

**ROHNERT PARK
FINANCING AUTHORITY
(A Component Unit of the
City of Rohnert Park, California)**

**Independent Auditor's Reports,
Management's Discussion and Analysis,
Basic Financial Statements
and Supplemental Information**

For the Fiscal Year Ended June 30, 2012

**ROHNERT PARK FINANCING AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Rohnert Park Financing Authority
Rohnert Park, California

We have audited the accompanying basic financial statements of the Rohnert Park Financing Authority (the Authority), a component unit of the City of Rohnert Park, California, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Rohnert Park Financing Authority and do not purport to, and do not, present fairly the financial position of the City of Rohnert Park, California, as of June 30, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in its financial position and its cash flows for the fiscal 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 March 4, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
March 4, 2013

ROHNERT PARK FINANCING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Rohnert Park Financing Authority's (Authority) financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2012. Members of the City of Rohnert Park (City) Finance Department prepared this discussion and analysis. Please read it in conjunction with the Authority's basic financial statements, which begin on page 6.

Financial Highlights

- The Authority's net assets decreased by \$19,832, from the prior year.
- Cash receipts from leases during the year totaled \$1,668,979 and were used to pay debt service requirements for fiscal year 2012.

Basic Financial Statements

The basic financial statements consist of the Authority's Enterprise Fund. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Enterprise Fund is used to account for the financing of public capital improvements provided by the Authority to the City's governmental operations. The financial statements provide both long- and short-term financial information and information about cash flows. The Authority's Enterprise Fund basic financial statements are as follows:

1. Statement of net assets;
2. Statement of revenues, expenses and change in net assets; and
3. Statement of cash flows.

The following table presents the Authority's net assets as of June 30, 2012 and 2011:

	2012	2011	\$ Change	% Change
Current assets	\$ 4,216,373	\$ 4,195,566	\$ 20,807	0.5%
Noncurrent assets	19,029,819	19,799,906	(770,087)	-3.9%
Total assets	23,246,192	23,995,472	(749,280)	-3.1%
Current liabilities	3,892,443	3,877,120	15,323	0.4%
Long-term liabilities	19,205,370	19,950,141	(744,771)	-3.7%
Total liabilities	23,097,813	23,827,261	(729,448)	-3.1%
Total net assets restricted for debt service	\$ 148,379	\$ 168,211	\$ (19,832)	-11.8%

ROHNERT PARK FINANCING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Total assets decreased by \$749,280 from \$23,995,472 to \$23,246,192 during the fiscal year ended June 30, 2012. This is comprised of an increase of \$20,807 in current assets and a decrease of \$770,087 in noncurrent assets. The increase in current assets is primarily due to the increase in net investment in leases of \$10,000, as well as interest income of \$4,153. The decrease in noncurrent assets reflects the current year lease payments received from the City and the amortization of the cost of issuance.

Total liabilities reflect a decrease of \$729,448 from the prior year. The decrease is primarily due to a \$720,000 reduction in long-term debt as a result of scheduled debt service payments.

Use of the Authority's net assets is restricted for debt service. At June 30, 2012, total restricted net assets reported are \$148,379.

The following table presents the Authority's change in net assets for the fiscal years ended June 30, 2012 and 2011:

	2012	2011	\$ Change	% Change
Operating revenues:				
Lease interest revenue	\$ 933,979	\$ 952,107	\$ (18,128)	-1.9%
Operating income	933,979	952,107	(18,128)	-1.9%
Nonoperating revenues(expenses):				
Investment income	4,153	14,309	(10,156)	-71.0%
Interest expense and fiscal charges	(957,964)	(979,285)	21,321	-2.2%
Total nonoperating expenses	(953,811)	(964,976)	11,165	-1.2%
Transfer out to City of Rohnert Park	-	-	-	0.0%
Changes in net assets	(19,832)	(12,869)	(6,963)	54.1%
Net assets, beginning of year	168,211	181,080	(12,869)	-7.1%
Net assets, end of year	\$ 148,379	\$ 168,211	\$ (19,832)	-11.8%

Lease interest revenue decreased by \$18,128. Investment income decreased by \$10,156 due to lower interest rates.

