

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of 2007 Payments designated as and comprising interest and received by the owners of the 2007 Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

**\$53,695,000**

## **WATER UTILITY REVENUE CERTIFICATES OF PARTICIPATION**

### **SERIES 2007**

**Evidencing and Representing Proportionate Interests of the  
Registered Owners Thereof in Installment Payments**

**to be made by the**

**CITY OF ROSEVILLE, CALIFORNIA**

**Dated:** Date of Delivery

**Due:** December 1, as shown on the inside cover

The captioned certificates of participation (the "2007 Certificates") evidence and represent proportionate interests of the Owners thereof in installment payments (the "2007 Payments"), which include principal and interest components, to be made by the City of Roseville, California (the "City") under a Master Installment Purchase Contract (the "Master Contract"), as supplemented by a 2007 Supplemental Installment Purchase Contract, each dated as of November 1, 2007 (as so supplemented, the "Installment Purchase Contract"), each between the City and the Roseville Finance Authority (the "Authority"). The 2007 Certificates are being executed and delivered under a Trust Agreement, dated as of November 1, 2007 (the "Trust Agreement"), between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee") to provide funds, together with other available funds of the City, to (i) finance certain capital improvements to the City's Water Utility System (the "2007 Project"), (ii) prepay certain prior installment payment obligations of the City relating to the City's Water Utility System, (iii) fund a Parity Reserve Fund, and (iv) pay certain costs incurred in connection with the execution and delivery of the 2007 Certificates.

The obligation of the City to make the 2007 Payments is a special obligation of the City payable from Net Revenues of the City's Water Utility System and certain funds and accounts created under the Installment Purchase Contract and the Trust Agreement. Under the Installment Purchase Contract, the City may issue additional bonds, notes or other obligations secured on parity with the 2007 Payments. See "SECURITY FOR THE 2007 Certificates - Parity Obligations."

The 2007 Certificates are subject to optional and mandatory prepayment prior to maturity as described herein. See "THE 2007 Certificates - Prepayment Provisions."

The 2007 Certificates will be initially delivered in denominations of \$5,000 or any integral multiple thereof only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the 2007 Certificates. Interest and principal represented by the 2007 Certificates are payable by the Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Series 2007 Certificates. See "APPENDIX F - DTC and the Book-Entry Only System." Interest with respect to the 2007 Certificates will be payable on June 1 and December 1 of each year, commencing June 1, 2008.

The obligation of the City to make the 2007 Payments does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City, the State of California or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the State of California or any political subdivision thereof levied or pledged any form of taxation.

The scheduled payments of principal of and interest evidenced by the 2007 Certificates when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the 2007 Certificates by MBIA Insurance Corporation. See "CERTIFICATE INSURANCE POLICY" and "APPENDIX G - Specimen Certificate Insurance Policy."



This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See "Certificate OWNERS' RISKS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2007 Certificates.

The 2007 Certificates will be offered when, as and if executed and delivered and received by the Underwriters, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, California, Special Counsel. In addition, certain legal matters will be passed upon for the City and the Authority by the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California is also serving as Disclosure Counsel. Hawkins Delafield & Wood LLP, San Francisco, California is serving as counsel to the Underwriters. It is anticipated that the 2007 Certificates in definitive form will be available for delivery through the facilities of DTC on or about November 6, 2007.

**MORGAN STANLEY**

**CITI**

Dated: October 16, 2007

# MATURITY SCHEDULE

<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <u>(777876)</u>
2008	\$1,650,000	4.00%	3.28%	AQ6
2009	1,720,000	4.00	3.33	AR4
2010	1,790,000	4.00	3.40	AS2
2011	1,870,000	5.00	3.47	AT0
2012	1,965,000	4.75	3.54	AU7
2013	2,065,000	5.00	3.61	AV5
2014	2,170,000	5.00	3.69	AW3
2015	2,280,000	5.00	3.78	AX1
2016	2,395,000	5.00	3.87	AY9
2017	2,520,000	5.00	3.96	AZ6
2018	2,640,000	4.50	4.08 <sup>c</sup>	BA0
2019	2,770,000	5.00	4.16 <sup>c</sup>	BB8
2020	2,915,000	5.00	4.21 <sup>c</sup>	BC6
2021	3,060,000	5.00	4.26 <sup>c</sup>	BD4
2022	3,220,000	5.00	4.30 <sup>c</sup>	BE2
2023	3,380,000	4.75	4.44 <sup>c</sup>	BF9
2024	3,545,000	4.75	4.48 <sup>c</sup>	BG7
2025	3,720,000	5.00	4.40 <sup>c</sup>	BH5
2026	3,910,000	5.00	4.43 <sup>c</sup>	BJ1
2027	4,110,000	5.00	4.46 <sup>c</sup>	BK8

<sup>c</sup> – Priced to call at par on December 1, 2017

---

<sup>†</sup> Copyright 2007, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City, the Authority nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

## **ROSEVILLE FINANCE AUTHORITY**

### **CITY OF ROSEVILLE**

#### **CITY COUNCIL AND AUTHORITY OFFICERS**

Jim Gray, Mayor/Chairperson  
Gina Garbolino, Mayor pro tem/Vice-Chairperson  
Richard Roccucci, Councilmember/Boardmember  
Carol Garcia, Councilmember/Boardmember  
John Allard, Councilmember/Boardmember

#### **CITY AND AUTHORITY STAFF**

W. Craig Robinson, City Manager/Executive Director  
Russ Branson, Administrative Services Director/Treasurer  
Derrick Whitehead, Director of Environmental Utilities  
Brita Bayless, City Attorney  
Sonia Orozco, City Clerk

---

#### **SPECIAL COUNSEL**

Jones Hall, A Professional Law Corporation  
San Francisco, California

#### **TRUSTEE**

The Bank of New York Trust Company, N.A.  
Los Angeles, California

#### **FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Seattle, Washington

#### **VERIFICATION AGENT**

Causey, Demgen & Moore  
Denver, Colorado

#### **DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
San Francisco, California

## **GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT**

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the 2007 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2007 Certificates.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the City in any press release and in any oral statement made with the approval of an authorized officer of the City or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project”, “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City or any other entity described or referenced herein since the date hereof.

The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

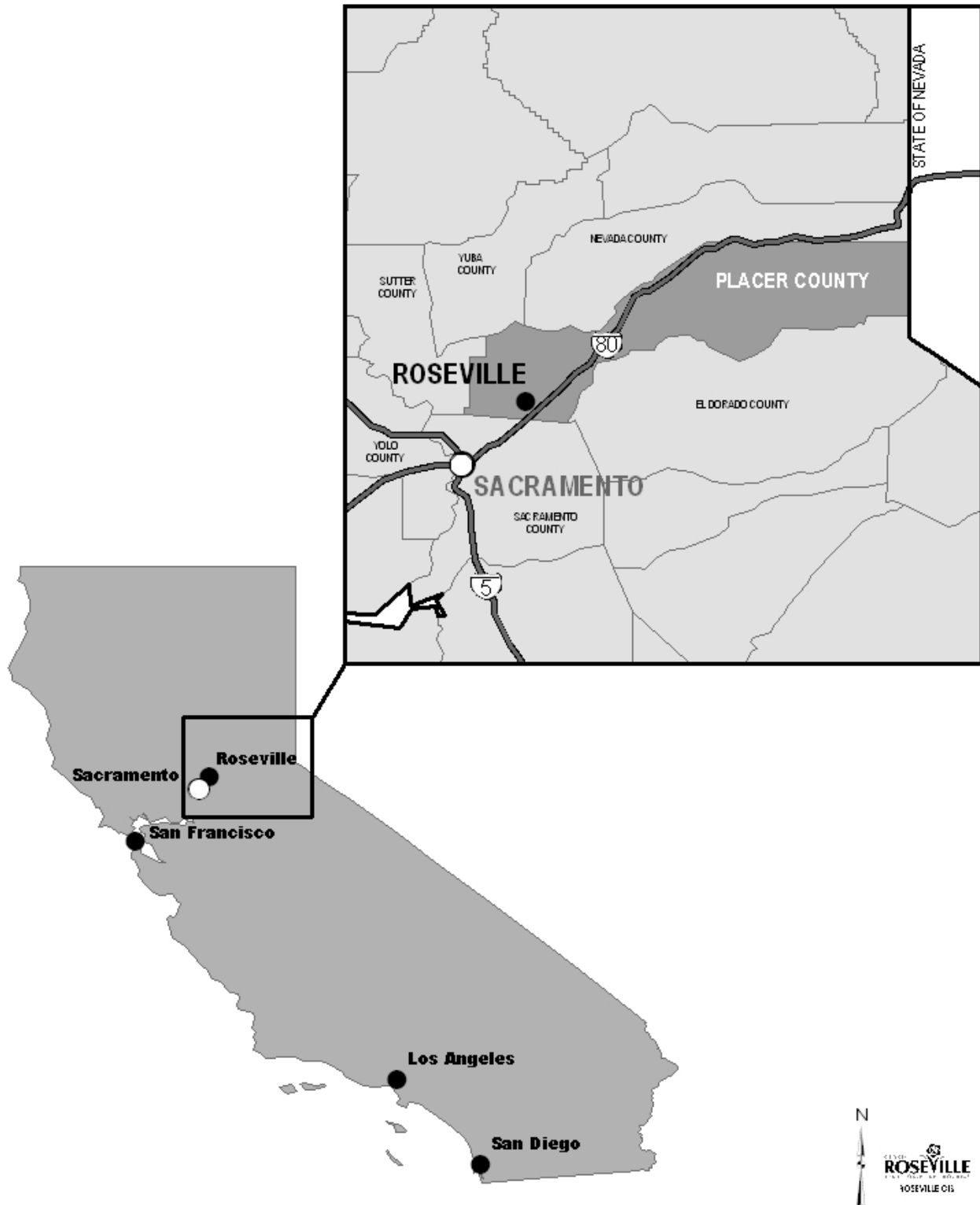
**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the 2007 Certificates other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2007 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Involvement of Underwriters.** The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**Stabilization of Prices.** In connection with this offering, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the 2007 Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2007 Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

THE 2007 CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2007 CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

## *REGIONAL LOCATION MAP*



[THIS PAGE INTENTIONALLY LEFT BLANK]

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION .....	1	Five-Year Capital Investment Program .....	21
General .....	1	Service Demand .....	23
The Water Utility System .....	2	WATER UTILITY SYSTEM FINANCES .....	24
Security for the 2007 Certificates .....	2	Financial Statements .....	24
Miscellaneous .....	3	Revenues .....	24
Forward Looking Statements .....	3	Water Sales, Billings and Collections .....	24
THE FINANCING PLAN .....	4	Rates and Charges in General .....	26
The Project .....	4	Water Rates and Charges .....	27
The Refunding Plan .....	4	Historical and Current Water Rates .....	28
Estimated Sources and Uses of Proceeds ..	5	Outstanding Water Utility System	
THE 2007 CERTIFICATES .....	6	Obligations .....	28
General .....	6	Historical Revenues, Expenditures and	
Prepayment Provisions .....	6	Debt Service Coverage .....	29
Installment Payment Schedule .....	7	Projected Revenues, Expenditures and	
SECURITY FOR THE 2007 CERTIFICATES ....	8	Debt Service Coverage .....	31
2007 Installment Payments .....	8	Insurance .....	31
Pledge of Net Revenues .....	8	Investment Policy .....	32
Rate Covenant .....	9	CERTIFICATE OWNERS' RISKS .....	34
Parity Reserve Fund .....	10	CONSTITUTIONAL AND STATUTORY	
Flow of Funds .....	11	LIMITATIONS .....	36
Parity Obligations .....	13	Article XIII B of the California Constitution .	36
CERTIFICATE INSURANCE POLICY .....	14	Proposition 218 .....	36
The MBIA Insurance Corporation		Future Initiatives .....	38
Insurance Policy .....	14	LEGAL MATTERS .....	38
MBIA Insurance Corporation .....	15	Certain Legal Matters .....	38
Regulation .....	15	Tax Matters .....	39
Financial Strength Ratings of MBIA .....	15	Absence of Litigation .....	40
MBIA Financial Information .....	16	CONCLUDING INFORMATION .....	40
Incorporation of Certain Documents by		Ratings .....	40
Reference .....	16	Underwriting .....	40
THE WATER UTILITY SYSTEM .....	18	Continuing Disclosure .....	41
General .....	18	Verification of Mathematical Accuracy .....	41
Water Supply .....	18	Financial Advisor .....	41
Existing Facilities .....	21	Miscellaneous .....	42
APPENDIX A - GENERAL INFORMATION REGARDING THE CITY OF ROSEVILLE			
APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS			
APPENDIX C - FORM OF OPINION OF SPECIAL COUNSEL			
APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE			
APPENDIX E - AUDITED FINANCIAL STATEMENTS FOR THE CITY			
FOR THE FISCAL YEAR ENDED JUNE 31, 2006			
APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM			
APPENDIX G - SPECIMEN CERTIFICATE INSURANCE POLICY			

[THIS PAGE INTENTIONALLY LEFT BLANK]



---

## OFFICIAL STATEMENT

---

**\$53,695,000**  
**CITY OF ROSEVILLE, CALIFORNIA**  
**WATER UTILITY REVENUE CERTIFICATES OF PARTICIPATION**  
**SERIES 2007**

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the sale, execution and delivery by the Roseville Finance Authority (the "Authority"), on behalf of the City of Roseville (the "City") of the Water Utility Revenue Certificates of Participation, Series 2007 (the "2007 Certificates") described herein.

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein shall have the meaning set forth in the Trust Agreement and Installment Purchase Contract.*

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2007 Certificates to potential investors is made only by means of the entire Official Statement.*

### General

The 2007 Certificates evidence and represent proportionate interests of the Owners thereof in installment payments (the "2007 Payments"), which include principal and interest components, to be made by the City of Roseville, California under a Master Installment Purchase Contract (the "Master Contract"), as supplemented by a 2007 Supplemental Installment Purchase Contract, each dated as of November 1, 2007 (as so supplemented, the "Installment Purchase Contract"), each between the City and the Roseville Finance Authority. The 2007 Certificates are being executed and delivered under a Trust Agreement, dated as of November 1, 2007 (the "Trust Agreement"), between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee") to provide funds, together with other available funds of the City, to (i) finance certain capital improvements (the "2007 Project") to the City's potable water system, (ii) prepay the 1997 Certificates (as defined herein), (iii) fund a Parity

Reserve Fund and (iv) pay certain costs incurred in connection with the execution and delivery of the 2007 Certificates.

The 2007 Certificates are being executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest will accrue on the principal components of each 2007 Certificate at the applicable interest rate (as set forth on the inside cover hereof) from its date of delivery until its date of maturity or prior prepayment, with interest becoming payable on each June 1 and December 1, commencing June 1, 2008. The 2007 Certificates are subject to prepayment as described herein. See "THE 2007 CERTIFICATES – Prepayment Provisions."

In connection with the execution and delivery of the 2007 Certificates, the City will arrange for MBIA Insurance Corporation (the "Insurer") to deliver its financial guaranty insurance policy (the "Certificate Insurance Policy"). The Certificate Insurance Policy will guarantee the scheduled payment when due of the principal (but not redemption premium or purchase price) and interest with respect to the 2007 Certificates. See "CERTIFICATE INSURANCE POLICY" and "APPENDIX G –SPECIMEN CERTIFICATE INSURANCE POLICY."

### **The Water Utility System**

The Water Utility System provides potable water service to almost all of the residential, commercial and industrial consumers located within the incorporated area of the City. The City owns, operates and maintains the Water Utility System, which is the primary retail provider of water service in the City. For fiscal year 2006-07, the Water Utility System had 36,541 active accounts and delivered in excess of 33,000 acre feet of water to an estimated City population of approximately 106,200 people. See "THE WATER UTILITY SYSTEM."

### **Security for the 2007 Certificates**

*Installment Payments.* The 2007 Certificates evidence and represent proportionate interests of the Owners thereof in the 2007 Payments, which include principal and interest components, to be made by the City under the Installment Purchase Contract. The 2007 Certificates are being executed and delivered under the Trust Agreement, and the Authority has assigned to the Trustee, for the benefit of the owners of the 2007 Certificates, certain of its rights, title and interest in and to the Installment Purchase Contract, including the right to receive 2007 Payments and the right to enforce payment of 2007 Payments when due.

