

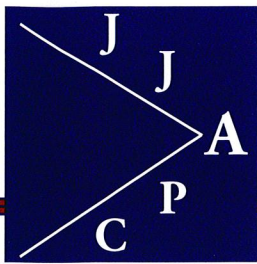
**REDEVELOPMENT AGENCY**  
**OF THE**  
**CITY OF ROCKLIN, CALIFORNIA**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2010**

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

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**JJACPA, Inc.**

A Professional Accounting Services Corp.

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the  
Redevelopment Agency of the City of Rocklin  
Rocklin, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Rocklin, California (the Agency), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's June 30, 2009, financial statements in which an unqualified opinion was expressed on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Agency and are not intended to present fairly the financial position and results of operations of the City of Rocklin, California, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Redevelopment Agency of the City of Rocklin, California, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Governing Board of the  
Redevelopment Agency of the City of Rocklin, California  
Rocklin, California  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

November 30, 2010

**JJACPA, Inc.**

# **Redevelopment Agency of the City of Rocklin, California**

## **Basic Financial Statements**

**For the year ended June 30, 2010**

### **Management's Discussion and Analysis**

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This is management's discussion and analysis of the financial activities and performance of the Redevelopment Agency of the City of Rocklin (Agency) for the fiscal year ended June 30, 2010. Please read this in conjunction with the Agency's financial statements, which follow this discussion and analysis.

#### **FINANCIAL HIGHLIGHTS AND ACHIEVEMENTS**

At June 30, 2010, the Agency's net assets decreased to (\$9,543,749) from (\$9,432,795) at June 30, 2009.

The Agency's total net assets decreased by \$110,954.

Total revenues decreased 23.2% due to reductions in grant revenues, investment income and other miscellaneous revenues. Operating expenses decreased 5% as a result of a decrease in capital expenditures offset by the supplemental State ERAF payment.

Agency's down payment assistance program provided housing loans to 60 low or moderate income applicants to assist in the purchase of homes.

Agency provided loans to assist with purchase and/or rehabilitation of 2 apartment complexes providing 92 units to low and very low income applicants.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

##### ***Government-Wide Financial Statements***

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to private-sector business. They provide information about the activities of the Agency as a whole and present a longer-term view of the Agency's finances.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Management's Discussion and Analysis, Continued**

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*Government-Wide Financial Statements, continued*

The Statement of Activities and Changes in Net Assets presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues related to uncollected taxes and interest expense incurred but not paid.

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of governmental entities can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Currently, the Agency uses only governmental funds to account for its operations.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

The Agency maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are considered to be major funds:

- Low/Moderate Housing Fund – Special Revenue Fund
- Down Payment Assistance – Special Revenue Fund
- Redevelopment – Capital Projects Fund
- Redevelopment – Debt Service Fund

# Redevelopment Agency of the City of Rocklin, California

## Basic Financial Statements

For the year ended June 30, 2010

### Management's Discussion and Analysis, Continued

#### *Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are an integral part of the basic financial statements.

#### *Required Supplementary Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information other than this discussion and analysis concerning the Agency's progress in its mission to promote development in the redevelopment area, and budgetary comparison schedules.

#### FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

	Net Assets			
	As of June 30, 2010 and 2009			
	2010	2009	Increase (Decrease)	Percent Change
<b>Assets:</b>				
Current assets	\$ 19,875,703	\$ 19,691,079	\$ 184,624	0.9%
Non-current assets	5,549,727	5,705,267	(155,540)	-2.7%
<b>Total assets</b>	<u>\$ 25,425,430</u>	<u>\$ 25,396,346</u>	<u>\$ 29,084</u>	0.1%
<b>Liabilities</b>				
Current liabilities	\$ 5,060,471	\$ 4,055,433	\$ 1,005,038	24.8%
Non-current liabilities	29,908,708	30,773,708	(865,000)	-2.8%
<b>Total liabilities</b>	<u>34,969,179</u>	<u>34,829,141</u>	<u>140,038</u>	0.4%
<b>Net assets:</b>				
Investment in capital assets, net of related debt (deficit)	(24,055,921)	(24,508,706)	452,785	1.8%
Restricted	4,119,828	3,892,601	227,227	5.8%
Unrestricted	10,392,344	11,183,310	(790,966)	-7.1%
<b>Total net assets</b>	<u>\$ (9,543,749)</u>	<u>\$ (9,432,795)</u>	<u>\$ (110,954)</u>	-1.2%

This schedule is prepared from the Agency's Statement of Net Assets (page 14), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated and long-term debt is included.

Net assets at June 30, 2010, decreased to a deficit of (\$9,543,749) from a deficit of (\$9,432,795) in 2009.

# Redevelopment Agency of the City of Rocklin, California

## Basic Financial Statements

For the year ended June 30, 2010

### Management's Discussion and Analysis, Continued

#### FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE, Continued

Net assets decreased \$110,954 as of June 30, 2010, as a result of expenses exceeding revenues. This is primarily due to a decrease in general revenues.

#### Operating Results For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating expenses</b>	\$ 6,172,547	\$ 6,469,540	\$ (296,993)	-4.6%
<b>Program revenue:</b>				
Grants	<u>647,045</u>	<u>1,026,452</u>	<u>(379,407)</u>	-37.0%
<b>Total program revenue</b>	<u>647,045</u>	<u>1,026,452</u>	<u>(379,407)</u>	-37.0%
<b>Net operating expenses</b>	<u>5,525,502</u>	<u>5,443,088</u>	<u>82,414</u>	1.5%
<b>General revenue:</b>				
Property taxes	5,320,498	5,510,947	(190,449)	-3.5%
Investment income	53,366	375,849	(322,483)	-85.8%
Other revenue	<u>40,684</u>	<u>979,543</u>	<u>(938,859)</u>	-95.8%
<b>Total general revenue</b>	<u>5,414,548</u>	<u>6,866,339</u>	<u>(1,451,791)</u>	-21.1%
<b>Change in net assets</b>	(110,954)	1,423,251	(1,534,205)	107.8%
<b>Net assets:</b>				
Beginning of year	<u>(9,432,795)</u>	<u>(10,856,046)</u>	<u>1,423,251</u>	13.1%
End of year	<u>\$ (9,543,749)</u>	<u>\$ (9,432,795)</u>	<u>\$ (110,954)</u>	-1.2%

This schedule is prepared from the Agency's Statement of Activities (Page 15), which is presented on the accrual basis of accounting and depicts how the Agency's net assets changed during the fiscal year.

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating expense:</b>				
General government	\$ 854,261	\$ 1,789,557	\$ (935,296)	-52.3%
Public works	214,524	12,063	202,461	1678.4%
Community development	1,042,957	2,953,454	(1,910,497)	-64.7%
Culture and recreation	9,505	339,590	(330,085)	-97.2%
Pass through payments	250,453	-	250,453	100.0%
AB 1290 Payments	798,701	-	798,701	100.0%
Supplemental ERAF Payments	1,670,673	-	1,670,673	100.0%
Interest	<u>1,331,473</u>	<u>1,374,876</u>	<u>(43,403)</u>	-3.2%
<b>Total</b>	<u>\$ 6,172,547</u>	<u>\$ 6,469,540</u>	<u>\$ (296,993)</u>	-4.6%



