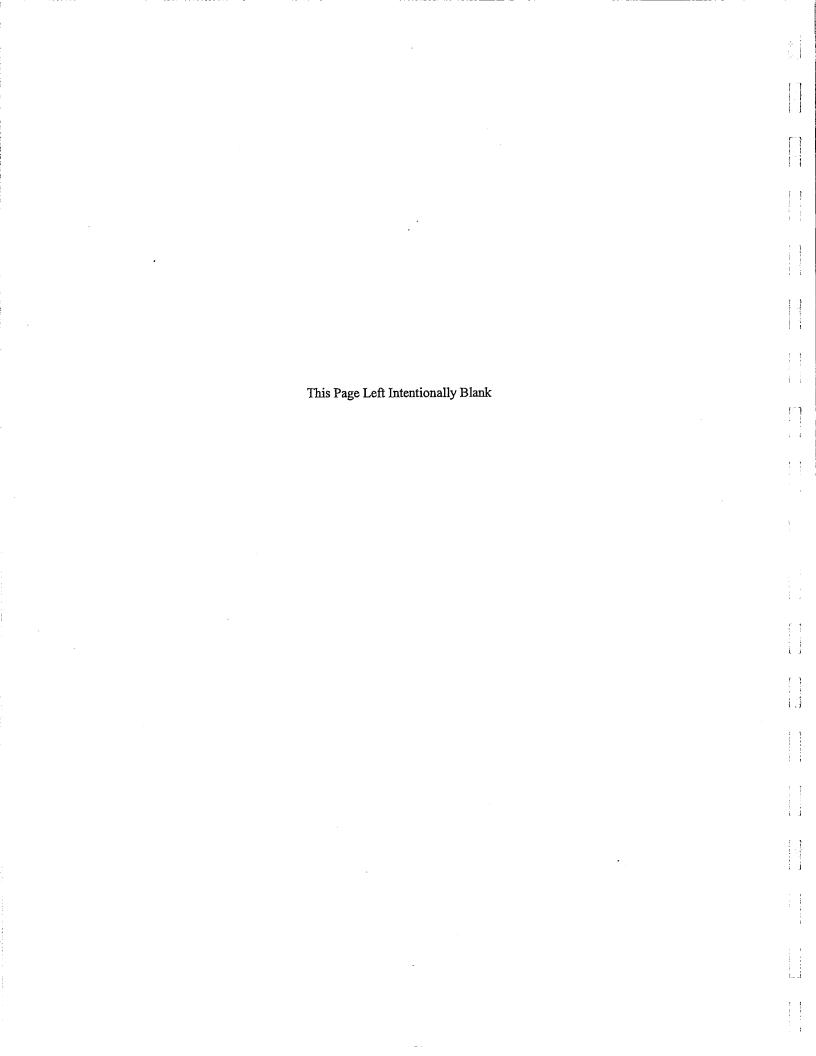
EL CERRITO PUBLIC FINANCING AUTHORITY
BASIC COMPONENT UNIT
FINANCIAL STATEMENTS
JUNE 30, 2010



EL CERRITO PUBLIC FINANCING AUTHORITY BASIC COMPONENT UNIT FINANCIAL STATEMENTS JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board El Cerrito Public Financing Authority El Cerrito, California

We have audited the financial statements of the business-type activities of the El Cerrito Public Financing Authority, a component unit of the City of El Cerrito, California, as of and for the year ending June 30, 2010 which collectively comprise the Authority's basic component unit financial statements 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 basic component unit financial statements based on our audit.