*Net Revenues.* In the Installment Purchase Contract, the City has pledged Net Revenues of the City's Water Utility System (the "Water Utility System" as defined in the Installment Purchase Contract) to the payment of the 2007 Certificates and any Parity Obligations (as defined herein). The Installment Purchase Contract requires the City to make installment payments to the Trustee which, in the aggregate, are sufficient for the payment in full of all principal and interest evidenced by the 2007 Certificates when due, or upon the earlier redemption thereof. See "SECURITY FOR THE 2007 CERTIFICATES."

*Parity Obligations.* Under the Installment Purchase Contract, the City may issue additional bonds, notes or other obligations payable from Net Revenues on parity with the 2007 Payments ("Parity Obligations," as defined in the Installment Purchase Contract), subject to certain conditions. See "SECURITY FOR THE 2007 CERTIFICATES - Parity Obligations."

*Reserve Fund.* Pursuant to the Trust Agreement, the Trustee will establish and maintain a reserve fund (the "Parity Reserve Fund, as described herein) so long as the Installment Purchase Contract has not been discharged or any Certificates remain Outstanding. A portion of

the proceeds of the 2007 Certificates will be deposited in the Parity Reserve Fund in an amount equal to the Reserve Fund Requirement (described herein). See "SECURITY FOR THE 2007 CERTIFICATES - Parity Reserve Fund."

*Rate Covenant.* Pursuant to the Master Contract, the City covenants that it will fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield (a) Adjusted Annual Net Revenues for such Fiscal Year equal to at least 120% of the Adjusted Annual Debt Service for such Fiscal Year and (b) Adjusted Annual Revenues for such Fiscal Year equal to at least one hundred percent (100%) of: (i) the Adjusted Annual Debt Service on all Parity Obligations for such Fiscal Year, plus (ii) all debt service for such Fiscal Year on all Subordinate Obligations, plus (iii) Maintenance and Operation Costs for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Adjusted Annual Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the foregoing requirements. See "SECURITY FOR THE 2007 CERTIFICATES – Rate Covenant."

## **Miscellaneous**

This Official Statement contains brief descriptions of, among other things, the Water Utility System, the City, the 2007 Certificates, the Installment Purchase Contract and the Trust Agreement. The descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the 2007 Certificates are qualified in their entirety by reference to the form of 2007 Certificate included in the Trust Agreement. During the offering period for the 2007 Certificates, copies of the forms of the Trust Agreement and other documents described in this Official Statement may be obtained at the principal offices of the Underwriter. Copies of these documents may be obtained from the Trustee or the City after delivery of the 2007 Certificates.

Capitalized terms not otherwise defined herein have the meaning given to them in the Trust Agreement. See "APPENDIX B – Summary of Principal Legal Documents."

## **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE WATER UTILITY SYSTEM" and "WATER UTILITY SYSTEM FINANCES."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## THE FINANCING PLAN

### The 2007 Project

The City expects to use a portion of the net proceeds of the 2007 Certificates to finance the acquisition and/or construction of certain capital improvements and additions to the City's Water Utility System (the "2007 Project"). The following table summarizes the City's long-range projection of capital improvements (the "Master Plan") to the system. The 2007 Project will comprise certain of the improvements and additions shown in the Master Plan. See also, "THE WATER UTILITY SYSTEM – Five-Year Capital Investment Program."

<b>Project Components FY 2007-08 through FY 2034-35</b>	<b>Cost (in millions)</b>
<u>Regional Projects</u>	
Sacramento River Water Reliability Project	\$ 9.6
Treat/Supply/Pipeline Capacity	8.0
Folsom Pipeline	5.0
Other Regional Projects <sup>(1)</sup>	3.3
<u>Storage Projects</u>	
West Side Tank (6 mg) and Pumpstation	23.4
NE Reservoir Replacement (1.25 mgd)	5.6
Stoneridge Tank (3 mg)	5.1
<u>Other Projects</u>	
Other Groundwater Projects <sup>(1)</sup>	20.8
Other Pipeline Projects <sup>(1)</sup>	3.1
Other Treatment Projects <sup>(1)</sup>	3.9
<b>Total Water Utility System Master Plan</b>	<b>\$87.8</b>

(1) Other projects include projects less than \$5M each.

Source: City of Roseville.

The proceeds of the 2007 Certificates deposited in the City's Improvement Fund, together with interest earnings thereon prior to expenditure, will be used to pay the costs of acquisition, construction and installation of the 2007 Project. The City expects to use available moneys as well as connection fee revenues to complete the improvements listed above which are not financed from proceeds of the 2007 Certificates. Payment of the 2007 Payments is not conditioned upon the completion of the 2007 Project or any portion thereof.

### The Refunding Plan

The City has previously delivered Water Utility Revenue Certificates of Participation, Series 1997 in the principal amount of \$33,000,000 (the "1997 Certificates") under a Trust Agreement, dated as of September 1, 1997 (the "1997 Trust Agreement") between the Authority and First Trust of California, National Association, as succeeded by The Bank of New York Trust Company, N.A., as trustee (the "1997 Trustee"). The 1997 Certificates are currently outstanding in the principal amount of \$23,345,000. The City will apply a portion of the proceeds from the delivery of the 2007 Certificates, together with certain other available moneys, to establish an escrow fund to prepay the 1997 Certificates in full as a current refunding.

Upon delivery of the 2007 Certificates, the City and the 1997 Trustee will enter into Irrevocable Refunding Instructions (the "Escrow Instructions"). Under the Escrow Instructions, the 1997 Trustee will establish the Escrow Fund, and the amounts deposited in the Escrow Fund will be invested by the 1997 Trustee in Federal securities (the "Escrow Securities"), the principal of and interest on which, when received, will be sufficient to pay principal and interest on the 1997 Certificates through December 1, 2007 and to prepay the 1997 Certificates on December 1, 2007 at a prepayment price equal to 101% of the principal amount of the 1997 Certificates, plus accrued interest to the prepayment date.

The sufficiency of the amounts deposited with the 1997 Trustee under the Escrow Agreement to prepay the principal of, interest represented by and premium on the 1997 Certificates will be verified by Causey, Demgen and Moore, Denver, Colorado. Neither the Escrow Securities nor the interest thereon will be available for the payment of the 2007 Certificates. As a result of the deposit and application of the funds provided in the Escrow Instructions, the lien of the 1997 Certificates on the Net Revenues will be defeased and discharged. See also "CONCLUDING INFORMATION – Verification of Mathematical Accuracy."

### **Estimated Sources and Uses of Proceeds**

The table below sets forth the estimated sources and uses of proceeds and other moneys available for the refunding of the 1997 Certificates.

#### Sources of Funds

Par Amount of 2007 Certificates	\$53,695,000.00
Plus: Original Issue Premium	2,759,170.10
Funds Available From 1997 Certificates	<u>2,665,709.95</u>
 Total Sources	 \$59,119,880.05

#### Uses of Funds

Delivery Costs <sup>(1)</sup>	\$ 636,396.47
Deposit in Escrow Fund	24,265,621.08
Deposit to Improvement Fund	30,000,000.00
Deposit to Reserve Fund	<u>4,217,862.50</u>
 Total Uses	 \$59,119,880.05

---

(1) Includes legal, financial advisory, rating agency, printing, bond insurance premium, Underwriters' discount and other miscellaneous delivery costs.

## THE 2007 CERTIFICATES

### General

The Certificates will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2007 Certificates. Ownership interests in the 2007 Certificates may be purchased, in denominations of \$5,000 or any integral multiple thereof, in book-entry form only. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The principal evidenced and represented by the 2007 Certificates will be payable on the dates and in the amounts, and the 2007 Certificates will evidence and represent interest at the rates, all as set forth on the cover page of this Official Statement. The Certificates will be dated their date of delivery. Interest evidenced and represented by the 2007 Certificates will be computed on the basis of a 360-day year of twelve 30-day months and will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2008 (each such date an "Interest Payment Date").

### Prepayment Provisions

*Optional Prepayment.* The Certificates with a Certificate Payment Date on or after December 1, 2018 are subject to optional prepayment prior to their respective stated Certificate Payment Dates, upon notice as provided in the Trust Agreement, from prepayments of 2007 Payments made by the City pursuant to the Installment Purchase Contract, as a whole or in part (from such Certificate Payment Dates or Sinking Fund Payment Dates as are designated by the Authority to the Trustee at the direction of the City or, if the Authority fails to designate such Certificate Payment Dates, in inverse order of Certificate Payment Date and by lot within a Certificate Payment Date) on any date on or after December 1, 2017, at the principal amount of Certificates called for prepayment, plus accrued interest to the prepayment date, without premium.

At any time prior to giving notice of such prepayment, the Trustee may apply moneys in the Sinking Fund Subaccount to the purchase of Term Certificates at public or private sale, as and when and at such prices (including brokerage and other charges) as directed in writing by the Authority, except that the purchase price shall not exceed the prepayment price that would be payable for Term Certificates upon prepayment by application of such Sinking Fund Payment. If, during the 12-month period immediately preceding said Sinking Fund Payment date, the Trustee has purchased Term Certificates with moneys in the Sinking Fund Subaccount, or, during said period and prior to giving said notice of prepayment, the City or the Authority has deposited Term Certificates with the Trustee (together with a request of the Authority or the City to apply such Certificates so deposited to the Sinking Fund Payment due on said Sinking Fund Payment date), or Term Certificates were at any time purchased or prepaid by the Trustee from the Prepayment Account and allocable to said Sinking Fund Payment, such Certificates so purchased, deposited, or prepaid shall be applied, to the extent of the full principal amount evidenced and represented thereby, to reduce said Sinking Fund Payment.

## Installment Payment Schedule

Following is the annual schedule of 2007 Payments, assuming no optional redemption.

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total 2007 Installment Payments</b>
2008	--	\$1,479,260	\$1,479,260
2009	\$1,650,000	2,564,725	4,214,725
2010	1,720,000	2,497,325	4,217,325
2011	1,790,000	2,427,125	4,217,125
2012	1,870,000	2,344,575	4,214,575
2013	1,965,000	2,251,156	4,216,156
2014	2,065,000	2,152,863	4,217,863
2015	2,170,000	2,046,988	4,216,988
2016	2,280,000	1,935,738	4,215,738
2017	2,395,000	1,818,863	4,213,863
2018	2,520,000	1,695,988	4,215,988
2019	2,640,000	1,573,588	4,213,588
2020	2,770,000	1,444,938	4,214,938
2021	2,915,000	1,302,813	4,217,813
2022	3,060,000	1,153,438	4,213,438
2023	3,220,000	996,438	4,216,438
2024	3,380,000	835,663	4,215,663
2025	3,545,000	671,194	4,216,194
2026	3,720,000	494,000	4,214,000
2027	3,910,000	303,250	4,213,250
2028	4,110,000	102,750	4,212,750
<b>Totals</b>	<b>\$53,695,000</b>	<b>\$32,092,673*</b>	<b>\$85,787,673*</b>

\* Total may not balance due to rounding.

## **SECURITY FOR THE 2007 CERTIFICATES**

### **2007 Payments**

Pursuant to the Trust Agreement, the Authority transfers, assigns and sets over to the Trustee all of the 2007 Payments and any and all rights and privileges it has under the Installment Purchase Contract with respect to the 2007 Certificates, including, without limitation, the right to collect and receive directly all of the 2007 Payments and the right to hold and enforce any security interest.

The 2007 Payments under the Installment Purchase Contract represent the purchase price of the 2007 Project, which the Authority is selling to the City. The obligation of the City to pay the 2007 Payments is, subject to the provisions of the Master Contract relating to defeasance, absolute and unconditional, and until such time as the 2007 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Master Contract), the City will not discontinue or suspend any 2007 Payments required to be paid by it under the Installment Purchase Contract when due, whether or not the Water Utility System or any part thereof (including the Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments are not subject to reduction whether by offset, abatement or otherwise and are not conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever. Notwithstanding anything contained in the Installment Purchase Contract, however, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the 2007 Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Contract.

"Water Utility System" is defined under the Master Contract to mean (i) all property rights, contractual rights and facilities of the City relating to potable water, including all facilities, properties, structures or works for the treatment, conservation, storage, transmission and distribution of potable water now owned by the City; and (ii) all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

### **Pledge of Net Revenues**

Pursuant to the Master Contract, all Net Revenues of the Water Utility System are irrevocably pledged to the payment of the 2007 Payments and all other Parity Obligations, and the Net Revenues of the Water Utility System may not be used for any other purpose while any of the 2007 Payments remain unpaid; provided, however, that out of Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Contract. Such pledge constitutes a first pledge of and charge and lien upon the Net Revenues of the Water Utility System for the payment of the amounts due with respect to the Contracts and all other Parity Obligations in accordance with the terms of the Installment Purchase Contract.

"Net Revenues" is defined under the Master Contract to mean, for any Fiscal Year or any designated 12-month period in question, the Revenues during such Fiscal Year or 12-month period less the Maintenance and Operation Costs during such Fiscal Year or 12-month period.



"Revenues" is defined under the Master Contract to mean all gross income and revenue received or receivable by the City from the ownership or operation of the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including all Connection Fees, contributions in aid of construction, and charges and standby water availability charges legally available for debt service) received by the City for the Water Service and the other services of the Water Utility System and all net proceeds of insurance covering business interruption loss relating to the Water Utility System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water Utility System or arising from the Water Utility System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Revenue Fund or, to the extent deposited in the Revenue Fund, in the Parity Reserve Fund, but excluding in all cases any proceeds of taxes, any refundable deposits made to establish credit and advances, and customer Water Meter Retrofit Surcharges. "Water Meter Retrofit Surcharges" consist of amounts billed to residential customers to finance the Water Meter Retrofit Program adopted by the City Council to comply with the federal Central Valley Project Improvement Act of 1992 requiring all water use by Central Valley Project contractors to be metered. The City required water meters to be installed with homes built after 1992 and the surcharge covers the cost of meter retrofit installation by the City on residences built prior to 1993.

"Maintenance and Operation Costs" is defined under the Master Contract to mean the costs paid or incurred by the City for maintaining and operating the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water Utility System in good repair and working order, (b) all costs of water purchased by the City, (c) all letter of credit and remarketing fees, (d) all administrative costs of the City that are charged directly or apportioned to the operation of the Water Utility System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, payments into pension funds, and (e) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Installment Purchase Contract or of any resolution authorizing the execution of any Parity Obligation or of such Parity Obligation, such as compensation, reimbursement and indemnification of the trustee or remarketing agent for any such Parity Obligation and fees and expenses of Independent Certified Public Accountants and Independent Engineers, but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense, (3) amounts paid from funds of the City other than Revenues, (4) in-lieu transfers to the City's general fund, and (5) costs paid or incurred in connection with the Water Meter Retrofit Program (described in the preceding paragraph).

### **Rate Covenant**

Pursuant to the Master Contract, the City covenants that it will fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield (a) Adjusted Annual Net Revenues for such Fiscal Year equal to at least 120% of the Adjusted Annual Debt Service for such Fiscal Year and (b) Adjusted Annual Revenues for such Fiscal Year equal to at least one hundred percent (100%) of: (1) Maintenance and Operation Costs for such Fiscal Year, plus (2) the Adjusted Annual Debt Service on all Parity Obligations for such Fiscal Year, plus all debt service for such Fiscal Year on all Subordinate Obligations. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the

Adjusted Annual Revenues from such reduced rates, fees and charges will be sufficient to meet the requirements of this paragraph.

"Adjusted Annual Net Revenues" is defined under the Master Contract to mean, for any Fiscal Year or any designated 12-month period in question, the Adjusted Annual Revenues during such Fiscal Year or 12-month period less the Maintenance and Operation Costs during such Fiscal Year or 12-month period.

"Adjusted Annual Revenues" is defined under the Master Contract to mean, for any Fiscal Year or any designated twelve (12) month period in question, the Revenues during such Fiscal Year or twelve (12) month period plus, for the purposes of determining compliance with the rate covenant only, the amounts transferred from the Rate Stabilization Fund (if a Rate Stabilization Fund has been established) to the Revenue Fund during such period, minus, for the purposes of determining compliance with the rate covenant only, earnings from the investments in the Parity Reserve Fund that are deposited in the Revenue Fund in such Fiscal Year or twelve (12) month period.

