens and creditors, \$55,165,034 in *restricted net assets* must be used only for specific purposes and \$301,542,340 is *invested in capital assets, net of related debt*.
- The City's total net assets increased by \$28,036,286.
- At the close of the fiscal year, fund balance for the general fund was \$31,629,813 or 53% of the total general fund expenditures of \$59,311,265.
- As of June 30, 2006, the City's governmental funds reported an ending fund balance of \$87,875,931. Of this amount \$63,817,017 is available at the City's discretion (unreserved fund balance).

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 separate 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 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 customers for the services it provides—whether to outside customers or to other units of the City—these services are generally 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. An internal service fund (a component of proprietary funds) is used to report activities that provide supplies and services for the City's other programs and activities—such as 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. These activities are excluded 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 years ended June 30, 2006 and 2005 were:

	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 106,085,495	\$ 116,971,485
Capital assets	<u>345,977,268</u>	<u>295,273,784</u>
Total Assets	<u>452,062,763</u>	<u>412,245,269</u>
Current and other liabilities	14,175,030	10,403,372
Long-term liabilities	<u>47,400,233</u>	<u>39,390,683</u>
Total Liabilities	<u>61,575,263</u>	<u>49,794,055</u>
Net Assets:		
Invested in capital assets, net of related debt	301,542,340	258,716,605
Restricted net assets	55,165,034	73,109,220
Unrestricted net assets	<u>33,780,126</u>	<u>30,625,389</u>
Total Net Assets	<u>\$ 390,487,500</u>	<u>\$ 362,451,214</u>

As of fiscal years ending June 30, 2006 and 2005, the City's assets exceeded liabilities by \$390,487,500. This is an increase in net assets of \$28,036,286 over 2005.

The \$50,703,484 net increase in capital assets is a result of net additions to construction in progress of \$34,302,878, net additions to infrastructure of \$1,671,332, and net additions of \$23,146,308 to land, facilities, improvements, machinery and equipment as well as a net increase in accumulated depreciation of \$8,417,034.

The following table indicates the changes in governmental net assets:

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

	<u>2006</u>	<u>2005</u>
<i>Revenues:</i>		
<i>Program revenues:</i>		
Fees, fines and charges for services	\$ 10,532,891	\$ 8,817,548
Operating grants and contributions	2,548,421	563,811
Capital grants and contributions	24,891,312	45,048,679
 <i>General revenues:</i>		
Property taxes	13,077,447	11,930,652
Sales and use taxes	5,032,904	5,611,018
Gas taxes	4,048,413	3,431,137
Franchise fees	1,457,402	1,376,480
Other taxes	1,592,552	1,552,253
Occupancy tax	604,642	1,017,429
Motor vehicle fees	3,755,883	3,566,850
Impact fees	7,469,174	3,855,636
Interest and investment earnings	3,152,136	3,818,710
Miscellaneous	1,687,041	1,111,581
Loss on Sale of Assets	(14,102)	
Total Revenues	<u>79,836,116</u>	<u>91,701,784</u>
 <i>Expenses:</i>		
General government	8,519,066	6,274,350
Public safety	15,237,633	13,029,129
Public works	3,602,819	2,677,261
Culture and recreation	10,506,878	7,848,875
Community development	4,575,485	4,690,686
Depreciation	7,957,440	9,403,451
Interest on long-term debt	1,400,509	1,258,812
Total Expenses	<u>51,799,830</u>	<u>45,182,564</u>
 Change in Net Assets	 28,036,286	 46,519,220
Net Assets – Beginning of Year	<u>362,451,214</u>	<u>315,931,994</u>
Net Assets – End of Year	<u>\$ 390,487,500</u>	<u>\$ 362,451,214</u>

As Table 2 above shows, 37,972,624, or 48% of the City's revenue came from the program revenues and \$41,863,492, or 52% came from general revenues such as taxes and interest.

Program revenue were composed of fees, fines and charges for service of \$10,532,891 that include permit revenues, fees and charges used to fund expenses incurred in providing services; \$27,439,733 of operating and capital grants and contributions, which include housing and police grants. The large increase in 2006 in capital grants and contributions is a result of a capital asset developer's contribution of \$23,272,727.

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

Total revenues had a net decrease of \$11,865,668. This decrease is the result of previous year revenue which included \$21,000,000 in bond proceeds. Total expenses experienced a net increase of \$6,617,266. This net increase in expenses is attributed mainly to an increase of \$2,208,504 in Public Safety, an increase of \$2,658,003 in Culture and Recreation and an increase in \$2,244,716 in General Government. The City's net assets as of June 30, 2006 comprised the following:

	<u>2006</u>
Net Assets:	
Invested in capital assets, net of related debt	301,542,340
Restricted net assets:	
Debt service	17,888,051
Capital projects	22,899,132
Street projects	4,972,370
Housing projects	2,936,430
Low and moderate income housing	2,200,363
Community projects	1,553,806
Park projects	2,093,095
Other projects	621,787
Unrestricted net assets	<u>33,780,126</u>
Total Net Assets	<u>390,487,500</u>

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$51,799,830. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through City taxes and fees was \$37,099,933 as \$14,699,897 of the cost was paid by those who directly benefited from the programs through the City's program revenues and by intergovernmental grants and contributions. The \$23,274,220 under Capital Grants and Contributions in Public Works include a \$23,272,727 developer's capital asset contribution. The \$23,272,727 is not available for financing program activities.

The City's programs include: General Government, Fire, Police, Public Works, Community Development, Parks, Recreation and Community Services. 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 excluding the \$23,272,727 in developer's capital asset contribution.

Governmental Activities Net (Expense) Revenue

General Government	(\$8,205,346)
Public Safety	(\$13,438,257)
Public Works	\$12,885,411
Culture & Recreation	(\$5,067,428)
Community Development	\$1,398,923
Interest on Long-term Debt	(\$1,400,509)

Total resources available during the year to finance governmental operations were \$442,287,330, consisting of Net Assets at July 1, 2005 of \$362,451,214, program revenues of \$37,972,624 and general revenues of \$41,863,492. Total Governmental Activities during the year were \$51,799,830 thus Net Assets were increased by \$28,036,286 to \$390,487,500.

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. 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 \$104,811,888, and \$16,935,957, respectively. This resulted in a total combined fund balance of \$87,875,931. The unreserved portion of the combined fund balance amount was \$63,817,017.

The primary operating fund of the City is the General Fund. For the fiscal year-ended June 30, 2006, the unreserved fund balance of the General Fund was \$31,130,020 and the total fund balance was \$31,629,813. As a measure of the General Fund's liquidity, it is useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent 52% and 53% respectively, of total fund expenditures.

Cash and investments represent the largest balance sheet asset component for the governmental funds, representing \$91,521,017 or 87% of total governmental fund assets.

The Public Financing Authority Debt Service Fund has total assets of \$14,147,463 and represents 13% of the total governmental fund assets. The fund balance is reserved for the repayment of principal and interest on debt.

The Capital Construction Capital Projects Fund has total assets of \$601,226 and represents .6% of the total governmental fund assets. Of fund balance, \$252,684 is reserved for encumbrances and the remainder is unreserved and reported in capital project funds.

The Redevelopment Agency Capital Projects Fund has total assets of \$9,687,725 and represents 9% of the total governmental fund assets. Of fund balance, \$77,969 is reserved for encumbrances and the remainder is unreserved and reported in capital projects funds.

The Community Facilities District #10 Capital Projects Fund has total assets of \$6,741,635 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 \$8,516,540, and \$121,651, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Table 3
Capital Assets at End of Year

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 49,206,260	\$ 27,604,865
Land improvements	67,461	67,461
Construction in progress	70,419,858	36,116,980
Infrastructure	281,920,941	280,249,609
Building and improvements	18,140,978	17,726,720
Equipment	11,164,303	10,502,016
Accumulated depreciation	<u>(84,942,533)</u>	<u>(76,993,867)</u>
Total	<u>\$345,977,268</u>	<u>\$295,273,784</u>

The City's investment in capital assets for its governmental type activities as of June 30, 2006 totaled \$345,977,268 (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 \$50,703,484.

Major capital asset acquisitions or improvements during the current fiscal year include:

- Margaret Azevedo Park,
- Pleasant Valley Creek Park,
- Boulder Ridge Neighborhood Park,
- Sonora Neighborhood Park,
- Joe Hernandez Neighborhood Park,
- Financial Accounting System,
- Corp Yard Expansion,
- Multi-Modal Train Station,
- Rocklin Rd. / I-80 Landscape,
- Infrastructure – street capitalization,
- Safe Routes to School project,
- Portable offices,
- Pacific Street Phase IV Improvements.

A summary of the City's capital assets is presented in Note E, see page 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, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Incurred</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities				
Certificates of Participation and Bonds	\$ 36,185,000	\$ 11,900,000	\$ (3,815,000)	\$ 44,270,000
Promissory Note	650,000		(100,000)	550,000
Pass-through Obligation	95,499		(46,813)	48,686
Capital Leases	13,511		(13,511)	0
Compensated Absences	2,659,709	1,219,865	(652,957)	3,226,617
Claims Payable	<u>2,754,425</u>	<u> </u>	<u> </u>	<u>2,754,425</u>
Total Governmental Activity	<u>\$ 42,358,144</u>	<u>\$ 13,119,865</u>	<u>\$ (4,628,281)</u>	<u>\$ 50,849,728</u>

Debt, considered a liability of governmental activities, had a net increase in fiscal year 2005-06 of \$8,491,584. The increase in debt is due to the refunding of the Redevelopment Agency's 1997 Tax Allocation Bond and the issuance of \$8,134,927 in new debt for capital projects. Additional information on the City's long-term debt can be found in Note F on pages 46-49 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 increases or decreases to the original budget must be approved by the City Council.