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

In our opinion the basic component unit financial statements referred to above present fairly in all material respects the financial position of the business-type activities of the El Cerrito Public Financing Authority as of June 30, 2010 and the changes in the financial position and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Authority has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic component unit financial statements

October 29, 2010

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EL CERRITO PUBLIC FINANCING AUTHORITY STATEMENT OF NET ASSETS JUNE 30, 2010

	Governmental Activities
Assets:	
Cash and investments (Note 3)	\$10,487
Cash and investments held by trustee (Note 3)	1,710,942
Interest receivable	172,489
Net investment in leases and installment agreement (Note 4)	22,209,497
Total assets	24,103,415
Liabilities:	
Bonds interest payable	172,489
Long-term debt (Note 5):	
Due in one year	670,000
Due in more than one year	23,210,000
Total liabilities	24,052,489
Net Assets (Note 6)	
Restricted for:	
Debt service	1,721,429
Total restricted net assets	1,721,429
Unrestricted net assets (deficit)	(1,670,503)
Total net assets	\$50,926

See accompanying notes to financial statements

EL CERRITO PUBLIC FINANCING AUTHORITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2010

Operating Revenues:	
Lease interest revenue	\$1,091,664
Interest income	210
Total operating revenue	1,091,874
Operating Expenses:	
Interest on long-term debt	1,050,679
Administrative expenses	6,384
Total operating expenses	1,057,063
Change in Net Assets	34,811
Net Assets Beginning	16,115
Net Assets Ending	\$50,926

See accompanying notes to financial statements

EL CERRITO PUBLIC FINANCING AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$1,701,785
Payments to suppliers	(6,384)
Receipt of interest	210
Payment of interest	(1,055,769)
Net cash provided by operating activities	639,842
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Decrease in due to the City	(40,700)
Principal payment	(650,000)
Cash Flows from Noncapital Financing Activities	(690,700)
Net increase (decrease) in cash and cash equivalents	(50,858)
Cash and investments at beginning of period	1,772,287
Cash and investments at end of period	\$1,721,429
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss) Change in assets and liabilities:	\$34,811
Lease receivable	605,031
Interest receivable	5,090
Interest payable	(5,090)
Net cash provided by operating activities	\$639,842

See accompanying notes to financial statements

NOTE 1- DESCRIPTION OF REPORTING ENTITY

The El Cerrito Public Financing Authority is a nonprofit corporation organized by the City of El Cerrito and the El Cerrito Redevelopment Agency on July 1, 2002 under the laws of the State of California. The Authority was organized to provide financial assistance to the City by financing real and personal property and improvements for the benefit of the residents of the City and surrounding areas. Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City and are not included in the accompanying financial statements. Such expenses are insignificant to the Authority's operations.

The Authority obtains financing for City and Agency sponsored projects using leases signed by the City or Agency as collateral. The amounts of the leases are calculated to provide sufficient resources to repay the debt incurred to finance the projects.

The Authority is an integral part of the City and accordingly, the accompanying financial statements are included as a component of the Comprehensive Annual Financial Report prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation controlled by the City which, when combined with all other component units, constitutes the reporting entity as defined in the City's Comprehensive Annual Financial Report.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

B. Basis of Accounting

The Authority reports its activities as a proprietary fund type (Enterprise Fund) which is maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned regardless of whether they are received, and expenses are recognized in the period the related fund liability is incurred. The Authority follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

The Authority's revenues and expenses are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Certain indirect costs are included in program expenses reported for individual functions and activities.

NOTE 3 – CASH AND INVESTMENTS

The Authority pools cash from all sources and all funds with the City of El Cerrito, except Cash with Fiscal Agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

The Authority and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the Authority's fiscal agents as required under its debt issues.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agency agreements.

Cash and investments available	
for Authority operations	\$10,487
Cash and investments held by trustee	1,710,942
Total Authority Cash and Investments	\$1,721,429

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded.