"Adjusted Annual Debt Service" means, for any Fiscal Year or any designated twelve (12) month period in question, the Annual Debt Service for such Fiscal Year or twelve (12) month period minus the sum of (i) for the purposes of compliance with the rate covenant only, the earnings from the investments in the Parity Reserve Fund deposited in the Revenue Fund in such Fiscal Year or twelve (12) month period, and (ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon, all as set forth in a Certificate of the City.

"Annual Debt Service" is generally defined under the Master Contract to mean, for any Fiscal Year or any designated 12-month period in question, the payments required to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided, that for purposes of determining compliance with the rate covenant described above, the Reserve Fund Requirement and conditions for the execution of Parity Obligations, certain additional provisions are applicable as described in "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The City's ability to comply with the foregoing rate covenant may be limited by recent amendments to the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS – Proposition 218."

### **Parity Reserve Fund**

Pursuant to the Trust Agreement, the Trustee will establish and maintain the Parity Reserve Fund so long as the Installment Purchase Contract has not been discharged or any Certificates remain Outstanding. A portion of the proceeds of the Certificates will be deposited in the Parity Reserve Fund in an amount equal to the Reserve Fund Requirement.

"Reserve Fund Requirement" is defined under the Master Contract to mean, as of any date of any Parity Obligation and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) 10% of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) 125% of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that in no event shall the City, in connection with the issuance of any particular series of Parity Obligations, be obligated to deposit an amount in the Parity Reserve Fund which is in excess of the amount permitted by the

applicable provisions of the Code to be so deposited from the proceeds of tax-exempt obligations without having to restrict the yield of any investment purchased with any portion of such deposit and, that in the event such amount of any deposit into the Parity Reserve Fund is so limited, the Reserve Fund Requirement shall, in connection with the issuance of such additional obligations, be increased only by the amount of such deposit.

The Reserve Fund Requirement may be recalculated in connection with the issuance of any Parity Obligation and all or part of the Reserve Fund Requirement may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa2" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) assigned to any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time, obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition shall no longer maintain such ratings as required in accordance with the immediately preceding sentence, the City shall provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements. In the event that such a bond insurance policy or surety bonds or letter of credit is available to be drawn upon for only one or more particular series of Parity Obligations, a separate subaccount in the Reserve Fund may be established for such series and the calculation of the Reserve Requirement with respect to all other Parity Obligations shall exclude the debt service on such series of Parity Obligations.

Moneys on deposit in the Parity Reserve Fund will be transferred by the Trustee to the Debt Service Fund to pay principal and interest evidenced and represented by the Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable revenue fund established under a trust agreement under which any obligations are issued in connection with a supplement to the Installment Purchase Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a supplement to the Installment Purchase Contract. Following the valuation of investments in the Parity Reserve Fund on each December 1 as set forth in the Trust Agreement, all moneys on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement will be transferred by the Trustee to the City for deposit in the Revenue Fund.

### **Flow of Funds**

The City agrees and covenants in the Master Contract that all Revenues it receives will be deposited when and as received in the Revenue Fund, which the City is required to establish and maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid. The City will pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Revenue Fund

as they become due and payable, and all remaining money on deposit in the Revenue Fund will be set aside and deposited by the City at the following times in the following order of priority:

(1) *Parity Obligation Payment Fund Deposits.* On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation, the City will, from the money in the Revenue Fund, deposit in the Parity Obligation Payment Fund a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on the next succeeding due date plus the net payments due on all Parity Payment Agreements on such next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation at least one Business Day prior to such next applicable due date.

(2) *Parity Reserve Fund Deposits.* On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Revenue Fund, transfer or cause to be transferred to the applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded, without preference or priority between transfers made in accordance with this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

After making the foregoing deposits and transfers, the City may apply any remaining money in the Revenue Fund for any lawful purpose of the City, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations.

The City does not currently use or maintain a Rate Stabilization Fund, however, pursuant to the Master Contract, the City may elect to establish and maintain a Rate Stabilization Fund so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Revenues. Notwithstanding the foregoing, no Revenues will be deposited in a Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with the rate covenant set forth in the Master Contract contained in the Master Contract and deduction of the amounts, if any, to be deposited in a Rate Stabilization Fund would have caused noncompliance with such rate covenant.

## Parity Obligations

The City may at any time execute any Parity Obligations the payments under and pursuant to which are payable from the Net Revenues on a parity with the Payments due under all Supplemental Contracts; provided no Event of Default shall be outstanding and there shall be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to one-hundred twenty percent (120%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; provided, that for the purpose of providing this Certificate, the City may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(i) An allowance for Net Revenues that would have been derived from each new connection to the Water Utility System that was made prior to the execution of such Parity Obligations but which, during all or any part of said twelve (12) month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such connection if it had been made prior to the beginning, of said twelve (12) month period, and

(ii) An allowance for Net Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the execution of such Parity Obligations but which, during all or any part of said twelve (12) month period, was not in effect, in an amount equal to the estimated additional Net Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said twelve (12) month period; or

(2) A Certificate of the City showing that the Adjusted Annual Net Revenues for the Fiscal Year next following the end of the period during which interest on the Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligations proposed to be executed are executed, will be at least equal one hundred twenty percent (120%) of the Maximum Annual Debt Service; provided, that for the purpose of providing such Certificate of the City, the City may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(i) An allowance for Net Revenues that would have been derived from any increase in the rates, fees and charges prescribed for Water Service in effect and being charged, or rates, fees and charges for Water Service that are expected to be charged in accordance with a program of specific rates, fees, charges, rate levels or increases in overall Net Revenue approved by a resolution or ordinance of the City Council; and

(ii) An allowance for Net Revenues from customers of the Water Utility System anticipated to be served by the facilities or improvements financed in substantial part by the Parity Obligations proposed to be executed together with any additional Parity Obligations expected to be executed prior to the Fiscal Year of determination.

Notwithstanding the foregoing, the Master Contract specifies that there shall be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any outstanding Parity Obligation.

## **CERTIFICATE INSURANCE POLICY**

*The following information has been furnished by the Insurer for use in this Official Statement. No representation is made by the City or the Underwriter as to the accuracy or completeness of such information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX G for a specimen of the Insurer's policy.*

### **The MBIA Insurance Corporation Insurance Policy**

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix G for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "CERTIFICATE INSURANCE POLICY". Additionally, MBIA makes no representation regarding the Insured 2007 Certificates or the advisability of investing in the Insured 2007 Certificates.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Fiscal Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity under a mandatory sinking fund payment) and interest on, the Insured 2007 Certificates as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity under a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Insured 2007 Certificates under a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Insured 2007 Certificates. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Insured 2007 Certificates upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Insured 2007 Certificates resulting from the insolvency, negligence or any other act or omission of the Fiscal Agent or any other fiscal agent for the Insured 2007 Certificates.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Fiscal Agent or any owner of a Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Insured 2007 Certificates or presentment of such other proof of ownership of the Insured 2007 Certificates, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured 2007 Certificates as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Insured 2007 Certificates in any legal proceeding related to payment of insured amounts on the Insured 2007 Certificates, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Fiscal Agent payment of the insured amounts due on such Insured 2007 Certificates, less any amount held by the Fiscal Agent for the payment of such insured amounts and legally available therefor.

### **MBIA Insurance Corporation**

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

### **Regulation**

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### **Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Insured 2007 Certificates, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Insured 2007 Certificates. MBIA does not guaranty the market price of the Insured 2007 Certificates nor does it guaranty that the ratings on the Insured 2007 Certificates will not be revised or withdrawn.

### **MBIA Financial Information**

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2007, MBIA had admitted assets of \$10.8 billion (unaudited), total liabilities of \$6.8 billion (unaudited), and total capital and surplus of \$4.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2007 and for the six month periods ended June 30, 2007 and June 30, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

### **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the Securities and Exchange Commission (the “SEC”) are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent



Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Insured 2007 Certificates offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2007 and June 30, 2007 are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

## THE WATER UTILITY SYSTEM

### General

The City has owned, operated and maintained its own water system since its purchase in the early 1930's of a private water company then operating within the City. The Water Utility System serves approximately 33 square miles in Placer County, providing potable water service to almost all residential, commercial and industrial consumers located within the incorporated area of the City. The Water Utility System is the only retail provider of water service to consumers in the City, except for the San Juan Suburban Water District which serves approximately 300 customers in the southeast section of the City, and Placer County Water Agency which serves approximately 700 customers in the east section of the City.

The City's Environmental Utilities Department is responsible for the operation and maintenance of the Water Utility System, as well as the City's wastewater, solid waste and recycled water systems. For Fiscal Year 2007-08, the expenditure budget of the Environmental Utilities Department allocated to the Water Utility System is approximately \$-36 million (\$19 million for operations and maintenance, \$12 million for construction projects and \$5 million for rehabilitation projects). There are presently 52 full-time Environmental Utilities Department personnel dedicated to the operation and maintenance of the Water Utility System. The Water Fund, a separate enterprise fund of the City, accounts for the operations of the Water Utility System.

The following table sets forth certain general statistical information relating to the Water Utility System for Fiscal Years 2002-03 through 2006-07.

**CITY OF ROSEVILLE  
WATER UTILITY SYSTEM  
GENERAL STATISTICS  
Fiscal Years 2002-03 through 2006-07**

	2002-03	2003-04	2004-05	2005-06	2006-07
Number of Service Connections	32,066	34,691	35,783	36,218	36,541
Annual Water Production <sup>(1)</sup>	9,608	10,504	9,789	10,822	11,108
Total Water Treatment Capacity <sup>(2)</sup>	60.00	60.00	60.00	60.00	60.00
Production from System Wells	0	0	0	0	0
Peak Daily Distribution <sup>(1)</sup>	50.50	50.80	48.80	53.10	55.40
Average Daily Distribution <sup>(2)</sup>	25.50	28.80	26.80	29.70	32.00

(1) In millions of gallons.

(2) In millions of gallons per day.

Source: The City.

### Water Supply

The City's water supply has historically been derived from surface water sources. Since the Roseville water treatment plant came on-line in 1971, the primary source of raw water delivered to this plant has been United States Bureau of Reclamation ("USBR") water held in the Folsom Reservoir, currently supplemented by water purchased from the Placer County Water Agency ("PCWA") that is wheeled through USBR facilities. In addition, the City has contracted for underutilized PCWA water from San Juan Water District ("SJWD") for use in wet and normal water years. Summaries of these water supplies are shown below:

<u>Surface Water Supplies</u>	
Water Supply Sources	Current Maximum Annual Source Amounts
USBR	32,000 Acre-feet <sup>(1)</sup>
PCWA	30,000 Acre-feet
SJWD	4,000 Acre-feet

(1) An acre foot is 43,560 cubic feet, a volume of water that will cover an area of one acre to a depth of one foot.

**United States Bureau of Reclamation.** The 32,000 acre foot water supply contract with the USBR is a 40-year contract that expires in 2011. As required by the Central Valley Project Improvement Act ("CVPIA"), the City and USBR have negotiated for an early renewal of the water supply contract for another term of 40 years. Execution of that contract is pending additional environmental review. The current contract price for water is \$9 per acre foot; the actual price paid is the cost of service which varies from year to year and was approximately \$15 per acre foot in fiscal year 2006-07. The new contract price will be the annual cost of service, which is not expected to change significantly from current levels. In addition to the contract price, an amount per acre foot is paid to the federal Restoration Fund for mitigation of environmental impacts of the Central Valley Project ("CVP"). In fiscal year 2006-07, this amount is \$17.15 per acre foot.

**Placer County Water Agency.** The City has a contract with PCWA for a water supply of 10,000 acre feet per year, to be delivered from the American River via Folsom Dam and Reservoir. The agreement is in effect until 2011, and may then be renewed for successive periods of 20 years each. The price of this water supply is the average of the acre foot prices the City, San Juan Water District and PCWA are required to pay to the USBR, exclusive of Restoration Fund payments. In addition, the City pays the USBR an amount for the use of the federal facilities to wheel the water. For fiscal year 2006-07, the cost of this water supply was about \$34 per acre foot.

The City also has two options to purchase additional water from PCWA, each for 10,000 acre feet per year. The options expire in 2011, and the City and PCWA have begun negotiations to exercise the options; negotiations are expected to be complete by early 2008. The annual cost of the options is 10% and 5%, respectively, of the price of water under contract.

**San Juan Water District.** The City has contracts with SJWD for 4,000 acre feet of water per year. SJWD purchases the water from PCWA, and the USBR facilities are used to convey the water. The contracts expire in 2021, with options to renew for additional periods. The price paid by the City is a pass-through of the price paid by SJWD to PCWA, plus administrative and power costs. No water has yet been taken under these contracts.

**Surface Water from Folsom Reservoir.** All of the City's surface water comes from Folsom Reservoir and is treated at the Water Utility System's treatment plant. Agreements are in place to allow conveyance of both USBR supplied water (reservoir facility owner) and PCWA supplied water, as described above. In November 2006, the City entered into a wheeling agreement with the USBR for conveyance of PCWA water to the City. With this agreement in place, the City is in position to take all contracted water to meet the expected needs of its service area through completion of the existing and currently planned future areas.

Water quality from Folsom Reservoir is considered very high with low turbidity, cool temperatures, and low indications of pathogen presence. Raw water is tested daily for temperature, turbidity, pH, alkalinity, hardness and total dissolved solids, and is additionally

tested periodically through a variety of other tests to meet regulatory requirements. Treatment facilities are designed and operated to provide high quality water for the City's customers. The City has completed a Sanitary Survey, as required by the California Department of Health, in cooperation with other agencies that receive water from Folsom Lake and elsewhere in the American River watershed. This plan identifies potential contaminants from spills and public/recreational use of the watershed. As a result of this planning activity the City has participated in development of a spill notification procedure as well as an education program for recreational users of the lake.

**Groundwater.** Groundwater has historically been used as a short term, backup supply but is currently being expanded for reliability and redundancy purposes. Inter-tie facilities with adjacent agencies are maintained for additional reliability. These are used during periodic plant outages experienced during plant construction projects or other maintenance operations that may reduce treatment plant capacity for short periods of time.

Although wells have not been used to provide water to the distribution system since 1991, the City currently has four water supply wells that are maintained primarily for backup water supply for use in time of shortage. The total supply from these wells is approximately 6.5 million gallons per day ("mgd"). Two of these wells have undergone rehabilitation with installation of new pumps, motors, and controls as well as addition of chlorine disinfection capability and down well control valves. One well was recently constructed and these features were included at construction. Control valves allow for the use of these wells for Aquifer Storage and Recovery ("ASR") programs.

The City is engaged in studies to identify the feasibility of ASR, which uses the aquifer as a storage medium for treated surface water. The City is currently extracting water through one well designed specifically for ASR. This well is in the second phase of trials that will result in an approved program allowing long-term storage of excess water when available for use when supplies may be limited. This technology will provide another level of water supply reliability in the system.

Expansion of the Groundwater System includes drilling and equipping additional wells for increased system reliability. These wells will be designed with disinfection, fluoridation and ASR capability as a critical design element.

The City has participated in development of a groundwater management plan with PCWA, the City of Lincoln, California American Water Agency and Placer County to comply with groundwater planning regulations. This joint plan was adopted by the City on August 1, 2007. The City of Lincoln and PCWA are also expected to adopt the plan before the end of 2007. California American Water Agency is a private sector company and has participated financially in plan development.

**Recycled Water.** Recycled water is produced at Dry Creek and Pleasant Grove regional wastewater treatment plants. Effluent from the City's treatment plants is treated to a tertiary level that meets Title 22 full body contact requirements for use of recycled water. Use of recycled water also enhances the available potable supplies by utilizing this resource for irrigation as appropriate, thereby creating a direct offset of potable water demands. Revenues and expenditures associated with recycled water operations are maintained in the City's wastewater enterprise and therefore, revenues from the sale of recycled water are not available to pay 2007 Payments.