The net favorable variance between actual and final budgeted General Fund revenue amounts to \$623,951 and is the result of higher than anticipated revenues for property, business license and utility franchise taxes.

The net favorable variance in expenditures in the amount of \$1,593,262 was due primarily to an unanticipated decrease in personnel and general operational expenditures related to general government, public safety, and community development.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-2006 ARE NOTED BELOW:

- Implementation of payroll module in MUNIS, a financial and human resource software system,
- Rocklin Road/ I-80 Interchange landscape project completed,
- Completion of five City parks,
- Rocklin Multi-Modal Rail Station project 95% completed,
- Information Technology division relocated to new facilities,
- Completion of Downtown Plan,
- Successful opening of big box commercial sites,
- Several city street asphalt overlay projects and traffic signal projects,
- Planning and design work on several city neighborhood parks,
- Continued planning and design work on the Sierra College/I-80 Interchange Project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the City Budget for fiscal year 2006/2007 the City Council and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Property tax revenues will increase by 11% due to growth,
2. Sales tax revenues will increase by 9% as a result of anticipated growth in the retail base,
3. Interest earnings will decrease by 9% due to increase in budgeted expenditures,
4. State subventions will be based on population of 50,920,
5. License and permit fees will increase due to anticipated development,
6. Community Service program revenues will increase with expected growth.

The park construction budget of \$3,603,000 includes the following:

- Gayaldo Park Construction,
- Corral-Alva Park Construction,
- Twin Oaks Park tennis courts and playground,
- Johnson Springview Park sport fields, lighting and restroom upgrades,
- Lonetree Park Phase II Construction,
- Several small park upgrades.

The facilities construction budget of \$1,445,000 includes the following:

- 3rd Street Preschool upgrades,
- Police Department solar carport,
- Sunset Center gazebo,
- Admin Building upgrades,
- Corp Yard improvements.

The street construction budget of \$7,461,100 includes the following:

- Sierra College Blvd/I-80 Interchange: Right-of-way acquisition, waterline and construction support,
- Antelope Creek bike trail,
- Farron St. crossing bridge,
- Sierra College Blvd widening,
- Granite Drive overlay,
- Sunset Blvd overlay,
- 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, 2006

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and investments	\$ 64,785,981
Receivables:	
Interest receivable	551,834
Taxes receivable	936,491
Notes receivable	2,960,864
Other	101,971
Inventory	147,004
Due from other agencies	4,089,128
Other assets	518,308
Restricted cash and investments	31,093,464
Unamortized bond issuance costs	900,450
Capital assets, net	<u>345,977,268</u>
TOTAL ASSETS	<u>452,062,763</u>
LIABILITIES	
Accounts payable	6,219,395
Accrued liabilities	1,030,219
Deposits payable	2,139,897
Interest payable	747,443
Due to other agencies	904,284
Deferred revenue	69,370
Long-term liabilities:	
Due within one year	3,064,422
Due in more than one year	<u>47,400,233</u>
TOTAL LIABILITIES	<u>61,575,263</u>
NET ASSETS	
Invested in capital assets, net of related debt	301,542,340
Restricted for:	
Debt service	17,888,051
Capital projects	22,899,132
Street projects	4,972,370
Housing projects	2,936,430
Low and moderate income housing	2,200,363
Community projects	1,553,806
Park projects	2,093,095
Other projects	621,787
Unrestricted	<u>33,780,126</u>
TOTAL NET ASSETS	<u><u>\$ 390,487,500</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, 2006

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	\$ 8,752,178	\$ 501,652	\$ 45,180		\$ (8,205,346)
Public safety	15,388,277	1,122,727	242,293	\$ 585,000	(13,438,257)
Public works	10,418,079	29,270		23,274,220	12,885,411
Culture and recreation	11,070,914	3,342,358	2,239,629	421,499	(5,067,428)
Community development	4,769,873	5,536,884	21,319	610,593	1,398,923
Interest on long-term debt	1,400,509				(1,400,509)
TOTAL GOVERNMENTAL ACTIVITIES	51,799,830	10,532,891	2,548,421	24,891,312	(13,827,206)
GENERAL REVENUES:					
Taxes:					
Property taxes					13,077,447
Sales and use tax					5,032,904
Gas tax					4,048,413
Occupancy tax					604,642
Other taxes					1,592,552
Motor vehicle fees					3,755,883
Franchise fees					1,457,402
Impact fees					7,469,174
Interest and investment earnings					3,152,136
Miscellaneous					1,687,041
Loss on sale of assets					(14,102)
				Total General Revenues	41,863,492
				Change in Net Assets	28,036,286
				Net assets, beginning of year	362,451,214
				Net assets, end of year	\$ 390,487,500

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, 2006

	Major Funds			
	General Fund	Public Financing Authority Debt Service Fund	Capital Construction Capital Projects Fund	Redevelopment Agency Capital Projects Fund
ASSETS				
Cash and investments	\$ 34,134,253	\$ 62,834	\$ 15,895	\$ 1,257,790
Receivables:				
Interest receivable	175,902			40,530
Taxes receivable	759,236			
Notes receivable				
Other receivable	66,005		331	
Due from other funds	3,887,762			
Due from other governments	143,521		585,000	309,570
Other assets	518,308			
Advances to other funds	244,572			
Restricted cash and investments		14,084,629		8,079,835
TOTAL ASSETS	\$ 39,929,559	\$ 14,147,463	\$ 601,226	\$ 9,687,725
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,755,509		\$ 99,771	\$ 1,745,960
Accrued liabilities	1,004,990		524	
Deposits payable	2,139,897			
Due to other funds			1,757,736	
Due to other governments	904,284			
Deferred revenue	24,631		585,000	
Compensated absences	1,470,435		3,999	
Advances from other funds				
TOTAL LIABILITIES	8,299,746		2,447,030	1,745,960
FUND BALANCES				
Reserved for:				
Encumbrances	255,221		252,684	77,969
Advances	244,572			
Low and moderate income housing				
Notes receivable				
Debt service		\$ 14,147,463		
Unreserved, designated	11,045,499			
Unreserved, reported in:				
General fund	20,084,521			
Special revenue funds				
Capital projects funds			(2,098,488)	7,863,796
TOTAL FUND BALANCES	31,629,813	14,147,463	(1,845,804)	7,941,765
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,929,559	\$ 14,147,463	\$ 601,226	\$ 9,687,725

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

Community Facilities District # 10 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 24,956,781	\$ 60,427,553
	335,402	551,834
	177,255	936,491
	2,960,864	2,960,864
	35,576	101,912
		3,887,762
	3,051,037	4,089,128
		518,308
		244,572
<u>\$ 6,741,635</u>	<u>2,187,365</u>	<u>31,093,464</u>
<u>\$ 6,741,635</u>	<u>\$ 33,704,280</u>	<u>\$ 104,811,888</u>
	\$ 1,569,272	\$ 6,170,512
	17,069	1,022,583
		2,139,897
	2,130,026	3,887,762
		904,284
	391,402	1,001,033
	90,880	1,565,314
	244,572	244,572
	<u>4,443,221</u>	<u>16,935,957</u>
	179,190	765,064
		244,572
	2,200,363	2,200,363
	2,960,864	2,960,864
	3,740,588	17,888,051
		11,045,499
		20,084,521
	9,787,865	9,787,865
<u>\$ 6,741,635</u>	<u>10,392,189</u>	<u>22,899,132</u>
<u>6,741,635</u>	<u>29,261,059</u>	<u>87,875,931</u>
<u>\$ 6,741,635</u>	<u>\$ 33,704,280</u>	<u>\$ 104,811,888</u>

CITY OF ROCKLIN,CALIFORNIA

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

As of June 30, 2006

TOTAL GOVERNMENTAL FUND BALANCES	\$ 87,875,931
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.	341,966,219
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds' balance sheet.	(49,219,282)
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	385,073
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(747,443)
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	900,450
Long-term receivables are not available to pay current period expenditures and the therefore are deferred in the governmental funds.:	
Interest receivable	335,402
Due from other agencies	596,261
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>8,394,889</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 390,487,500</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, 2006

	Major Funds			
	General Fund	Public Financing Authority Debt Service Fund	Capital Construction Capital Projects Fund	Redevelopment Agency Capital Projects Fund
REVENUES				
Taxes and assessments	\$ 18,249,087		\$ 2,476,516	
Licenses and permits	3,899,627			
Fines and forfeitures	203,131			
Use of money and property	883,103	\$ 825,618	(1,279)	\$ 294,843
Intergovernmental	3,940,754			758,057
Charges for services	3,881,518			
Contributions from developers and homeowners	23,272,727			
Other revenues	1,200,431	67,485	134,830	8,740
TOTAL REVENUES	<u>55,530,378</u>	<u>893,103</u>	<u>2,610,067</u>	<u>1,061,640</u>
EXPENDITURES				
Current:				
General government	6,526,231		7,007	
Public safety	15,227,079		26,839	
Public works	617,973			
Culture and recreation	9,259,320		349,673	
Community development	3,878,455			18,807
Debt service:				
Principal retirement		590,000		
Interest and other charges	7,773	539,574	27,610	
Capital outlay	23,794,434		1,987,520	5,867,054
TOTAL EXPENDITURES	<u>59,311,265</u>	<u>1,129,574</u>	<u>2,398,649</u>	<u>5,885,861</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,780,887)	(236,471)	211,418	(4,824,221)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt				8,134,927
Transfers in	4,957,210	120,000		
Transfers out			(1,051,575)	(1,202,525)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,957,210</u>	<u>120,000</u>	<u>(1,051,575)</u>	<u>6,932,402</u>
NET CHANGE IN FUND BALANCES	1,176,323	(116,471)	(840,157)	2,108,181
Fund balances, beginning of year	30,453,490	14,263,934	(1,005,647)	5,833,584
FUND BALANCES, END OF YEAR	<u>\$ 31,629,813</u>	<u>\$ 14,147,463</u>	<u>\$ (1,845,804)</u>	<u>\$ 7,941,765</u>