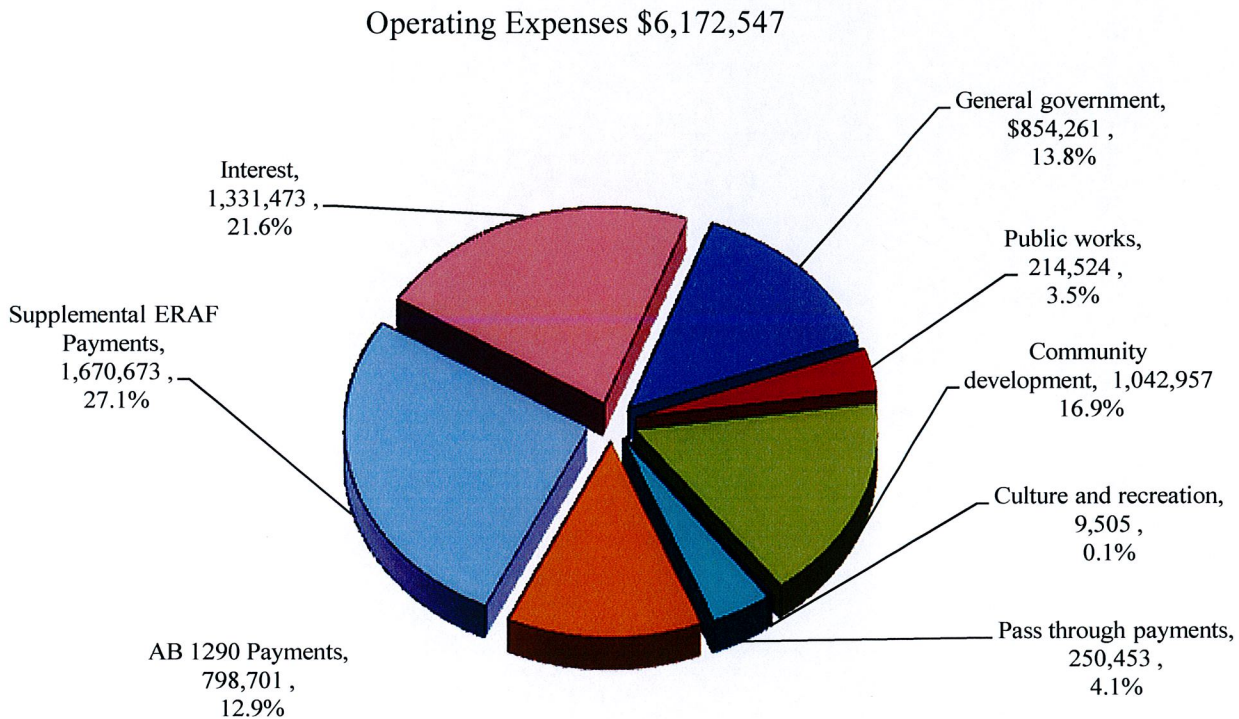
**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Management's Discussion and Analysis, Continued**

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**FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE, Continued**

Operating expenses for fiscal 2010 decreased \$296,993 or 4.6% over 2009. As shown in the following graphic illustration of operating expenses; 16.9% of the operating expenses were attributed to Community development, 13.8% to General government, 21.6% to Interest and 27.1% to Supplemental ERAF Payments.



**Cash Management**

To obtain flexibility in cash management, the Agency employs a pooled cash system through the City (Reference Note 3 in the notes to the basic financial statements). Under the pooled cash concept, the City, on behalf of the Agency, invests the cash of all funds with maturities planned to coincide with cash needs. Idle cash is invested in certain eligible securities as constrained by law and further limited by the Agency's Investment Policy. The goals of the Agency's Investment Policy are safety, liquidity, and yield in that order.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Management's Discussion and Analysis, Continued**

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**FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE, Continued**

**Capital Assets**

The capital assets of the Agency are those assets which are used in the performance of the Agency's functions. At June 30, 2010, net capital assets totaled \$4,444,079. Depreciation on capital assets is recognized in the government-wide financial statements and charged to Community development.

The following table shows the Agency's Capital Assets net of depreciation:

	<u>2010</u>	<u>2009</u>
<b><u>Governmental activities:</u></b>		
Land	\$ 1,419,671	\$ 1,419,671
Buildings and Structures	<u>3,024,408</u>	<u>3,136,623</u>
Capital assets, net	<u>\$ 4,444,079</u>	<u>\$ 4,556,294</u>

**Debt Administration**

Debt, considered a liability of governmental activities, decreased by \$114,393 primarily as a result of normal debt service on all debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the Agency's Budget for fiscal year 2010-2011 the Governing Board and management used the following criteria:

As a result of the current economic conditions the key assumptions in the revenue forecast were:

1. Property tax revenues will decrease by 5%.
2. Increase in grant revenues due to Phase V of Safe School Route construction project.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Management’s Discussion and Analysis, Continued**

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES, Continued**

The budgeted appropriations for the new fiscal year of 2010-2011 was \$ 10,996,840 and is summarized as follows:

	FY 2010-11	FY 2009-10	Percentage change
Administration and Operations:			
City Attorney	\$ 157,060	\$ 158,351	-0.8%
City Manager	320,502	501,760	-36.1%
Finance	155,257	159,656	-2.8%
Community Development	553,195	785,820	-29.6%
Capital:			
Parks & Facilities	7,731	3,000	157.7%
Community Development	4,510,000	1,948,000	131.5%
Debt Service and Pass-through Obligations	4,172,700	2,948,461	41.5%
Transfers	1,120,395	892,960	25.5%
<b>Total budget</b>	<b>\$ 10,996,840</b>	<b>\$ 7,398,008</b>	<b>48.6%</b>

1. Administration and Operations - Shows an overall decrease of 26.1% as a result of operation and personnel reductions and reallocations.
2. Capital – Shows an increase as Safe School Route Phase V Project begins.
3. Debt Service and Pass-through Obligations – Shows an increase of 41.5% as a result of a debt service payment on the Letter of Credit and the State supplemental SERAF payment.
4. Transfers – Shows an increase of 25.5% primarily due to an increase in capital projects.

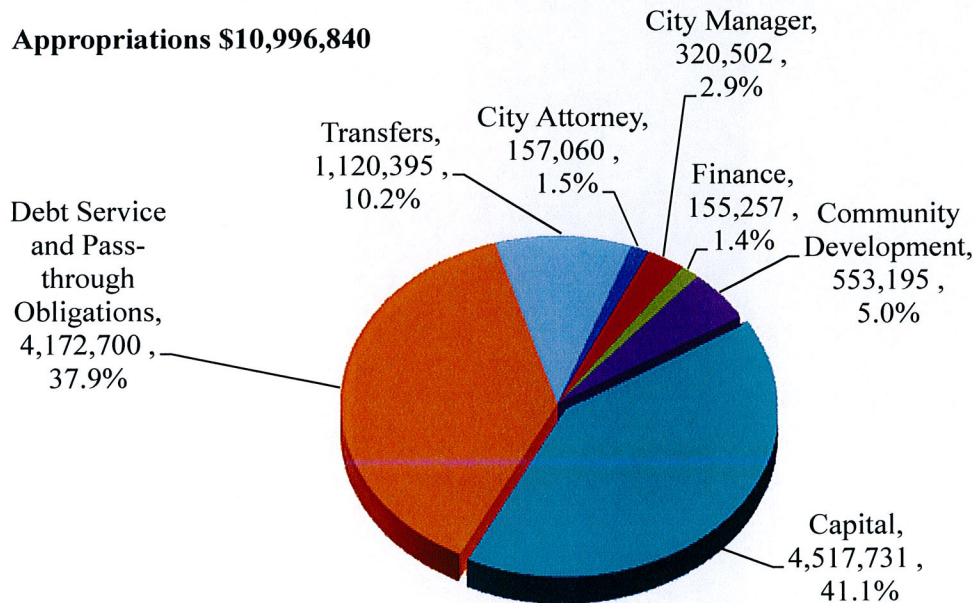
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**For the year ended June 30, 2010**

**Management's Discussion and Analysis, Continued**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES, Continued**

The following is a graphic illustration of appropriations for 2010-11:



**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, creditors, and government regulators with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. Below is the contact address for questions about this report or requests for additional financial information.

