

REDEVELOPMENT AGENCY
OF THE
CITY OF ROCKLIN, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2008

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

I 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, 2008, 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. My responsibility is to express opinions on these basic financial statements based on my audit. The prior year summarized comparative information has been derived from the Agency's June 30, 2007, financial statements, which were audited by other auditors who expressed an unqualified opinion on February 5, 2008 on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I 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, I 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. I believe that my audit provides a reasonable basis for my 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 my 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, 2008, 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
Page 2

In accordance with *Government Auditing Standards*, I have also issued my report dated December 19, 2008 on my consideration of the Agency's internal control over financial reporting and on my 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 my 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 my audit.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

JOSEPH J ARCH, CPA

December 19, 2008

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Management's Discussion and Analysis

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, 2008. Please read this in conjunction with the Agency's financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS AND ACHIEVEMENTS

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.

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.

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Management's Discussion and Analysis, Continued

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

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

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.

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

	Net Assets		Increase (Decrease)	Percent Change
	2008	2007		
As of June 30, 2008 and 2007				
Assets:				
Current assets	\$ 16,246,482	\$ 17,242,370	\$ (995,888)	-5.8%
Non-current assets	5,610,807	2,031,617	3,579,190	176.2%
Total assets	\$ 21,857,289	\$ 19,273,987	\$ 2,583,302	13.4%
Liabilities				
Current liabilities	\$ 1,103,185	\$ 465,818	\$ 637,367	136.8%
Non-current liabilities	31,610,150	30,236,377	1,373,773	4.5%
Total liabilities	32,713,335	30,702,195	2,011,140	6.6%
Net assets:				
Investment in capital assets, net of related debt (deficit)	(25,999,343)	(28,204,760)	2,205,417	7.8%
Restricted	2,243,801	5,083,300	(2,839,499)	-55.9%
Unrestricted	12,899,496	11,693,252	1,206,244	10.3%
Total net assets	\$ (10,856,046)	\$ (11,428,208)	\$ 572,162	5.0%

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, 2008, increased to a deficit of (\$10,856,046) from a deficit of (\$11,428,208) in 2007.

Net assets increased \$572,162 as of June 30, 2008, as a result of revenues exceeding expenses. This is primarily due to a decrease in capital construction expenses.

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE, Continued

Operating Results				
For the years ended June 30, 2008 and 2007				
	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses	\$ 5,219,946	\$ 8,016,918	\$ (2,796,972)	-34.9%
Program revenue:				
Grants	35,617	108,568	(72,951)	-67.2%
Total program revenue	<u>35,617</u>	<u>108,568</u>	<u>(72,951)</u>	-67.2%
Net operating expenses	<u>5,184,329</u>	<u>7,908,350</u>	<u>(2,724,021)</u>	-34.4%
General revenue:				
Property taxes	4,963,742	4,447,762	515,980	11.6%
Investment income	740,044	954,970	(214,926)	-22.5%
Other revenue	52,705	90,945	(38,240)	-42.0%
Total general revenue	<u>5,756,491</u>	<u>5,493,677</u>	<u>262,814</u>	4.8%
Change in net assets	572,162	(2,414,673)	2,986,835	123.7%
Net assets:				
Beginning of year	(11,428,208)	(9,013,535)	(2,414,673)	-26.8%
End of year	<u>\$ (10,856,046)</u>	<u>\$ (11,428,208)</u>	<u>\$ 572,162</u>	5.0%

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.

Operating Expenses				
For the years ended June 30, 2008 and 2007				
	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expense:				
General government	\$ 999,582	\$ 816,543	\$ 183,039	22.4%
Public works	74,297	1,331	72,966	5482.0%
Community development	2,666,764	5,579,319	(2,912,555)	-52.2%
Culture and recreation	170,979	20,201	150,778	746.4%
Interest	1,308,324	1,599,524	(291,200)	-18.2%
Total	<u>\$ 5,219,946</u>	<u>\$ 8,016,918</u>	<u>\$ (2,796,972)</u>	-34.9%