ROHNERT PARK FINANCING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt

The long-term debt of the Authority at June 30, 2012 included \$14,770,000 of outstanding certificates of participation (COPs) and \$5,015,000 of outstanding lease revenue bonds. The long-term debt will be repaid through lease agreements with the City that are structured to meet principal and interest requirements when due. During the year, the outstanding debt was reduced by principal payments of \$720,000. More detailed information about the Authority's long-term debt is presented in Note 5 to the basic financial statements.

The latest rating assigned by Standard & Poor's is a A+ rating for the 1999 Certificates of Participation, Rohnert Park Capital Facilities Project and the 2003 Lease Revenue Refunding Bonds. This issuance rating on the 2005 Sewer System Revenue COP's was raised from a 'BBB' to a 'BBB+' and the outlook was revised to positive from stable. The rating reflects the City's improvement in debt service coverage, mainly due to the adoption of the new sewer rates effective July 1, 2011. The rate increases that were adopted were a 25% rate increase on July 1, 2011 and on January, 1, 2012 and then a 3% rate increase on January 2013, 2014 and 2015.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Rohnert Park, Finance Director, P.O. Box 1489, Rohnert Park, California, 94927-1489.

BASIC FINANCIAL STATEMENTS

ROHNERT PARK FINANCING AUTHORITY

STATEMENT OF NET ASSETS JUNE 30, 2012

Assets:

Current assets:

Restricted cash and cash equivalents	\$ 3,471,373
Net investment in leases - current portion	<u>745,000</u>
Total current assets	<u>4,216,373</u>

Noncurrent assets:

Deferred charges	449,819
Net investment in leases - noncurrent	<u>18,580,000</u>
Total assets	<u>23,246,192</u>

Liabilities:

Current liabilities:

Interest payable	240,987
Due to the City of Rohnert Park	2,905,145
Long-term debt, current portion	<u>746,311</u>
Total current liabilities	<u>3,892,443</u>

Long-term liabilities:

Long-term debt, net	<u>19,205,370</u>
Total liabilities	<u>23,097,813</u>

Net assets:

Restricted for debt service	<u>148,379</u>
Total net assets	<u>\$ 148,379</u>

See accompanying notes to the basic financial statements.

ROHNERT PARK FINANCING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
Lease interest revenue from the City of Rohnert Park	\$ 933,979
Operating expenses	<u>-</u>
Operating income	<u>933,979</u>
Nonoperating revenues (expenses):	
Investment income	4,153
Interest expense and fiscal charges	<u>(957,964)</u>
Total nonoperating revenues (expenses)	<u>(953,811)</u>
Change in net assets	(19,832)
Net assets, beginning of year	<u>168,211</u>
Net assets, end of year	<u><u>\$ 148,379</u></u>

See accompanying notes to the basic financial statements.

ROHNERT PARK FINANCING AUTHORITY

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:

Receipts from lessee, principal portion	\$ 735,000
Receipts from lessee, interest portion	933,979
Net cash provided by operating activities	<u>1,668,979</u>

Cash flows from capital and related financing activities:

Cash payments for principal on bonds	(720,000)
Cash payments for interest on bonds	(942,325)
Net cash used in capital and related financing activities	<u>(1,662,325)</u>

Cash flows from investing activities:

Cash received from earnings on investments and cash equivalents	<u>4,153</u>
Net change in cash and cash equivalents	10,807
Cash and cash equivalents, beginning of year	<u>3,460,566</u>
Cash and cash equivalents, end of year	<u>\$ 3,471,373</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 933,979
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Decrease in net investment in leases	<u>735,000</u>
Net cash provided by operating activities	<u>\$ 1,668,979</u>

See accompanying notes to the basic financial statements.

ROHNERT PARK FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 – REPORTING ENTITY

Organization

The Rohnert Park Financing Authority (Authority) is a joint powers authority, organized pursuant to a Joint Exercise of Powers Resolution (Resolution), dated as of January 1, 1999, between the City of Rohnert Park (City) and the Community Development Commission of the City of Rohnert Park (Commission). The Resolution was entered into pursuant to the Government Code of the State of California, commencing with Section 6500. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing activities for the benefit of the City and the Commission.