City of Rocklin  
Chief Financial Officer  
3970 Rocklin Road  
Rocklin, CA 95677

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Agency Board and Other Officials**

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**AGENCY BOARD**

	<b><u>Term Expires</u></b>
Scott Yuill, Chairperson	November 2010
George Magnuson, Vice Chairperson	November 2012
Peter Hill, Member	November 2012
Kathy Lund, Member	November 2010
Brett Storey, Member	November 2012

**OTHER OFFICIALS**

	<b><u>Position</u></b>
Carlos Urrutia	Executive Director
Terry Richardson	Economic Development and Redevelopment Manager
Russell Hildebrand	Agency Counsel
Judy LaPorte	Director of Administrative Services
Kimberly Sarkovich	Chief Financial Officer
Barbara Ivanusich	Secretary

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# Redevelopment Agency of the City of Rocklin

## Statement of Net Assets

June 30, 2010

(With comparative totals for June 30, 2009)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current:</b>		
Cash and investments:		
Available for operations	\$ 8,837,133	\$ 9,934,445
Cash with fiscal agents	1,811,256	1,774,392
Accounts receivable	9,227,314	7,982,242
<b>Total current assets</b>	<u>19,875,703</u>	<u>19,691,079</u>
<b>Noncurrent:</b>		
Intangible assets, net of accumulated amortization	1,105,648	1,148,973
Capital assets, net of accumulated depreciation	4,444,079	4,556,294
<b>Total noncurrent assets</b>	<u>5,549,727</u>	<u>5,705,267</u>
<b>Total assets</b>	<u>\$ 25,425,430</u>	<u>\$ 25,396,346</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities	\$ 369,066	\$ 157,239
Line of credit	4,282,837	3,482,837
Interest payable	408,568	415,357
<b>Total current liabilities</b>	<u>5,060,471</u>	<u>4,055,433</u>
<b>Noncurrent:</b>		
Advances from the City of Rocklin	1,408,708	1,708,708
Due within one year	585,000	565,000
Due after one year	27,915,000	28,500,000
<b>Total noncurrent liabilities</b>	<u>29,908,708</u>	<u>30,773,708</u>
<b>Total liabilities</b>	<u>34,969,179</u>	<u>34,829,141</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt (deficit)	(24,055,921)	(24,508,706)
Restricted	4,119,828	3,892,601
Unrestricted	10,392,344	11,183,310
<b>Total net assets (deficit)</b>	<u>(9,543,749)</u>	<u>(9,432,795)</u>
<b>Total liabilities and net assets</b>	<u>\$ 25,425,430</u>	<u>\$ 25,396,346</u>

The accompanying notes are an integral part of these basic financial statements.



# Redevelopment Agency of the City of Rocklin

## Statement of Activities

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
<b>Expenses:</b>		
General government	\$ 854,261	\$ 734,316
Public works	214,524	12,063
Community development	1,042,957	2,953,454
Culture and recreation	9,505	339,590
Pass through payments	250,453	253,320
AB 1290 Payments	798,701	801,921
Supplemental ERAF Payments	1,670,673	-
Interest	1,331,473	1,374,876
<b>Total expenses</b>	<u>6,172,547</u>	<u>6,469,540</u>
<b>Revenues:</b>		
Program revenues:		
Grants	647,045	1,026,452
<b>Total program revenues</b>	<u>647,045</u>	<u>1,026,452</u>
<b>Net program expense</b>	<u>(5,525,502)</u>	<u>(5,443,088)</u>
General revenues:		
Property taxes	5,320,498	5,510,947
Investment income	53,366	375,849
Other	40,684	979,543
<b>Total general revenues</b>	<u>5,414,548</u>	<u>6,866,339</u>
<b>Change in net assets</b>	<u>(110,954)</u>	<u>1,423,251</u>
<b>Net assets:</b>		
Beginning of the year	<u>(9,432,795)</u>	<u>(10,856,046)</u>
End of the year	<u>\$ (9,543,749)</u>	<u>\$ (9,432,795)</u>

The accompanying notes are an integral part of these basic financial statements.

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**FUND FINANCIAL STATEMENTS**

# Redevelopment Agency of the City of Rocklin

## Balance Sheet

June 30, 2010

(With comparative totals for June 30, 2009)

	Special Revenue		Capital Projects	Debt Service	Totals	
	Housing Set Aside	Down Payment Assistance	Capital Construction	Debt Service	2010	2009
<b>ASSETS</b>						
Cash and investments:						
Available for operations	\$ 301,168	\$ 330,695	\$ 6,740,603	\$ 1,464,667	\$ 8,837,133	9,934,445
Cash with fiscal agents	-	-	-	1,811,256	1,811,256	1,774,392
Receivables:						
Interest	-	-	8,723	-	8,723	26,645
Taxes	-	-	-	60,468	60,468	205,399
Loans	7,167,729	1,990,394	-	-	9,158,123	7,525,161
Intergovernmental	-	-	-	-	-	225,037
Advances to other funds	900,000	-	-	-	900,000	-
<b>Total assets</b>	<b>\$ 8,368,897</b>	<b>\$ 2,321,089</b>	<b>\$ 6,749,326</b>	<b>\$ 3,336,391</b>	<b>\$ 20,775,703</b>	<b>\$ 19,691,079</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 205,840	\$ 2,820	\$ 78,843	\$ 81,563	\$ 369,066	\$ 157,239
Advances from other funds	-	-	-	900,000	900,000	-
<b>Total liabilities</b>	<b>205,840</b>	<b>2,820</b>	<b>78,843</b>	<b>981,563</b>	<b>1,269,066</b>	<b>157,239</b>
<b>Fund balances:</b>						
Fund balances:						
Reserved:						
Encumbrances	-	-	-	-	-	-
Debt service	-	-	-	2,354,828	2,354,828	3,892,601
Loans receivable	7,167,729	1,990,394	-	-	9,158,123	7,525,161
Unreserved, undesignated	995,328	327,875	6,670,483	-	7,993,686	8,116,078
<b>Total fund balances</b>	<b>8,163,057</b>	<b>2,318,269</b>	<b>6,670,483</b>	<b>2,354,828</b>	<b>19,506,637</b>	<b>19,533,840</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,368,897</b>	<b>\$ 2,321,089</b>	<b>\$ 6,749,326</b>	<b>\$ 3,336,391</b>	<b>\$ 20,775,703</b>	<b>\$ 19,691,079</b>

The accompanying notes are an integral part of these financial statements.