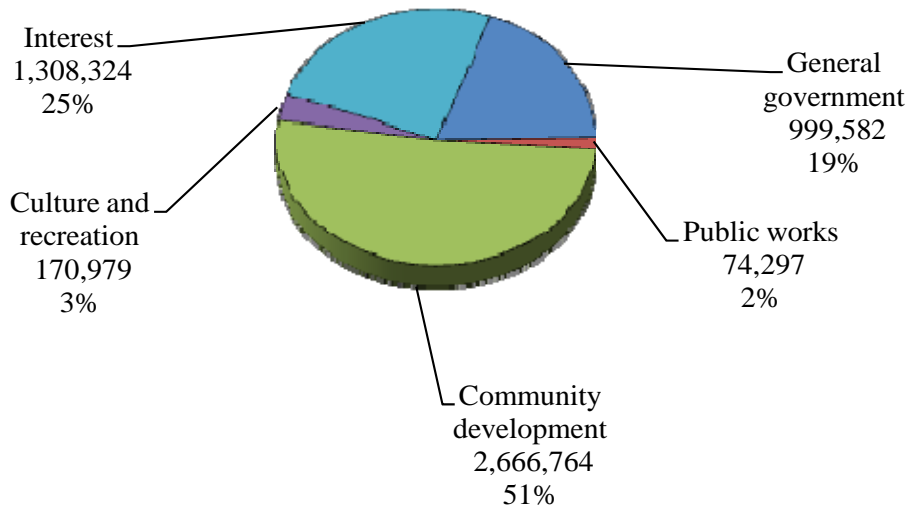
Operating expenses for fiscal 2008 decreased \$2,796,972 or 34.9% over 2007. As shown in the following graphic illustration of operating expenses 51% of the operating expenses were attributed to Community development and 25% and 19% to Interest and General government.

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE, Continued

Operating Expenses \$5,219,946



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.

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, 2008, net capital assets totaled \$4,418,509, which was an increase from the prior year as a result of the Agency's purchase of the property on Granite Drive for the future Rocklin Library. Depreciation on capital assets is recognized in the government-wide financial statements and charged to Culture and recreation.

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE, Continued

Capital Assets, continued

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

	<u>2007</u>	<u>2008</u>
<u>Governmental activities:</u>		
Land	\$ 685,997	\$ 1,419,671
Buildings and Structures	<u>109,997</u>	<u>2,998,838</u>
Capital assets, net	<u>\$ 795,994</u>	<u>\$ 4,418,509</u>

Debt Administration

Debt, considered a liability of governmental activities, increased by \$1,373,773 as a result of the advance from the City to purchase the property on Granite Drive for the future Rocklin Library.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Agency's Budget for fiscal year 2008-2009 (the second year of a two-year budget adopted in June 2007), the Governing Board and management used the following criteria:

The key assumptions in the revenue forecast were:

1. Moderate revenue growth from increase in property values and new construction.
2. Interest earnings should be approximately the same.

The adopted budget for the new fiscal year of 2008-2009 was \$ 7,385,291 and is summarized as follows:

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Percentage change</u>
Administration and Operations:			
City Attorney	\$ 128,224	\$ 122,717	4.5%
City Manager	545,071	688,906	-20.9%
Finance	86,981	83,708	3.9%
Community Development	243,677	234,334	4.0%
Capital:			
Parks & Facilities	-	250,000	-100.0%
Public Works	-	250,000	-100.0%
Community Development	3,000,000	5,890,000	-49.1%
Debt Service and Pass-through Obligations	2,346,738	2,068,938	13.4%
Transfers	<u>1,034,600</u>	<u>1,313,000</u>	<u>-21.2%</u>
Total budget	<u>\$ 7,385,291</u>	<u>\$ 10,901,603</u>	<u>-32.3%</u>

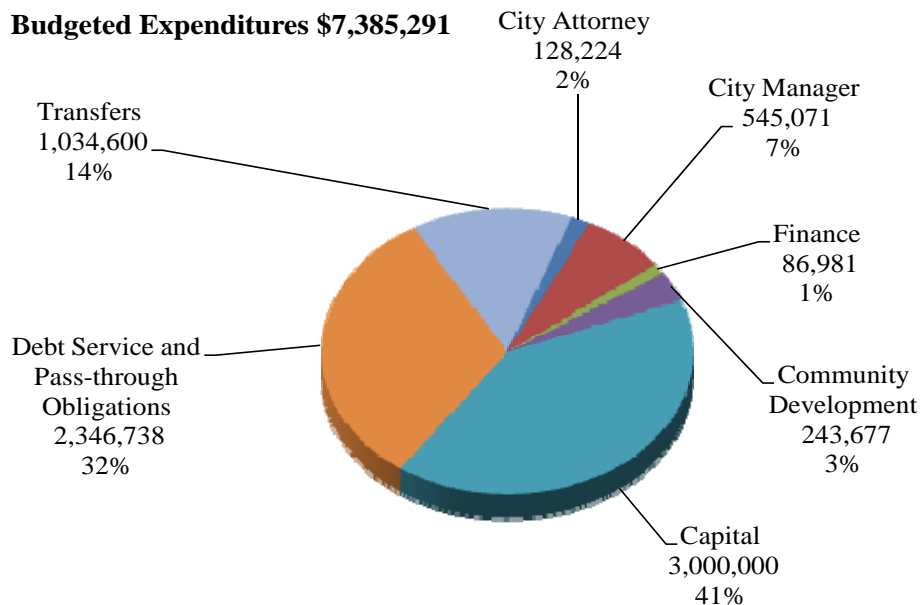
Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Management’s Discussion and Analysis, Continued