NOTE 3 – CASH AND INVESTMENTS (Continued)

The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy:

	Maximum	Minimum Credit	Maximum in	Maximum Investment
Authorized Investment Type	Maturity	Quality	Portfolio	In One Issuer
State of California Local Agency	On Demand	N/A	\$50,000,000	\$50,000,000
Investment Fund (LAIF Pool)			per account	per account
U. S. Treasury Bonds, Notes and Bills	5 Years	N/A	No Limit	No Limit
U.S. Federal Agency and U.S. Government	•			
Sponsored Enterprise Securities	5 Years	N/A	No Limit	No Limit
Banker's Acceptances	180 Days	N/A	30%	30%
Commercial Paper	270 Days	P-1, A-1, F-1	25%	10%
Certificates of Deposit	5 Years	N/A	30%	10%
Negotiable Certificates of Deposit	5 Years	Α	30%	No Limit
Medium-Term Corporate Notes	5 Years	· A	30%	No Limit
Money Market Mutual Funds	On Demand	Highest Rating Category	5%	No Limit

D. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Authority ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

NOTE 3 - CASH AND INVESTMENTS (Continued)

Maximum

Authorized Investment Type Maturity

Minimum Credit Quality

Obligations of any of the following federal agencies which obligations represent the full faith and credit of the U.S. including:

U.S. Treasury Obligations

All direct or fully guaranteed obligations

Farmers Home Administration

General Services Administration

Guaranteed Title XI Financing

Government National Mortgage Association (GNMA)

State and Local Government Series

Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the U.S.:

Senior debt obligations of:

Federal National Mortgage Association

Federal Home Loan Mortgage Corporation

Federal Home Loan Bank System

Farm Credit System

Resolution Funding Corporation

Financing Corp. Debt Obligations

U.S. Agency for International Development Guaranteed Notes

For all purposes other than defeasance:

Obligations of any of the following federal agencies which obligations represent the full faith and credit of the U.S. including:

Export-Import Bank

Rural Economic Community Development Administration

U.S. Maritime Administration

Small Business Administration

U.S. Department of Housing & Urban Development (PHAs)

Federal Housing Administration

Federal Financing Bank

Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the U.S.:

Senior debt obligations of:

Federal National Mortgage Association

Federal Home Loan Mortgage Corporation

Federal Home Loan Bank System

Other Government Sponsored Agencies approved by the Bond Issuer

Resolution Funding Corporation

Bankers' Acceptances

Commercial Paper

Money Market Funds

Pre-refunded Municipal Obligations

Municipal Obligations

General Obligations of States

Investment Agreements (A)

Other forms of investments (including repurchase agreements) (A)

360 days 270 days P-1, A-1 or A-1+ P-1 or A-1+

AAAm or AAAm-G

Highest ratings category

Aaa/AAA A2/A

(A) Investment agreements and other forms of investments, including repurchase agreements, must be approved in writing by the Bond Issuer

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the Authority's investments, which are available for withdrawal on demand as discussed below:

	Investments		
	Investments	With Fiscal Agent	Total
City of El Cerrito Investment Pool	\$10,487		\$10,487
Blackrock Institutional Money Market Fund		\$603,310	603,310
Blackrock Liquidity Money Market Fund		741,204	741,204
Cash with Banks	·	366,428	366,428
Total Cash and Investments	\$10,487	\$1,710,942	\$1,721,429

Money market funds are available for withdrawal on demand and at June 30, 2010, and both of the money market funds have an average maturity of 48 days.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2010 for the Blackrock Institutional and Liquidity Money Market Funds were AAAm as provided by Standard and Poor's investment ratings service.

G. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2010, the Authority's bank balance of \$366,428 was exposed to custodial credit risk, because it was uninsured and uncollateralized.