**Redevelopment Agency of the City of Rocklin  
 Reconciliation of Governmental Funds Balance Sheet  
 to the Government-wide Statement of Net Assets  
 June 30, 2010**

Fund Balances of Governmental Funds \$ 19,506,637

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets of governmental activities (net of \$342,037 in accumulated depreciation) are not financial resources and therefore, are not reported in the governmental funds. 4,444,079

Governmental funds report discounts on long-term bonds and debt issuance costs (deferred charges) as expenditures, whereas these amounts are capitalized and amortized in the government-wide Statement of Net Assets. 1,105,648

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (408,568)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Advances from the City of Rocklin	\$ (1,408,708)	
Line of credit	(4,282,837)	
Due within one year	(585,000)	
Due after one year	<u>(27,915,000)</u>	<u>(34,191,545)</u>

Net Assets of Governmental Activities \$ (9,543,749)

**Redevelopment Agency of the City of Rocklin**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2010**  
(With comparative totals for the year ended June 30, 2009)

	Special Revenue		Capital Projects	Debt Service	Totals	
	Housing Set Aside	Down Payment Assistance	Capital Construction	Debt Service	2010	2009
<b>Revenues:</b>						
Taxes	\$ 1,088,140	\$ -	\$ -	\$ 4,232,358	\$ 5,320,498	\$ 5,510,947
Use of money and property	8,303	390	43,030	1,643	53,366	375,849
Intergovernmental	-	-	647,045	-	647,045	1,026,452
Other	-	-	-	40,684	40,684	979,543
<b>Total revenues</b>	<b>1,096,443</b>	<b>390</b>	<b>690,075</b>	<b>4,274,685</b>	<b>6,061,593</b>	<b>7,892,791</b>
<b>Expenditures:</b>						
General government	173,260	15,068	1,834	515,348	705,510	690,991
Public works	-	-	214,524	-	214,524	12,063
Community development	166,807	61,543	198,810	276,558	703,718	3,931,418
Culture and recreation	-	-	-	9,505	9,505	339,590
Capital outlay	-	-	-	-	-	250,000
Debt service:						
Principal	200,000	-	-	565,000	765,000	545,000
Interest and other charges	44,324	-	-	1,287,149	1,331,473	1,381,404
<b>Total expenditures</b>	<b>584,391</b>	<b>76,611</b>	<b>415,168</b>	<b>2,653,560</b>	<b>3,729,730</b>	<b>7,150,466</b>
<b>Revenues over (under) expenditures</b>	<b>512,052</b>	<b>(76,221)</b>	<b>274,907</b>	<b>1,621,125</b>	<b>2,331,863</b>	<b>742,325</b>
<b>Other financing sources (uses):</b>						
Proceeds from line of credit	1,000,000	-	-	-	1,000,000	3,482,837
Pass through payments	-	-	-	(250,453)	(250,453)	(253,320)
AB 1290 Payments	-	-	-	(798,701)	(798,701)	(801,921)
Supplemental ERAF Payments	-	-	-	(1,670,673)	(1,670,673)	-
Transfers in	-	-	-	-	-	347,163
Transfers out	-	-	-	-	-	(271,893)
Transfers from (to) City of Rocklin	(101,369)	-	(98,799)	(439,071)	(639,239)	723,467
<b>Total other financing sources over (under) expenditures and other financing (uses)</b>	<b>898,631</b>	<b>-</b>	<b>(98,799)</b>	<b>(3,158,898)</b>	<b>(2,359,066)</b>	<b>3,226,333</b>
<b>Increase (decrease) in fund balance</b>	<b>1,410,683</b>	<b>(76,221)</b>	<b>176,108</b>	<b>(1,537,773)</b>	<b>(27,203)</b>	<b>3,968,658</b>
<b>Fund Balance:</b>						
Beginning of year	6,752,374	2,394,490	6,494,375	3,892,601	19,533,840	15,565,182
End of year	\$ 8,163,057	\$ 2,318,269	\$ 6,670,483	\$ 2,354,828	\$ 19,506,637	\$ 19,533,840

The accompanying notes are an integral part of these financial statements.

**Redevelopment Agency of the City of Rocklin**  
**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, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ (27,203)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Capital asset purchases	\$ -	
Depreciation expense	(112,215)	
Amortization expense	<u>(43,325)</u>	(155,540)

Principal repayments or additional advances of long-term debt are reported as expenditures (revenues) in the Governmental Funds, however, they reduce or (increase) long-term liabilities or long-term assets in the Statement of Net Assets and result in the following:

(Additions) Repayments of Advances	300,000	
Principal repayments	765,000	
(Additions) Reductions to Long-term liabilities	<u>(1,000,000)</u>	65,000

Interest expense on long-term debt reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the net change in accrued interest for the current period.

6,789

Change in Net Assets of Governmental Activities \$ (110,954)

The accompanying notes are an integral part of these basic financial statements.

**Redevelopment Agency of the City of Rocklin**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**For the year ended June 30, 2010**

	<b>Housing Set Aside</b>			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 1,122,100	\$ 1,122,100	1,088,140	\$ (33,960)
Use of money and property:				
Investment income	41,000	11,000	8,303	(2,697)
Intergovernmental:				
Grants	-	-	-	-
Other:				
Miscellaneous fees and income	-	-	-	-
<b>Total revenues</b>	<u>1,163,100</u>	<u>1,133,100</u>	<u>1,096,443</u>	<u>(36,657)</u>
<b>Expenditures:</b>				
General government:				
City Manager	143,284	142,079	135,622	6,457
City Attorney	-	-	-	-
Finance	40,679	40,784	37,638	3,146
Public works:				
Building maintenance	-	-	-	-
Engineering	-	-	-	-
Community development:				
Planning	100,013	101,004	95,284	5,720
Housing	102,899	103,860	71,523	32,337
Culture and recreation:				
Grounds maintenance	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	200,000	(200,000)
Interest and other charges	58,300	58,300	44,324	13,976
<b>Total expenditures</b>	<u>445,175</u>	<u>446,027</u>	<u>584,391</u>	<u>(138,364)</u>
<b>Revenues over (under) expenditures</b>	<u>717,925</u>	<u>687,073</u>	<u>512,052</u>	<u>175,021</u>
<b>Other financing sources (uses):</b>				
Proceeds from line of credit	-	-	1,000,000	(1,000,000)
Pass through payments				
AB 1290 Payments				
Supplemental ERAF Payments				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Transfers from(to) City of Rocklin	(96,560)	(109,310)	(101,369)	7,941
<b>Total other financing sources over (under) expenditures and financing (uses)</b>	<u>(96,560)</u>	<u>(109,310)</u>	<u>898,631</u>	<u>(1,007,941)</u>
<b>Increase (decrease) in fund balance</b>	621,365	577,763	1,410,683	832,920
<b>Fund balance:</b>				
Beginning of year	<u>6,752,374</u>	<u>6,752,374</u>	<u>6,752,374</u>	<u>-</u>
End of year	<u>\$ 7,373,739</u>	<u>\$ 7,330,137</u>	<u>\$ 8,163,057</u>	<u>\$ 832,920</u>

The accompanying notes are an integral part of these financial statements.



Down Payment Assistance				Capital Construction			
Original Budget	Amended Budget	Actual	Variance Positive (Negative)	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	390	390	50,000	45,000	43,030	(1,970)
-	-	-	-	144,500	1,042,500	647,045	(395,455)
-	-	-	-	-	-	-	-
-	-	390	390	194,500	1,087,500	690,075	(397,425)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,667	15,807	15,068	739	-	-	1,834	(1,834)
-	-	-	-	-	-	214,524	(214,524)
62,035	61,909	59,843	2,066	225,758	225,795	198,810	26,985
20,400	20,400	1,700	18,700	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,948,000	2,044,700	-	2,044,700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
98,102	98,116	76,611	21,505	2,173,758	2,270,495	415,168	1,855,327
(98,102)	(98,116)	(76,221)	(21,895)	(1,979,258)	(1,182,995)	274,907	(1,457,902)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(464,100)	(456,400)	(98,799)	357,601
-	-	-	-	(464,100)	(456,400)	(98,799)	(357,601)
(98,102)	(98,116)	(76,221)	21,895	(2,443,358)	(1,639,395)	176,108	1,815,503
2,394,490	2,394,490	2,394,490	-	6,494,375	6,494,375	6,494,375	-
\$ 2,296,388	\$ 2,296,374	\$ 2,318,269	\$ 21,895	\$ 4,051,017	\$ 4,854,980	\$ 6,670,483	\$ 1,815,503

(continued)

**Redevelopment Agency of the City of Rocklin**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual , Continued**  
**For the year ended June 30, 2010**