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

Community Facilities District # 10 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 8,378,331	\$ 29,103,934
	7,500	3,907,127
	2,578	205,709
\$ 566,482	307,124	2,875,891
	4,800,139	9,498,950
	2,368,719	6,250,237
	2,000,000	25,272,727
	392,494	1,803,980
<u>566,482</u>	<u>18,256,885</u>	<u>78,918,555</u>
	1,722,562	8,255,800
	112,737	15,366,655
	3,015,462	3,633,435
	936,564	10,545,557
	606,396	4,503,658
	3,371,813	3,961,813
	1,340,014	1,914,971
<u>15,541,678</u>	<u>11,153,404</u>	<u>58,344,090</u>
<u>15,541,678</u>	<u>22,258,952</u>	<u>106,525,979</u>
(14,975,196)	(4,002,067)	(27,607,424)
	3,765,073	11,900,000
	635,294	5,712,504
	<u>(3,458,404)</u>	<u>(5,712,504)</u>
	<u>941,963</u>	<u>11,900,000</u>
(14,975,196)	(3,060,104)	(15,707,424)
<u>21,716,831</u>	<u>32,321,163</u>	<u>103,583,355</u>
<u>\$ 6,741,635</u>	<u>\$ 29,261,059</u>	<u>\$ 87,875,931</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, 2006

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ (15,707,424)
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.	58,344,090
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.	(7,957,440)
Governmental funds report proceeds from disposal of capital assets as revenues. However, in the government-wide Statement of Activities only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds.	(4,192)
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.	(7,938,187)
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	(109,287)
Change in compensated absences	(357,204)
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.	458,067
Governmental funds report bond discounts as an other financing uses; however, these cost are capitalized and amortized in the Government-wide Statement of Activities.	93,741
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.	931,663
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.	282,459
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 28,036,286</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, 2006

	Budgeted Amounts		Actual Budgetary Basis (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 18,840,100	\$ 18,840,100	\$ 18,249,087	\$ (591,013)
Licenses and permits	3,686,900	3,686,900	3,899,627	212,727
Fines and forfeitures	223,500	223,500	203,131	(20,369)
Use of money and property	1,334,700	1,334,700	883,103	(451,597)
Intergovernmental	3,290,700	3,290,700	3,940,754	650,054
Charges for services	3,493,500	3,493,500	3,881,518	388,018
Other revenues	764,300	764,300	1,200,431	436,131
TOTAL REVENUES	31,633,700	31,633,700	32,257,651	623,951
EXPENDITURES				
Current:				
General government	7,351,400	7,351,400	6,526,231	825,169
Public safety	15,939,600	15,939,600	15,227,079	712,521
Public works	669,500	669,500	617,973	51,527
Culture and recreation	8,376,300	8,376,300	9,259,320	(883,020)
Community development	4,108,400	4,108,400	3,878,455	229,945
Debt service:				
Principal retirement				
Interest and other charges			7,773	(7,773)
Capital outlay	1,186,600	1,186,600	521,707	664,893
TOTAL EXPENDITURES	37,631,800	37,631,800	36,038,538	1,593,262
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,998,100)	(5,998,100)	(3,780,887)	2,217,213
OTHER FINANCING SOURCES (USES)				
Transfers in	5,272,200	5,272,200	4,957,210	(314,990)
Transfers out	(638,900)	(638,900)		638,900
TOTAL OTHER FINANCING SOURCES (USES)	4,633,300	4,633,300	4,957,210	323,910
NET CHANGE IN FUND BALANCES	(1,364,800)	(1,364,800)	1,176,323	2,541,123
Fund balances, beginning of year	30,453,490	30,453,490	30,453,490	
FUND BALANCES, END OF YEAR	\$ 29,088,690	\$ 29,088,690	\$ 31,629,813	\$ 2,541,123

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, 2006

	Vehicle Fleet Management Fund
	<u> </u>
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 4,358,428
Inventory	147,004
Other receivables	59
TOTAL CURRENT ASSETS	<u>4,505,491</u>
NONCURRENT ASSETS	
Capital assets, net	<u>4,011,049</u>
TOTAL ASSETS	<u>8,516,540</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	48,883
Accrued liabilities	7,636
Long-term liabilities, due within one year	35,422
TOTAL CURRENT LIABILITIES	<u>91,941</u>
NONCURRENT LIABILITIES	
Long-term liabilities, due in more than one year	<u>29,710</u>
TOTAL LIABILITIES	121,651
NET ASSETS	
Invested in capital assets	4,011,049
Unrestricted	<u>4,383,840</u>
TOTAL NET ASSETS	<u>\$ 8,394,889</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, 2006

	Vehicle Fleet Management Fund
OPERATING REVENUES	
Charges for services	\$ 1,687,700
Other	629,046
	<u>2,316,746</u>
OPERATING EXPENSES	
Salaries and benefits	751,884
Services and supplies	837,345
Depreciation	459,594
	<u>2,048,823</u>
	TOTAL OPERATING EXPENSES
	267,923
	OPERATING INCOME
NON-OPERATING REVENUES	
Loss on sale of assets	(9,910)
Interest expense	(380)
Interest revenue	24,826
	<u>14,536</u>
	TOTAL NON-OPERATING REVENUES
	282,459
	CHANGE IN NET ASSETS
Net assets, beginning of year	<u>8,112,430</u>
	NET ASSETS, END OF YEAR
	<u>\$ 8,394,889</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, 2006

	Vehicle Fleet Management Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 2,316,687
Payments to suppliers	(1,128,231)
Payments to employees	(729,031)
	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	459,425
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Proceeds from sale of capital assets	1,139
Purchase of property and equipment	(791,669)
Payments on capital leases	(13,891)
	<u> </u>
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(804,421)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	24,826
	<u> </u>
INCREASE IN CASH AND CASH EQUIVALENTS	(320,170)
Cash and cash equivalents, beginning of year	<u>4,678,598</u>
	<u> </u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,358,428</u>
Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	\$ 267,923
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	459,594
Changes in assets and liabilities:	
Other receivables	(59)
Inventory	(62,604)
Accounts payable	(227,097)
Accrued liabilities	(1,185)
Compensated absences	22,853
	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 459,425</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, 2006

	<u>Total Agency Funds</u>
ASSETS	
Cash and investments	\$ 992,201
Receivables:	
Other receivable	163,114
Restricted cash and investments	<u>12,320,022</u>
TOTAL ASSETS	<u>\$ 13,475,337</u>
LIABILITIES	
Accounts payable	\$ 273,334
Accrued liabilities	9,873
Compensated absences	30,736
Agency obligations	<u>13,161,394</u>
TOTAL LIABILITIES	<u>\$ 13,475,337</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, 2006

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

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 December 13, 1994 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's 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

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 60 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 compensated absences and 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 General Fund is the primary operating fund of the City. It 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.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Construction Capital Projects Fund – This fund accounts for the major capital construction activities for the City, except for those covered by a specifically defined fund.

Redevelopment Agency Capital Projects Fund – This fund accounts for the capital project activities of the Redevelopment Agency.

Community Facilities District #10 Capital Projects Fund – This fund accounts for acquisition and construction activities of the Community Facilities District #10, a Mello-Ross 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:

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and CFD#10.

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.

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.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 principle 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).

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 60 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% 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 60 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 percent 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.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

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

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

	Modified Accrual Basis	To Adjust To Budgetary Basis	Non-GAAP Budgetary Basis
Revenues	\$ 55,530,378	\$ (23,272,727)	\$ 32,257,651
Expenditures	(59,279,157)	23,272,727	(36,006,430)
Other financing sources (uses)	4,957,210		4,957,210
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 1,208,431</u>	<u>\$ -</u>	<u>\$ 1,208,431</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 reappropriated and honored during the subsequent year.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund	Appropriations	Total Expenditures	Excess Expenditures
Major funds:			
Capital Construction Capital Projects Fund	\$ 1,859,100	\$ 2,398,649	\$ (539,549)
Community Facilities District # 10 Capital Projects Fund		15,541,678	(15,541,678)
Special Revenue Funds:			
Lighting District #1 Fund	331,800	363,526	(31,726)
Atherton Technical Center Fund		116,578	(116,578)
Community Facilities District #6 Fund	113,400	136,941	(23,541)
Department of Education Fund		135,130	(135,130)
Housing Rehabilitation Program 1 Fund	10,700	24,647	(13,947)
Traffic Safety Trust Fund	53,000	132,956	(79,956)
DOE 2005 Grant Fund		73,171	(73,171)
Supplemental Law Enforcement Grant Fund		5,549	(5,549)
Debt Service Funds:			
RDA Debt Service Fund	2,478,400	5,705,784	(3,227,384)
Capital Projects Funds:			
Community Facilities District # 9 Capital Fund		1,166	(1,166)
Community Facilities District # 11 Capital Fund		4,759	(4,759)

Deficit Fund Equity: The following funds had a fund deficit at June 30, 2006:

Fund	Deficit
Capital Construction Capital Projects Fund	\$ (1,845,804)
Lighting District #1 Fund	(493,133)
Community Facilities District #1 Fund	(14,725)
Department of Education Fund	(1,621)
DOE 2005 Grant Fund	(1)
Supplemental Law Enforcement Grant Fund	(3,511)
Community Park Fees Fund	(1,274,661)
Community Facilities District #9 Capital Fund	(7)
Community Facilities District #11 Capital Fund	(4,759)

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

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

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, 2006 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and investments	\$ 64,785,981	\$ 992,201	\$ 65,778,182
Restricted assets:			
Cash and investments	<u>31,093,464</u>	<u>12,320,022</u>	<u>43,413,486</u>
	<u>\$ 95,879,445</u>	<u>\$ 13,312,223</u>	<u>\$ 109,191,668</u>

Cash and investments as of June 30, 2006 consisted of the following:

Cash on hand	\$ 1,750
Deposits with financial institutions	<u>2,617,480</u>
Total cash and cash equivalents	2,619,230
U.S. Agency securities	26,884,896
U.S. Treasury securities	21,406,094
Mortgage-backed securities	18,105
Corporate bonds	9,542,490
Local Agency Investment Fund (LAIF)	28,137,524
Money market mutual funds	7,463,329
Local agency bonds	<u>13,120,000</u>
Total investments	<u>106,572,438</u>
	<u>\$ 109,191,668</u>

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, 2006, the City's permissible investments included the following instruments:

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B—CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One Issuer
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.