NOTE 4 – LEASES/INSTALLMENTS RECEIVABLE

The Authority financed the City Swim Center project, City Hall project and the City's annual street maintenance/improvement program. The Authority's net investment in lease and installment agreements at June 30, 2010 is calculated as follows:

	Leases		Installment	-
			Street Maintenance/	
Total minimum lease/installment	Swim Center	City Hall	Improvement	Total
payments to be received	\$3,984,579	\$16,013,621	\$19,942,700	\$39,940,900
Less future interest payments	(1,186,007)	(7,156,492)	(9,388,904)	(17,731,403)
Net investment in leases/installment	\$2,798,572	\$8,857,129	\$10,553,796	\$22,209,497

Anticipated receipts of principal and interest on the leases and installment agreement are scheduled to mirror the schedule of Repayment Requirements as shown at Note 5, less an adjustment factor for anticipated interest earnings by the Authority.

NOTE 5 – LEASE AND SALES TAX REVENUE BONDS

A. Current Year Transactions and Balances

	Original Issue	Balance		Balance	Current
	Amount	June 30, 2009	Retirements	June 30, 2010	Portion
2002 Lease Revenue Bonds					
3.00%-4.70%, due 9/1/2020	\$4,615,000	\$3,395,000	\$230,000	\$3,165,000	\$235,000
2006 Lease Revenue Bonds					
3.60%-5.00%, due 12/1/2036	9,610,000	9,610,000	190,000	9,420,000	195,000
2008 Sales Tax Revenue Bonds					
3.50%-4.75%, due 5/1/2037	11,750,000	11,525,000	230,000	11,295,000	240,000
Total Debt		\$24,530,000	\$650,000	\$23,880,000	\$670,000

B. 2002 Lease Revenue Bonds

On July 17, 2002, the Authority issued \$4,615,000 original principal amount of 2002 Lease Revenue Bonds at 3.00%-4.70% interest. The proceeds from the sale of the Bonds were used for the rebuilding and renovation of the City Swim Center. Parcel tax revenues are pledged for the repayment of these Bonds. If parcel tax revenues are insufficient to pay the annual principal and interest payments on the bonds the City has covenanted to use General Fund revenues. Principal and interest are payable semi-annually each March 1 and September 1 through 2020.

NOTE 5 – LEASE AND SALES TAX REVENUE BONDS (Continued)

C. 2006 Lease Revenue Bonds

On November 1, 2006 the Authority issued Series 2006 Lease Revenue Bonds in the amount of \$9,610,000 at 3.60%-5.00% interest. The proceeds from the sale of the Bonds were used for the construction of a new City Hall. Rental revenues are pledged for the repayment of these Bonds. Principal and interest payments are due semi-annually each June 1 and December 1 through 2036.

D. Sales Tax Revenue Bonds

On May 20, 2008, the Authority issued \$11,750,000 original principal amount of 2008 Sales Tax Revenue Bonds at 4.40%-4.75% interest. The proceeds from the sale of the Bonds will be used for the City's annual street maintenance and/or improvement program following the recommendations and priorities established annually by the City Council and Citizens' Oversight Committee. Principal payments are due annually on May 1, with interest payments payable semi-annually on May 1 and November 1 through May 1, 2037. Street Improvement Sales Tax revenues are pledged for the repayment of these bonds. Projected revenues are expected to provide coverage over debt service of 1.75% over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$19,942,700 at June 30, 2010. For fiscal year 2010, Street Improvement Sales Tax Revenues amounted to \$1,334,628 which represented coverage of 1.81 over the debt service of \$739,102.

E. Debt Service Requirements

Future principal and interest payments on the Bonds are as follows:

Year ending June 30	Principal	Interest
2011	\$670,000	\$1,030,038
2012	695,000	1,005,116
2013	725,000	978,887
2014	745,000	951,216
2015	775,000	923,231
2016-2020	4,355,000	4,123,581
2021-2025	3,780,000	3,232,639
2026-2030	4,280,000	2,373,423
2031-2035	5,350,000	1,293,692
2036-2037	2,505,000	149,077
	\$23,880,000	\$16,060,900

NOTE 6 - NET ASSETS

A. Net Assets

Net Assets are divided into two captions and are described below:

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include debt service requirements.

Unrestricted describes the portion of Net Assets which is not restricted as to use.