## Existing Facilities

**Raw Water Facilities.** Raw water is received from Folsom Reservoir through a USBR owned and operated pump station and pipeline. This water is delivered to parallel pipelines owned and operated by the City for delivery to the treatment facility. The raw water facilities include the pump station, which the USBR owns and operates to provide water to the City of Roseville, SJWD, the City of Folsom and Folsom Prison. This facility pumps water from Folsom lake when demands are high and lake levels are too low to provide water by gravity.

**Treated Water Facilities.** Treated water is distributed to customers through approximately 450 miles of transmission and distribution pipelines. Water is treated at the Barton Road Treatment Plant, a water treatment plant that was completed in 1971 as a 24 mgd facility. Since that time the City has completed two expansions to the plant, which now has a capacity of 60 mgd. A third and final expansion is underway. This final expansion is expected to be completed in the spring of 2008 and will result in a capacity of 100 mgd which is anticipated to be sufficient to serve the City through projected buildout in 2027 . Current treatment flows average approximately 50 mgd.

**Storage and Emergency Supply.** The Water Utility System has a treated water storage capacity of approximately 28 million gallons in 5 storage tanks. The current storage capacity provides the water system approximately one average day of storage, which represents a typical storage volume for water systems. Groundwater could facilitate approximately another 6.5 mgd. The City maintains direct treated water inter-ties with surrounding jurisdictions, which could be utilized in the event of an emergency causing disruption of operation of the treatment facilities. The pipeline inter-ties provide for transfer of water between jurisdictions to supplement the City's distribution system for short-term demand shortage assistance. The inter-ties with PCWA have the capability of delivering 15 mgd; with SJWD, there is a 12.5 mgd delivery capacity.

## Five-Year Capital Investment Program

Annually, the City prepares and updates its treated water infrastructure plan ("Capital Investment Program" or "CIP") for the Water Utility System, which extends through anticipated build-out, but is most refined for the next five years.

The current plan for fiscal years 2008 through 2012 for the Water Utility System includes a number of construction projects, each of which can be categorized generally as water pipelines, water treatment, water storage, regional projects, or groundwater. A description of these categories and the respective capital investment costs the City has projected over the next five years for each category is provided below.

**Water Pipelines.** Water pipeline projects are generally defined as projects that will allow the City to efficiently distribute water throughout its service area and primarily include the planning, design and construction of pipelines, both new and replacement. Over the next five years, several pipeline projects are anticipated to be constructed. New pipelines are required to meet the needs of new growth areas and serve as potential routes to provide water to these new growth areas. Also, there are instances where existing pipelines are ending their useful life and are required to be replaced. Although a rehabilitation fund exists to fund replacement of these pipelines there is some upsizing required to meet increased density and fire flow requirements of new development standards. As a result, a portion of these project costs are attributed to new construction. From fiscal year 2008 through fiscal year 2012, the City projects

that water pipeline projects will cost approximately \$3.0 million, as summarized annually in the capital investment expenditure table below.

**Water Treatment.** Water treatment projects are generally defined as projects that will allow the City to continue to efficiently and effectively treat its raw water supplies to levels that meet federal and state requirements for clean water. The project in this category includes the completion of the current final expansion of the Barton Road water treatment plant. This \$35 million construction project was started in February 2006 and is expected to be completed in Spring 2008. Completion of this project will cost approximately \$3.9 million, as summarized annually in the capital investment expenditure table below.

**Water Storage.** Water storage projects are generally defined as projects that will allow the City to store treated water in various places throughout the Water Utility System's service area to meet operational, fire flow and emergency needs. The projects in this category consist primarily of storage tanks, valves and in some instances pumping stations required to pump water from the tank to the distribution system. Over the next five years, the City plans to build three new storage tanks and related facilities throughout the Water Utility System, ranging in size from 3 million gallons to 6 million gallons. These tanks will provide an additional 16.25 million gallons of water storage, bringing total storage in the Water Utility System to 44.25 million gallons. The City's master plan indicates average daily demand at buildout is approximately 48 mgd. The total storage volume of 44.25 million gallons will, therefore, provide approximately 1 day of supply. Future projects will result in a full 48 mg of storage. Over the next five years, the City projects that water storage projects will cost approximately \$26.3 million, as summarized annually in the capital investment expenditure table below.

**Regional Projects.** Regional projects are generally defined as projects that involve infrastructure or facilities affecting more than one agency and the City is either a project lead or contributing participant. Examples of these types of projects are pump stations that will allow treatment and conveyance of water between agencies, improvements to USBR facilities required to increase reliability of water delivery and major planning activities associated with water supply development. The City projects that, from fiscal year 2008 through fiscal year 2012, regional projects will cost approximately \$16.1 million, as summarized annually in the capital investment expenditure table below.

**Groundwater.** The City does not use groundwater as a source of daily supply in the service area. The City has, however, added groundwater to its infrastructure plan as a redundant water supply for reliability and conjunctive use with its surface water supplies. Groundwater wells are primarily planned for the western portion of the City that overlies the North American Groundwater Sub-basin. The five year plan includes drilling of new wells and installation of pumping facilities. In addition, wells were drilled in new development areas as a requirement of development agreements. The City is responsible for completing construction by adding pumping facilities to the new wells. Over the next five years, the City projects that groundwater projects will cost approximately \$12.6 million, as summarized in the capital investment expenditure table below.

The total cost of the City's five year (fiscal year 2007-08 through 2011-12) Water Utility System Capital Investment Program is projected to be approximately \$61.9 million, as summarized in the table below. These costs are anticipated to be financed in part from the 2007 Certificates, as well as from available City construction funds and water connection charge revenues projected to be collected over the next five years. Additional long-term debt will be necessary, but the specific amount and timing of such debt issuance have not yet been determined. See "SECURITY FOR THE 2007 CERTIFICATES - Parity Obligations" herein.

**CITY OF ROSEVILLE  
WATER UTILITY SYSTEM  
PROJECTED FIVE YEAR CAPITAL INVESTMENT PROGRAM EXPENDITURES  
(in \$ millions)**

Year	Pipeline Project Costs	Treatment Project Costs	Storage Project Costs	Regional Project Costs	Groundwater Project Costs	Total Project Costs
2007-08	1.8	3.9	12.4	2.3	2.3	22.7
2008-09	0.2	-	13.9	0.9	0.7	15.7
2009-10	0.1	-	-	4.6	0.7	5.4
2010-11	0.8	-	-	6.7	2.8	10.3
2011-12	0.1	-	-	1.6	6.1	7.8
TOTALS	3.0	3.9	26.3	16.1	12.6	61.9

*Source: The City.*

**Service Demand**

The following table presents a five year record from 2002 through 2006 of total and average daily deliveries for the Water Utility System.

**CITY OF ROSEVILLE  
WATER UTILITY SYSTEM  
TREATED WATER DELIVERY  
(in acre-feet)**

Calendar Year ending December 31	Treated Water	Average Per Day
2002	29,851	81.8
2003	29,967	82.1
2004	32,467	88.9
2005	31,480	86.2
2006	33,694	92.3

*Source: The City.*

## WATER UTILITY SYSTEM FINANCES

### Financial Statements

The Water Utility System's operations are accounted for as an enterprise fund, which includes the operation and maintenance of the water supply, distribution, water treatment facilities, and special assessment funds.

The City's accounting principles conform to generally accepted accounting principles as applicable to enterprise-type organizations. The City uses the accrual method of accounting. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The City's financial statements, audited by Maze & Associates Accountancy Corporation, Pleasant Hill, California (the "Auditor"), for the fiscal year ended June 30, 2006, are attached hereto as Appendix E, together with the opinion of the Auditor relating thereto. The Auditor has not participated in the preparation of this Official Statement.

### Revenues

The Water Utility System's primary sources of revenue include (i) water sales, (ii) connection fees, and (iii) interest and other income. The City also currently receives annual revenue of approximately \$1,000,000 in customer surcharges to fund its Water Meter Retrofit Program; however, these revenues are not used to fund Water Utility System operating expenses and are not pledged to the payment of debt (including the 2007 Certificates). See "SECURITY FOR THE 2007 CERTIFICATES – Pledge of Net Revenues" above.

### Water Sales, Billings and Collections

The following table details the five-year history of sales, billings and collections of the Water Utility System.

#### CITY OF ROSEVILLE WATER UTILITY SYSTEM HISTORICAL BILLINGS, COLLECTIONS AND DELINQUENCIES

Fiscal Year Ending June 30	Water Sales (acre feet)	Water Billings	Collections	Collection Percentage
2003	29,488	\$7,760,367	\$7,736,940	99.70%
2004	32,238	9,925,091	9,902,006	99.77
2005	30,043	10,072,187	10,065,169	99.93
2006	33,214	11,218,708	11,191,930	99.76
2007	34,092	11,720,585 <sup>(1)</sup>	11,700,961 <sup>(1)</sup>	99.84

(1) Unaudited.  
Source: The City.



The following table shows active accounts and water deliveries for Water Utility System customers for the fiscal year ending June 30, 2007.

**CITY OF ROSEVILLE  
WATER UTILITY SYSTEM  
SERVICE CONNECTION AND DELIVERIES BY TYPE OF CUSTOMER  
Fiscal Year Ending June 30, 2007**

Type of Customer	End-of-Year Active Accounts	Percent	Water Deliveries (Acre Feet)	Percent
Residential Metered	24,593	67.30%	14,035	41.18%
Residential Flat Rate	8,650	23.67	6,417	18.82
Commercial Domestic	1,840	5.04	4,999	14.66
Commercial Flat	292	0.80	1,310	3.84
Commercial Irrigation	1,166	3.19	7,331	21.50
<b>TOTAL</b>	<b>36,541</b>	<b>100.00%</b>	<b>34,092</b>	<b>100.00%</b>

*Source: The City.*

The following table represents the ten largest customers of the Water Utility System for fiscal year 2006-07, ordered by the amount each customer was billed by the City, along with each customer's corresponding total water usage figures.

**CITY OF ROSEVILLE  
WATER UTILITY SYSTEM  
TEN LARGEST CUSTOMERS  
(by amount billed)  
Fiscal Year Ending June 30, 2007**

Customer Name	Type of Customer	Total Consumption (Acre Feet)	Percent of Total System	Amount Billed	Percent of Total System
City of Roseville	Municipal	1,922.4	5.64%	\$688,869	5.88%
NEC Electronics	Commercial	992.4	2.91	230,718	1.96
Hewlett Packard	Commercial	292.5	0.86	82,707	0.71
Roseville City School District	Education	278.1	0.82	114,377	0.98
Roseville JUSD	Education	204.3	0.60	72,823	0.62
Kaiser Permanente	Medical	180.5	0.53	60,933	0.52
	Retirement				
Sun City Roseville	Community	167.1	0.49	46,754	0.40
Urban Roseville LLC	Commercial	165.3	0.48	47,774	0.41
Sutter Roseville Medical Center	Medical	161.2	0.47	43,767	0.37
Rosemeade Apartments LLC	Multi-unit	142.3	0.42	59,529	0.51
<b>Total Top Ten</b>		<b>4,506.0</b>	<b>13.22</b>	<b>1,448,251</b>	<b>12.36</b>
<b>Total Water System</b>		<b>34,092.0</b>	<b>100.00%</b>	<b>\$11,720,585 <sup>(1)</sup></b>	<b>100.00</b>

(1) Unaudited.

*Source: The City.*

## **Rates and Charges in General**

The City funds Water Utility System operations and maintenance primarily from water service charges. Water rates are determined by the staff of the City's Environmental Utilities Department and approved by the City Council. Such rates are examined each year and are adjusted as needed to meet budgetary requirements. The City Council has the authority under California law to establish rates and charges for service without the oversight or review of any other governmental body, subject to certain legal constraints. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS" below. Water rates are not subject to regulation by the California Public Utilities Commission or by any other State agency.

For non-residential customers, the water rates of the Water Utility System are composed of a monthly service charge component, designed to cover a portion of the fixed costs of the Water Utility System, and a monthly quantity charge designed to cover a portion of the variable costs. The monthly service charge is calculated on the basis of meter size, as well as whether the customer is located inside or outside of City limits. Such charges for service within the City range from \$12.50 for five-eighths of an inch meters to \$1,619.30 for twelve-inch meters. The monthly quantity rate is \$0.54 per 100 cubic feet of water.

The City is in the sixth year of a ten-year program to retrofit residential services to install meters. Approximately 76% (25,700) of residential service connections are metered, and the remaining 24% will be metered by 2011. The monthly service charge is calculated the same as for non-residential customers. The monthly quantity rate for residential customers ranges from \$.27 per 100 cubic feet of water for the first 1,200 cubic feet to \$.81 per 100 cubic feet of water for amounts above 5,000 cubic feet.

For residential customers not yet metered, the City Council has established monthly flat rates for water service based on living units (for mobile home parks) or single-family lot size. Such flat rates range from \$13.35 per month to \$27.50 per month plus \$1.47 for each 1,000 square feet of lot size over 15,000.

Residential, commercial and industrial customers are billed monthly. Bills are due and payable upon presentment, and become delinquent after 20 days. After a bill is delinquent the Water Utility System may disconnect the water service by following certain procedures. Before service is reinstated the customer must bring the entire bill current, pay a deposit equal to the estimated water bill for two months of service and compensate the City for the cost of cutting off and reinstating the service.

## Water Rates and Charges

**Monthly Service Charges.** The current metered service charges for water, which were last revised in March, 2007 (effective April 23, 2007) based on meter size, are set forth below.

Meter Size	No. of Meters	Per Meter per Month
5/8"	-	\$12.50
3/4"	26,437	12.50
1"	692	20.15
1 1/2"	653	38.85
2"	1,004	61.40
3"	136	114.10
4"	103	189.95
6"	22	376.85
8"	8	603.55
10"	6	867.10
12"	-	1,619.30
Total	29,061	

*Source: The City.*

**Charges for Quantity of Water Delivered.** Additional service charges for quantity delivered, last revised in March, 2007 (effective April 23, 2007), are set forth below.

Metered Water – monthly quantity rate	Rate per 100 cubic feet
Residential Accounts:	
First 1,200 cubic feet	0.27
Next 3,800 cubic feet	0.54
Over 5,000 cubic feet	0.81
All Non-Residential Accounts:	0.54

*Source: The City.*

**Monthly Flat Rate Charges.** Flat rate water charges, last revised in March, 2007 (effective April 23, 2007), are set forth below.

Monthly flat water rates	Monthly rate
Single-family:	
Lots under 4,900 sq ft	\$14.40
Lots 4,901 to 8,900 sq ft	18.85
Lots 8,901 to 12,000 sq ft	23.45
Lots 12,001 to 15,000 sq ft	27.90
Lots greater than 15,000 sq ft	27.50
plus: per 1,000 sq ft > 15,000 sq ft	1.47
Mobile home parks, per living unit:	13.35

*Source: The City.*

**Connection Fees.** A connection fee is a one-time fee for a new, additional or larger connection to the Water Utility System. The fee is collected to cover the capital costs for water supply, treatment, storage, transmission, and wells. Because connection fees are primarily

collected on new construction within the City, revenues vary based on the level of construction activity.

Connection fees are collected on an Equivalent Dwelling Unit (“EDU”) basis. A ¾-inch connection is equal to one EDU; a 12-inch connection is equal to 143.3 EDUs.

The connection fee is adjusted annually in July for changes in the Construction Cost Index published in the Engineering News Record. The current connection fee is \$4,675 for a ¾-inch connection.

## Historical and Current Residential Water Rates

In 2007, residential water rates were responsible for approximately 62% of the Water System’s sales revenues. The current rate was adopted in March, 2007 (effective April 23, 2007). The following table sets forth the current and historical water service rates for an average residential customer using 22,800 cubic feet per year (the equivalent of 14,212 gallons per month) with a ¾” meter.

Effective Date	Average Annual Water Charges per Residential Unit
April 23, 2007	\$234.24
October 1, 2005	210.48
July 18, 2003	192.84
August 1, 2001	153.60

*Source: The City*

**Comparison with Other Local Providers.** A comparison of both the total monthly charges for water service and the connection fees of other local water providers are set forth below. The monthly charge is the sum of the monthly residential service charge (¾” meter) and monthly commodity charges assuming 14,212 gallons of water consumption per month.