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

1. Administration and Operations - Shows an overall decrease of 8.5% because discretionary spending and administration expenditures related to capital projects decreased overall.
2. Capital – Shows a decrease as Safe School Routes Phase IV as completed in 2007-08 and overall fewer projects were budgeted.
3. Debt Service and Pass-through Obligations – Shows an increase of 13.4% as a result of AB 1290 pass through payments.
4. Transfers – Shows a decrease of 21.2% because of fewer capital projects.

The following is a graphic illustration of appropriations for 2008-09:



Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Management's Discussion and Analysis, Continued

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
Finance Division
3970 Rocklin Road
Rocklin, CA 95677

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Agency Board and Other Officials

AGENCY BOARD

	<u>Term Expires</u>
Brett Storey, Chairperson	November 2008
Peter Hill, Vice Chairperson	November 2008
Kathy Lund, Member	November 2010
George Magnuson, Member	November 2008
Scott Yuill, Member	November 2010

OTHER OFFICIALS

	<u>Position</u>
Carlos Urrutia	Executive Director
Rob Braulik	Economic Development and Redevelopment Manager
Russell Hildebrand	Agency Counsel
Judy LaPorte	Director of Administrative Services
Barbara Ivanusich	Secretary

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Redevelopment Agency of the City of Rocklin

Statement of Net Assets

June 30, 2008

(With comparative totals for June 30, 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Current:		
Cash and investments:		
Available for operations	\$ 11,650,757	\$ 13,267,676
Cash with fiscal agents	1,781,159	1,796,579
Accounts receivable	2,814,566	2,178,115
Total current assets	<u>16,246,482</u>	<u>17,242,370</u>
Noncurrent:		
Intangible assets, net of accumulated amortization	1,192,298	1,235,623
Capital assets, net of accumulated depreciation	4,418,509	795,994
Total noncurrent assets	<u>5,610,807</u>	<u>2,031,617</u>
Total assets	<u>\$ 21,857,289</u>	<u>\$ 19,273,987</u>
LIABILITIES		
Liabilities:		
Current:		
Accounts payable and accrued liabilities	\$ 681,300	\$ 48,253
Interest payable	421,885	417,565
Total current liabilities	<u>1,103,185</u>	<u>465,818</u>
Noncurrent:		
Compensated absences	-	72,348
Advances from the City of Rocklin	2,000,150	269,029
Due within one year	545,000	285,000
Due after one year	29,065,000	29,610,000
Total noncurrent liabilities	<u>31,610,150</u>	<u>30,236,377</u>
Total liabilities	<u>32,713,335</u>	<u>30,702,195</u>
NET ASSETS		
Invested in capital assets, net of related debt (deficit)	(27,191,641)	(29,440,383)
Restricted	2,243,801	5,083,300
Unrestricted	14,091,794	12,928,875
Total net assets (deficit)	<u>(10,856,046)</u>	<u>(11,428,208)</u>
Total liabilities and net assets	<u>\$ 21,857,289</u>	<u>\$ 19,273,987</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, 2008

(With comparative totals for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
Expenses:		
General government	\$ 999,582	\$ 816,543
Public works	74,297	1,331
Community development	2,666,764	5,579,319
Culture and recreation	170,979	20,201
Interest	1,308,324	1,599,524
Total expenses	<u>5,219,946</u>	<u>8,016,918</u>
Revenues:		
Program revenues:		
Grants	35,617	108,568
Total program revenues	<u>35,617</u>	<u>108,568</u>
Net program expense	<u>(5,184,329)</u>	<u>(7,908,350)</u>
General revenues:		
Property taxes	4,963,742	4,447,762
Investment income	740,044	954,970
Other	52,705	90,945
Total general revenues	<u>5,756,491</u>	<u>5,493,677</u>
Change in net assets	<u>572,162</u>	<u>(2,414,673)</u>
Net assets:		
Beginning of the year	<u>(11,428,208)</u>	<u>(9,013,535)</u>
End of the year	<u>\$ (10,856,046)</u>	<u>\$ (11,428,208)</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, 2008

(With comparative totals for June 30, 2007)