Effective February 1, 2012, the Commission was dissolved and all of the assets and related activities were transferred to the Successor Agency (RDA Obligation Retirement Trust Fund).

The basic financial statements present only the Authority and are not intended to present fairly the financial position, the changes in financial position or the cash flows of the City or the RDA Obligation Trust Fund in conformity with accounting principles generally accepted in the United States of America (GAAP). The City Council of the City constitutes the Board of Directors of the Authority. As such, the Authority is an integral part of the City, and accordingly, the accompanying basic financial statements are blended as a component unit within the basic financial statements prepared by the City.

The Authority obtains financing for City sponsored projects and purchases using lease agreements signed by the City or Commission, (now the RDA Obligation Retirement Trust Fund) as collateral. These agreements provide sufficient resources to repay the debt incurred to finance the projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Accounting

The Authority has elected under Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The Authority has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

All activities of the Authority are accounted for within an enterprise fund. The Authority's enterprise fund is used to report activity financed with debt that is secured solely by a pledge of revenues from the fees and charges of the activity (i.e., lease revenue).

ROHNERT PARK FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Authority is lease interest income from the City. The Authority has no operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(b) *Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid investments with original purchase maturities of three months or less.

(c) *Net Investment in Leases*

Debt service on the outstanding lease revenue bonds and certificates of participation is funded with lease payments made by the City or the Successor Agency to the Authority for the use of equipment and facilities acquired or constructed with bond proceeds issued by the Authority. In the lease agreements relating to the bonds and certificates of participation, the City and the Successor Agency have covenanted to make rental payments in amounts corresponding to the Authority's debt service requirements and related costs. The net investment in leases reflects the present value of the remaining future lease payments due from the City and Successor Agency. To the extent that funds are unexpended upon completion of all projects, such funds will be used to retire outstanding debt and rental payments required from the City and Successor Agency will be reduced accordingly.

(d) *Net Assets*

Net assets comprise various net earnings from operating and nonoperating revenues and expenses. Net assets are classified as *restricted for debt service*. This consists of funds held by the trustee for the repayment of debt principal and interest or as reserves.

(e) *Estimates*

The preparation of basic financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(f) *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net assets.

ROHNERT PARK FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS

(a) *Investments with Fiscal Agent*

Provisions of the Authority's bond trust agreements require that certain project and restricted accounts be established. These accounts are held by trustees and fiscal agents for debt service payments, reserves and capital improvement projects. These funds have been invested only as permitted by specific state statutes governing their investment or applicable Authority ordinance, resolution or bond indenture. The investments held have been classified as restricted on the statement of net assets because their use is limited by bond covenants.

Information is not available on whether the various mutual funds in which the Authority has invested, used, or held wrote derivative financial products during the year ended June 30, 2012.

Qualified investments as defined by the trust agreement include the following:

- Federal securities
- Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by certain federal agencies, while for other federal agencies, these investments are permitted provided that such obligations are backed by the full faith and credit of the United States of America
- Money market funds having a rating by Standard and Poors (S&P) of AAAm-G; AAAm; or Aam
- Certificates of deposit secured at all times by collateral such as federal securities or bonds, debentures, notes guaranteed by federal agencies and backed by the United States of America
- Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC
- Investment agreements, including guaranteed investment contracts, acceptable to the insurer, if any
- Commercial paper rated at the time of purchase, "F-1" by Fitch IBCA and "A-1" or better by S&P
- Bonds or notes issued by any state or municipality, which are rated by Fitch IBCA and S&P in one of the two highest rating categories assigned by such agencies
- Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and not guaranteed obligation rating of "A" or better by Fitch IBCA and "A-1" or "A" or better by S&P
- Local Agency Investment Funds

(b) *Custodial Credit Risk*

As of June 30, 2012, none of the Authority's investments were exposed to custodial credit risk as all investments represent positions held in the State Treasurer's Local Agency Investment Fund (LAIF) and money market mutual funds.

ROHNERT PARK FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS (Continued)

Credit Risk

Credit risk relates to the possibility that an issuer/counterparty to an investment will be unable to fulfill its obligations. See the table below for the Authority's investments subject to credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy to manage the affect of adverse changes in the fair value of an investment as a result of changes in interest rates.

