

RESOLUTION NO. 2007-26 PFA

RESOLUTION OF THE PUBLIC FINANCING AUTHORITY
OF THE CITY OF ROCKLIN
ACCEPTING THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR 2005-2006

The Public Financing Authority of the City of Rocklin does resolve as follows:

Section 1. The Rocklin Public Financing Authority hereby accepts the audited financial statements for the fiscal year 2005-2006 attached hereto as Exhibit A and by this reference incorporated herein.

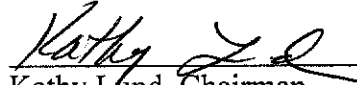
PASSED AND ADOPTED this 8th day of May, 2007, by the following roll call vote:

AYES: Members: Hill, Magnuson, Yuill, Lund

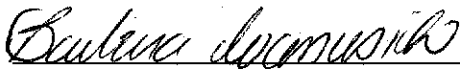
NOES: Members: None

ABSENT: Members: Storey

ABSTAIN: Members: None


Kathy Lund, Chairman

ATTEST:


Barbara Ivanusich, Secretary

ROCKLIN PUBLIC FINANCING AUTHORITY

Audited Financial Statements
and Compliance Report

June 30, 2006

ROCKLIN PUBLIC FINANCING AUTHORITY

Audited Financial Statements
and Compliance Report

June 30, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rocklin Public Financing Authority
Rocklin, California

We have audited the accompanying basic financial statements of the Rocklin Public Financing Authority (the Authority) as of and for the year ended June 30, 2006. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these component unit basic financial statements based on our audit.

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 our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the basic financial statements present only the Authority 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Directors
Rocklin Public Financing Authority

The management's discussion and analysis on pages 3 through 7 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.

Richardson & Company

November 17, 2006

Rocklin Public Financing Authority Component Unit Basic Financial Statements Management's Discussion and Analysis

For the year ended June 30, 2006

This section of the Rocklin Public Financing Authority (the Authority) component unit financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2006. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and currently known facts, please read it in conjunction with the Authority's basic financial statements, and the related footnotes.

I. Financial Highlights

At June 30, 2006, the Authority's net assets for governmental funds increased to \$593,124 from \$148,543. This is a change in net assets of \$444,581 due to an increase in both interest earnings and the market value of investments over previous year.

II. Overview of the Financial Statements

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

Government-wide Financial Statements. The Government-wide Financial Statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. The Authority, while a separate legal entity, acts as a financial conduit for the City of Rocklin (the City).

The Statement of Activities presents information showing how the Authority'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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. unpaid but accrued interest on indebtedness).

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 Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements are prepared on the modified accrual basis of accounting in accordance with generally accepted principles promulgated by the Governmental Accounting Standards Board. Revenues are recognized in the accounting period in which they become available and measurable and expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The only fund of the Authority is a Debt Service Fund. The fund statements do not include information related to the Authority's long-term liabilities. Interest on long-term debt and similar accrued obligations are recognized when due. Additional information is provided that reconciles the differences between the government-wide financial statements and the fund financial statements.

Debt Service. A debt service fund is used to account for the repayment of principal and interest on debt as well as pass thru obligations to other taxing agencies.

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 basic financial statements can be found on pages 10-17 of this report.

Compliance Report. In addition to the basic financial statements and accompanying notes, this report also presents a report on compliance and internal control. This report comments on the Authority's compliance with certain provisions of laws and regulations. This report also addresses internal control over financial reporting.

The annual financial statements include the Independent Auditors' Report, this Management's Discussion and Analysis, the basic financial statements, notes to basic financial statements, and the compliance report.

III. Government-wide Financial Analysis

The largest portion of the Authority's net assets reflect amounts legally restricted to be used for repayment of bond indebtedness as required by the bond indenture. Unlike most other types of governmental bodies who provide day-to-day services, the main purpose of the Authority is to provide debt service for the repayment of principal and interest for the bond indebtedness of the Authority.