	Special Revenue		Capital	Debt	Totals	
	Housing Set Aside	Down Payment Assistance	Projects Capital Construction	Service Debt Service	2008	2007
ASSETS						
Cash and investments:						
Available for operations	\$ 925,124	\$1,585,336	\$ 8,932,581	\$ 207,716	\$11,650,757	\$13,267,676
Cash with fiscal agents	-	-	-	1,781,159	1,781,159	1,796,579
Receivables:						
Interest	-	-	76,191	-	76,191	286,820
Taxes	-	-	-	325,395	325,395	286,749
Loans	1,562,916	850,064	-	-	2,412,980	1,113,198
Intergovernmental	-	-	-	-	-	491,348
Total assets	\$2,488,040	\$2,435,400	\$ 9,008,772	\$2,314,270	\$16,246,482	\$17,242,370
LIABILITIES						
AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 49,066	\$ -	\$ 565,581	\$ 66,653	\$ 681,300	\$ 317,282
Deferred revenue	-	-	-	-	-	154,474
Compensated absences	-	-	-	-	-	36,174
Total liabilities	49,066	-	565,581	66,653	681,300	507,930
Fund balances:						
Fund balances:						
Reserved:						
Encumbrances	88,400	-	45,700	3,816	137,916	-
Debt service	-	-	-	2,243,801	2,243,801	5,083,300
Loans receivable	1,562,916	850,064	-	-	2,412,980	1,113,198
Unreserved, undesignated	787,658	1,585,336	8,397,491	-	10,770,485	10,537,942
Total fund balances	2,438,974	2,435,400	8,443,191	2,247,617	15,565,182	16,734,440
Total liabilities and fund balances	\$2,488,040	\$2,435,400	\$ 9,008,772	\$2,314,270	\$16,246,482	\$17,242,370

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, 2008

Fund Balances of Governmental Funds \$ 15,565,182

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

Capital assets of governmental activities (net of \$117,607 in accumulated depreciation) are not financial resources and therefore, are not reported in the governmental funds. 4,418,509

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. 1,192,298

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (421,885)

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	\$ (2,000,150)	
Due within one year	(545,000)	
Due after one year	(29,065,000)	(31,610,150)

Net Assets of Governmental Activities \$ (10,856,046)

Redevelopment Agency of the City of Rocklin
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008
(With comparative totals for the year ended June 30, 2007)

	Special Revenue		Capital	Debt	Totals	
	Housing Set Aside	Down Payment Assistance	Projects Capital Construction	Service Debt Service	2008	2007
Revenues:						
Taxes	\$ 999,699	\$ -	\$ -	\$ 3,964,043	\$ 4,963,742	\$ 4,447,762
Use of money and property	119,218	-	423,824	197,002	740,044	905,600
Intergovernmental	-	-	35,617	-	35,617	108,568
Other	-	-	17,702	35,003	52,705	90,945
Total revenues	1,118,917	-	477,143	4,196,048	5,792,108	5,552,875
Expenditures:						
General government	173,838	-	-	861,918	1,035,756	1,440,622
Public works	-	-	16,350	57,947	74,297	1,331
Community development	82,027	64,600	1,778,153	93,255	2,018,035	2,410,600
Culture and recreation	-	-	-	86,849	86,849	20,201
Capital outlay	-	-	-	3,706,645	3,706,645	-
Debt service:						
Principal	-	-	-	285,000	285,000	375,000
Interest and other charges	-	-	-	1,281,590	1,281,590	1,590,114
Total expenditures	255,865	64,600	1,794,503	6,373,204	8,488,172	5,837,868
Revenues over (under) expenditures	863,052	(64,600)	(1,317,360)	(2,177,156)	(2,696,064)	(284,993)
Other financing sources (uses):						
Proceeds from issuance of long-term debt	-	-	-	-	-	15,815,000
Payments to refunding bond escrow agent	-	-	-	-	-	(10,578,686)
Contributions for down payment assistance	-	2,500,000	-	-	2,500,000	-
Transfers in	-	-	-	-	-	850,000
Transfers out	-	-	-	-	-	(850,000)
Transfers from (to) City of Rocklin	-	-	(314,667)	(658,527)	(973,194)	(3,168,719)
Total other financing sources over (under) expenditures and other financing (uses)	-	2,500,000	(314,667)	(658,527)	1,526,806	2,067,595
Increase (decrease) in fund balance	863,052	2,435,400	(1,632,027)	(2,835,683)	(1,169,258)	1,782,602
Fund Balance:						
Beginning of year	1,575,922	-	10,075,218	5,083,300	16,734,440	14,951,838
End of year	\$ 2,438,974	\$ 2,435,400	\$ 8,443,191	\$ 2,247,617	\$ 15,565,182	\$ 16,734,440

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, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (1,169,258)

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	\$ 3,706,645	
Depreciation expense	(84,130)	
Amortization expense	(43,325)	
		3,579,190

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	(1,731,121)	
(Additions) Repayments of Transfers/Contributions	(437,263)	
Principal repayments	285,000	
(Additions) Reductions to Compensated absences	72,348	
		(1,811,036)

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.