	<b>Debt Service</b>			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 4,452,700	\$ 4,452,700	\$ 4,232,358	\$ (220,342)
Use of money and property:				
Investment income	36,000	14,700	1,643	(13,057)
Intergovernmental:				
Grants	-	-	-	-
Other:				
Miscellaneous fees and income	35,600	35,600	40,684	5,084
<b>Total revenues</b>	<u>4,524,300</u>	<u>4,503,000</u>	<u>4,274,685</u>	<u>(228,315)</u>
<b>Expenditures:</b>				
General government:				
City Manager	358,476	357,209	302,589	54,620
City Attorney	158,351	158,183	121,367	36,816
Finance	103,310	103,303	91,392	11,911
Public works:				
Building maintenance			-	-
Engineering			-	-
Community development:				
Planning	274,715	315,277	276,558	38,719
Housing				-
Culture and recreation:				
Grounds maintenance	3,000	3,000	9,505	(6,505)
Capital outlay				-
Debt service:				
Principal	565,000	565,000	565,000	-
Interest and other charges	1,266,161	1,266,161	1,287,149	(20,988)
<b>Total expenditures</b>	<u>2,729,013</u>	<u>2,768,133</u>	<u>2,653,560</u>	<u>114,573</u>
<b>Revenues over (under) expenditures</b>	<u>1,795,287</u>	<u>1,734,867</u>	<u>1,621,125</u>	<u>113,742</u>
<b>Other financing sources (uses):</b>				
Proceeds from line of credit	-	-	-	-
Pass through payments	(257,000)	(257,000)	(250,453)	(6,547)
AB 1290 Payments	(802,000)	(802,000)	(798,701)	(3,299)
Supplemental ERAF Payments	-	(1,669,000)	(1,670,673)	1,673
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Transfers from(to) City of Rocklin	(332,300)	(190,000)	(439,071)	(249,071)
<b>Total other financing sources over (under) expenditures and financing (uses)</b>	<u>(1,391,300)</u>	<u>(2,918,000)</u>	<u>(3,158,898)</u>	<u>240,898</u>
<b>Increase (decrease) in fund balance</b>	<u>403,987</u>	<u>(1,183,133)</u>	<u>(1,537,773)</u>	<u>(354,640)</u>
<b>Fund balance:</b>				
Beginning of year	3,892,601	3,892,601	3,892,601	-
End of year	<u>\$ 4,296,588</u>	<u>\$ 2,709,468</u>	<u>\$ 2,354,828</u>	<u>\$ (354,640)</u>

The accompanying notes are an integral part of these financial statements.

<b>Totals</b>			
Original Budget	Amended Budget	Actual	Variance Positive (Negative)
\$ 5,574,800	\$ 5,574,800	\$ 5,320,498	\$ (254,302)
127,000	70,700	53,366	(17,334)
144,500	1,042,500	647,045	(395,455)
35,600	35,600	40,684	5,084
<u>5,881,900</u>	<u>6,723,600</u>	<u>6,061,593</u>	<u>(662,007)</u>
501,760	499,288	438,211	61,077
158,351	158,183	121,367	36,816
159,656	159,894	145,932	13,962
-	-	-	-
-	-	214,524	(214,524)
662,521	703,985	630,495	73,490
123,299	124,260	73,223	51,037
3,000	3,000	9,505	(6,505)
1,948,000	2,044,700	-	2,044,700
565,000	565,000	765,000	(200,000)
1,324,461	1,324,461	1,331,473	(7,012)
<u>5,446,048</u>	<u>5,582,771</u>	<u>3,729,730</u>	<u>1,853,041</u>
<u>435,852</u>	<u>1,140,829</u>	<u>2,331,863</u>	<u>(1,191,034)</u>
-	-	1,000,000	(1,000,000)
(257,000)	(257,000)	(250,453)	(6,547)
(802,000)	(802,000)	(798,701)	(3,299)
-	(1,669,000)	(1,670,673)	1,673
-	-	-	-
-	-	-	-
(892,960)	(755,710)	(639,239)	116,471
<u>(1,951,960)</u>	<u>(3,483,710)</u>	<u>(2,359,066)</u>	<u>(1,124,644)</u>
(1,516,108)	(2,342,881)	(27,203)	2,315,678
19,533,840	19,533,840	19,533,840	-
<u>\$ 18,017,732</u>	<u>\$ 17,190,959</u>	<u>\$ 19,506,637</u>	<u>\$ 2,315,678</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Redevelopment Agency of the City of Rocklin (Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental agencies. The Governmental Accounting Standards Boards ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

**A. Reporting Entity**

The Agency, although a legally separate entity from the City of Rocklin (City), is a blended component unit of the City because the City is financially accountable for the Agency. The elected five member council governs the Agency.

The Agency was organized pursuant to provisions of the Community Redevelopment Law of the State of California for the purpose of conducting economic development and redevelopment activities. The financial statements present only the information relative to the Agency; they do not present the financial position or results of operations of the City.

Funds for redevelopment can be provided from various sources, including the issuance of tax allocation and lease revenue bonds, long-term notes, funds provided by the City, incremental property taxes, and proceeds from the sale or lease of real property acquired with these funds.

**B. Jointly Governed Organizations**

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

The Authority is governed by a Board consisting of members of the City Council. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the Authority's governing board. Separate financial statements for the Authority can be obtained from the City's Finance Department.

**C. Description of Funds**

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial expectations.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Government-Wide Financial Statements**

The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency accompanied by a total column. The Agency does not have any business-type activities or Fiduciary Funds; therefore, only governmental activities are reported.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term liabilities, if any, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34) in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the Agency activities and the City, which are presented as Advances in the Statement of Net Assets.

**E. Governmental Funds Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Agency has presented all of its funds as major funds and shows differences for the inclusion of capital assets and long-term liabilities in reporting net assets.

The major governmental funds of the Agency are:

- *Low/Moderate Housing-Special Revenue Fund* – This fund is used to account for programs designed to enhance and improve availability of safe low and moderate income housing units within the Agency. The fund provides for a residential rehabilitation loan program, management of affordable housing development projects, and enhanced code enforcement activities.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**E. Governmental Funds Financial Statements, Continued**

- *Down Payment Assistance Special Revenue Fund* – This fund accounts for Low/Moderate funds that are used for down payment assistance for first-time homebuyers.
- *Capital Construction Capital Projects Fund* – This fund is used to account for capital improvement programs intended to improve the overall Project Area's appearance, development, or other infrastructure enhancements to eliminate blight.
- *Debt Service Fund* – This fund is used to account for the payment of principal and interest on long-term obligations and tax increment pass-through payments to other governmental entities.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except when subject to accrual (generally 60 days after fiscal year end), in which case the revenues are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are incremental property taxes, intergovernmental revenues, other taxes, and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB No. 34.

**F. Governmental Fund Types**

The governmental fund financial statements include the following fund types:

1. *Special Revenue Funds* – The Special Revenue Funds are used to account for the set-aside requirements for the tax increment within the Redevelopment Agency. The California Health and Safety Code requires Agency project areas to deposit 20% of allocated incremental property tax revenues into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing or improving the community's supply of low and moderate-income housing. In addition, these funds can be used for eligible individual's purchase of a first home.



# Redevelopment Agency of the City of Rocklin, California

## Basic Financial Statements

For the year ended June 30, 2010

### Notes to Basic Financial Statements, Continued

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

##### F. Governmental Fund Types, Continued

2. *Capital Projects Fund* – The Capital Construction Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities. As of June 30, 2010, the Agency does not have any non-major capital project funds.
3. *Debt Service Fund* – This fund is used to account for the payment of principal and interest on long-term obligations. The Agency uses one debt service fund for all obligations.