Local Water Provider	Monthly Charge (\$)	Connection Fee (\$)
Placer County Water Agency	\$48.57	\$14,414
City of Davis	24.29	2,740
City of Lincoln	40.55	15,657
City of Folsom	25.00	3,999
City of Sacramento	23.83	2,305
City of Roseville	19.52	4,675
San Juan Water District	33.16	11,533

*Source: The City – November 2006 Phone/Internet Survey for Monthly Charges; July 2007 Phone/Internet Survey for Connection Fees.*

## Outstanding Water Utility System Obligations

**Notes Payable.** The City borrowed \$333,108 original principal amount (the “EDA Loan”), on November 9, 1977, from the U.S. Department of Commerce to aid in financing drought emergency projects. The EDA Loan is currently outstanding in the principal amount of \$149,895 and payable in annual installments through October 2017, however in connection with the delivery of the 2007 Certificates, the City will pay the EDA Loan from proceeds of the 2007 Certificates on or about the date the 2007 Certificates are executed and delivered.

**1997 Certificates.** In September 1997, the City delivered the 1997 Certificates. The 1997 Certificates are currently outstanding in the principal amount of \$23,345,000. The City will apply a portion of the proceeds from the sale of the 2007 Certificates, together with certain other available moneys, to establish an escrow fund to prepay the 1997 Certificates in full.

## Historical Revenues, Expenditures and Debt Service Coverage

Staff of the City's Environmental Utilities Department analyze water sales and Water Utility System expenses on a continuing basis. Projections of future revenues, customers and water consumption are made at least annually and are revised when appropriate. Rates are examined each year and are adjusted as needed to meet budgetary requirements. The following table sets forth the audited revenues and expenditures of the City over the last five years, and includes the debt service coverage as defined in the Installment Purchase Contract.

### CITY OF ROSEVILLE WATER UTILITY SYSTEM WATER UTILITY SYSTEM HISTORIC REVENUES AND EXPENDITURES Fiscal Years Ending June 30, 2003 through 2007

	2002-03	2003-04	2004-05	2005-06	2006-07 <sup>(10)</sup>
<b><u>OPERATING REVENUES</u></b>					
Charges for Services	\$ 8,552,565	\$10,770,611	\$11,101,062	\$12,382,530	\$13,622,746
Other Revenue <sup>(1)</sup>	249,673	947,055	423,949	859,319	834,041
Connection Fees <sup>(2)</sup>	10,360,821	8,585,315	8,123,474	7,282,164	6,411,083
Other Contributions for Operations <sup>(2)</sup>	662,661	920,041	603,490	674,122	701,034
Interest Revenue (excluding Unrealized Gain/Loss) <sup>(3)</sup>	1,767,432	1,083,417	1,325,349	1,905,509	1,886,188
Subventions/Grants <sup>(4)</sup>	0	15,000	13,750	13,454	12,196
Indirect Cost Reimb-Transfers <sup>(5)</sup>	847,689	718,441	661,426	1,234,522	1,233,421
Total Adjusted Operating Revenues	22,440,841	23,039,880	22,252,500	24,351,620	24,700,709
<b><u>OPERATING EXPENSES</u></b>					
Operations <sup>(6)</sup>	5,554,660	6,502,067	7,243,911	8,075,622	7,536,540
Administration <sup>(7)</sup>	2,673,975	2,795,631	3,229,590	3,409,022	4,035,035
Indirect Costs <sup>(8)</sup>	1,134,720	1,859,040	2,440,963	2,536,740	2,544,330
Other Administrative Transfers <sup>(9)</sup>	233,559	229,839	262,195	294,029	685,231
Total Adjusted Operating Expenses	9,596,914	11,386,577	13,176,659	14,315,413	14,801,136
<b><u>NET REVENUES</u></b>	12,843,927	11,653,303	9,075,841	10,036,207	9,899,573
<b><u>DEBT SERVICE</u></b>					
1997 Outstanding Series	2,611,533	2,611,720	2,608,583	2,611,800	2,611,043
EDA Loan	19,413	19,413	19,413	19,413	19,413
Total Debt Service	\$ 2,630,946	\$ 2,631,133	\$ 2,627,996	\$ 2,631,213	\$ 2,630,456
Debt Service Coverage Ratio	4.88x	4.43x	3.45x	3.81x	3.76x

(1) Excludes Capital Reimbursements and Meter Retrofit Surcharges.

(2) Connection Fees/Operating Contributions Only.

(3) Interest Revenue less Meter Retrofit. Interest between water funds and interest revenue on bond funds.

(4) Operating Grants only.

(5) From Transfers in-Reimbursements from Wastewater and Solid Waste for administrative functions.

(6) Operations Expenses less Meter Retrofit.

(7) Administration Expenses less Meter Retrofit.

(8) Payments to reimburse General Fund for overhead and administrative functions.

(9) Payments to General Fund for Corporation Yard rent, share of GIS system, OPEB contributions/Increased Water Enterprise's share of Corp Yard rent 2006/07.

(10) Unaudited.

Source: The City's audited financial statements for fiscal years ending June 30, 2003 through 2006; the City for fiscal year ending June 30, 2007.

## ***Management Discussion of Financial Results.***

*Charges for Services.* The steady increase in Charges for Services is the result of rate adjustments as well as an increased customer base due to new development.

Historically, the City has had the following rate adjustments: Fiscal Year 2003-04: 22%; Fiscal Year 2005-06: 9.2%; and Fiscal Year 2007-08: 10.5%. An adjustment of 11% has been adopted for Fiscal Year 2008-09. The following projections table also includes anticipated adjustments of 11% in Fiscal Year 2009-10 and 10% in Fiscal Year 2010-11.

Several factors have contributed to the need to adjust rates, including the rehabilitation program, increases in the population served by the Water Enterprise, increased cost of water purchases and other increases in operations and maintenance cost such as chemicals and power for water treatment and distribution. The large rate adjustment in Fiscal Year 2003-04 was due to the establishment of the City's rehabilitation program. This program uses a sinking fund methodology based on the replacement cost and useful life of assets to set aside sufficient reserves. In the future, this methodology will allow for rate predictability and mitigates the need for larger rate adjustments when infrastructure needs arise.

*Other Revenues.* In Fiscal Year 2003-04, a settlement was reached between the United States Bureau of Reclamation and Central Valley Project Municipal & Industrial contractors. As a result, about \$700,000 was eliminated from the Water Utility liabilities. Beginning in Fiscal Year 2004-05, the methodology of collecting reimbursements from outside parties for services was changed to include all administrative costs.

*Capital Contributions/Connection Fees.* The City's population has grown substantially, from 82,080 in 2001 to 105,600 in 2006, and is expected to grow to 133,680 by 2015. Although there has been a decrease in residential development recently, commercial development remains strong. In 2004, the City approved the West Roseville Specific Plan which encompasses 3,162 acres, 6,656 single-family units, and 1,774 multi-family units. Development of this area is expected to continue for several years.

*Interest Revenue.* Interest on funds invested by the City are projected to decline from Fiscal Year 2006-07 to Fiscal Year 2007-08 due to funds used for the construction of the water treatment plant expansion.

*Indirect Cost Reimbursements – Transfers.* The Water Utility is one of three enterprise funds located in the City's Environmental Utilities Department. Departmental administration and engineering functions are located in the Water Utility, and the Solid Waste and Wastewater Utilities reimburse the Water Utility for their proportionate share of such function's costs. The increase in reimbursements from Fiscal Year 2004-05 to Fiscal Year 2005-06 is the result of a delay in hiring engineering staff and a shift of personnel responsibilities to the water and wastewater rehabilitation programs.

*Operating Expenses.* Expenses increased approximately 11% per year from Fiscal Year 2002-03 to Fiscal Year 2006-07. The Water Utility has experienced increases in water supply purchase costs, staffing costs, administrative costs, chemical and power costs, and repair and maintenance costs. Treatment and distribution costs increased with the growth in customers, and as a result of inflation. Administrative costs rose significantly when over 12,000 customers were switched from flat rates to metered rates in April of 2004. The City has a program in place to retrofit non-metered customers with meters by 2011.

## Projected Revenues, Expenditures and Debt Service Coverage

The following table shows a projection of Water Revenues, Maintenance and Operation Costs and debt service coverage for the Water Utility System for fiscal years ending June 30, 2008 through 2012. The projections set forth in the following table and elsewhere in this Official Statement are not a guarantee of future performance. The City has made certain assumptions with regard to operations, revenues and expenses that it believes are reasonable, but it cannot guarantee that it will meet these assumptions. See "INTRODUCTION – Forward Looking Statements" herein.

### CITY OF ROSEVILLE WATER UTILITY SYSTEM PROJECTED REVENUES, EXPENDITURES AND DEBT SERVICE COVERAGE Fiscal Years Ending June 30, 2008 through 2012

	2007-08	2008-09	2009-10	2010-11	2011-2012
<b><u>OPERATING REVENUES</u></b>					
Charges for Services <sup>(1)</sup>	\$14,492,000	\$16,792,000	\$19,159,000	\$21,662,000	\$22,745,000
Other Revenue	732,000	793,000	725,000	748,000	750,000
Capital Contributions	448,000	451,000	454,000	457,000	460,000
Connection Fees <sup>(2)</sup>	7,418,000	8,608,000	9,811,000	10,092,000	10,397,000
Interest Revenue (excluding Unrealized Gain/Loss) <sup>(3)</sup>	488,280	1,282,789	770,909	865,982	962,104
Subventions/Grants	15,000	15,000	15,000	15,000	15,000
Indirect Cost Reimb-Transfers	1,537,000	1,567,000	1,749,000	1,778,000	1,831,000
Total Adjusted Operating Revenues	25,130,280	29,508,789	32,683,909	35,617,982	37,160,104
<b><u>OPERATING EXPENSES</u></b>					
Operations	8,485,000	9,622,000	10,107,000	10,665,000	11,199,000
Administration	4,360,000	4,463,000	4,728,000	4,916,000	5,162,000
Indirect Costs	2,774,000	3,043,000	3,338,000	3,662,000	4,018,000
Other Administrative Transfers	661,000	661,000	796,000	796,000	936,000
Total Adjusted Operating Expenses	16,280,000	17,789,000	18,969,000	20,039,000	21,315,000
<b><u>NET WATER REVENUES</u></b>	8,850,280	11,719,000	13,714,909	15,578,982	15,845,104
<b><u>DEBT SERVICE</u></b>					
Series 2007 Debt Service	1,479,260	4,214,725	4,217,325	4,217,125	4,214,575
Total Debt Service	\$1,479,260	\$4,214,725	\$4,217,325	\$4,217,125	\$4,214,575
Debt Service Coverage Ratio*	5.98x	2.78x	3.25x	3.69x	3.76x

(1) Rate increases: Adopted 10.5% in FY 07-08, 11% in FY 08-09; Projected 11% in FY 09-10, 10% in FY 10-11.

(2) Fee increases of \$750 in FY 08-09 and FY 09-10.

(3) Includes interest on Reimbursement from 2007 Certificates deposited in Water Utility Revenue Fund.

\*Estimated projection.

Source: The City.

## Insurance

The Water Utility System's insurance needs are handled by the Risk Management Division of the City's Administrative Services Department. The City, including the Water Utility System, is self-insured for up to \$500,000 for all insurance needs including casualty and liability and up to \$250,000 for workers' compensation. The City has also joined with a group of other municipalities to participate in a Joint Powers Authority policy that provides excess coverage up to \$10,000,000 for casualty and liability, and up to \$500,000 for workers' compensation.

## Investment Policy

The cash attributable to the Water Utility System must be invested in accordance with the City's Investment Policy. Pursuant to the Investment Policy, the City strives to maintain a level of investment of all idle funds, less required reserves, as near 100% as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer and permitted investments include the following:

- Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- Federal agency or United States government-sponsored enterprise obligations
- Forward Delivery Agreements entered into for the purchase of investments listed above.
- Obligations of the State of California or any local agency within the state.
- Repurchase Agreements used solely as short-term investments not to exceed 30 days.
- Bankers' Acceptances.
- Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO).
- Medium-term corporate notes.
- FDIC insured or fully collateralized time certificates of deposit
- Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state or federal credit union or by a state-licensed branch of a foreign bank provided that the senior debt obligations of the issuing institution are rated "AA" or better by an NRSRO.
- State of California's Local Agency Investment Fund.
- Insured savings accounts.
- Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission. Shares in a California common law trust.
- Interest Rate Swaps for the sole purpose of reducing interest rate risk and lowering the costs of borrowing.

The primary objectives, in priority order, of the investment activities of the City are:

- 1) Safety. Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
- 2) Liquidity. The investment portfolio of the City will remain sufficiently liquid to enable the City to meet its cash flow requirements.
- 3) Return on Investment. The investment portfolio of the City shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible.



The City attempts to obtain the highest yield when selecting an investment, provided the criteria for safety and liquidity are met.

**Current Portfolio Information.** The following table summarizes certain information relating to the City's investment portfolio as of June 30, 2007. The market value of the portfolio was 99.97% of the par value as of such date. The City's market portfolio complies with the Investment Policy.

**CITY OF ROSEVILLE**  
**Investment Portfolio Summary**  
**(as of June 30, 2007)**

Investments	Par Value	Market Value <sup>(1)</sup>	% of Portfolio
Certificates of Deposit	\$2,045,804	\$2,045,804	0.44%
Highmark Treasury Fund	95,034	95,034	0.02
Cash Management Account	31,661,879	31,661,879	6.75
Calif. Asset Management Program	5,523,579	5,523,579	1.18
Local Agency Investment Funds	6,831,090	6,827,982	1.46
Corporate Notes	30,420,000	29,961,456	6.43
Commercial Paper Disc. - Amortizing	8,565,000	8,539,761	1.82
Federal Agency Coupon Securities	295,015,000	295,781,204	63.23
Federal Agency Disc. - Amortizing	27,955,000	27,794,425	5.92
Treasury Coupon Securities	59,905,000	59,632,771	12.76
Total	\$468,017,386*	\$467,863,895*	100.00%

(1) Market Value as of June 30, 2007.

\*Total may not balance due to rounding.

Source: The City.

Approximately 3.7% of the City's investment portfolio includes moneys of the Water Utility System. The following table indicates the investment portfolio of Water Utility System funds moneys as of June 30, 2007.

Water Utility System Investments	Par Value	Market Value <sup>(1)</sup>	% of Portfolio
Cash Pool <sup>(2)</sup>	\$7,561,888	\$7,561,888	43.59%
Commercial Paper Disc. - Amortizing	7,470,000	7,445,728	43.06
Federal Agency Disc. - Amortizing	2,315,000	2,309,691	13.35
Total	\$17,346,888*	\$17,317,307*	100.00%

Percent of City Portfolio

3.71%

3.70%

(1) Market Value as of June 30, 2007.

(2) Estimated balance as of 6/30/07.

\*Total may not balance due to rounding.

Source: The City.

## CERTIFICATE OWNERS' RISKS

*Payment of principal and interest represented by the 2007 Certificates depends primarily upon the City's payments of the 2007 Payments pursuant to the Installment Purchase Contract. Some of the events, which could prevent the City from making the 2007 Payments, are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2007 Certificates and does not necessarily reflect the relative importance of the various risks.*

**Limited Obligations.** The 2007 Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to make the 2007 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Installment Purchase Contract to pay the 2007 Payments solely from Net Revenues. There is no assurance that the City can succeed in operating the Water Utility System such that Net Revenues in the future amounts projected in this Official Statement will be realized.

**Water Supply Limitations.** Factors beyond the control of the City could impair the ability of the City to supply water to its customers in an amount sufficient to yield Net Revenues sufficient to pay the 2007 Payments when due. In particular, the City's existing sources could become limited due to a loss or unrenewed expiration of contract rights, depletion of such sources (because of weather or otherwise), or due to restrictions imposed upon the ability of the City to continue receiving water from such sources at levels sufficient to satisfy demand.

**Limited Recourse on Default.** The ability of the City to comply with its covenants under the Installment Purchase Contract and to generate Net Revenues sufficient to pay principal of and interest with respect to the 2007 Certificates may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Failure by the City to pay the 2007 Payments required to be made under the Installment Purchase Contract constitutes an event of default under the Installment Purchase Contract and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such 2007 Payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the 2007 Payments, there is no assurance that the City would have sufficient funds to pay the accelerated 2007 Payments.