As of June 30, 2012, the Authority had the following investments.

Restricted investments:	Fair Value	Maturities Less than 1 yr.	S&P Credit Rating
Money market mutual funds	\$ 3,471,373	\$ 3,471,373	AAAm
Total restricted investments	<u>\$ 3,471,373</u>	<u>\$ 3,471,373</u>	

NOTE 4 – NET INVESTMENTS IN LEASES

The Authority's net investment in leases, between the Authority and the City and Successor Agency, at June 30, 2012 is as follows:

Fiscal Year Ending June 30,	Capital Facilities Project	Lease Revenue Refunding Bonds	Sewer System Revenue COP's	Total
2013	\$ 347,705	\$ 493,232	\$ 812,386	\$ 1,653,323
2014	348,930	493,513	817,205	1,659,648
2015	349,500	493,152	816,517	1,659,169
2016	348,750	496,915	815,143	1,660,808
2017	347,500	494,715	812,888	1,655,103
2018-2022	1,743,050	2,474,088	4,081,825	8,298,963
2023-2027	693,750	1,703,750	4,073,125	6,470,625
2028-2032	-	-	4,068,625	4,068,625
2033-2036	-	-	3,256,825	3,256,825
Total future minimum lease payments to be received	4,179,185	6,649,365	19,554,539	30,383,089
Less unearned interest income	(1,089,185)	(1,904,365)	(8,064,539)	(11,058,089)
Net investment in leases	3,090,000	4,745,000	11,490,000	19,325,000
Less current portion	(195,000)	(270,000)	(280,000)	(745,000)
Long-term portion	<u>\$ 2,895,000</u>	<u>\$ 4,475,000</u>	<u>\$ 11,210,000</u>	<u>\$ 18,580,000</u>

ROHNERT PARK FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 – LONG-TERM DEBT

The Authority's long-term debt at June 30, 2012 was as follows:

Type of Indebtedness	Interest Rates	Final Maturity	Annual Principal Installments (thousands)	Original Issue Amount	Outstanding at June 30, 2012
1999 Certificates of Participation	3.6% - 4.6%	7/1/2024	\$135 - 330	\$ 5,055,000	\$ 3,280,000
2003 Lease Revenue Refunding Bonds	2.5% - 4.8%	7/1/2025	240 - 470	6,950,000	5,015,000
2005 Sewer System Revenue COP's	3.0% - 4.0%	5/27/2036	230 - 775	13,000,000	11,490,000
Total long-term debt					<u>\$ 19,785,000</u>

Changes in long-term debt during the fiscal year ended June 30, 2012 were as follows:

Type of Indebtedness	June 30, 2011	Additions	Retirements	June 30, 2012	Amount Due Within One Year
Long-term Debt:					
Certificates of Participation:					
1999 Certificates of Participation	\$ 3,460,000	\$ -	\$ 180,000	\$ 3,280,000	\$ 190,000
2003 Lease Revenue Refunding Bond	5,280,000	-	265,000	5,015,000	270,000
2005 Sewer System Revenue COP	11,765,000	-	275,000	11,490,000	280,000
Total long-term debt	20,505,000	-	720,000	19,785,000	740,000
Original issue discount	(18,208)	-	(1,301)	(16,907)	(1,301)
Original issue premium	189,660	-	7,612	182,048	7,612
Total long-term liabilities	<u>\$ 20,676,452</u>	<u>\$ -</u>	<u>\$ 726,311</u>	<u>\$ 19,950,141</u>	<u>\$ 746,311</u>

1999 Certificates of Participation

The 1999 Certificates of Participation were used to fund the Capital Facilities Project, the purpose of which was to finance the design and construction of a new city hall.

2003 Lease Revenue Refunding Bonds

On July 1, 2003, the Authority issued Lease Revenue Refunding Bonds, Series 2003 in the amount of \$6,950,000. The proceeds were used to refund the 1999 Certificates of Participation (Master Equipment Lease) and the 1994 Refunding Certificates of Participation (Public Safety Facility Project) issued by the City.