(26,734)

Change in Net Assets of Governmental Activities \$ 572,162

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, 2008

	Housing Set Aside			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
Revenues:				
Taxes:				
Property taxes	\$ 839,600	\$ 839,600	\$ 999,699	\$ 160,099
Use of money and property:				
Investment income	85,000	85,000	119,218	34,218
Intergovernmental:				
Grants	-	-	-	-
Other:				
Miscellaneous fees and income	-	-	-	-
Total revenues	924,600	924,600	1,118,917	194,317
Expenditures:				
General government:				
City Manager	213,184	225,184	139,503	85,681
City Attorney	-	-	-	-
Finance	38,611	38,611	34,335	4,276
Public works:				
Building maintenance	-	-	-	-
Engineering	-	-	-	-
Community development:				
Planning	81,224	81,224	78,866	2,358
Housing	-	-	3,161	(3,161)
Culture and recreation:				
Grounds maintenance	250,000	250,000	-	250,000
Capital outlay				
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	583,019	595,019	255,865	339,154
Revenues over (under) expenditures	341,581	329,581	863,052	(533,471)
Other financing sources (uses):				
Contributions for down payment assistance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Transfers from(to) City of Rocklin	-	-	-	-
Total other financing sources over (under) expenditures and financing (uses)	-	-	-	-
Increase (decrease) in fund balance	341,581	329,581	863,052	533,471
Fund balance:				
Beginning of year	1,575,922	1,575,922	1,575,922	-
End of year	<u>\$ 1,917,503</u>	<u>\$ 1,905,503</u>	<u>\$ 2,438,974</u>	<u>\$ 533,471</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	150,000	150,000	423,824	273,824
-	-	-	-	1,200,000	1,200,000	35,617	(1,164,383)
-	-	-	-	-	-	17,702	17,702
-	-	-	-	1,350,000	1,350,000	477,143	(872,857)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	16,350	(16,350)
-	-	-	-	-	-	294,861	(294,861)
-	-	64,600	(64,600)	5,890,000	5,890,000	1,483,292	4,406,708
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	64,600	(64,600)	5,890,000	5,890,000	1,794,503	4,095,497
-	-	(64,600)	64,600	(4,540,000)	(4,540,000)	(1,317,360)	(3,222,640)
-	-	2,500,000	2,500,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(970,400)	(970,400)	(314,667)	655,733
-	-	2,500,000	(2,500,000)	(970,400)	(970,400)	(314,667)	(655,733)
-	-	2,435,400	2,435,400	(5,510,400)	(5,510,400)	(1,632,027)	3,878,373
-	-	-	-	10,075,218	10,075,218	10,075,218	-
\$ -	\$ -	\$ 2,435,400	\$ 2,435,400	\$ 4,564,818	\$ 4,564,818	\$ 8,443,191	\$ 3,878,373

(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, 2008

	Debt Service			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
Revenues:				
Taxes:				
Property taxes	\$ 3,358,500	\$ 3,358,500	\$ 3,964,043	\$ 605,543
Use of money and property:				
Investment income	136,600	136,600	197,002	60,402
Intergovernmental:				
Grants	-	-	-	-
Other:				
Miscellaneous fees and income	-	-	35,003	35,003
Total revenues	3,495,100	3,495,100	4,196,048	700,948
Expenditures:				
General government:				
City Manager	1,000,485	1,037,485	731,215	306,270
City Attorney	122,717	122,717	91,887	30,830
Finance	45,097	45,097	38,816	6,281
Public works:				
Building maintenance	52,433	52,433	57,947	(5,514)
Engineering				
Community development:				
Planning	100,677	100,677	93,255	7,422
Housing				-
Culture and recreation:				
Grounds maintenance	-	-	86,849	(86,849)
Capital outlay	250,000	3,948,708	3,706,645	242,063
Debt service:				
Principal	285,000	285,000	285,000	-
Interest and other charges	1,259,175	1,259,175	1,281,590	(22,415)
Total expenditures	3,115,584	6,851,292	6,373,204	478,088
Revenues over (under) expenditures	379,516	(3,356,192)	(2,177,156)	(1,179,036)
Other financing sources (uses):				
Contributions for down payment assistance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Transfers from(to) City of Rocklin	(342,600)	(342,600)	(658,527)	(315,927)
Total other financing sources over (under) expenditures and financing (uses)	(342,600)	(342,600)	(658,527)	315,927
Increase (decrease) in fund balance	36,916	(3,698,792)	(2,835,683)	863,109
Fund balance:				
Beginning of year	5,083,300	5,083,300	5,083,300	-
End of year	<u>\$ 5,120,216</u>	<u>\$ 1,384,508</u>	<u>\$ 2,247,617</u>	<u>\$ 863,109</u>