Furthermore, the remedies available to the owners of the 2007 Certificates upon the occurrence of an event of default under the Installment Purchase Contract are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Purchase Contract and the Trust Agreement, the rights and obligations under the Installment Purchase Contract and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the 2007 Certificates will be subject to such limitations and the various other legal opinions to be

delivered concurrently with the execution and delivery of the 2007 Certificates will be similarly qualified. See “APPENDIX C – FORM OF OPINION OF SPECIAL COUNSEL.”

If the City fails to comply with its covenants under the Installment Purchase Contract, fails to pay principal of and interest due with respect to the 2007 Certificates or fails to pay the 2007 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2007 Certificates.

***Bankruptcy.*** The rights and remedies provided in the Installment Purchase Contract may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors’ rights. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the 2007 Certificates and the City could be prohibited from taking any steps to enforce their rights under the Installment Purchase Contract and Trust Agreement, and from taking any steps to collect amounts due from the City under the Installment Purchase Contract.

***Environmental Laws and Regulations.*** Water utilities are subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by utilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted, could increase the costs of operations or other expenses and affect the Net Revenues available to pay the 2007 Certificates.

***International Conflicts, Terrorism, and Security Activities.*** As a result of the September 11, 2001, terrorism attacks against the United States and the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, the City has enhanced its security measures for all City facilities. The City has conducted vulnerability assessments of its water facilities and consults with representatives from local fire and law enforcement as advisors. Public tours have been eliminated. Additional improvements to existing and new facilities are planned based on security recommendations conducted under the vulnerability assessment process.

***Loss of Tax Exemption.*** The City has covenanted in the Installment Purchase Contract that it shall take all actions necessary to assure the exclusion of interest with respect to the 2007 Certificates from the gross income of the Owners of the 2007 Certificates to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986. In the event the City fails to comply with the foregoing tax covenant, the interest component of the 2007 Payments evidenced by the 2007 Certificates may be includable in the gross income of the Owners thereof for federal tax purposes. See “LEGAL MATTERS – Tax Matters” herein.

***Seismic and Natural Disaster Considerations.*** The areas in and surrounding the City, like those in much of California, may be subject to unpredictable seismic activity. If there were to be an occurrence of severe seismic activity in the area of the City, there could be an interruption in the service provided by the Water Utility System resulting in a temporary reduction in the amount of Net Revenues available to pay the 2007 Payments. Similarly, floods, fires or other natural disasters could damage the Water Utility System and interrupt operations. The City has limited ability to store water and its emergency supplies may not be able to meet the long-term water needs of the City in the event of significant damage to the Water Utility System. See “THE WATER UTILITY SYSTEM – Existing Facilities – Storage and Emergency Supply” above.

## CONSTITUTIONAL AND STATUTORY LIMITATIONS

### Article XIII B of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIII B to the California Constitution ("Article XIII B"). Under Article XIII B state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys, which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Proposition 111, entitled the Traffic Congestion Relief and Spending Act of 1990, was approved by the voters on June 5, 1990. Proposition 111 changes the formula, which allows for adjustments in the expenditure limits under Article XIII B. Rather than adjusting the limit by the percentage change in the California Consumer Price Index, Proposition 111 adjusts it by the percentage change in California Personal Income per capita. Local governments are given the option of using Personal Income per capita or the change in local assessment rolls for new, nonresidential construction as the basis for adjusting their limits. This change allows local governments limits to reflect economic growth, particularly in rapidly growing communities. Furthermore, Proposition 111 allows the averaging of two years' tax revenues before requiring action regarding excess tax revenues.

Article XIII B is not generally applicable to the service charges and other revenues, which are pledged to the City's obligations under the Installment Purchase Contract. The City believes it is in full compliance with the provisions of Article XIII B.

### Proposition 218

**General.** On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218, which generally became effective on November 6, 1996, changes, among other things, the procedure for the imposition of any new or increased "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to herein as a "property-related fee or charge").

Specifically, Article XIII D requires that, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and, if written protests against the proposal are presented by a majority

of the owners of the identified parcels, the City may not impose or increase the property-related fee or charge.

Further, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and may not be used for any purpose other than that for which the fee or charge was imposed. Further, the amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

**Judicial Interpretation of Proposition 218.** After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was

invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIII C and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

***Current Practice Regarding Rates and Charges.*** The City's practice in implementing increases in water and wastewater rates and charges is to mail notices of rate increases at least 45 days before a public hearing in accordance with the requirements of Proposition 218.

***Conclusion.*** It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2007 Certificates.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water or wastewater services, or to call into question previously adopted water or wastewater rate increases.

## **Future Initiatives**

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

## **LEGAL MATTERS**

### **Certain Legal Matters**

The legal opinion of Jones Hall, a Professional Law Authority, San Francisco, California, Special Counsel, substantially in the form of Appendix C hereto, will be made available to purchasers at the time of original delivery of the 2007 Certificates, and a copy thereof will accompany each 2007 Certificate. Hawkins Delafield & Wood LLP, San Francisco, California is serving as counsel to the Underwriters.

*Payment of the fees and expenses of Special Counsel and Underwriter's Counsel is contingent upon the execution and delivery of the 2007 Certificates.*

## **Tax Matters**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of 2007 Payments designated as and comprising interest and received by the owners of the 2007 Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the delivery of the Installment Purchase Contract in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Installment Purchase Contract.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2007 Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each 2007 Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2007 Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2007 Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2007 Certificate. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2007 Certificates who purchase the 2007 Certificates after the initial offering of a substantial amount of such maturity. Owners of such 2007 Certificates should consult their own tax advisors with respect to the tax consequences of ownership of 2007 Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2007 Certificates under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the 2007 Certificate (said term being the shorter of the 2007 Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2007 Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2007 Certificate is amortized each year over the term to maturity of the 2007 Certificate on the basis of a constant interest rate

compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized certificate premium is not deductible for federal income tax purposes. Owners of Premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2007 Certificates.

In the further opinion of Special Counsel, interest payable with respect to the 2007 Certificates is exempt from California personal income taxes.

Owners of the 2007 Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the 2007 Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Installment Purchase Contract and the 2007 Certificates other than as expressly described above.

### **Absence of Litigation**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance or sale of the 2007 Certificates, the Installment Purchase Contract, the Trust Agreement or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing.

## **CONCLUDING INFORMATION**

### **Ratings**

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") have assigned the 2007 Certificates the ratings of "Aaa" and "AAA," respectively, with the understanding that upon delivery of the 2007 Certificates, the Policy will be issued by the Insurer. Additionally, Moody's and S&P have assigned the 2007 Certificates an underlying rating of "Aa3" and "A+" respectively. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2007 Certificates. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2007 Certificates.

### **Underwriting**

The 2007 Certificates are being purchased by Morgan Stanley & Co. Incorporated on its own behalf and as representative for Citigroup Global Markets (the "Underwriters") at a purchase price of \$56,167,746.85 (which represents the aggregate principal amount of the 2007 Certificates, plus an original issue premium in the amount of \$2,759,170.10, and less an underwriters' discount of \$286,423.25). The purchase agreement relating to the 2007 Certificates provides that the Underwriters will purchase all of the 2007 Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.



The Underwriters may offer and sell 2007 Certificates to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriters.

### **Continuing Disclosure**

The City has covenanted for the benefit of the holders and beneficial owners of the 2007 Certificates to provide certain financial information and operating data relating to the City, the Water Utility System and the 2007 Certificates (the "Annual Report") by not later than 7 months after the end of the City's Fiscal Year, or January 31 of each year based on the City's current Fiscal Year ending on June 30, commencing January 31, 2008 with the report for the 2006-07 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The City will file, or cause to be filed, the Annual Report with each Nationally Recognized Municipal Securities Information Repository (each, a "NRMSIR"), and with the appropriate State information depository, if any, and the City will file, or cause to be filed, the notices of material events with the NRMSIRs (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in "APPENDIX D – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

Under the City's continuing disclosure undertaking made in connection with the execution and delivery of the certificates of participation related to its electric system, the City is obligated to provide an annual report by January 31 of each year. The City's annual continuing disclosure report with respect to the certificates due on January 31, 2004, was not filed until February 19, 2004, due to delays in collecting the necessary information. Other than that report, the City has had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

### **Verification of Mathematical Accuracy**

Causey, Demgen & Moore, Denver, Colorado, independent accountants, upon delivery of the 2007 Certificates, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by the City, relating to the sufficiency of moneys and securities deposited into the Escrow Fund to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the 1997 Certificates.

The report of Causey, Demgen & Moore will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

### **Financial Advisor**

The City has retained Public Financial Management, Seattle, Washington, as financial advisor (the "Financial Advisor") in connection with the execution and delivery of the 2007 Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent

financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

**Miscellaneous**

References are made herein to certain documents and reports, which are brief summaries thereof, and which do not purport to be complete or definitive, and reference is made to such documents and reports for a full and complete statement of the contents thereof.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the 2007 Certificates.

City.

**CITY OF ROSEVILLE**

By: /s/ Russell C. Branson  
Administrative Services Director/Treasurer

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **APPENDIX A**

### **THE CITY OF ROSEVILLE**

*The Utility is located in the City of Roseville in Southwestern Placer County. The financial and economic data for the City are presented for information purposes only. The 2007 Certificates are not a debt or obligation of the City or the County, but are a limited obligation of the City secured solely by the funds described in the Official Statement.*

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 104,655 at January 1, 2006, is the largest city in Placer County, as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July daytime temperature of 92 degrees. Winter temperatures are moderate; the average January daytime temperature is 54 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, NEC Electronics, Inc. and Surewest Communications are concentrated in the north Roseville area.

#### **Municipal Government**

The City was incorporated on April 10, 1909 and is a charter city. The City operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

City services include, among others, police and fire protection, library services, street maintenance, and parks and recreation. The City also owns two golf courses and provides its own electricity, water, sewer and refuse services to its citizens.

## Population

The following table shows population estimates for the City, the County and the State as of January 1 for the past five calendar years.

### **PLACER COUNTY Population Estimates 2003 through 2007**

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2003	93,502	283,942	35,691,472
2004	98,558	297,033	36,245,016
2005	103,185	308,431	36,728,196
2006	104,655	317,498	37,195,240
2007	106,266	324,495	37,662,518

*Source: California State Department of Finance.*

[Remainder of page intentionally left blank.]

## Effective Buying Income

Effective buying income ("EBI") is designated as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of Owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis. The following table demonstrates the growth in annual estimated EBI for the County, the State of California and the United States.

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2002 through 2006.

### Effective Buying Income As of January 1, 2002 through 2006

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2002	Placer County	\$6,352,855	\$50,350
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2003	Placer County	\$6,834,353	\$50,504
	California	674,721,020	42,924
	United States	5,466,80,008	38,201
2004	Placer County	\$7,318,021	\$51,455
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Placer County	\$7,979,745	\$52,702
	California	720,798,106	44,681
	United States	5,894,663,750	40,529
2006	Placer County	\$8,516,663,000	\$53,746
	California	764,120,963	46,275
	United States	6,107,092,244	41,255

*Source: Sales & Marketing Management Survey of Buying Power for 2002 through 2004;  
Claritas Demographics for 2005 & 2006.*

## Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA (which includes Sacramento, Placer, Yolo and El Dorado Counties) was 5.4% in August 2007. This compares with an unadjusted unemployment rate of 5.4% for California and 4.6% for the nation during the same period. The unemployment rate was 5.0% in El Dorado County, 5.0% in Placer County, 5.6% in Sacramento County, and 5.1% in Yolo County.

The table below provides information about employment by industry type for the Sacramento MSA for calendar years 2002 through 2006.

### SACRAMENTO-ARDEN ARCADE-ROSEVILLE MSA El Dorado, Placer, Sacramento, Yolo Counties Employment by Industry Annual Averages

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Civilian Labor Force <sup>(1)</sup>	964,400	989,800	1,004,200	1,020,000	1,039,800
Employment	911,500	933,500	950,100	971,900	991,300
Unemployment	52,900	56,300	54,100	48,100	48,500
Unemployment Rate	5.5%	5.7%	5.4%	4.7%	4.7%
Wage and Salary Employment <sup>(2)</sup>					
Agriculture	7,900	7,500	7,400	7,400	7,600
Natural Resources and Mining	800	700	700	700	800
Construction	61,300	66,500	70,800	73,400	71,000
Manufacturing	47,000	46,300	47,300	48,800	49,200
Wholesale Trade	25,600	26,300	26,500	26,900	28,600
Retail Trade	92,700	94,900	96,700	98,700	100,600
Transportation, Warehousing and Utilities	22,400	21,900	22,900	23,400	23,900
Information	23,100	21,900	20,900	19,900	19,900
Finance and Insurance	41,300	44,800	45,400	47,000	48,400
Real Estate and Rental and Leasing	13,900	14,600	15,100	16,400	16,900
Professional and Business Services	96,100	95,800	98,400	102,800	106,300
Educational and Health Services	78,000	81,000	84,600	88,200	92,000
Leisure and Hospitality	75,200	77,300	79,900	82,100	85,700
Other Services	28,200	28,000	28,500	28,500	28,700
Federal Government	12,700	12,900	12,600	12,800	12,600
State Government	108,200	106,700	102,300	102,500	105,400
Local Government	<u>105,900</u>	<u>106,600</u>	<u>106,800</u>	<u>108,800</u>	<u>110,400</u>
Total, All Industries <sup>(3)</sup>	840,100	853,500	866,400	888,300	908,000

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(3)</sup> Totals may not add due to rounding.

Source: State of California Employment Development Department.



## Major Employers

The table below lists the top 10 major employers in the City as of 2006.

### CITY OF ROSEVILLE Major Employers 2006

Business	No. of Employees	Product/Service
Hewlett-Packard	3,857	Technology
Kaiser Permanente	3,062	Health Care
Sutter Roseville Medical Center	1,922	Health Care
Union Pacific	1,328	Railroad
City of Roseville	1,233	Government
Roseville Joint Union High School District	975	Education
Roseville Elementary School District	840	Education
NEC Electronics	800	Technology
PRIDE Industries	800	Employment Service
Wal-Mart	690	Retail

Source: City of Roseville, Economic & Community Services Department.

## Construction Activity

The following table shows a five-year summary of the valuation of building permits issued in the County.

### PLACER COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Permit Valuation</u>					
New Single-family	\$1,124,222.7	\$1,037,441.2	\$1,128,674.4	\$1,160,684.7	\$645,610.6
New Multi-family	141,165.7	51,983.3	14,777.9	47,179.2	55,306.1
Res. Alterations/Additions	<u>45,294.0</u>	<u>46,182.9</u>	<u>72,624.7</u>	<u>75,000.4</u>	<u>77,853.3</u>
Total Residential	1,310,682.4	1,135,607.5	1,216,077.0	1,282,864.2	778,769.9
New Commercial	136,904.0	104,946.5	148,943.1	134,966.4	97,471.3
New Industrial	3,858.0	9,213.6	13,600.2	6,870.8	6,006.6
New Other	57,145.6	61,638.8	74,011.4	112,453.9	45,677.9
Com. Alterations/Additions	<u>57,145.7</u>	<u>80,503.9</u>	<u>94,818.0</u>	<u>115,465.6</u>	<u>67,486.3</u>
Total Nonresidential	\$255,053.3	\$256,302.9	\$331,372.8	\$369,756.7	\$216,642.1
<u>New Dwelling Units</u>					
Single Family	5,441	4,670	4,743	4,858	2,557
Multiple Family	<u>1,747</u>	<u>584</u>	<u>151</u>	<u>436</u>	<u>648</u>
TOTAL	7,188	5,254	4,894	5,294	3,205

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows residential and non-residential building permits issued, for calendar years 2002 through 2006.