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

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B—CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Medium-term notes	None	None	None
Money market mutual funds	None	None	None
Investment contracts	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:

<u>Type of Investment</u>	<u>Total</u>	<u>Remaining Maturity</u>			
		<u>12 Months or less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>> 60 months</u>
U.S. Agency securities	\$ 25,102,358	\$ 994,375	\$ 23,151,108	\$ 956,875	
U.S. Treasury securities	9,701,866	2,480,979	4,760,502	2,460,385	
Mortgage-backed securities	18,105		5,626		\$ 12,479
Corporate bonds	9,542,490	5,643,030	3,859,714		39,746
LAIF	28,137,524	28,137,524			
Money market mutual funds	282,507	282,507			
Held by Bond Trustee:					
U.S. Agency securities	1,782,538	1,782,538			
U.S. Treasury securities	11,704,228	11,354,975	349,253		
Money market mutual funds	7,180,822	7,180,822			
Local agency bonds	13,120,000	13,120,000			
	<u>\$ 106,572,438</u>	<u>\$ 70,976,750</u>	<u>\$ 32,126,203</u>	<u>\$ 3,417,260</u>	<u>\$ 52,225</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):

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B—CASH AND INVESTMENTS (Continued)

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. \$ 18,105

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-	BAA1/BBB	Unrated
U.S. Agency Securities	N/A	\$ 25,102,358	\$ 25,102,358			
U.S. Treasury Securities	N/A	9,701,866				\$ 9,701,866
Mortgage-backed Securities	P1/A1	18,105				18,105
Corporate bonds	AA	9,542,490	1,962,648	\$ 7,560,925	\$ 18,917	
LAIF	A	28,137,524				28,137,524
Money Market Mutual Funds	N/A	282,507	282,401			106
Held by Bond Trustee:						
U.S. Agency Securities	N/A	1,782,538	1,782,538			
U.S. Treasury Securities	N/A	11,704,228	11,704,228			
Money Market Mutual Funds	N/A	7,180,822	7,180,822			
Local Agency Bond		13,120,000	13,120,000			
		<u>\$ 106,572,438</u>	<u>\$ 61,134,995</u>	<u>\$ 7,560,925</u>	<u>\$ 18,917</u>	<u>\$ 37,857,601</u>

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, 2006, 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	\$ 7,298,574
Federal Home Loan Mortgage Corporation	U.S. Agencies Securities	7,170,069
Federal National Mortgage Association	U.S. Agencies Securities	12,416,253
Rocklin Community Facilities District #6, 8, 9	Local Agency Bonds	13,120,000

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 OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B—CASH AND INVESTMENTS (Continued)

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, 2006, the carrying amount of the City's deposits were \$2,617,480 and the balances in financial institutions were \$2,316,654. Of the balance in financial institutions, \$200,000 was covered by federal depository insurance and \$2,116,654 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 \$63,616,592,927 managed by the State Treasurer. Of that amount, 97.4 percent is invested in non-derivative financial products and 2.6 percent in derivative financial products and structured financial instruments. 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.

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2006 were as follows:

Due to General Fund from:

Capital Construction Capital Projects Fund	\$ 1,757,736
Non-major Special Revenue Funds	844,414
Non-major Capital Projects Funds	<u>1,285,612</u>
	<u>\$3,887,762</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, 2006 were as follows:

Nonmajor Debt Service Funds	<u>\$ 244,572</u>
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CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE C – INTERFUND TRANSACTIONS (Continued)

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, 2006 were as follows:

Transfers to the General Fund from:

Capital Construction Capital Projects Fund	\$ 296,281
RDA Capital Projects Fund	1,202,525
Nonmajor Special Revenue Funds	1,374,305
Nonmajor Debt Service Funds	97,467
Nonmajor Capital Projects Funds	<u>1,986,632</u>
 Total transfers to the General Fund	 <u>\$ 4,957,210</u>

Transfers to the Public Financing Authority Fund from:

Capital Construction Capital Projects Fund	<u>\$ 120,000</u>
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Transfer to Nonmajor Debt Service Funds from:

Capital Construction Capital Projects Fund	<u>\$ 635,294</u>
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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.

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.

Notes receivable for the year ended June 30, 2006 consists of the following:

Nonmajor Special Revenue Funds:

Redevelopment Agency	\$ 1,113,302
Housing Rehabilitation Program 1 Fund	422,085
Housing Rehabilitation Program 2 Fund	127,498
2000 Housing Rehabilitation Fund	277,548
First Time Home Buyers Grant Fund	<u>1,020,431</u>

Total Notes Receivables \$ 2,960,864

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE D—NOTES RECEIVABLE AND DEFERRED REVENUES (Continued)

The following is a summary of the notes receivable outstanding as of June 30, 2006:

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, 2006, was \$840,433.

Low Moderate Income Housing Loans – The Redevelopment Agency has 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, 2006, were \$1,020,431.

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.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE E – CAPITAL ASSETS

Governmental capital asset activities for the year ended June 30, 2006 was as follows:

	July 1, 2005 Balance	Additions	Retirements	Transfers	June 30, 2006 Balance
Capital assets, not being depreciated:					
Land	\$ 5,759,185				\$ 5,759,185
Land improvements	67,461				67,461
Park land	21,845,680	\$ 21,601,395			43,447,075
Construction in progress	36,116,980	34,302,878			70,419,858
	<u>63,789,306</u>	<u>55,904,273</u>			<u>119,693,579</u>
Capital assets, being depreciated:					
Buildings	\$10,835,947	226,395			11,062,342
Facilities and other improvements	1,002,599	187,863			1,190,462
Machinery and equipment	9,434,608	1,060,977	\$ (483,609)		10,011,976
Park buildings	422,226				422,226
Park equipment	1,067,408	84,919			1,152,327
Park improvements	5,465,948				5,465,948
Infrastructure	280,249,609	1,671,332			281,920,941
	<u>308,478,345</u>	<u>3,231,486</u>	<u>(483,609)</u>		<u>311,226,222</u>
Less accumulated depreciation for:					
Buildings	(5,786,443)	(398,402)			(6,184,845)
Facilities and other improvements	(263,609)	(74,315)			(337,924)
Machinery and equipment	(5,262,925)	(673,202)	468,368		(5,467,759)
Park buildings	(142,194)	(14,074)			(156,268)
Park equipment	(997,691)	(45,655)			(1,043,346)
Park improvements	(1,909,191)	(364,397)			(2,273,588)
Infrastructure	(62,631,814)	(6,846,989)			(69,478,803)
Total accumulated depreciation	<u>(76,993,867)</u>	<u>(8,417,034)</u>	<u>468,368</u>		<u>(84,942,533)</u>
Capital assets being depreciated, net	<u>231,484,478</u>	<u>(5,185,548)</u>	<u>(15,241)</u>		<u>226,283,689</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 295,273,784</u>	<u>\$ 50,718,725</u>	<u>\$ (15,241)</u>	<u>\$</u>	<u>\$ 345,977,268</u>

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

General government	\$ 233,112
Public safety	150,644
Public works	6,815,260
Culture and recreation	564,036
Community development	194,388
Capital assets held by government's internal service funds are charged to the various functions based on their usage of assets.	<u>459,594</u>
Total governmental activities depreciation expense	<u>\$ 8,417,034</u>

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE F—LONG-TERM LIABILITIES

	Balance at July 1, 2005	Incurred	Retired	Balance at June 30, 2006	Due Within One year
2003 Certificates of participation	\$ 6,420,000		\$ (435,000)	\$ 5,985,000	\$ 440,000
2003 Public Financing Authority (PFA) Refunding Revenue Bonds- Senior	12,335,000		(430,000)	11,905,000	440,000
2003 PFA Refunding Revenue Bonds- Subordinate	1,455,000		(60,000)	1,395,000	65,000
1997 Refunding Tax Allocation Bonds	2,795,000		(2,795,000)		
2002 Refunding Tax Allocation Bonds	13,180,000		(95,000)	13,085,000	150,000
2005 Refunding Tax Allocation Bonds		\$11,900,000		11,900,000	220,000
Ganiats promissory note	650,000		(100,000)	550,000	100,000
Pass-through obligation	95,499		(46,813)	48,686	48,686
Capital leases – Internal Service Fund	13,511		(13,511)		
Claims payable	2,754,425			2,754,425	
Compensated absences	2,659,709	1,219,865	(652,957)	3,226,617	1,600,736
	42,358,144	\$ 13,119,865	\$ (4,628,281)	50,849,728	\$ 3,064,422
Less: Bond discounts	(291,332)			(385,073)	
	<u>\$ 42,066,812</u>			<u>\$ 50,464,655</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 defease 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 \$440,000 to \$525,000 are payable annually on September 1 and interest payments ranging from \$11,025 to \$98,402 are payable semi-annually on March 1 and September 1.