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

Totals			
Original Budget	Amended Budget	Actual	Variance Positive (Negative)
\$ 4,198,100	\$ 4,198,100	\$ 4,963,742	\$ 765,642
371,600	371,600	740,044	368,444
1,200,000	1,200,000	35,617	(1,164,383)
-	-	52,705	52,705
<u>5,769,700</u>	<u>5,769,700</u>	<u>5,792,108</u>	<u>22,408</u>
1,213,669	1,262,669	870,718	391,951
122,717	122,717	91,887	30,830
83,708	83,708	73,151	10,557
52,433	52,433	57,947	(5,514)
-	-	16,350	(16,350)
181,901	181,901	466,982	(285,081)
5,890,000	5,890,000	1,551,053	4,338,947
250,000	250,000	86,849	163,151
250,000	3,948,708	3,706,645	242,063
285,000	285,000	285,000	-
<u>1,259,175</u>	<u>1,259,175</u>	<u>1,281,590</u>	<u>(22,415)</u>
<u>9,588,603</u>	<u>13,336,311</u>	<u>8,488,172</u>	<u>4,848,139</u>
<u>(3,818,903)</u>	<u>(7,566,611)</u>	<u>(2,696,064)</u>	<u>(4,870,547)</u>
-	-	2,500,000	(2,500,000)
-	-	-	-
-	-	-	-
<u>(1,313,000)</u>	<u>(1,313,000)</u>	<u>(973,194)</u>	<u>339,806</u>
<u>(1,313,000)</u>	<u>(1,313,000)</u>	<u>1,526,806</u>	<u>(2,839,806)</u>
(5,131,903)	(8,879,611)	(1,169,258)	7,710,353
<u>16,734,440</u>	<u>16,734,440</u>	<u>16,734,440</u>	<u>-</u>
<u>\$ 11,602,537</u>	<u>\$ 7,854,829</u>	<u>\$ 15,565,182</u>	<u>\$ 7,710,353</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, 2008

Notes to Basic Financial Statements

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, 2008

Notes to Basic Financial Statements, Continued

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, 2008

Notes to Basic Financial Statements, Continued

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, 2008

Notes to Basic Financial Statements, Continued

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, 2008, 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 threshold for reporting capital assets at \$5,000. 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, 2008

Notes to Basic Financial Statements, Continued

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, 2008

Notes to Basic Financial Statements, Continued

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, 2008

Notes to Basic Financial Statements, Continued

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 biennial budgets. Operating and special revenue budgets are adopted in one year. 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, 2008

Notes to Basic Financial Statements, Continued

3. CASH AND INVESTMENTS

Cash and investments, including cash and investments with fiscal agents, at June 30, 2008, 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	\$ -	\$ -	\$ 2,718,176	\$ 2,718,176
Total pooled items	-	-	2,718,176	2,718,176
Pooled investments, at fair value				
<u>Interest obligations</u>				
State of California Local Agency Investment Fund	8,932,581			8,932,581
Fiscal agent investments - Union Bank Money Market Funds	1,781,159	-	-	1,781,159
Total pooled investments - interest obligations	10,713,740	-	-	10,713,740
Total cash equivalents and investments pooled	\$ 10,713,740	\$ -	\$ 2,718,176	\$ 13,431,916

Reported in the Statement of Net Assets as follows:

Available for operations	\$ 11,650,757
Cash with fiscal agents	1,781,159
Total	<u>\$ 13,431,916</u>

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, 2008

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 .40 years as of June 30, 2008.

Credit risk. As of June 30, 2008, 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, 2008, the City had no balances in the pool exposed to custodial credit risk because they exceeded the \$100,000 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, 2008:

	Beginning July 1, 2007	Additions	Deletions	Ending June 30, 2008
Interest	\$ 286,820	\$ -	\$ (210,629)	\$ 76,191
Taxes	286,749	38,646	-	325,395
Loans	1,113,198	1,299,782	-	2,412,980
Intergovernmental	491,348	-	(491,348)	-
Total accounts receivable	<u>\$ 2,178,115</u>	<u>\$ 1,338,428</u>	<u>\$ (701,977)</u>	<u>\$ 2,814,566</u>

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Notes to Basic Financial Statements, Continued

4. ACCOUNTS AND LOANS RECEIVABLE, Continued

These amounts resulted in the following concentrations in receivables:

Other Governments	11%	Individuals	86%	Investments	3%
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Amounts do not indicate a significant concentration (greater than 25%) with any single customer or agency.