##### G. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

##### H. Budgets and Budgetary Accounting

Budget amounts are reported as originally adopted and as further amended by the Governing Board. Budgets are adopted for the governmental funds on a basis consistent with accounting principles generally accepted in the United States of America.

##### I. Cash and Investments

The Agency pools cash resources through the City of Rocklin in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

The Agency participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

##### J. Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Policy has set the capitalization reporting threshold at \$100,000 for infrastructure and \$5,000 for all other capital assets. Gifts or contributions of capital assets are recorded at fair market value on the date donated. Public domain (infrastructure) general fixed assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems. The Agency does not own any infrastructure assets.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**J. Capital Assets, Continued**

The Agency depreciates capital assets using the straight-line method. Depreciation of capital assets is charged as an expense each year and accumulated depreciation, is reported on the Statement of Net Assets as a reduction in the book value of capital assets.

The Agency has assigned the useful lives listed below to capital assets:

Buildings & Structures	30 years
------------------------	----------

**K. Property Tax Revenues**

Incremental property tax revenues represent property taxes in a project area arising from increased assessed valuations over base valuations established at the inception of a project. Incremental property taxes from a project accrue to the Agency until all liabilities of the project have been repaid (including cumulative funds provided by the City). After all such indebtedness has been repaid; all property taxes from a project area accrue to the various taxing authorities.

State statutes provide that the property tax rate be limited generally to one percent of market value, be levied only by the County, and be shared with applicable jurisdictions. The County of Placer collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to adjustments for voter-approved debt. Property taxes are levied March 1 and are due on November 1 and March 1, and become delinquent on December 10 and April 10. The Agency recognizes property tax increment revenues to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

**L. Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. As bond discounts and issuance costs represent costs associated with debt issuance, these amounts are presented in the government-wide statements as intangible assets, net of applicable amortization.

The governmental fund financial statements do not present long-term debt, but long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. Long-Term Liabilities, continued**

Bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

Compensated absences are treated as current expenditures with the applicable long-term portion accounted for and funded directly through the Agency's Low/Moderate Housing and Debt Service Funds.

**M. Interest Payable**

In the government-wide financial statements, long-term debt is recognized as the liability is incurred for governmental fund types.

In the governmental fund financial statements, governmental funds do not recognize the interest payable when the liability is incurred.

**N. Net Assets**

Government-Wide Net Assets consist of the following:

1. *Invested in capital assets, net of related debt* – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that was attributed to the acquisition, construction, or improvement of the assets.
2. *Restricted net assets* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
3. *Unrestricted net assets* - This amount consists of all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Governmental Fund Balances consist of the following: Reserved for debt service and Reserved for long-term loans receivable. Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws that require a portion of the fund balance to be segregated or identify the portion of the fund not available for future expenditures.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**O. Use of Estimates**

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

**P. Reclassifications**

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

**Q. Comparative Data**

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

It is the Agency's policy to adopt annual budgets. The Agency Board may amend the budget by motion during the fiscal year. The Executive Director is authorized to transfer budgeted amounts within an activity, within any function. However, any revisions that alter total expenditures of any fund must be approved by the Agency Board.

Expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at the end of the fiscal year, except for encumbered amounts. Supplemental appropriations, which increase appropriations, may be made during the fiscal year.

Budget information is presented for governmental fund types on a basis consistent with generally accepted accounting principles. Budgeted revenue and expenditure amounts represent the original budget modified for adjustments during the year.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

**3. CASH AND INVESTMENTS**

Cash and investments, including cash and investments with fiscal agents, at June 30, 2010, consisted of the following:

	Maturities (years)		Deposits	Fair Market Value
	<1	1 to 2		
<u>Cash equivalents and investments pooled</u>				
Pooled cash, at fair value				
City of Rocklin Cash and Investment Pool	\$ -	\$ -	\$ 2,587,918	\$ 2,587,918
Total pooled items	-	-	2,587,918	2,587,918
Pooled investments, at fair value				
<u>Interest obligations</u>				
State of California Local Agency Investment Fund	6,249,215	-	-	6,249,215
Fiscal agent investments - Union Bank Money Market Funds	1,811,256	-	-	1,811,256
Total pooled investments - interest obligations	8,060,471	-	-	8,060,471
Total cash equivalents and investments pooled	\$ 8,060,471	\$ -	\$ 2,587,918	\$ 10,648,389

Reported in the Statement of Net Assets as follows:

Available for operations	\$ 8,837,133
Cash with fiscal agents	1,811,256
Total	\$ 10,648,389

The Agency has pooled its cash and investments with the City in order to achieve a higher rate of return on the investment. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are also pooled. These restricted funds include cash with fiscal agents.

*Investments* – The Agency is authorized by its most recent investment policy to invest in the following investments:

<u>Authorized Investment Type:</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Federal securities	None	None	None
Tax exempt obligations	None	None	None
State of California Local Agency Investment Fund	None	Maximum permitted by State	Maximum permitted by State
Bank Repurchase Agreements	None	15%	5%
Money Market Mutual Funds*	None	15%	5%
Reverse Repurchase Agreements	None	15%	5%

\*Must be rated in one of the three highest rating categories

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

**3. CASH AND INVESTMENTS, Continued**

*Interest rate risk.* In accordance with its investment policy, the City manages for the Agency, its exposures to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 2 years. The portfolio average maturity was .04 years as of June 30, 2010.

*Credit risk.* As of June 30, 2010, the City's investments in money market funds were rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investors Service. The State of California Local Agency Investment Fund is not rated.

*Concentration of credit risk.* The City's investment policy, which governs pool investments as authorized above, does not allow for an investment in any one issuer that is in excess of five percent of the government's total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

*Custodial credit risk – deposits.* For deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The City's Investment Policy addresses custodial credit risk, which follows the Government Code. As of June 30, 2010, the City had no balances in the pool exposed to custodial credit risk because they exceeded the \$250,000 Federal Deposit Insurance Corporation's insurance limits.

*Custodial credit risk – investments.* For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty on behalf of the Agency. For the investments maintained by the City in the pool, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

**4. ACCOUNTS AND LOANS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2010:

	Beginning July 1, 2009	Additions	Deletions	Ending June 30, 2010
Interest	\$ 26,645	\$ -	\$ (17,922)	\$ 8,723
Taxes	205,399	-	(144,931)	60,468
Loans	7,525,161	1,632,962	-	9,158,123
Intergovernmental	225,037	-	(225,037)	-
Total accounts receivable	<u>\$ 7,982,242</u>	<u>\$ 1,632,962</u>	<u>\$ (387,890)</u>	<u>\$ 9,227,314</u>

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

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**4. ACCOUNTS AND LOANS RECEIVABLE, Continued**

These amounts resulted in the following concentrations in receivables:

Other Governments	0.6%	Individuals	99.3%	Investments	0.1%
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Amounts receivable from Whitney Ranch, LP represents 42% of the receivable balance at June 30, 2010. This concentration results from the loan amounts due for the Whitney Ranch Apartments.

**Loans Receivable**

The Agency has made business loans to qualifying businesses in the redevelopment area and various loans to qualifying participants within the City.

Loans receivable consist of the following:

***Villa Serena II Loan*** – On July 24, 2001, the 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 assist with the construction of the Villa Serena affordable senior project known as Stanford Arms. 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, and fixtures and by all deposits of the borrower. At June 30, 2010, a balance of \$1,100,000 is outstanding.