\$5,985,000

2003 Senior and Subordinate Refunding Revenue Bonds: In January 2005, 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 2.625% to 5.625% for the Subordinate issue. Principal payments ranging from \$440,000 to \$850,000 are payable annually on September 1 and interest payments ranging from \$19,550 to \$224,802 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 \$32,498 are payable semi-annually on March 1 and September 1 through September 1, 2021 for the Subordinate issuance.

13,300,000

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE F—LONG-TERM LIABILITIES (Continued)

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. 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 4.60% to 5.50%. Principal payments ranging from \$150,000 to \$1,060,000 are payable annually on September 1 and interest payments ranging from \$29,150 to \$345,471 are payable semi-annually on March 1 and September 1 through 1, 2032. \$ 13,085,000

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 are being 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 increments revenues are the sole revenue source pledged for repayment of this debt. Interest rates range from 3% to 4.5%. Principal payments ranging from \$220,000 to \$1,530,000 are payable annually on September 1 and interest payments ranging from \$34,425 to \$266,763 are payable semi-annually on March 1 and September 1 through 2035. 11,900,000

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. 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. 550,000

Pass-through Obligation: As part of the establishment of the City's Redevelopment Plan in 1986, the Agency agreed to pass-through a portion of any incremental taxes it collects through fiscal year 1997 to the County, which preceded the Redevelopment Agency as the taxing authority in the Redevelopment Area. The agreement was revised upon adoption of the Plan Amendment in 1997. Payments of the amounts accumulated began in 1998 and are to be made in equal amounts over ten years, with interest at 4%. 48,686

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE F—LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding debt as of June 30, 2006 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
2007	\$ 440,000	\$ 196,805	\$ 440,000	\$ 449,604	\$ 65,000	\$ 64,996
2008	450,000	188,005	445,000	440,804	65,000	63,290
2009	460,000	179,005	455,000	431,904	70,000	61,259
2010	470,000	168,425	465,000	421,666	70,000	58,896
2011	485,000	156,205	475,000	410,041	70,000	56,359
2012 – 2016	2,165,000	1,737,216	2,605,000	1,833,200	410,000	233,375
2017 – 2021	1,515,000	126,960	3,135,000	1,303,250	525,000	120,989
2022 – 2026			3,885,000	552,230	120,000	6,750
	<u>\$ 5,985,000</u>	<u>\$ 2,752,621</u>	<u>\$ 11,905,000</u>	<u>\$ 5,842,699</u>	<u>\$ 1,395,000</u>	<u>\$ 665,914</u>

Year Ending June 30:	2002 Refunding Tax Allocation Bonds		2005 Tax Allocation Bonds		Ganiats Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 150,000	\$ 690,941	\$ 220,000	\$ 533,526	\$ 100,000	\$ 15,000
2008	190,000	683,766	245,000	482,126	100,000	10,000
2009	200,000	674,981	250,000	474,776	100,000	5,000
2010	210,000	665,736	255,000	467,276	250,000	12,500
2011	220,000	656,031	265,000	459,626		
2012 – 2016	1,290,000	3,118,755	1,425,000	2,165,856		
2017 – 2021	2,365,000	2,693,328	995,000	1,945,165		
2022 – 2026	2,765,000	2,002,363	1,505,000	1,725,320		
2027 – 2031	3,610,000	1,256,750	1,835,000	1,299,531		
2032 – 2036	2,085,000	172,975	4,905,000	832,050		
	<u>\$ 13,085,000</u>	<u>\$ 12,615,626</u>	<u>\$ 11,900,000</u>	<u>\$ 10,385,252</u>	<u>\$ 550,000</u>	<u>\$ 42,500</u>

Year Ending June 30:	Pass through obligation – Placer County	
	Principal	Interest
2007	\$ 48,686	\$ 1,947

On July 28, 2005, the Redevelopment Agency of the City of Rocklin issued \$11,900,000 of Refunding Tax Allocation Bonds (2005 Bonds), to refund outstanding 1997 Tax Allocation Bonds (1997 Bonds) and generate \$8,134,927 of additional proceeds to fund new projects. An analysis of the debt issuance indicates \$2,877,942 of the \$11,900,000 principal amount of the 2005 Bonds was required to refund the outstanding 1997 Bonds. The portions of the 2005 Bonds responsible for the refunding of the 1997 Bonds bear interest rates ranging from 3.000% to 4.375%. The 2005 Bonds advance refund the 1997 Bonds with interest rates ranging from 5.350% to 6.100% and a par value of \$2,795,000.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE F—LONG-TERM LIABILITIES (Continued)

The 2005 Bonds were issued at a discount of (\$30,828) and, after paying issuance costs of \$200,000, contributing \$462,868 to the 2005 Bonds reserve fund, paying a bond insurance premium of \$306,422 and paying an underwriter's discount of \$148,155, the net proceeds were \$10,751,727 plus \$261,142 from the 1997 Bond Reserve fund.

The net proceeds from the issuance of the 2005 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, 2005. The 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, 2006.

As a result of the advance refunding, Redevelopment Agency of the City of Rocklin reduced its total debt service requirements by \$166,852, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$74,501.

In November 2006, the City issued \$25,000,000 of Community Facilities District No. 11 (Sierra College Interchange) Special Tax Notes to fund the costs of the Sierra College and Interstate 80 interchange project. The City was required to deposit \$5,000,000 into the Improvement Fund before the commencement of the project. The City will be reimbursed by the fiscal agent once the project has started.

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, 2006, 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, 2006:

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE G—AGENCY BONDS PAYABLE (Continued)

Stanford Ranch CFD No. 2 Refunding Special Tax Bonds	\$ 5,495,000
Stanford Ranch CFD No. 3 C (Stanford Ranch) Special Tax Bonds	4,775,000
Rocklin Southeast CFD No. 4 (Southeast Rocklin) Special Tax Bonds	1,775,000
Granite Drive Assessment District Refunding Special Tax Bonds	1,565,000
Monte Verde Assessment District Refunding Special Tax Bonds	320,000
Rocklin CFD No. 7 (Sunset West Interchange/Major Street) Special Tax Bonds	3,115,000
Rocklin CFD No. 6 (Sunset West Drainage) Special Tax Bonds	1,970,000
Rocklin CFD No. 8 (Sunset West Park Drive) Special Tax Bonds	5,090,000
Rocklin CFD No. 9 (Sunset West/Blue Oaks) Special Tax Bonds	6,060,000
Rocklin CFD No. 10 (Whitney Ranch) Special Tax Bonds	25,000,000
Rocklin CFD No. 3 Refunding Special Tax Bonds	5,650,000
Rocklin CFD No. 3 2005 Refunding Bond	<u>13,645,000</u>
Total	<u>\$ 74,460,000</u>

NOTE H—FUND BALANCE/NET ASSETS DESIGNATIONS

Designated fund balance/net assets consist of the following at June 30, 2006:

Retiree's health insurance premiums	\$ 7,094,949
Disaster contingency	2,000,000
Self-insured losses	1,000,000
Building repair	193,259
ADA improvements	367,144
Parks repair and maintenance	362,317
Swimming pool capital improvements	<u>27,830</u>
	<u>\$ 11,045,499</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.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE I—DEFINED BENEFIT PENSION PLAN (Continued)

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 with the following exceptions. Management pays its full share and fire safety plan personnel pay 1% of their required 9%. Contributions made by the City on behalf of the employees totaled \$1,022,526. The City is required to contribute at actuarially determined rates, which are 10.876% for miscellaneous plan employees, 27.222% for safety police plan employees and 21.145% 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.

Annual Pension Cost: For the year ended June 30, 2006, the City's annual pension costs of \$2,645,589 for PERS were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, 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, 2003 is 22 years for miscellaneous employees and 17 years for safety employees.

Three-year Trend Information for PERS

Fiscal Year Ended <u>June 30</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage Of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2004	\$ 706,999	100.00%	None
2005	1,943,730	100.00%	None
2006	2,645,589	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, 2006 the City's contribution is \$358,882.

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

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, 2006, 45 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 \$349,997 for the year, ended June 30, 2006.

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:

Amount		Coverage provider	Payment Source
<i>LIABILITY CLAIM</i>			
\$	0 - 25,000	Self-insured	Banking layer
	25,001 - 500,000	Northern California Cities Self Insurance Fund	Shared risk pool
	500,001 - \$40,000,000	California Joint Powers Risk Management Authority	Shared risk pool
<i>WORKERS’ COMPENSATION</i>			
\$	0 - 100,000	Self-insured	Banking layer
	100,001 - 500,000	Northern California Cities Self Insurance Fund	Shared risk pool
	500,001 - statutory	Commercial insurance	

CITY OF ROCKLIN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE L—RISK MANAGEMENT (Continued)

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 \$518,308 is recorded in the General Fund. The audited financial statements of the JPA are available at the NCCSIF's office.