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 finance the acquisition of real property located at Villa Serena Way and Park Drive. The loan is at 3% simple interest and is to be repaid from residual receipts over a thirty-year period with repayment deferred until the property is sold or the term expires. The loan is secured by a deed of trust covering the property, improvements, and fixtures and by all deposits of the borrower.

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 of real property 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. The loan proceeds were distributed as follows: 1) \$450,000 disbursed immediately and 2) \$200,000 to be disbursed upon completion of landscaping as agreed to in the Landscaping Plans submitted to the Agency. At June 30, 2008, only the initial disbursement of \$450,000 had been made and is outstanding in full.

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, 2008 were \$850,064.

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, 2008

Notes to Basic Financial Statements, Continued

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 an existing 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. No funds have been disbursed for fiscal year ended June 30, 2008. 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.

St Anton - 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 St. Anton Partners for a 156 unit multi-family housing project referred to as the Whitney Ranch Apartments. The loan provides for 3% simple interest for 30 years with amounts disbursed over a 3 year period to coincide with project construction. No funds have been disbursed for fiscal year ended June 30, 2008. 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.

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

	Beginning July 1, 2007	Additions	Deletions	Ending June 30, 2008
Villa Serena II	\$ 1,100,000	\$ -	\$ -	\$ 1,100,000
College Manor	-	450,000	-	450,000
Down payment assistance	-	850,064	-	850,064
First Time Home Buyers	13,198	-	(282)	12,916
Total loans receivable	<u>\$ 1,113,198</u>	<u>\$ 1,300,064</u>	<u>\$ (282)</u>	<u>\$ 2,412,980</u>

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Notes to Basic Financial Statements, Continued

5. INTANGIBLE ASSETS

Intangible assets include bond issuance costs and discounts as follows:

	Original Amount	Accumulated Amortization	Amortization Expense	Balance June 30, 2008
Intangible assets:				
2005 Tax Allocation Bonds:				
Bond issuance costs	\$ 506,422	\$ (33,762)	\$ (16,881)	\$ 455,779
Bond discount	117,327	(7,822)	(3,911)	105,594
Totals	<u>623,749</u>	<u>(41,584)</u>	<u>(20,792)</u>	<u>561,373</u>
2007 Tax Allocation Bonds:				
Bond issuance costs	374,851	(12,495)	(12,495)	349,861
Bond discount	301,140	(10,038)	(10,038)	281,064
Totals	<u>675,991</u>	<u>(22,533)</u>	<u>(22,533)</u>	<u>630,925</u>
Intangible assets totals				
Bond issuance costs	881,273	(46,257)	(29,376)	805,640
Bond discount	418,467	(17,860)	(13,949)	386,658
Intangible assets totals	<u>\$ 1,299,740</u>	<u>\$ (64,117)</u>	<u>\$ (43,325)</u>	<u>\$ 1,192,298</u>

6. CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities:				
Land	\$ 685,997	\$ 733,674	\$ -	\$ 1,419,671
Buildings and Structures	143,474	2,972,971	-	3,116,445
Total cost	<u>829,471</u>	<u>3,706,645</u>	<u>-</u>	<u>4,536,116</u>
Less: accumulated depreciation				
Buildings and Structures	(33,477)	(84,130)	-	(117,607)
Total depreciation	<u>(33,477)</u>	<u>(84,130)</u>	<u>-</u>	<u>(117,607)</u>
Net book value, depreciable assets				
Buildings and Improvements	<u>109,997</u>	<u>2,888,841</u>	<u>-</u>	<u>2,998,838</u>
Capital assets, net	<u>\$ 795,994</u>	<u>\$ 3,622,515</u>	<u>\$ -</u>	<u>\$ 4,418,509</u>

Depreciation expense in the amount of \$84,130 was charged to Culture and recreation in the Statement of Activities.