ROHNERT PARK FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 – LONG-TERM DEBT (Continued)

The refunding resulted in the accounting recognition of a loss of \$210,943 for the fiscal year ended June 30, 2004 which has been deferred in accordance GASB Statement No. 23. The deferred amounts on bond refundings are amortized over the life of the old or the new debt, whichever is shorter, on a straight-line basis. See note 2(c) for further explanation.

2005 Sewer System Revenue Certificates of Participation

On May 27, 2005, the Authority issued Sewer System Certificates of Participation, Series 2005 in the amount of \$13,000,000. The proceeds were used to fund a parallel sewer interceptor line to the Subregional plant. A portion of the sewer line is related to expansion of the sewer system. Private development will reimburse the City 25% of the project cost. The remaining 75% will be paid by the sewer customers through sewer rates.

Debt Service Requirements

Future debt service requirements for the outstanding long-term debt are as follows:

Fiscal Year Ending June 30,	1999 Certificates of Participation		2003 Lease Revenue Refund Bond		2005 Sewer System Revenue COP	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 190,000	\$ 156,885	\$ 270,000	\$ 218,372	\$ 280,000	\$ 532,386
2014	195,000	148,318	280,000	208,333	295,000	522,205
2015	205,000	139,215	290,000	197,534	305,000	511,518
2016	215,000	129,125	305,000	185,815	315,000	500,143
2017	225,000	118,125	315,000	173,258	325,000	487,888
2018-2022	1,305,000	405,650	1,795,000	637,488	1,850,000	2,231,825
2023-2027	945,000	72,400	1,760,000	171,950	2,305,000	1,768,125
2028-2032	-	-	-	-	2,920,000	1,148,625
2033-2037	-	-	-	-	2,895,000	361,825
Total	\$ 3,280,000	\$ 1,169,718	\$ 5,015,000	\$ 1,792,750	\$ 11,490,000	\$ 8,064,540

Conduit Debt

During fiscal year ended June 30, 2001, the Authority participated in the issuance of the Mobile Home Park Revenue Bonds 2001 Series A (Las Casitas De Sonoma) in the amount of \$4,875,000. The bonds are payable solely from the revenue collected by the builders of the projects. The Authority is not obligated in any manner for repayment of the indebtedness. Accordingly, the liabilities are not reported in the Authority's basic financial statements. At June 30, 2012, outstanding balance of these bonds was \$4,240,000.

During the fiscal year ended June 30, 2004, the Authority also participated in the issuance of the Mobile Home Park Revenue Bonds Series A and Series B (Rancho Feliz Mobile Home Park) in the amount of \$16,705,000. In September 2003, the Rohnert Park Housing Financing Authority sold the park to Millenium Housing Corporation, a nonprofit organization. The Authority is not obligated in any manner for repayment of the indebtedness. Accordingly, the liabilities are not reported in the Authority's basic financial statements. At June 30, 2012, outstanding balance of these bonds was \$15,100,000.

ROHNERT PARK FINANCING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 – RELATED PARTY TRANSACTIONS

Lease Agreements with the Commission

The Authority receives lease revenues from the Commission in exchange for the use of certain buildings and leasehold improvements through June 1, 2036. The Commission made \$447,459 in lease payments during the year ended June 30, 2012.

Due to the City of Rohnert Park

At June 30, 2012, the amount of proceeds from the issuance of debt owed to the City was \$2,905,145 from the Sewer Revenue Bond fund.