IV. Financial Analysis of the Authority

Net Assets

A summary of the Authority's Statement of Net Assets is as follows:

Condensed Statement of Net Assets As of June 30, 2006

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Current assets	\$ 295,346	\$ 249,120	\$ 46,226
Restricted assets	<u>14,084,629</u>	<u>14,268,585</u>	<u>(183,956)</u>
Total Assets	<u>14,379,975</u>	<u>14,517,705</u>	<u>(137,730)</u>
Current liabilities	780,283	774,501	5,782
Long-term liabilities	<u>13,006,568</u>	<u>13,594,661</u>	<u>(588,093)</u>
Total Liabilities	<u>13,786,851</u>	<u>14,369,162</u>	<u>(582,311)</u>
Net Assets	<u>\$ 593,124</u>	<u>\$ 148,543</u>	<u>\$ 444,581</u>

The Authority's net assets increased \$444,581 from \$148,543 at June 30, 2005 to \$593,124 at June 30, 2006. Total assets decreased by \$137,730 and total liabilities decreased by \$582,311. The asset decrease is due to the market value of investments over the previous year. The decrease in liabilities is a result of debt service payments.

Changes in Net Assets

A summary of the Authority's Statement of Activities, recapping the Authority's revenues earned during the fiscal year ended June 30, 2006, and the expenditures incurred is as follows:

Condensed Statement of Activities For the Fiscal Year Ended June 30, 2006

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Revenues:			
Use of money and property	\$ 825,618	\$ 488,479	\$ 337,139
Transfers from the City of Rocklin	120,000	121,000	(1,000)
Miscellaneous Revenue	<u>67,485</u>	<u> </u>	<u>67,485</u>
Total Revenues	1,013,103	609,479	403,624
Total Expenditures	<u>568,522</u>	<u>709,630</u>	<u>(141,108)</u>
Net Increase (Decrease) In Net Assets	444,581	(100,151)	<u>\$ 544,732</u>
Net Assets, beginning	<u>148,543</u>	<u>248,694</u>	
Net Assets, ending	<u>\$ 593,124</u>	<u>\$ 148,543</u>	

V. Budgetary Highlights

The Authority 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 Authority's budget is adopted by the Rocklin 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. There were no budget amendments in the current reporting period.

There was a net favorable variance between budgeted and actual expenditures in the amount of \$25.

Earnings from the use of money and property was higher than budgeted, for the fiscal year by \$33,418 due to an increase in interest earned and fluctuations in the market value of investments held.

VI. Debt Administration

The principal balances outstanding at June 30, 2006 for the Senior and Subordinate 2003 Refunding Revenue Bonds is \$11,905,000 and \$1,395,000, respectively. Total long-term debt decreased by \$590,000 during the current fiscal year. For additional information on the Authority's long-term debt refer to Note C. on pages 14-15 of this report.

VII. Economic Factors and Next Year's Budget

Since the Authority's primary source of revenue is from earnings on investments with determined interest rates, interest rates are not a key economic factor that defines the future resources of the Authority.

Anticipated expenditures from debt service payments are \$605,000.

VIII. Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, 3970 Rocklin Road, Rocklin, California, 95677.

ROCKLIN PUBLIC FINANCING AUTHORITY

STATEMENT OF NET ASSETS
AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2006

	Debt Service Fund	Adjustments (Note D)	Statement of Net Assets
ASSETS			
Cash and investments	\$ 62,834		\$ 62,834
Unamortized bond issuance costs		\$ 232,512	232,512
Restricted assets:			
Cash and investments	14,084,629		14,084,629
TOTAL ASSETS	\$ 14,147,463	232,512	14,379,975
LIABILITIES			
CURRENT LIABILITIES			
Due from other fund			-
Interest payable		175,283	175,283
Long-term liabilities, due within one year		605,000	605,000
TOTAL CURRENT LIABILITIES		780,283	780,283
NONCURRENT LIABILITIES			
Long-term liabilities, due in more than one year		13,006,568	13,006,568
TOTAL LIABILITIES		13,786,851	13,786,851
FUND BALANCE/NET ASSETS			
Fund balance:			
Reserved for debt service	14,147,463	(14,147,463)	
TOTAL FUND BALANCE	14,147,463	(14,147,463)	
TOTAL LIABILITIES AND FUND BALANCE	\$ 14,147,463		
Net Assets:			
Restricted for debt service		593,124	593,124
TOTAL NET ASSETS		\$ 593,124	\$ 593,124

The accompanying notes to the component unit financial statements are and integral part of this statement.