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Notes to Basic Financial Statements, Continued

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, 2007	Additions	Retirements	Balance June 30, 2008	Due Within One Year
2002 Refunding Tax Allocation Bonds	\$ 2,400,000	\$ -	\$ (40,000)	\$ 2,360,000	\$ 40,000
2005 Refunding Tax Allocation Bonds	11,680,000	-	(245,000)	11,435,000	250,000
2007 Refunding Tax Allocation Bonds	15,815,000	-	-	15,815,000	255,000
Total debt issuances	29,895,000	-	(285,000)	29,610,000	545,000
Advances from the City of Rocklin	269,029	1,731,121		2,000,150	-
Compensated absences	72,348	-	(72,348)	-	-
Total	341,377	1,731,121	(72,348)	2,000,150	-
Grand Total	<u>\$ 30,236,377</u>	<u>\$ 1,731,121</u>	<u>\$ (357,348)</u>	<u>\$ 31,610,150</u>	<u>\$ 545,000</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 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 \$245,000 to \$1,530,000 are payable annually on September 1 and interest payments ranging from \$34,425 to \$241,063 are payable semi-annually on March 1 and September 1 through 2035.

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Notes to Basic Financial Statements, Continued

7. LONG-TERM LIABILITIES, Continued

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 no outstanding balance as of June 30, 2008 on this debt.

Future debt service at June 30, 2008 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		Principal	Interest
Bonds		Bonds		Bonds				
	Principal	Interest	Principal	Interest	Principal	Interest		
2009	\$ 40,000	\$ 124,105	\$ 250,000	\$ 471,026	\$ 255,000	\$ 660,731	\$ 545,000	\$ 1,255,862
2010	45,000	122,105	255,000	463,451	265,000	650,331	565,000	1,235,887
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
2014-2018	325,000	537,638	1,230,000	2,049,799	1,950,000	2,879,956	3,505,000	5,467,393
2019-2023	480,000	430,614	1,090,000	1,842,397	2,705,000	2,404,091	4,275,000	4,677,102
2024-2028	460,000	296,500	2,210,000	1,535,413	2,585,000	1,831,144	5,255,000	3,663,057
2029-2033	870,000	124,575	1,175,000	1,126,366	4,495,000	1,101,078	6,540,000	2,352,019
2034-2038	-	-	4,395,000	302,513	2,715,000	423,172	7,110,000	725,685
Total	\$ 2,360,000	\$ 1,989,047	\$ 11,435,000	\$ 9,132,212	\$ 15,815,000	\$ 11,835,496	\$ 29,610,000	\$ 22,956,755
Due within one year	\$ 40,000	\$ 124,105	\$ 250,000	\$ 471,026	\$ 255,000	\$ 660,731	\$ 545,000	\$ 1,255,862
Due after one year	2,320,000	1,864,942	11,185,000	8,661,186	15,560,000	11,174,765	29,065,000	21,700,893
Total	\$ 2,360,000	\$ 1,989,047	\$ 11,435,000	\$ 9,132,212	\$ 15,815,000	\$ 11,835,496	\$ 29,610,000	\$ 22,956,755

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Notes to Basic Financial Statements, Continued

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 \$269,029 with an addition of \$1,731,121 and no payments during the year leaving the remaining balance of \$2,000,150. 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 \$22,414 has been charged related to these advances in 2007-08.

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:

Amount	Coverage Provider	Payment Source
Liability Claim:		
\$0 - \$25,000	Self-insured	Banking layer
\$25,001 - \$500,000	NCCSIF	Shared risk
\$500,001 - \$15,000,000	California Joint Powers Risk Management	Shared risk
Workers' Compensation:		
\$0 - \$100,000	Self-insured	Banking layer
\$100,001 - \$300,000	NCCSIF	Shared risk
\$300,001 - Statutory	Commercial insurance	Varies

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

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.

Redevelopment Agency of the City of Rocklin, California
Basic Financial Statements
For the year ended June 30, 2008

Notes to Basic Financial Statements, Continued

11. SUBSEQUENT EVENTS

On August 26, 2008, the Agency Board authorized the Executive Director to move forward with the necessary steps to initiate and execute the Rocklin Redevelopment Project, Amendment No. 6, including an increase of the tax increment limit to \$913 million.

On September 9, 2008, the Agency Board authorized a housing rehabilitation loan in the amount of \$500,000 with Highland Property Development, LLC 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. 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.

On December 9, 2008, the Agency Board authorized a housing rehabilitation loan in the amount of \$2,100,000 with Pacific Housing, Inc. to subsidize very low income housing referred to as the Whitney Ranch Apartments.

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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

I 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, 2008, and have issued my report thereon dated December 19, 2008. I conducted my 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 my audit, I considered the Redevelopment Agency of the City of Rocklin's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the Redevelopment Agency's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entities ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance

As part of obtaining reasonable assurance about whether the Redevelopment Agency of the City of Rocklin's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Governing Board, management, and the State Controller. However, this report is a matter of public record and its distribution is not limited.

December 19, 2008

JOSEPH J ARCH, CPA