***College Manor*** – On November 1, 2007, the Agency entered into an agreement with CAHA College Manor LP, a California Limited Partnership, for a loan in the amount of \$650,000. The loan has been used to finance the acquisition and renovation of low income apartments located at 4201 Racetrack Road. The loan is at 3% simple interest and is to be repaid from residual receipts over a fifty-five year period. At June 30, 2010, a balance of \$650,000 is outstanding.

***Down payment assistance*** – The Agency began a down payment assistance program in 2007 to help low and moderate income individuals with purchases of a home. Qualifying individuals receive down payment assistance with the loan deferred as long as it is an owner-occupied dwelling. Interest and/or principal may be waived if certain terms are met by the borrower. The Down Payment Assistance loans receivable at June 30, 2010 were \$1,990,394.

***First Time Home Buyers*** – The Agency maintains loans receivable for Low and Moderate Income Housing. The notes receivable principal balances are recorded in the fund based statements as loans receivable. Interest on certain loans may be waived by the Agency if the loan remains outstanding for the full term; therefore, interest income is recorded when received.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

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**4. ACCOUNTS AND LOANS RECEIVABLE, Continued**

**Sunset Blvd.** - On June 24, 2008, the Agency Board authorized a loan in the amount of \$575,000 to Sunset Street Housing Partners for rehabilitation of an existing affordable housing apartment complex located at 3655 Sunset Blvd. The loan provides for 3% simple interest for 30 years with payments to begin after the second anniversary of the loan document execution date. Associated with this project, the Agency also approved Conduit Debt issuance in the maximum amount of \$10,000,000 in multifamily revenue bonds by the California Statewide Communities Development Authority. At June 30, 2010 a balance of \$575,000 is outstanding.

**Whitney Rocklin, LP** - On June 24, 2008, the Agency Board authorized a loan in the amount of \$1,595,000, which was later amended to \$1,730,000 on December 9, 2008, to Whitney Rocklin LP to assist with construction of a 156 unit multi-family housing project referred to as the Whitney Ranch Apartments. The loan provides for 3% simple interest for 30 years. Associated with this project, the Agency also approved Conduit Debt issuance in the maximum amount of \$18,000,000 in multifamily revenue bonds by the California Statewide Communities Development Authority. At June 30, 2010 a balance of \$1,730,000 is outstanding.

**HPD Shannon Bay, LP** - On September 9, 2008, the Agency Board authorized a housing rehabilitation loan in the amount of \$500,000 with HPD Shannon Bay LP for a 50 unit multi-family housing project referred to as the Shannon Bay Apartments. The loan provides for 3% simple interest for 30 years with a 5 year period of interest only payments following the execution date of January 11, 2010. The loan then converts to an amortizing loan during which time an annual payment of \$25,296 will be paid and at the end of the loan term; a balloon payment for the remaining balance becomes due and payable. Associated with this project, the Agency also approved Conduit Debt issuance in the maximum amount of \$6,000,000 in multifamily revenue bonds by the California Statewide Communities Development Authority. \$500,000 was disbursed during fiscal year ended June 30, 2010 and remains outstanding.

**Whitney Rocklin, LP** - On December 9, 2008, the Agency Board authorized a loan in the amount of \$2,100,000 to subsidize 70 low income rental units into very low income units referred to as the Whitney Ranch Apartments.

**Placer West Housing Partners, LP** - On December 8, 2009 the Agency Board authorized a housing rehabilitation loan in the amount of \$500,000 with Placer West Housing Partners LP for a 44-unit affordable housing project located a 6055 Placer West Drive in Rocklin. The loan provides for 3% simple interest for 30 years with partial interest only payments in the amount of \$2,000 to begin on the second anniversary of the loan document execution date of December 22, 2009. A balloon payment of the remaining unpaid balance of principal and interest shall be due at the conclusion of the loan term. \$500,000 was disbursed during the fiscal year ended June 30, 2010 and remains outstanding.



**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

**4. ACCOUNTS AND LOANS RECEIVABLE, Continued**

A summary of the activity of loans receivable is as follows:

	Beginning July 1, 2009	Additions	Deletions	Ending June 30, 2010
Villa Serena II	\$ 1,100,000	\$ -	\$ -	\$ 1,100,000
College Manor	650,000	-	-	650,000
Down payment assistance	1,357,394	690,000	(57,000)	1,990,394
First Time Home Buyers	12,767	13	(51)	12,729
Sunset Blvd	575,000	-	-	575,000
Whitney Rocklin, LP	1,730,000	-	-	1,730,000
HPD Shannon Bay	-	500,000	-	500,000
Whitney Rocklin, LP	2,100,000	-	-	2,100,000
Placer West Housing Partners, LP	-	500,000	-	500,000
Total loans receivable	<u>\$ 7,525,161</u>	<u>\$ 1,690,013</u>	<u>\$ (57,051)</u>	<u>\$ 9,158,123</u>

**5. INTANGIBLE ASSETS**

Intangible assets include bond issuance costs and discounts as follows:

	Original Amount	Accumulated Amortization	Amortization Expense	Balance June 30, 2010
<b>Intangible assets:</b>				
2005 Tax Allocation Bonds:				
Bond issuance costs	\$ 506,422	\$ (67,524)	\$ (16,881)	\$ 422,017
Bond discount	117,327	(15,644)	(3,911)	97,772
Totals	<u>623,749</u>	<u>(83,168)</u>	<u>(20,792)</u>	<u>519,789</u>
2007 Tax Allocation Bonds:				
Bond issuance costs	374,851	(37,485)	(12,495)	324,871
Bond discount	301,140	(30,114)	(10,038)	260,988
Totals	<u>675,991</u>	<u>(67,599)</u>	<u>(22,533)</u>	<u>585,859</u>
Intangible assets totals				
Bond issuance costs	881,273	(105,009)	(29,376)	746,888
Bond discount	418,467	(45,758)	(13,949)	358,760
Intangible assets totals	<u>\$ 1,299,740</u>	<u>\$ (150,767)</u>	<u>\$ (43,325)</u>	<u>\$ 1,105,648</u>

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

**6. CAPITAL ASSETS**

The following is a summary of capital assets as of June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Governmental activities:</u></b>				
Land	\$ 1,419,671	\$ -	\$ -	\$ 1,419,671
Buildings and Structures	3,366,445	-	-	3,366,445
Total cost	<u>4,786,116</u>	<u>-</u>	<u>-</u>	<u>4,786,116</u>
Less: accumulated depreciation				
Buildings and Structures	(229,822)	(112,215)	-	(342,037)
Total depreciation	<u>(229,822)</u>	<u>(112,215)</u>	<u>-</u>	<u>(342,037)</u>
Net book value, depreciable assets				
Buildings and Improvements	<u>3,136,623</u>	<u>(112,215)</u>	<u>-</u>	<u>3,024,408</u>
Capital assets, net	<u>\$ 4,556,294</u>	<u>\$ (112,215)</u>	<u>\$ -</u>	<u>\$ 4,444,079</u>

Depreciation expense in the amount of \$112,215 was charged to Community development in the Statement of Activities.

**7. LONG-TERM LIABILITIES**

The Agency generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Agency's debt issue and transactions related to governmental activities are summarized below and discussed in detail subsequently.