**CITY OF ROSEVILLE**  
**Building Permit Valuation**  
**(Valuation in Thousands of Dollars)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Permit Valuation</u>					
New Single-family	\$526,365.7	\$384,045.3	\$251,956.9	\$174,522.4	\$161,553.8
New Multi-family	78,999.5	42,747.2	7,863.7	17,304.5	3,755.1
Res. Alterations/Additions	<u>2,649.5</u>	<u>2,374.4</u>	<u>3,781.0</u>	<u>3,043.1</u>	<u>4,331.2</u>
Total Residential	608,014.8	429,166.9	263,601.6	194,870.0	169,640.1
New Commercial	105,953.3	91,323.3	88,982.1	69,756.3	97,471.3
New Industrial	2,922.5	3,883.9	13,600.2	5,975.0	6,006.6
New Other	22,969.7	23,697.7	25,404.3	23,301.6	45,677.9
Com. Alterations/Additions	<u>34,272.8</u>	<u>37,062.9</u>	<u>43,987.8</u>	<u>52,473.8</u>	<u>67,486.3</u>
Total Nonresidential	\$166,118.3	\$155,967.7	\$171,974.3	\$151,506.7	\$216,642.1
<u>New Dwelling Units</u>					
Single Family	2,300	1,467	1,015	826	752
Multiple Family	<u>914</u>	<u>474</u>	<u>93</u>	<u>165</u>	<u>48</u>
TOTAL	3,214	1,941	1,108	991	800

*Source: Construction Industry Research Board, Building Permit Summary.*

*Residential Development.* According to the City's *Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2006*, economic growth is strong despite recent slowdowns in the housing market. New home building permits are up in early 2007 over the same time period last year.

*Commercial and Industrial Development.* The City added nearly 354,000 square feet of commercial space and over 1.3 million square feet of office space in Fiscal Year 2006. 297,000 square feet of new industrial space was also added during the same time period.

The City's health care sector showed continued growth. Major expansions of both Kaiser and Sutter Hospitals are almost complete.

## Commercial Activity

During the first three quarters of calendar year 2006, reported total taxable sales in the City were reported to be \$2,972,498,000 a 4.6% increase over total taxable transactions of \$2,841,665,000 that were reported during the first three quarters of calendar year 2005. A summary of taxable transactions in the City is shown below. Annual figures for 2006 are not yet available.

### **CITY OF ROSEVILLE Taxable Transactions Calendar Years 2001 through 2005 (Dollars in Thousands)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Apparel stores	\$110,463	\$118,936	\$128,694	\$158,633	\$167,693
General merchandise stores	370,924	418,267	467,494	561,058	599,179
Food stores	66,469	75,978	93,286	95,389	101,410
Eating and drinking places	177,347	195,011	214,558	235,917	258,486
Home furnishing and appliances.	82,000	96,700	108,737	136,822	135,036
Building material and farm implements	174,920	217,298	251,148	288,940	293,684
Auto dealers and auto supplies	938,034	1,026,213	1,125,482	1,201,552	1,281,810
Service stations	90,944	89,200	114,336	130,953	152,008
Other retail stores	<u>341,119</u>	<u>376,465</u>	<u>412,610</u>	<u>446,106</u>	<u>495,145</u>
Retail Stores Totals	2,352,220	2,614,068	2,916,345	3,255,370	3,484,451
All Other Outlets	<u>404,367</u>	<u>374,189</u>	<u>372,114</u>	<u>405,061</u>	<u>413,408</u>
TOTAL ALL OUTLETS	\$2,756,587	\$2,988,257	\$3,288,459	\$3,660,431	\$3,897,859
 TOTAL NUMBER OF PERMITS	 2,967	 3,348	 3,909	 4,307	 4,442

*Source: California State Board of Equalization.*

Total taxable transactions reported in the County during the first three quarters of calendar year 2006 were reported to be to \$5,595,202,000, a 5.2% increase over the total taxable transactions of \$5,318,170,000 that were reported during the first three quarters of calendar year 2005. A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table. Annual figures for 2006 are not yet available.

### **PLACER COUNTY Taxable Transactions Calendar Years 2001 through 2005 (Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2001	3,385	\$3,793,236	8,885	\$5,201,929
2002	3,861	4,161,204	9,559	5,549,881
2003	4,389	4,539,346	10,543	5,973,818
2004	4,841	5,024,153	11,184	6,595,566
2005	5,055	5,539,337	11,488	7,232,568

*Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **APPENDIX B**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

The following is a summary of certain provisions of the Master Installment Purchase Contract and the Trust Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to the aforementioned documents. Copies of the Master Installment Purchase Contract and the Trust Agreement are available upon request from the Trustee.

### **DEFINITIONS**

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined herein or elsewhere in this Official Statement have the meanings set forth in the Master Installment Purchase Contract and the Trust Agreement.

#### Business Day

The term “Business Day” means any day (other than a Saturday or a Sunday) on which banks in New York, New York are open for business and on which the Trustee is open for business at its corporate trust office in San Francisco, California.

#### Certificate of the Authority

The term “Certificate of the Authority” means an instrument in writing signed by the Executive Director or Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

#### Certificate Payment Date

The term “Certificate Payment Date” means, with respect to any Certificate, the Certificate Payment Date designated therein, which is the December 1 on which the principal component of the final Payment evidenced and represented thereby will become due and payable.

#### Certificates

The term “Certificates” means all water utility revenue certificates of participation evidencing and representing proportionate interests on the owners thereof in the Payments to be made by the City executed and delivered in accordance with the Trust Agreement.

#### City

The term “City” means the City of Roseville, a charter city and municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State.

#### Code

The term “Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

### Contract

The term "Contract" or "Contracts" means that certain Master Installment Purchase Contract, dated as of November 1, 2007, by and between the City and the Authority, as supplemented by the 2007 Supplemental Contract and as otherwise amended or supplemented from time to time.

### Corporate Trust Office

The term "Corporate Trust Office" means the corporate trust office of the Trustee, 550 Kearny St., Suite 600, San Francisco, California 94108; or such other office designated by the Trustee from time to time.

### Costs of Issuance

The term "Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Contract, the Trust Agreement and the sale of the Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, premium for the 2007 Certificate Insurance Policy, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Certificates, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

### Event of Default

The term "Event of Default" means an event described as such in the Trust Agreement.

### Federal Securities

"Federal Securities" means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

### Fiscal Year

The term "Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year.

### Independent Certified Public Accountant

The term "Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the Authority, and who, or each of whom:

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

### Information Services

The term "Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc. 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Called Bond Dept.; Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

### Interest Account

The term "Interest Account" means the account by that name established pursuant to the Trust Agreement.

### Interest Payment Date

The term "Interest Payment Date" means June 1 and December 1 of each year, commencing June 1, 2008.

### Maintenance and Operation Costs

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water Utility System in good repair and working order, (b) all costs of water purchased by the City, (c) all letter of credit and remarketing fees, (d) all administrative costs of the City that are charged directly or apportioned to the operation of the Water Utility System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, payments into pension funds, and (e) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Parity Obligation or of such Parity Obligation, such as compensation, reimbursement and indemnification of the trustee or remarketing agent for any such Parity Obligation and fees and expenses of Independent Certified Public Accountants and Independent Engineers; but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense, (3) amounts paid from funds of the City other than Revenues, (4) in-lieu transfers to the City's general fund, and (5) costs paid or incurred in connection with the Water Meter Retrofit Program.

### Net Proceeds

"Net Proceeds" means, when used with respect to any condemnation award or with respect to any insurance proceeds, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such award or such proceeds,

### Net Revenues

"Net Revenues" means, for any Fiscal Year or any designated twelve (12) month period in question, the Revenues during such Fiscal Year or twelve (12) month period less the Maintenance and Operation Costs during such Fiscal Year or twelve (12) month period.

### Moody's

The term "Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its: successors or assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "Moody's" will be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

### Opinion of Counsel

The term "Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, retained by the Authority.

### Outstanding

The term "Outstanding," when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates paid or deemed to have been paid within the meaning of the Trust Agreement; and
- (3) Certificates in lieu of or in substitution for which other Certificates will have been executed and delivered by the Trustee pursuant to the Trust Agreement.

### Owner

The term "Owner" means any person who will be the registered owner of any Outstanding Certificate.

### Parity Bank Agreements

"Parity Bank Agreements" means an agreement with a bank or other financial institution relating to an irrevocable letter of credit, guarantee or other credit enhancement device providing liquidity or irrevocable credit or security for the payment of Parity Obligations.

### Parity Obligations

"Parity Obligations" means all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity with the charge and lien upon the Net Revenues for the payment of the Payments (determined in accordance with the definition of Annual Debt Service), but for purposes of certain provisions of the Contract does not include Parity Bank Agreements, provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City.

### Parity Payment Agreement

"Parity Payment Agreement" means a Payment Agreement which is a Parity Obligation.

### Parity Reserve Fund

"Parity Reserve Fund" means the City of Roseville Water Utility System Parity Reserve Fund established pursuant to the Trust Agreement.



### Payment Agreement

“Payment Agreement” means a written agreement for the purpose of managing or reducing the City’s exposure to fluctuations in interest rates or for any other interest rate, investment, cash flow, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty in connection with, or incidental to, the entering into of any Parity Obligation, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, cash flows, options on such payments, or any combination thereof or any similar device.

### Payment Agreement Payments

“Payment Agreement Payments” means the amounts required to be paid periodically by the City to the Qualified Counterparty pursuant to a Payment Agreement.

### Payment Agreement Receipts

“Payment Agreement Receipts” means the amounts required to be paid periodically by the Qualified Counterparty to the City pursuant to a Payment Agreement.

### Payments

“Payments” means the installment payments scheduled to be paid by the City under and pursuant to the Contracts.

### Parity Reserve Fund

The term “Parity Reserve Fund” means the fund by that name established pursuant to the Trust Agreement.

### Permitted Investments

The term “Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds: of the City as stated in its current investment policy (copies of which the Authority will cause the City to provide on a current basis to the Trustee) and to the extent then permitted by law:

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAM-G, AAAM or AAM, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

(g) Investment agreements acceptable to the 2007 Certificate Insurer.

(h) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P.

(k) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

(l) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

(m) Any other investments permitted in writing by the 2007 Certificate Insurer.

#### Projects

The term "Projects" means the improvements and additions to the Water Utility System described in the 2007 Official Statement as the "Master Plan", or any other improvements and/or additions to the Water Utility System approved by the City Council.

#### Rating Agencies

"Rating Agencies" means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating the Certificates at the request of the City.

#### Record Date

The term "Record Date" means, with respect to an Interest Payment Date, the 15th day of the month immediately preceding such interest Payment Date.

### Representation Letter

The term "Representation Letter" means the letter of representation to The Depository Trust Company, New York, New York, from the Authority.

### Reserve Fund Requirement

The term "Reserve Fund Requirement" will have the meaning ascribed thereto in the Contract.

### Securities Depositories

The term "Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

### Sinking Fund Payments

The term "Sinking Fund Payments" means the payments required to be deposited in the Sinking Fund Subaccount.

### Sinking Fund Subaccount

The term "Sinking Fund Subaccount"- means the subaccount by that name established pursuant to the Trust Agreement.

### S&P

The term "S&P" means Standard & Poor's Ratings Group, a division of the McGraw Hill Company, and its successors or assigns, except that if such entity will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "S&P" will be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

### State

The term "State" means the State of California.

### Subordinate Obligations

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Net Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

### Supplemental Trust Agreement

The term "Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory thereof or supplemental thereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

#### Tax Certificate

The term "Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the Certificates, executed and delivered by the Authority and the City on the date of delivery of the Certificates, including any and all exhibits attached thereto.

#### Trust Agreement

The term "Trust Agreement" means the Trust Agreement, dated as of November 1, 2007, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

#### Trustee

The term "Trustee" means The Bank of New York Trust Company, N.A., or any other association or corporation which may at any time be substituted in its place.

#### 2007 Certificate Insurance Policy

The term "2007 Certificate Insurance Policy" means the financial guaranty policy issued by the 2007 Certificate Insurer that guarantees payment of principal and interest evidenced and represented by the Certificates.

#### 2007 Certificate Insurer

The term "2007 Certificate Insurer" means MBIA Insurance Corporation, or any successor thereto.

#### 2007 Payments

The term "2007 Payments" means the installment payments of interest, principal, and, prepayment premium, if any, payable by the City under and pursuant to the 2007 Supplemental Contract.

#### 2007 Supplemental Contract

The term "2007 Supplemental Contract" means that certain 2007 Supplemental Installment Purchase Contract, dated as of November 1, 2007, by and between the City and the Authority.

#### Water Utility System

"Water Utility System" means (i) all property rights, contractual rights and facilities of the City relating to potable water, including all facilities, properties, structures or works for the treatment, conservation, storage, transmission or distribution of potable water now owned by the City; and (ii) all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

#### Written Request of the Authority

The term "Written Request of the Authority" means an instrument in writing signed by the Executive Director or Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

## **THE MASTER INSTALLMENT PURCHASE CONTRACT**

Under the Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City and appoints the City for the purpose of such acquisition and construction. Certain provisions of the Contract are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE CONTRACT.

### **Acquisition, Construction and Sale of Projects**

Pursuant to the Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City, and in order to implement this provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Projects.

The City agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose pursuant to the Contract, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and the Authority agrees to and sells the Projects to the City. Notwithstanding the foregoing, it is expressly understood and agreed that the Authority will be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses will be paid by the City, regardless of whether the funds deposited in the Improvement Fund are sufficient to cover all such costs.

### **Improvement Fund**

The Contract establishes the City of Roseville Water Utility System Improvement Fund, which fund the City agrees to maintain until the completion of the acquisition and construction of the Projects to be funded from the separate accounts to be established in such fund as provided in the Supplemental Contracts. All money in the Improvement Fund will be used and withdrawn by the City to pay the costs of the acquisition and construction of the Projects (or to reimburse the City for such costs) upon receipt of a Request of the City. The City will maintain on file a record of all expenditures from the Improvement Fund, including appropriate Requests of the City evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of the acquisition and construction of each Project to be funded from the Improvement Fund, any remaining balance in the Improvement Fund allocable to such Project will be transferred by the City to the Revenue Fund.

### **Rate Stabilization Fund**

The City may, in its sole discretion, establish a fund to be known as the City of Roseville Water Utility System Rate Stabilization Fund. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose.

### **Revenue Fund**

In order to carry out and effectuate the obligation of the City contained in the Contract and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Revenues received by it will be deposited when and as received in the City of Roseville Water Utility System Revenue Fund, which fund is hereby established and which fund the City agrees and covenants to maintain separate and

apart from other moneys of the City so long as any Parity Obligations remain unpaid, and all money on deposit in the Revenue Fund will be applied and used only as provided in the Contract. The City will pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Revenue Fund as they become due and payable, and all remaining money on deposit in the Revenue Fund will be set aside and deposited by the City at the following times in the following order of priority:

(1) Parity Obligation Payment Fund Deposits. On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payments become due and payable by the City under any Parity Payment Agreement, the City will, from the money in the Revenue Fund, deposit in the City of Roseville Water Utility System Parity Obligation Payment Fund, which fund is hereby established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date, plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity Payment Agreements on such next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable by the City under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

(2) Parity Reserve Fund Deposits. On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Revenue Fund, transfer or cause to be transferred to the applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded pursuant to the Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

After making the foregoing deposits and transfers hereinabove required to be made, the City may apply any remaining money in the Revenue Fund for any lawful purpose of the City, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations, provided, however, that no moneys in the Water Revenue Fund will be applied to the payment of any Subordinate Obligations in any Fiscal Year unless amounts on deposit in the Water Revenue Fund will be sufficient to make the transfers hereinabove required to be made in such Fiscal Year.

#### Investments

Any moneys held in the Revenue Fund or the Parity Obligation Payment Fund will be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Contract. Any moneys held in the Rate Stabilization Fund will be invested in Permitted Investments which will mature at such dates as the City will determine but prior to the final date on which payments are due under any Outstanding Parity Obligation.

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which will be held separately) into a separate fund or funds for investment purposes only; provided however, that funds or accounts held by the City under the Contract will be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments credited to such fund or account will, except as otherwise provided in the Contract, be valued at the lower of cost or market value (inclusive of all interest accrued but not paid).