ROCKLIN PUBLIC FINANCING AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2006

	Debt Service Fund	Adjustments (Note E)	Statement of Activities
EXPENDITURES			
Current:			
General government		\$ 33,515	\$ 33,515
Debt service:			
Principal	\$ 590,000	(590,000)	
Interest	539,574	(4,567)	535,007
	<u>1,129,574</u>	<u>(561,052)</u>	<u>568,522</u>
TOTAL EXPENDITURES/ NET PROGRAM EXPENSES	1,129,574	(561,052)	568,522
GENERAL REVENUES			
Use of money and property	825,618		825,618
Miscellaneous revenue	67,485		67,485
	<u>893,103</u>		<u>893,103</u>
TOTAL GENERAL REVENUES EXCESS OF REVENUES OVER EXPENDITURES	(236,471)	561,052	324,581
OTHER FINANCING SOURCES			
Transfers from the City	120,000		120,000
	<u>120,000</u>		<u>120,000</u>
CHANGE IN NET ASSETS	(116,471)	561,052	444,581
Net assets at beginning of year	14,263,934	(14,115,391)	148,543
NET ASSETS AT END OF YEAR	<u>\$ 14,147,463</u>	<u>\$ (13,554,339)</u>	<u>\$ 593,124</u>

The accompanying notes to the component unit financial statements are and integral part of this statement.

ROCKLIN PUBLIC FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the more significant accounting policies of the Rocklin Public Financing Authority (the Authority) is presented to assist the reader in interpreting the financial statements and other data in this report. The accounting policies of the Agency conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity: On December 13, 1994, pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the City of Rocklin (the City) authorized the formation of a joint powers authority with the Rocklin Redevelopment Authority to be known as the Rocklin Public Financing Authority (the Authority). The accounting methods and procedures adopted by the Authority conform to generally accepted accounting principles as applied to governmental entities.

The Authority is considered to be a component unit of the City. These entities are legally separate from each other. However, the City elected officials have a continuing full or partial oversight responsibility over and accountability for fiscal matters of the Authority. As a result, the Authority is presented as a blended component unit within the City's financial statements.

Basis of Presentation—Government-wide Financial Statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. The effect of interfund activity, if any, has been removed from these statements. The Authority has only governmental activities, which are supported by interest, transfers from the City and principal paydowns on investments.

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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Basis of Presentation—Fund Financial Statements: The accounts of the Authority are organized on the basis of funds. A fund is a separate accounting entity with a 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

ROCKLIN PUBLIC FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 pay liabilities of the current period. For this purpose, the Authority considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so 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.

Governmental funds are used to account for the Authority's expendable financial resources and related liabilities. The Authority is accounted for in a debt service fund, which is used to account for the accumulation of resources for, and the payment of, principal and interest on Revenue Bonds and other debt.

Annual Financial Statements: These financial statements are intended to reflect the financial position, results of operation and net assets of the Authority. They do not present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

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

Long-term Debt: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bonds discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds. Bonds payable are reported net of the applicable bond discounts.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Governmental fund types recognize bond premiums and discounts, as well as issuance costs, 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.

Fund Balance/Net Assets: In the basic financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At June 30, 2006, reservations of fund balance consist of amounts reserved for debt service, which are used to segregate that portion of fund balance legally restricted for debt service payments as required by the bond indenture.