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
2002 Refunding Tax Allocation Bonds	\$ 2,320,000	\$ -	\$ (45,000)	\$ 2,275,000	\$ 45,000
2005 Refunding Tax Allocation Bonds	11,185,000	-	(255,000)	10,930,000	265,000
2007 Refunding Tax Allocation Bonds	15,560,000	-	(265,000)	15,295,000	275,000
Total debt issuances	<u>29,065,000</u>	<u>-</u>	<u>(565,000)</u>	<u>28,500,000</u>	<u>585,000</u>
Advances from the City of Rocklin	1,708,708	-	(300,000)	1,408,708	-
Line of credit	3,482,837	1,000,000	(200,000)	4,282,837	-
Total	<u>5,191,545</u>	<u>1,000,000</u>	<u>(500,000)</u>	<u>5,691,545</u>	<u>-</u>
Grand Total	<u>\$ 34,256,545</u>	<u>\$ 1,000,000</u>	<u>\$ (1,065,000)</u>	<u>\$ 34,191,545</u>	<u>\$ 585,000</u>

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

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

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**7. LONG-TERM LIABILITIES, Continued**

secured by tax increment revenues payable to the Redevelopment Agency. Interest rates range from 4.60% to 5.50%. New principal payments ranging from \$40,000 to \$190,000 are payable annually on September 1 and interest payments ranging from \$5,225 to \$63,466 are payable semi-annually on March 1 and September 1 through September 1, 2032.

**2005 Refunding Tax Allocation Bonds:** On July 15, 2005, tax allocation bonds were issued, in the amount of \$11,900,000. The proceeds of the tax allocation bonds were used to defease the 1997 refunding tax allocation bonds of the Agency and to finance certain capital improvements within the Agency's project area. The bonds are payable from and secured by tax increment revenues payable to the Agency. 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.

**2007 Refunding Tax Allocation Bonds:** On February 23, 2007, tax allocation bonds were issued, in the amount of \$15,815,000 to partially defease the 2002 Tax Allocation Bonds of the Agency and to finance certain capital improvements within the Agency's project area. The bonds are payable from and secured by tax increment revenues payable to the Agency. Interest rates range from 4% to 4.375%. Principal payments ranging from \$90,000 to \$1,700,000 are payable annually on September 1 and interest payments ranging from \$15,969 to \$332,916 are payable semi-annually on March 1 and September 1 through September 1, 2037.

**Bank Line of Credit:** On June 24, 2008, the Agency Board authorized a line of credit in the amount of \$5,000,000 with Bank of America, N.A. (Bank) to assist rehabilitation of existing affordable housing projects and construction of new affordable housing projects in the Agency's Project Area. The line will be available for the period August 1, 2008 through July 31, 2011 at the Bank's prime rate minus 1.75%. There is an outstanding balance of \$4,282,837 as of June 30, 2010 on this debt.

**Redevelopment Agency of the City of Rocklin, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

**Notes to Basic Financial Statements, Continued**

**7. LONG-TERM LIABILITIES, Continued**

Future debt service at June 30, 2010 is as follows for the Tax Allocation Bonds:

Year Ending June 30,	Governmental activities						Totals	
	2002 Refunding		2005 Refunding		2007 Refunding			
	Tax Allocation		Tax Allocation		Tax Allocation			
	Bonds		Bonds		Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 45,000	\$ 119,990	\$ 265,000	\$ 455,651	\$ 275,000	\$ 639,531	\$ 585,000	\$ 1,215,172
2012	45,000	117,875	280,000	447,301	280,000	628,431	605,000	1,193,607
2013	50,000	115,645	285,000	438,295	290,000	617,031	625,000	1,170,971
2014	50,000	113,300	285,000	428,854	315,000	604,931	650,000	1,147,085
2015	50,000	110,910	300,000	418,795	325,000	592,131	675,000	1,121,836
2016-2020	405,000	500,661	1,055,000	1,965,300	2,325,000	2,709,256	3,785,000	5,175,217
2021-2025	530,000	377,080	1,170,000	1,749,622	2,945,000	2,175,075	4,645,000	4,301,777
2026-2030	550,000	241,175	2,155,000	1,346,328	3,020,000	1,591,609	5,725,000	3,179,112
2031-2035	550,000	46,200	3,605,000	913,163	2,990,000	772,844	7,145,000	1,732,207
2036-2039	-	-	1,530,000	34,425	2,530,000	193,594	4,060,000	228,019
Total	<u>\$ 2,275,000</u>	<u>\$ 1,742,836</u>	<u>\$ 10,930,000</u>	<u>\$ 8,197,734</u>	<u>\$ 15,295,000</u>	<u>\$ 10,524,433</u>	<u>\$ 28,500,000</u>	<u>\$ 20,465,003</u>
Due within one year	\$ 45,000	\$ 119,990	\$ 265,000	\$ 455,651	\$ 275,000	\$ 639,531	\$ 585,000	\$ 1,215,172
Due after one year	2,230,000	1,622,846	10,665,000	7,742,083	15,020,000	9,884,902	27,915,000	19,249,831
Total	<u>\$ 2,275,000</u>	<u>\$ 1,742,836</u>	<u>\$ 10,930,000</u>	<u>\$ 8,197,734</u>	<u>\$ 15,295,000</u>	<u>\$ 10,524,433</u>	<u>\$ 28,500,000</u>	<u>\$ 20,465,003</u>

**8. INTERFUND ACTIVITY**

In order for the Agency to carry out certain redevelopment activities, the City agreed to make advances to the Agency. The advances beginning balance was \$1,708,708 with a payment during the year of \$300,000 leaving the remaining balance of \$1,408,708. The advances were for purchases of property for redevelopment purposes. It is the intention of the Agency to repay such amounts out of tax increment revenues or other available funding sources. Interest in the amount of \$51,261 has been charged related to these advances in 2009-10.

**Supplemental Educational Revenue Augmentation Fund (SERAF)** On July 28, 2009, California AB26 was signed requiring redevelopment agencies to contribute to the states Supplemental Educational Revenue Augmentation Fund (SERAF) over a 2 year period. The Agency's SERAF obligation is \$1,670,673, paid May 10, 2010. The Agency has chosen to fund this obligation by borrowing uncommitted monies from the Low and Moderate Housing Fund for fiscal year 2009-2010. The loan will be repaid to the Low and Moderate Housing Fund by June 30, 2015.

# Redevelopment Agency of the City of Rocklin, California

## Basic Financial Statements

For the year ended June 30, 2010

### Notes to Basic Financial Statements, Continued

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#### 9. RISK MANAGEMENT

The Agency is insured under the City and is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

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

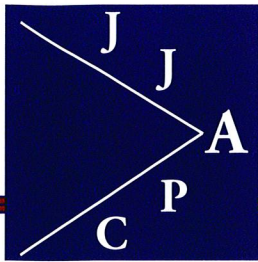
<u>Amount</u>	<u>Coverage Provider</u>	<u>Payment Source</u>
Liability Claim:		
\$0 - \$50,000	Self-insured	Banking layer
\$50,001 - \$450,000	NCCSIF	Shared risk
\$450,001 - \$40,000,000	Excess coverage	CJPRM
Workers' Compensation:		
\$0 - \$100,000	Self-insured	Banking layer
\$100,001 - \$400,000	NCCSIF	Shared risk
\$400,001 - Statutory	Excess coverage	CSAC EIA

The City participates in California joint powers authorities (JPAs). These JPAs self fund to \$5,000,000 and then purchase reinsurance over that amount to their various limits. The City is self-insured for employee dental and vision claims. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Settlements have not exceeded the insurance coverage for the past three fiscal years.

#### 10. COMMITMENTS AND CONTINGENCIES

The Agency may at times be involved as a defendant in various legal proceedings. There are no current cases, in the opinion of the Agency, to which the outcome would have a material impact on the financial position of the Agency.

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**JJACPA, Inc.**

A Professional Accounting Services Corp.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the Governing Board of the  
Redevelopment Agency of the City of Rocklin  
Rocklin, CA

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Rocklin as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Redevelopment Agency of the City of Rocklin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Redevelopment Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Redevelopment Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Redevelopment Agency of the City of Rocklin  
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Redevelopment Agency of the City of Rocklin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, others within the entity, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

November 30, 2010

**JJACPA, Inc.**