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 contractual commitments as of June 30, 2006:

	<u>Appropriation</u>
Cape Seal	\$ 1,709,816
Traffic Signals and Extension of West Oaks Blvd.	420,215
Remodel of 2 nd floor Administration Building	196,984
Vehicle Exhaust Extraction System	<u>140,650</u>
Total commitments	<u>\$ 2,467,665</u>

None of these contractual amounts were expended as of June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKLIN, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS OF
PENSION PLAN (UNAUDITED)

June 30, 2006

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 and as a percentage of annual covered payroll of the Risk Pool for Police and Fire safety plans as of June 30:

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><u>MISCELLANEOUS PLAN:</u></i>						
6/30/2003	\$ 17,353,034	\$ 13,664,664	\$ 3,688,370	78.7%	\$ 8,240,816	44.8%
6/30/2004	19,677,521	15,215,492	4,462,029	77.3%	8,780,736	50.8%
6/30/2005	22,606,521	17,437,059	5,169,462	77.1%	10,083,098	51.3%
<i><u>SAFETY POLICE AND FIRE PLANS (Risk Pool):</u></i>						
6/30/2003	\$ 4,270,573,982	\$ 3,577,742,166	\$ 692,831,816	83.8%	\$ 476,089,674	145.5%
6/30/2004	5,383,921,942	4,424,586,846	959,335,096	82.2%	575,296,434	166.8%
6/30/2005	6,367,049,264	5,295,150,375	1,071,898,889	83.2%	664,147,796	161.4%

COMBINING INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ROCKLIN, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2006

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental</u>
ASSETS				
Cash and investments	\$ 10,755,359	\$ 2,366,460	\$ 11,834,962	\$ 24,956,781
Receivables:				
Interest receivable	335,402			335,402
Taxes receivable	171,359	5,896		177,255
Notes receivable	2,960,864			2,960,864
Other receivables	14,256	21,320		35,576
Due from other governments	3,013,135		37,902	3,051,037
Restricted cash and investments		1,623,103	564,262	2,187,365
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 17,250,375</u>	<u>\$ 4,016,779</u>	<u>\$ 12,437,126</u>	<u>\$ 33,704,280</u>
 LIABILITIES				
Accounts payable	\$ 964,239	\$ 7,185	\$ 597,848	\$ 1,569,272
Accrued liabilities	13,378		3,691	17,069
Due to other funds	844,414		1,285,612	2,130,026
Deferred revenue	391,402			391,402
Compensated absences	56,430	23,482	10,968	90,880
Advances from other funds		244,572		244,572
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	2,269,863	275,239	1,898,119	4,443,221
 TOTAL LIABILITIES AND FUND BALANCES				
 FUND BALANCES				
Reserved for:				
Encumbrances	31,420	952	146,818	179,190
Low and moderate income housing	2,200,363			2,200,363
Notes receivable	2,960,864			2,960,864
Debt service		3,740,588		3,740,588
Unreserved:				
Undesignated	9,787,865		10,392,189	20,180,054
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>14,980,512</u>	<u>3,741,540</u>	<u>10,539,007</u>	<u>29,261,059</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,250,375</u>	<u>\$ 4,016,779</u>	<u>\$ 12,437,126</u>	<u>\$ 33,704,280</u>

CITY OF ROCKLIN, CALIFORNIA

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

For the Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and assessments	\$ 798,349	\$ 3,060,251	\$ 4,519,731	\$ 8,378,331
Licenses and permits	7,500			7,500
Fines and forfeitures	2,578			2,578
Use of money and property	117,245	87,020	102,859	307,124
Intergovernmental	4,438,801	50,810	310,528	4,800,139
Charges for services	2,368,719			2,368,719
Contributions from developers and homeowners	2,000,000			2,000,000
Other revenues		12,552	379,942	392,494
TOTAL REVENUES	9,733,192	3,210,633	5,313,060	18,256,885
EXPENDITURES				
Current:				
General government	109,059	1,589,132	24,371	1,722,562
Public safety	110,604	693	1,440	112,737
Public works	3,000,116	2,864	12,482	3,015,462
Culture and recreation	799,797		136,767	936,564
Community development	522,852	71,536	12,008	606,396
Debt service:				
Principal retirement		3,371,813		3,371,813
Interest and other charges	13,644	1,288,345	38,025	1,340,014
Capital outlay	1,203,987	17,556	9,931,861	11,153,404
TOTAL EXPENDITURES	5,760,059	6,341,939	10,156,954	22,258,952
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,973,133	(3,131,306)	(4,843,894)	(4,002,067)
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt		3,765,073		3,765,073
Transfers in		635,294		635,294
Transfers out	(1,374,305)	(97,467)	(1,986,632)	(3,458,404)
TOTAL OTHER FINANCING SOURCES (USES)	(1,374,305)	4,302,900	(1,986,632)	941,963
NET CHANGE IN FUND BALANCES	2,598,828	1,171,594	(6,830,526)	(3,060,104)
Fund balances, beginning of year	12,381,684	2,569,946	17,369,533	32,321,163
FUND BALANCES, END OF YEAR	\$ 14,980,512	\$ 3,741,540	\$ 10,539,007	\$ 29,261,059

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

As of June 30, 2006

	Gas Tax Fund	SB 325 Sales Tax Fund	Bicycle and Pedestrian Facilities Fund	Redevelopment Agency Low/Moderate Income Housing Fund	Affordable Housing Fund
ASSETS					
Cash and investments	\$ 844,390	\$ 1,892,708	\$ 28,798	\$ 2,216,878	\$ 326,040
Receivables:					
Interest receivable				105,104	
Taxes receivable	171,359				
Notes receivable				1,113,302	
Other receivables					
Due from other governments		2,847,586			
TOTAL ASSETS	\$ 1,015,749	\$ 4,740,294	\$ 28,798	\$ 3,435,284	\$ 326,040
TOTAL LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 320	\$ 768,075		\$ 5,100	
Accrued liabilities	6,274			178	
Due to other funds					
Deferred revenue				105,104	
Compensated absences	9,004			8,887	
TOTAL LIABILITIES	15,598	768,075		119,269	
FUND BALANCES					
Reserved for:					
Encumbrances		11,661		2,350	
Low and moderate income housing				2,200,363	
Notes receivable				1,113,302	
Unreserved:					
Undesignated	1,000,151	3,960,558	\$ 28,798		\$ 326,040
TOTAL FUND BALANCES	1,000,151	3,972,219	28,798	3,316,015	326,040
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,015,749	\$ 4,740,294	\$ 28,798	\$ 3,435,284	\$ 326,040

Lighting District #1 Fund	Lighting District #2 Fund	Community Facilities District #1 Fund	Atherton Technical Center Fund	Community Facilities District #6 Fund	Department of Education Fund	Housing Rehabilitation Program 1 Fund
\$ 7,855	\$ 1,436,132		\$ 416,623	\$ 225,661		\$ 281,254
						52,696
						422,085
14,256					\$ 12,935	
<u>\$ 22,111</u>	<u>\$ 1,436,132</u>	<u></u>	<u>\$ 416,623</u>	<u>\$ 225,661</u>	<u>\$ 12,935</u>	<u>\$ 756,035</u>
\$ 601	\$ 71,761		\$ 116,578	\$ 543		\$ 669
511,843	5,207	\$ 14,725		515	\$ 13,430	232,668
2,800	27,689			2,272	1,126	52,696
<u>515,244</u>	<u>104,657</u>	<u>14,725</u>	<u>116,578</u>	<u>3,330</u>	<u>14,556</u>	<u>286,640</u>
22	2,182			205		
						422,085
(493,155)	1,329,293	(14,725)	300,045	222,126	(1,621)	47,310
<u>(493,133)</u>	<u>1,331,475</u>	<u>(14,725)</u>	<u>300,045</u>	<u>222,331</u>	<u>(1,621)</u>	<u>469,395</u>
<u>\$ 22,111</u>	<u>\$ 1,436,132</u>	<u></u>	<u>\$ 416,623</u>	<u>\$ 225,661</u>	<u>\$ 12,935</u>	<u>\$ 756,035</u>

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

As of June 30, 2006

	Housing Rehabilitation Program 2 Fund	2000 Housing Rehabilitation Fund	First Time Home Buyer Grant Fund	Federal Asset Forfeiture Fund
ASSETS				
Cash and investments	\$ 106,721	\$ 9,062	\$ 600,642	\$ 57,340
Receivables:				
Interest receivable	48,742	28,089	100,771	
Taxes receivable				
Notes receivable	127,498	277,548	1,020,431	
Other receivables				
Due from other governments				
TOTAL ASSETS	\$ 282,961	\$ 314,699	\$ 1,721,844	\$ 57,340
TOTAL LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable				
Accrued liabilities			\$ 910	
Due to other funds				
Deferred revenue	\$ 48,742	\$ 28,089	100,771	
Compensated absences			(3)	
TOTAL LIABILITIES	48,742	28,089	101,678	
FUND BALANCES				
Reserved for:				
Encumbrances				
Low and moderate income housing				
Notes receivable	127,498	277,548	1,020,431	
Unreserved:				
Undesignated	106,721	9,062	599,735	\$ 57,340
TOTAL FUND BALANCES	234,219	286,610	1,620,166	57,340
TOTAL LIABILITIES AND FUND BALANCES	\$ 282,961	\$ 314,699	\$ 1,721,844	\$ 57,340

Whitney Oaks Park Improvement Fund	Traffic Safety Trust Fund	Traffic Congestion AB2928	DOE 2005 Grant Fund	Supplemental Law Enforcement Grant Fund	Totals
\$ 2,093,095	\$ 49,520	\$ 162,640			\$ 10,755,359
					335,402
					171,359
					2,960,864
					14,256
	15,686	63,758	\$ 73,170		3,013,135
<u>\$ 2,093,095</u>	<u>\$ 65,206</u>	<u>\$ 226,398</u>	<u>\$ 73,170</u>		<u>\$ 17,250,375</u>
			\$ 1,862		\$ 964,239
			970	\$ (1,946)	13,378
			70,320	1,428	844,414
	\$ 56,000				391,402
			19	4,029	56,430
	56,000		73,171	3,511	2,269,863
					31,420
					2,200,363
					2,960,864
<u>\$ 2,093,095</u>	<u>(5,794)</u>	<u>\$ 226,398</u>	<u>(1)</u>	<u>(3,511)</u>	<u>9,787,865</u>
<u>2,093,095</u>	<u>9,206</u>	<u>226,398</u>	<u>(1)</u>	<u>(3,511)</u>	<u>14,980,512</u>
<u>\$ 2,093,095</u>	<u>\$ 65,206</u>	<u>\$ 226,398</u>	<u>\$ 73,170</u>		<u>\$ 17,250,375</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, 2006