ROCKLIN PUBLIC FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as net assets invested in capital assets (net of related debt, if any), restricted and unrestricted. The Authority has no net assets invested in capital assets. Amounts reported as restricted for debt service represent amounts used to segregate that portion of net assets legally restricted for debt service payments as required by the bond indenture.

NOTE B — CASH AND RESTRICTED CASH AND INVESTMENTS

The Authority's cash and investments consisted of the following as of June 30, 2006:

Cash and investments	
City cash and investment Pooled cash and investments	\$ 62,834
Restricted cash and investments	
Money market mutual fund	380,650
U.S. Treasury obligations	583,979
Local agency special tax bond	<u>13,120,000</u>
	<u>14,084,629</u>
Total cash and cash equivalents	<u>\$ 14,147,463</u>

The Authority participates in the City's cash and investment pool. These balances are stated at fair value. The Authority's share of the cash and investment pool is separately accounted for and interest earned is apportioned monthly based upon the relationship of its average daily cash balance to the total of the pooled cash and investments. The City Treasurer has oversight responsibility for the City's cash and investment pool. The value of pool shares in the City that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

Investment policy: The Authority has adopted the City of Rocklin's investment policy. The City of Rocklin's investment policy may be found in the notes to City of Rocklin's basic financial statements.

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 2003 Senior and Subordinate Refunding Revenue Bonds contain certain provisions that address interest rate risk, credit risk and concentration of credit risk.

ROCKLIN PUBLIC FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B — CASH AND RESTRICTED CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer
Commercial Paper	270 days	None	None
Certificates of Deposit	30 days	None	None
Repurchase Agreement	None	None	None
State Obligations	None	None	None
Investment Contracts	None	None	None
Federal Housing Admin Debentures	None	None	None
Money Market	None	None	None
Deposit with Financial Securities	None	None	None
Local Agency Bonds	None	None	None
US Government Sponsored Agency Securities	None	None	None
US Agency Securities	None	None	None

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

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

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

Type of Investment	Remaining Maturity (in months)		
	Total	12 months Or less	More than 60 Months
Held by Bond Trustee:			
Money Market Mutual Funds	\$ 380,650	\$ 380,650	
U.S. Treasury obligations	583,979	583,979	
Local agency special tax bonds	<u>13,120,000</u>	<u> </u>	<u>\$ 13,120,000</u>
	<u>\$ 14,084,629</u>	<u>\$ 964,629</u>	<u>\$ 13,120,000</u>

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. The current rating of the money market mutual fund is AAA. The City's local agency special tax bonds and U.S. Treasury obligations do not have ratings assigned by a nationally recognized statistical organization.

ROCKLIN PUBLIC FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B — CASH AND RESTRICTED CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2006, investments that represented more than 5% of the total investments (other than mutual funds and external investment pools) in any one issuer are as follows: \$13,460,000 is held in special tax bonds issued by special assessment districts within the City that were purchased with the proceeds of the 2003 Refunding Revenue Bonds. These bonds mature through September 1, 2025.

Custodial credit risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the City of Rocklin investment pool). The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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. As of June 30, 2006, Authority's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the Authority to buy the securities:

<u>Reported Investment Type</u>	<u>Amount</u>
Money market mutual funds	\$ 380,650
U.S. Treasury obligations	583,979
Local agency special tax bonds	<u>13,120,000</u>
	<u>\$ 14,084,629</u>

NOTE C — LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the period ended June 30, 2006:

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2006</u>	<u>Due within One year</u>
2003 Public Financing Authority Refunding Revenue Bonds – Senior	\$ 12,335,000		\$ (430,000)	\$ 11,905,000	\$ 440,000
2003 Public Refinancing Authority Refunding Revenue Bonds – Subordinate	1,455,000		(60,000)	1,395,000	65,000
Ganiats promissory note	<u>650,000</u>		<u>(100,000)</u>	<u>550,000</u>	<u>100,000</u>
	<u>\$ 14,440,000</u>	<u>\$</u>	<u>\$ (590,000)</u>	13,850,000	<u>\$ 605,000</u>
Less: Bond discount				<u>(238,432)</u>	
				<u>\$ 13,611,568</u>	