SUPPLEMENTAL INFORMATION

ROHNERT PARK FINANCING AUTHORITY

COMBINING SCHEDULE OF NET ASSETS BY BOND PROGRAM JUNE 30, 2012

	Capital Facilities Project	Lease Revenue Refunding Bonds	Sewer System Revenue Bonds	Total
Assets:				
Current assets:				
Restricted cash and cash equivalents	\$ 270,533	\$ 517,544	\$ 2,683,296	\$ 3,471,373
Net investment in leases - current portion	195,000	270,000	280,000	745,000
Total current assets	465,533	787,544	2,963,296	4,216,373
Noncurrent assets:				
Deferred charges	-	178,841	270,978	449,819
Net investment in leases - noncurrent	2,895,000	4,475,000	11,210,000	18,580,000
Total assets	3,360,533	5,441,385	14,444,274	23,246,192
Liabilities:				
Current liabilities:				
Interest payable	80,533	116,088	44,366	240,987
Due to City of Rohnert Park	-	-	2,905,145	2,905,145
Long-term debt, current portion	190,000	268,699	287,612	746,311
Total current liabilities	270,533	384,787	3,237,123	3,892,443
Long-term liabilities:				
Long-term debt, net	3,090,000	4,730,934	11,384,436	19,205,370
Total liabilities	3,360,533	5,115,721	14,621,559	23,097,813
Net assets:				
Restricted for debt service	-	325,664	(177,285)	148,379
Total net assets restricted for debt service	\$ -	\$ 325,664	\$ (177,285)	\$ 148,379

ROHNERT PARK FINANCING AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY BOND PROGRAM FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Capital Facilities Project	Lease Revenue Refunding Bonds	Sewer System Revenue Bonds	Total
Operating revenues:				
Lease interest revenue from the City of Rohnert Park	\$ 161,064	\$ 223,231	\$ 549,684	\$ 933,979
Operating expenses	-	-	-	-
Operating income	161,064	223,231	549,684	933,979
Nonoperating revenues (expenses):				
Investment income	1	7	4,145	4,153
Interest expense and fiscal charges	(161,065)	(244,302)	(552,597)	(957,964)
Total nonoperating revenues (expenses)	(161,064)	(244,295)	(548,452)	(953,811)
Transfers out to City of Rohnert Park	-	-	-	-
Change in net assets	-	(21,064)	1,232	(19,832)
Net assets, beginning of year	-	346,728	(178,517)	168,211
Net assets, end of year	\$ -	\$ 325,664	\$ (177,285)	\$ 148,379

ROHNERT PARK FINANCING AUTHORITY

COMBINING SCHEDULE OF CASH FLOWS BY BOND PROGRAM FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Capital Facilities Project	Lease Revenue Refunding Bonds	Sewer System Revenue Bonds	Total
Cash flows from operating activities:				
Cash receipts from lessee, principal portion	\$ 190,000	\$ 270,000	\$ 275,000	\$ 735,000
Cash receipts from lessee, interest portion	161,064	223,231	549,684	933,979
Net cash provided by operating activities	<u>351,064</u>	<u>493,231</u>	<u>824,684</u>	<u>1,668,979</u>
Cash flows from capital and related financing activities:				
Cash payments for principal on bonds	(180,000)	(265,000)	(275,000)	(720,000)
Cash payments for interest on bonds	<u>(164,935)</u>	<u>(227,704)</u>	<u>(549,686)</u>	<u>(942,325)</u>
Net cash used in capital and related financing activities	<u>(344,935)</u>	<u>(492,704)</u>	<u>(824,686)</u>	<u>(1,662,325)</u>
Cash flows from investing activities:				
Cash received from earnings on investments and cash equivalents	<u>1</u>	<u>7</u>	<u>4,145</u>	<u>4,153</u>
Net change in cash and cash equivalents	6,130	534	4,143	10,807
Cash and cash equivalents, beginning of year	<u>264,403</u>	<u>517,010</u>	<u>2,679,153</u>	<u>3,460,566</u>
Cash and cash equivalents, end of year	<u>\$ 270,533</u>	<u>\$ 517,544</u>	<u>\$ 2,683,296</u>	<u>\$ 3,471,373</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 161,064	\$ 223,231	\$ 549,684	\$ 933,979
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in operating assets and liabilities:				
Decreases in net investment in leases	<u>190,000</u>	<u>270,000</u>	<u>275,000</u>	<u>735,000</u>
Net cash provided by operating activities	<u>\$ 351,064</u>	<u>\$ 493,231</u>	<u>\$ 824,684</u>	<u>\$ 1,668,979</u>

OTHER REPORT



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' 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***

The Board of Directors
Rohnert Park Financing Authority
Rohnert Park, California

We have audited the accompanying basic financial statements of the Rohnert Park Financing Authority (the Authority), a component unit of the City of Rohnert Park, California, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated March 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended for the information and use of the members of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
March 4, 2013