	Gas Tax Fund	SB 325 Sales Tax Fund	Bicycle and Pedestrian Facilities Fund	Redevelopment Agency Low/Moderate Income Housing Fund	Affordable Housing Fund
REVENUES					
Taxes and assessments				\$ 781,856	
Licenses and permits					
Fines and forfeitures					
Use of money and property	\$ 8,594	\$ 19,364	\$ 214	14,447	\$ 2,425
Intergovernmental	975,173	2,847,586		6,590	
Charges for services					
Contributions from developers and homeowners					
TOTAL REVENUES	<u>983,767</u>	<u>2,866,950</u>	<u>214</u>	<u>802,893</u>	<u>2,425</u>
EXPENDITURES					
Current:					
General government	294			75,431	
Public safety					
Public works	815,950	304,886			
Culture and recreation					
Community development		394,788		78,811	
Debt service:					
Interest and other charges					
Capital outlay		919,043			
TOTAL EXPENDITURES	<u>816,244</u>	<u>1,618,717</u>	<u>214</u>	<u>154,242</u>	<u>2,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	167,523	1,248,233	214	648,651	2,425
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	(141,184)	(211,605)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(141,184)</u>	<u>(211,605)</u>	<u>214</u>	<u>648,651</u>	<u>2,425</u>
NET CHANGE IN FUND BALANCES	26,339	1,036,628	214	648,651	2,425
Fund balances, beginning of year	973,812	2,935,591	28,584	2,667,364	323,615
FUND BALANCES, END OF YEAR	<u>\$ 1,000,151</u>	<u>\$ 3,972,219</u>	<u>\$ 28,798</u>	<u>\$ 3,316,015</u>	<u>\$ 326,040</u>

Lighting District #1 Fund	Lighting District #2 Fund	Community Facilities District #1 Fund	Atherton Technical Center Fund	Community Facilities District #6 Fund	Department of Education Fund	Housing Rehabilitation Program 1 Fund
		\$ 13,476		\$ 3,017		
\$ 7,855	\$ 10,462		\$ 3,616	1,936	\$ 134,639	\$ 3,773
249,006	1,193,989	791,709		134,015		
<u>256,861</u>	<u>1,204,451</u>	<u>805,185</u>	<u>3,616</u>	<u>138,968</u>	<u>134,639</u>	<u>3,773</u>
	247			26,633		679
347,394	1,433,860	8,033		98,026		
2,488	11,667				135,130	23,968
13,644						
	66,676		116,578	12,282		
<u>363,526</u>	<u>1,512,450</u>	<u>8,033</u>	<u>116,578</u>	<u>136,941</u>	<u>135,130</u>	<u>24,647</u>
(106,665)	(307,999)	797,152	(112,962)	2,027	(491)	(20,874)
<u>(32,200)</u>	<u>(71,000)</u>	<u>(811,877)</u>				<u>(4,147)</u>
<u>(32,200)</u>	<u>(71,000)</u>	<u>(811,877)</u>				<u>(4,147)</u>
(138,865)	(378,999)	(14,725)	(112,962)	2,027	(491)	(25,021)
<u>(354,268)</u>	<u>1,710,474</u>		<u>413,007</u>	<u>220,304</u>	<u>(1,130)</u>	<u>494,416</u>
<u>\$ (493,133)</u>	<u>\$ 1,331,475</u>	<u>\$ (14,725)</u>	<u>\$ 300,045</u>	<u>\$ 222,331</u>	<u>\$ (1,621)</u>	<u>\$ 469,395</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, 2006

	Housing Rehabilitation Program 2 Fund	2000 Housing Rehabilitation Fund	First Time Home Buyer Grant Fund	Federal Asset Forfeiture Fund
REVENUES				
Taxes and assessments				
Licenses and permits				
Fines and forfeitures				\$ 2,578
Use of money and property	\$ 9,954	\$ (48)	\$ 27,063	320
Intergovernmental				
Charges for services				
Contributions from developers and homeowners				
TOTAL REVENUES	<u>9,954</u>	<u>(48)</u>	<u>27,063</u>	<u>2,898</u>
EXPENDITURES				
Current:				
General government	5,401		374	
Public safety				24,066
Public works				
Culture and recreation				
Community development	115		11,015	
Debt service:				
Interest and other charges				
Capital outlay				20,905
TOTAL EXPENDITURES	<u>5,516</u>	<u>(48)</u>	<u>11,389</u>	<u>44,971</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,438	(48)	15,674	(42,073)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(954)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(954)</u>			
NET CHANGE IN FUND BALANCES	3,484	(48)	15,674	(42,073)
Fund balances, beginning of year	<u>230,735</u>	<u>286,658</u>	<u>1,604,492</u>	<u>99,413</u>
FUND BALANCES, END OF YEAR	<u>\$ 234,219</u>	<u>\$ 286,610</u>	<u>\$ 1,620,166</u>	<u>\$ 57,340</u>

Whitney Oaks Park Improvement Fund	Traffic Safety Trust Fund	Traffic Congestion AB2928	DOE 2005 Grant Fund	Supplemental Law Enforcement Grant Fund	Totals
					\$ 798,349
\$ 7,500					7,500
					2,578
5,535	\$ 756	\$ 744		\$ 235	117,245
	75,989	225,654	\$ 73,170	100,000	4,438,801
					2,368,719
2,000,000					2,000,000
<u>2,013,035</u>	<u>76,745</u>	<u>226,398</u>	<u>73,170</u>	<u>100,235</u>	<u>9,733,192</u>
					109,059
	72,956			5,549	110,604
					3,000,116
599,999			64,668		799,797
					522,852
					13,644
	60,000		8,503		1,203,987
<u>599,999</u>	<u>132,956</u>	<u></u>	<u>73,171</u>	<u>5,549</u>	<u>5,760,059</u>
1,413,036	(56,211)	226,398	(1)	94,686	3,973,133
				(101,338)	(1,374,305)
				(101,338)	(1,374,305)
1,413,036	(56,211)	226,398	(1)	(6,652)	2,598,828
680,059	65,417			3,141	12,381,684
<u>\$ 2,093,095</u>	<u>\$ 9,206</u>	<u>\$ 226,398</u>	<u>\$ (1)</u>	<u>\$ (3,511)</u>	<u>\$ 14,980,512</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS

As of June 30, 2006

	Redevelopment Agency Debt Service Fund	Capital Construction Debt Service Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 2,319,047	\$ 47,413	\$ 2,366,460
Receivables:			
Taxes receivable	5,896		5,896
Other receivables	21,320		21,320
Restricted cash and investments	<u>1,623,034</u>	<u>69</u>	<u>1,623,103</u>
TOTAL ASSETS	<u>\$ 3,969,297</u>	<u>\$ 47,482</u>	<u>4,016,779</u>
LIABILITIES			
Accounts payable	\$ 7,185		\$ 7,185
Compensated absences	23,482		23,482
Advances from other funds	<u>244,572</u>		<u>244,572</u>
TOTAL LIABILITIES	<u>275,239</u>		<u>275,239</u>
FUND BALANCES			
Reserved for:			
Encumbrances	952		952
Debt service	<u>3,693,106</u>	<u>\$ 47,482</u>	<u>3,740,588</u>
TOTAL FUND BALANCES	<u>3,694,058</u>	<u>47,482</u>	<u>3,741,540</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,969,297</u>	<u>\$ 47,482</u>	<u>\$ 4,016,779</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, 2006

	Redevelopment Agency Debt Service Fund	Capital Construction Debt Service Fund	Totals
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
REVENUES			
Taxes and assessments	\$ 3,060,251		\$ 3,060,251
Use of money and property	86,133	\$ 887	87,020
Intergovernmental	50,810		50,810
Other revenues	12,552		12,552
TOTAL REVENUES	<u>3,209,746</u>	<u>887</u>	<u>3,210,633</u>
EXPENDITURES			
Current:			
General government	1,589,132		1,589,132
Public safety	693		693
Public works	2,864		2,864
Community development	71,536		71,536
Debt service:			
Principal retirement	2,936,813	435,000	3,371,813
Interest and other charges	1,087,190	201,155	1,288,345
Capital outlay	17,556		17,556
TOTAL EXPENDITURES	<u>5,705,784</u>	<u>636,155</u>	<u>6,341,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,496,038)	(635,268)	(3,131,306)
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	3,765,073		3,765,073
Transfers in		635,294	635,294
Transfers out	(97,467)		(97,467)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,667,606</u>	<u>635,294</u>	<u>4,302,900</u>
NET CHANGE IN FUND BALANCES	1,171,568	26	1,171,594
Fund balances, beginning of year	2,522,490	47,456	2,569,946
FUND BALANCES, END OF YEAR	<u>\$ 3,694,058</u>	<u>\$ 47,482</u>	<u>\$ 3,741,540</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