ROCKLIN PUBLIC FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE C — LONG-TERM LIABILITIES (Continued)

Long-term debt consists of the following:

2003 Senior and Subordinate Refunding Revenue Bonds: In January 2004, the Rocklin Public Financing Authority issued \$12,575,000 of Senior Refunding Revenue Bonds and \$1,455,000 of Subordinate Refunding Revenue Bonds. Proceeds from these bonds were used to refund the outstanding 1999 Public Financing Authority Revenue Bonds. The Bonds are secured by revenues from specific assessment districts. Interest rates range from 2% to 4.6% for the Senior issue and 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 payables semi-annually on March 1 and September 1 through September 1, 2021 for the Subordinate issuance. \$ 13,300,000

Promissory Note: On March 31, 1999, the Authority entered into an installment sale agreement with George C. Ganiats to purchase property. The original principal amount of \$1,250,000 will be paid in ten equal installments of \$100,000 and a final payment of \$250,000. The installment payments are due on April 1, of each year commencing in 2000 and ending in 2009. The final payment is due April 1, 2010. Interest is accrued and due annually at 5% on the outstanding principal amount related to the installments and 1.84% on the final payment. \$ 550,000

The annual requirements to amortize the outstanding debt as of June 30, 2006 are as follows:

Year Ending June 30:	2003 PFA Refunding Revenue Bonds – Senior		2003 PFA Refunding Revenue Bonds-Subordinate		Ganiats Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 440,000	\$ 449,604	\$ 65,000	\$ 64,996	\$ 100,000	\$ 15,000
2008	445,000	440,804	65,000	63,290	100,000	10,000
2009	455,000	431,904	70,000	61,259	100,000	5,000
2010	465,000	421,666	70,000	58,896	250,000	12,500
2011	475,000	410,041	70,000	56,359		
2012 – 2016	2,605,000	1,833,200	410,000	233,375		
2017 – 2021	3,135,000	1,303,250	525,000	120,989		
2022 – 2026	<u>3,885,000</u>	<u>552,230</u>	<u>120,000</u>	<u>6,750</u>		
	<u>\$ 11,905,000</u>	<u>\$ 5,842,699</u>	<u>\$ 1,395,000</u>	<u>\$ 665,914</u>	<u>\$ 550,000</u>	<u>\$ 42,500</u>

ROCKLIN PUBLIC FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE D – RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Amounts reported for governmental activities in the governmental fund balance sheet are being adjusted to arrive at the statement of net assets. The adjustments are as follows:

Total governmental fund balance	\$ 14,147,463
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet.	(13,850,000)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental fund.	(175,283)
The governmental fund reports discounts on long-term bonds as other financing uses, whereas these amounts are deferred and amortized in the Government-wide Statement of Activities.	238,432
The governmental fund reports debt issuance costs (deferred charges) as part of expenditures, whereas these amounts are deferred and amortized in the Government-wide Statement of Activities.	<u>232,512</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 593,124</u>

ROCKLIN PUBLIC FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE E – RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments are as follows:

Net Change in Fund Balance – Total Governmental Fund	\$ (116,471)
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 fund, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayment exceeded proceeds.	590,000
The governmental fund reports bond discount as an other financing use; however, these costs are deferred and amortized in the Government-wide Statement of Activities.	(16,907)
The governmental fund reports debt issuance costs (deferred charges) as an expenditure, whereas these costs are deferred and amortized in the Government-wide Statement of Activities.	(16,608)
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 Fund. Amount represents the change in interest payable.	<u>4,567</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 444,581</u>

COMPLIANCE REPORT

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

Board of Directors
Rocklin Public Financing Authority
Rocklin, California

We have audited the basic financial statements of the Rocklin Public Financing Authority (a component unit of the City of Rocklin, California) (the Authority) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 17, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Directors
Public Financing Authority

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

Richardson & Company

November 17, 2006