As of June 30, 2006

	Park Development Fund	Community Park Fees Fund	Traffic Circulation Impact Fees Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
ASSETS			
Cash and investments	\$ 1,814,179	\$ 31,091	\$ 8,752,610
Other receivable			
Due from other governments	35,000		2,902
Restricted cash and investments			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,849,179</u>	<u>\$ 31,091</u>	<u>\$ 8,755,512</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 36,695	\$ 16,981	\$ 544,172
Accrued liabilities	557	480	
Due to other funds		1,283,406	
Compensated absences	1,690	4,885	4,487
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	38,942	1,305,752	548,659
 FUND BALANCES			
Reserved for:			
Encumbrances	6,543	12,558	127,717
Unreserved:			
Undesignated	1,803,694	(1,287,219)	8,079,136
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,810,237</u>	<u>(1,274,661)</u>	<u>8,206,853</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,849,179</u>	<u>\$ 31,091</u>	<u>\$ 8,755,512</u>

Oak Tree Mitigation Fund	2003 Certificate of Participation Fund	Granite Drive Assessment District Fund	Community Facilities District # 8 Capital Fund	Community Facilities District # 9 Capital Fund	Community Facilities District # 11 Capital Fund	Totals
\$ 1,231,419	\$ 5,663					\$ 11,834,962
						37,902
		\$ 564,227	\$ 35			564,262
<u>\$ 1,231,419</u>	<u>\$ 5,663</u>	<u>\$ 564,227</u>	<u>\$ 35</u>			<u>\$ 12,437,126</u>
						\$ 597,848
					\$ 2,654	3,691
				\$ 7	2,199	1,285,612
					(94)	10,968
				7	4,759	1,898,119
						146,818
<u>\$ 1,231,419</u>	<u>\$ 5,663</u>	<u>\$ 564,227</u>	<u>\$ 35</u>	<u>(7)</u>	<u>(4,759)</u>	<u>10,392,189</u>
<u>1,231,419</u>	<u>5,663</u>	<u>564,227</u>	<u>35</u>	<u>(7)</u>	<u>(4,759)</u>	<u>10,539,007</u>
<u>\$ 1,231,419</u>	<u>\$ 5,663</u>	<u>\$ 564,227</u>	<u>\$ 35</u>			<u>\$ 12,437,126</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, 2006

	Park Development Fund	Community Parks Fees Fund	Traffic Circulation Impact Fees Fund	Oak Tree Mitigation Fund
REVENUES				
Taxes and assessments	\$ 263,099	\$ 223,705	\$ 3,753,149	\$ 279,778
Use of money and property		14,966	68,643	8,196
Intergovernmental	35,000		275,528	
Other revenues	10,000	91,507	277,744	
TOTAL REVENUES	<u>308,099</u>	<u>330,178</u>	<u>4,375,064</u>	<u>287,974</u>
EXPENDITURES				
Current:				
General government			21,390	
Public safety		1,440		
Public works			12,482	
Culture and recreation	136,767			
Community development			9,064	
Debt service:				
Interest and other charges		38,025		
Capital outlay	160,039	203,167	9,568,655	
TOTAL EXPENDITURES	<u>296,806</u>	<u>242,632</u>	<u>9,611,591</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,293	87,546	(5,236,527)	287,974
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(49,771)	(21,164)	(1,915,697)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(49,771)</u>	<u>(21,164)</u>	<u>(1,915,697)</u>	
NET CHANGE IN FUND BALANCES	(38,478)	66,382	(7,152,224)	287,974
Fund balances, beginning of year	1,848,715	(1,341,043)	15,359,077	943,445
FUND BALANCES, END OF YEAR	<u>\$ 1,810,237</u>	<u>\$(1,274,661)</u>	<u>\$ 8,206,853</u>	<u>\$ 1,231,419</u>

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 # 11 Capital Fund	Totals
					\$ 4,519,731
\$ (869)	\$ 10,852	\$ (1)	\$ 1,072		102,859
691					310,528
<u>(178)</u>	<u>10,852</u>	<u>(1)</u>	<u>1,072</u>		<u>379,942</u>
					5,313,060
			1,166	\$ 1,815	24,371
					1,440
					12,482
					136,767
				2,944	12,008
					38,025
					9,931,861
			<u>1,166</u>	<u>4,759</u>	<u>10,156,954</u>
(178)	10,852	(1)	(94)	(4,759)	(4,843,894)
					(1,986,632)
					(1,986,632)
(178)	10,852	(1)	(94)	(4,759)	(6,830,526)
5,841	553,375	36	87		17,369,533
<u>\$ 5,663</u>	<u>\$ 564,227</u>	<u>\$ 35</u>	<u>\$ (7)</u>	<u>\$ (4,759)</u>	<u>\$ 10,539,007</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS

As of June 30, 2006

	Community Facilities District #2 Fund	Community Facilities District #3 Fund	Community Facilities District #4 Fund	Community Facilities District #5 Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments				
Receivables:				
Other receivables				
Restricted cash and investments	\$ 1,595,280	\$ 3,622,714	\$ 645,736	\$ 910,871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,595,280</u>	<u>\$ 3,622,714</u>	<u>\$ 645,736</u>	<u>\$ 910,871</u>
LIABILITIES				
Accounts payable				\$ 76,316
Accrued liabilities				9,873
Compensated absences				23,666
Agency obligations	\$ 1,595,280	\$ 3,622,714	\$ 645,736	801,016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 1,595,280</u>	<u>\$ 3,622,714</u>	<u>\$ 645,736</u>	<u>\$ 910,871</u>

<u>Community Facilities District #6 Fund</u>	<u>Community Facilities District #7 Fund</u>	<u>Community Facilities District #8 Fund</u>	<u>Community Facilities District #9 Fund</u>	<u>Community Facilities District # 10 Fund</u>	<u>Monte Verde Assessment District Fund</u>	<u>Granite Drive Assessment District Fund</u>
						\$ 160,674
<u>\$ 159,702</u>	<u>\$ 765,701</u>	<u>\$ 274,305</u>	<u>\$ 363,102</u>	<u>\$ 2,632,998</u>	<u>\$ 510,200</u>	<u>799,309</u>
<u><u>\$ 159,702</u></u>	<u><u>\$ 765,701</u></u>	<u><u>\$ 274,305</u></u>	<u><u>\$ 363,102</u></u>	<u><u>\$ 2,632,998</u></u>	<u><u>\$ 510,200</u></u>	<u><u>\$ 959,983</u></u>
					\$ 160,674	
<u>\$ 159,702</u>	<u>\$ 765,701</u>	<u>\$ 274,305</u>	<u>\$ 363,102</u>	<u>\$ 2,632,998</u>	<u>349,526</u>	<u>\$ 959,983</u>
<u><u>\$ 159,702</u></u>	<u><u>\$ 765,701</u></u>	<u><u>\$ 274,305</u></u>	<u><u>\$ 363,102</u></u>	<u><u>\$ 2,632,998</u></u>	<u><u>\$ 510,200</u></u>	<u><u>\$ 959,983</u></u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS (Continued)

As of June 30, 2006

	Health and Saftey Fund	Preschool Mothers Trust Fund	Kids Junction Trust Fund	Creative Performing Arts Trust Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 31,150	\$ 83,583	\$ 43	\$ 7,895
Receivables:				
Other receivables		485		
Restricted cash and investments				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 31,150</u>	<u>\$ 84,068</u>	<u>\$ 43</u>	<u>\$ 7,895</u>
LIABILITIES				
Accounts payable				
Accrued liabilities				
Compensated absences				
Agency obligations	\$ 31,150	\$ 84,068	\$ 43	\$ 7,895
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 31,150</u>	<u>\$ 84,068</u>	<u>\$ 43</u>	<u>\$ 7,895</u>

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	Conservation Easement Endowment Fund
\$ 40,466	\$ 3,883	\$ 204,979	\$ 23,279	\$ 848	\$ 11,747	\$ 475,107
1,216					739	
					40,104	
<u>\$ 41,682</u>	<u>\$ 3,883</u>	<u>\$ 204,979</u>	<u>\$ 23,279</u>	<u>\$ 848</u>	<u>\$ 52,590</u>	<u>\$ 475,107</u>
\$ 978						
166						
40,538	\$ 3,883	\$ 204,979	\$ 23,279	\$ 848	\$ 52,590	\$ 475,107
<u>\$ 41,682</u>	<u>\$ 3,883</u>	<u>\$ 204,979</u>	<u>\$ 23,279</u>	<u>\$ 848</u>	<u>\$ 52,590</u>	<u>\$ 475,107</u>

CITY OF ROCKLIN, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS (Continued)

As of June 30, 2006

	Rocklin Jubilee Fund	Park Improvement Trust Fund	D.A.R.E. Fund	Explorer Post 150 Trust Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 41,327	\$ 9,128	\$ 5,184	\$ 5,047
Receivables:				
Other receivable				
Restricted cash and investments				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 41,327</u>	<u>\$ 9,128</u>	<u>\$ 5,184</u>	<u>\$ 5,047</u>
LIABILITIES				
Accounts payable	\$ 34,444		\$ 922	
Accrued liabilities				
Compensated absences	6,904			
Agency obligations	<u>(21)</u>	<u>\$ 9,128</u>	<u>4,262</u>	<u>\$ 5,047</u>
TOTAL LIABILITIES	<u>\$ 41,327</u>	<u>\$ 9,128</u>	<u>\$ 5,184</u>	<u>\$ 5,047</u>

Fire Prevention Education Fund	Totals
\$ 48,535	\$ 992,201
	163,114
	<u>12,320,022</u>
<u>\$ 48,535</u>	<u>\$ 13,475,337</u>
	\$ 273,334
	9,873
	30,736
<u>\$ 48,535</u>	<u>13,161,394</u>
<u>\$ 48,535</u>	<u>\$ 13,475,337</u>