#### Conditions for the Execution of Parity Obligations

The City may at any time execute any Parity Obligations the payments under and pursuant to which are payable from the Net Revenues on a parity with the Payments due under all Supplemental Contracts; provided no Event of Default will be outstanding and there will be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; provided, that for the purpose of providing this Certificate, the City may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(a) An allowance for Net Revenues that would have been derived from each new connection to the Water Utility System that was made prior to the execution of such Parity Obligations but which, during all or any part of said twelve (12) month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such connection if it had been made prior to the beginning, of said twelve (12) month period, and

(b) An allowance for Net Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the execution of such Parity Obligations but which, during all or any part of said twelve (12) month period, was not in effect, in an amount equal to the estimated additional Net Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said twelve (12) month period; or

(2) A Certificate of the City showing that the Adjusted Annual Net Revenues for the Fiscal Year next following the end of the period during which interest on the Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligations proposed to be executed are executed, will be at least equal one hundred twenty percent (120%) of the Maximum Annual Debt Service; provided, that for the purpose of providing such Certificate of the City, the City may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(a) An allowance for Net Revenues that would have been derived from any increase in the rates, fees and charges prescribed for Water Service in effect and being charged, or rates, fees and charges for Water Service that are expected to be charged in accordance with a program of specific rates, fees, charges, rate levels or increases in overall Net Revenue approved by a resolution or ordinance of the City Council; and

(b) An allowance for Net Revenues from customers of the Water Utility System anticipated to be served by the facilities or improvements financed in substantial part by the Parity Obligations proposed to be executed together with any additional Parity Obligations expected to be executed prior to the Fiscal Year of determination.

Notwithstanding the foregoing provisions, there will be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any Outstanding Parity Obligation.

#### Compliance with Contracts

The City will punctually pay the Payments in strict conformity with the terms of the Contracts, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Contract required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by a Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Water Utility System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

#### Use of Proceeds

The Authority and the City agree that the proceeds of the Contracts will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition and construction of the Projects and to pay the incidental costs and expenses related thereto as provided in the Contract and therein.

#### Against Encumbrances

The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Water Utility System and will keep the Water Utility System free of any and all liens against any portion of the Water Utility System. In the event any such lien attaches to or is filed against any portion of the Water Utility System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Water Utility System. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Water Utility System.

#### Sale or Other Disposition of Property

The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Water Utility System or any real or personal property comprising a part of the Water Utility System if such sale, transfer or disposition would cause the City to be unable to meet the requirements of the Contracts.



### Prompt Acquisition and Construction of the Projects

The City will take all necessary and appropriate steps to acquire and construct the Projects, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same in a timely fashion.

### Maintenance and Operation of the Water Utility System; Budgets

The City will maintain and preserve the Water Utility System in good repair and working order at all times and will operate the Water Utility System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than November 1 of each year, a budget approved by the City Council setting forth the estimated Maintenance and Operation Costs for the then current Fiscal Year and will take such action as may be necessary to include all Payments required to be made under the Contract in its annual budget; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget will be filed by the City with the Authority.

### Compliance with Contracts for Use of the Water Utility System

The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water Utility System and all other contracts affecting or involving the Water Utility System to the extent that the City is a party thereto.

### Insurance

The City will procure and maintain such insurance relating to the Water Utility System which it will deem advisable or necessary to protect its interests and the interests of the Authority, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water Utility System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained in the Contract will provide that the Authority will be given thirty (30) days, written notice of any intended cancellation thereof or reduction of coverage provided thereby.

### Accounting Records; Financial Statements and Other Reports.

(1) The City will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the Water Utility System, which records will be available for inspection by the Authority at reasonable hours and under reasonable conditions.

(2) The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2007).

(a) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to its attention in connection with such examination that caused it to believe that the City was not in compliance with any of the agreements or covenants contained in the Contract; and

(b) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Water Utility System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

#### Protection of Security and Rights of the Authority

The City will preserve and protect the security of the Payments under the Contracts and the rights of the Authority to the Payments under the Contracts and will warrant and defend such rights against all claims and demands of all persons.

#### Payment of Taxes and Compliance with Governmental Regulations

The City will pay and discharge all taxes, assessments and other governmental charges which may be lawfully imposed upon the Water Utility System or any part thereof when the same will become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water Utility System or any part thereof, but the City will not be required to comply with any regulations or requirements so long as the validity or application thereof will be contested in good faith and contesting such validity or application will not materially impair operation of the Water Utility System.

#### Amount of Rates; Fees and Charges

The City will fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield (a) Adjusted Annual Net Revenues for such Fiscal Year equal to at least 120% of the Adjusted Annual Debt Service for such Fiscal Year and (b) Adjusted Annual Revenues for such Fiscal Year equal to at least one hundred percent (100%) of: (i) the Adjusted Annual Debt Service on all Parity Obligations for such Fiscal Year, plus (ii) all debt service for such Fiscal Year on all Subordinate Obligations, plus (iii) Maintenance and Operation Costs for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the rates, fees and charges then in effect unless the Adjusted Annual Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

#### Collection of Rates, Fees and Charges

The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water Utility System to pay the rates, fees and charges applicable, to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water Utility System or any facility thereof to be used or taken advantage of free of charge by any corporation, farm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water Service.

#### Eminent Domain and Insurance Proceeds

If all or any part of the Water Utility System will be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Water Utility System, the Net Proceeds thereof, at the option of the City, will be applied either to the proportional prepayment of Outstanding Parity Obligations or will be used to substitute other components for the condemned or destroyed components of the Water Utility System.

#### Further Assurances

The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Contracts and for the better assuring, and confirming unto the Authority of the rights and benefits provided to it in the Contracts.

#### Amendment of Contract.

The Authority and the City may at any time amend or modify any of the provisions of the Contract (a) with the prior written consent of the Trustee given in accordance with the Trust Agreement or (b) without the consent of the Trustee only if such amendment or modification is for any one or more of the following purposes-

(i) to add to the covenants and agreements of the City contained in the Contract, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the Opinion of Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners of the Certificates; and

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by the Certificates under the Code, in the Opinion of Counsel.

### **THE TRUST AGREEMENT**

The Trust Agreement sets forth the terms of the Certificates, the nature and extent of the security therefor, various rights of the Owners, rights and duties and immunities of the Trustee and rights and obligations of the Authority. Certain provisions of the Trust Agreement are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE TRUST AGREEMENT.

#### Equal Security

In consideration of the acceptance of the Certificates by the Owners thereof, the Trust Agreement will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of all Certificates authorized, executed, and delivered under the Trust Agreement and then Outstanding to secure the full and final payment of the interest, principal, and prepayment premiums, if any, evidenced and represented by the Certificates which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained in the Trust Agreement; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the Trustee will be for the equal and proportionate benefit protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Certificates over any other Certificates by reason of the number or date thereof or the time of authorization, sale, execution, or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

#### Deposit of 2007 Payments

The Trustee agrees to establish, maintain and hold in trust the Debt Service Fund, for so long as any Certificates will be Outstanding under the Trust Agreement. All 2007 Payments (except as otherwise provided) received by the Trustee will be immediately deposited in the Debt Service Fund and will be disbursed and applied only as provided in the Trust Agreement.

### Debt Service Fund

Subject to the Trust Agreement, all money in the Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the Debt Service Fund (each of which is created by the Trust Agreement and each of which the Trustee agrees and covenants to maintain) in the following order of priority:

(1) Interest Account. On the Business Day immediately preceding each June 1 and December 1, commencing on June 1, 2008, the Trustee will set aside from the Debt Service Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the Certificates becoming due and payable on such June 1 or December 1, as the case may be.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest evidenced and represented by the Certificates becoming due and payable on such Interest Payment Date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it will become due and payable (including accrued interest evidenced and represented by any Certificates purchased or prepaid prior to their respective Certificate Payment Date).

(2) Prepayment Account. On the Business Day immediately preceding each December 1, commencing on December 1, 2008, the Trustee will set aside from the Debt Service Fund and deposit in the Principal Subaccount in the Prepayment Account an amount of money equal to the principal amount evidenced and represented by the Outstanding serial Certificates with a Certificate Payment Date of such December 1 and in the Sinking Fund Subaccount in the Prepayment Account the amount of all Sinking Fund Payments required to be made on such December 1.

No deposit need be made in the Prepayment Account if the amount contained in the Principal Subaccount therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding serial Certificates with a Certificate Payment Date of such December 1 and the amount contained in the Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such December 1.

All money in the Principal Subaccount in the Prepayment Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the serial Certificates as they will become due and payable, whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the Sinking Fund Subaccount in the Prepayment Account will be used and withdrawn by the Trustee only to purchase or to prepay or to pay term Certificates, and with respect to the Sinking Fund Subaccount, on each Sinking Fund Payment date, the Trustee will apply the Sinking Fund Payment required on that date to the prepayment (or payment at Certificate Payment Date, as the case may be) of the term Certificates upon the notice and in the manner provided in Article II; provided, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation of term Certificates at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed in a Written Request of the Authority, except that the purchase price (excluding accrued interest) will not exceed the prepayment price that would be payable for such term Certificates upon prepayment by application of such Sinking Fund Payment, and if during the twelve-month period immediately preceding any Sinking Fund Payment date the Trustee has so purchased term Certificates, such Certificates so purchased will be applied to the extent of the full principal amount evidenced and represented thereby to reduce the Sinking Fund Payment.

### Parity Reserve Fund

The Trustee agrees, and covenants to maintain the Parity Reserve Fund so long as the Contract has not been discharged in accordance with its terms or any Certificates remain Outstanding under the Trust Agreement. The Trustee will deposit in the Parity Reserve Fund the Reserve Fund Requirement and such other amounts transferred to the Trustee by the City pursuant to the Contract, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the Parity Reserve Fund will be transferred by the Trustee to the Debt Service Fund to pay principal and interest evidenced and represented by the Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable revenue fund established under a trust agreement under which any obligations are issued in connection with a supplement to the Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a supplement to the Contract. All investments in the Parity Reserve Fund will (beginning on December 1, 2008) be valued on or before December 1 of each year at market value. Following such valuation, all moneys on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement will be transferred by the Trustee to the City for deposit in the Revenue Fund.

With the consent of the 2007 Certificate Insurer, the Reserve Fund Requirement may be provided by one or more surety bonds; insurance policies, or letters of credit as described in the definition of Reserve Fund Requirement set forth in the Contract.

### Deposit and Investments of Money in Accounts and Funds

Subject to the Trust Agreement, all money held by the Trustee in any of the accounts or funds will be invested in Permitted Investments at the Written Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance herewith; provided, that if no such Written Request is received by the Trustee, the Trustee will invest such money in those Permitted Investments described in clause (9) of the definition thereof. Subject to certain exceptions in the Trust Agreement, all interest or profits received on any money so invested will be deposited in the Debt Service Fund.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Trust Agreement.

The Trustee or any of its affiliates may act as sponsor, principal or agent, advisor or manager in connection with any investments made by the Trustee under the Trust Agreement. For investment purposes, the Trustee may commingle the funds and accounts established under the Trust Agreement but will account for each separately.

The Trustee will not be liable for any loss from any Permitted Investment acquired, held, or disposed of at the written request of the Authority.

### Assignment to Trustee: Enforcement of Obligations

The Authority in the Trust Agreement transfers, assigns and sets over to the Trustee all of the 2007 Payments and any and all rights and privileges it has under the Contract, including, without limitation, the right to collect and receive directly all of the 2007 Payments, and any 2007 Payments

collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will be paid by the Authority to the Trustee. The Trustee also will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the Certificates the Trustee's rights in and priority to the following security granted to it for the payment of the Certificates: the Trustee's rights as assignee of the 2007 Payments under the Contract and as beneficiary of any other rights to security for the Certificates which the Trustee may receive in the future.

#### Tax Covenants

The Authority covenants with the Owners of the Certificates that, notwithstanding any other provisions of the Trust Agreement, it will not take any action, or fail to take, any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest evidenced and represented by the Certificates under Section 103 of the Code. The Authority will, not, directly or indirectly, use or permit the use of proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest evidenced and represented by the Certificates.

The Authority will not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, or any other funds of the Authority, that would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Certificates are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The Authority will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Certificates as "governmental bonds."

The Authority will not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

The Authority will not make any use of the proceeds of the Certificates or any other funds of the Authority, or take or omit to take any other action that would cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. These covenants will survive payment in full or defeasance of the Certificates.

### Accounting Records and Reports

The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the Payments and the proceeds of the Certificates, and such books will be available for inspection by the Authority and the 2007 Certificate Insurer, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority a complete financial statement covering receipts, disbursements, allocation and application of Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

### Prosecution and Defense of Suits

The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Payments and the proceeds of the Certificates or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Owner, at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cast, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision hereof, this covenant will remain in full force and effect even though all Certificates secured hereby may have been fully paid and satisfied.

### Amendments to Contract

Except for any Supplemental Contract delivered in accordance with the terms of the Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent will be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security hereby given for the payment of the Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount evidenced and represented by the Certificates then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination will reduce the amount of Payments to be made to the Authority or the Trustee by the City pursuant to the Contract, or extend the time for making such Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with the Contract, or permit the creation of any lien prior to or on a parity with the lien created hereby on the Payments without the written consent of all of the Owners of the Certificates then Outstanding.

### Recording and Filing

The Trustee upon receipt of a Written Request of the Authority, at the expense of the Authority, will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee; provided, however, that the Trustee will not be required to execute a special or general consent to service of process, or to qualify as a foreign corporation in connection with any such filing, recording, registration, rerecording or rerecording in any jurisdiction in which it is not now so subject.

### Further Assurances

Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done, all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred on them by the Trust Agreement.

### The Trustee

The Bank of New York Trust Company, N.A. will serve as the Trustee for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates presented for payment, and for the purpose of canceling all paid or prepaid Certificates as provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in either San Francisco, California or Los Angeles, California.

The Authority may at any time, unless there exists any Event of Default, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor will be a bank or trust company doing business and having a principal office in either San Francisco, California or Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

The Trustee will, prior to an Event of Default and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied duties or obligations will be imputed against the Trustee. The Trustee will, during the existence of any Event of Default which has not been cured, exercise the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as prudent persons would exercise or use under the circumstances in the conduct of their own affairs

### Liability of Trustee

The recitals of facts, agreements and covenants in the Trust Agreement and in the Certificates will be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity hereof or of the Certificates, or will incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the Certificates or in law or equity. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement except for its own active or passive negligence, willful misconduct or breach of duty.



The Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less, than a majority in aggregate principal amount of the Certificates at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions hereof unless such Owners will have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or prepayment premium, if any, evidenced and represented by the Certificates from its own funds; but rather the Trustee's obligations will be limited to the performance of its duties under the Trust Agreement.

The Trustee will not be deemed to have knowledge of any default under the Trust Agreement, or default under the Contract unless and until it will have actual knowledge thereof or will have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly provided in the Trust Agreement, the Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Trust Agreement or of any of the documents executed in connection with the Certificates or as to the existence of a default under the Trust Agreement.

The Trustee will be entitled to advice of counsel and other professionals concerning all matters of trust and its duty under the Trust Agreement, but the Trustee will not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms hereof, if such attorney-at law or certified public accountant was selected by the Trustee with due care.

The Trustee will not be concerned with or accountable to anyone for the subsequent use or application of any moneys which will be released or withdrawn in accordance with the provisions hereof.

Whether or not therein expressly so provided, every provision hereof or of the Contract or any related documents relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions of this article.

#### Amendment of the Trust Agreement

The Trust Agreement and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Agreement which will become binding when the written consents of the 2007 Certificate Insurer and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified, are filed with the Trustee; provided, that before executing any such Supplemental Trust Agreement the Trustee may first obtain at the Authority's expense an Opinion of Counsel that such Supplemental Trust Agreement complies with the provisions of the Trust Agreement, on which opinion the Trustee may conclusively rely. No such amendment will (1) extend the Certificate Payment Date of, or change the payment dates of, or reduce the rate of interest or principal or prepayment premium, if any, evidenced and represented by any Certificate without the express written consent of the Owner of such Certificate, or (2) reduce the percentage of Certificates required for the written consent to any such amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption without the consent of any Owners, but only to the extent permitted by law, for any purpose that will not

materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes:

- (1) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;
- (2) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement;
- (3) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;
- (4) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest evidenced and represented by the Certificates from gross income for federal income tax purposes under the Code or the exemption of such interest from State of California personal income taxes;
- (5) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the Certificates by any of the Rating Agencies; or
- (6) to add to the rights of the Trustee.

#### Amendment by Mutual Consent

The Trust Agreement does not prevent any Owner from accepting any amendment as to the particular Certificates held by him, provided that due notation thereof is made on such Certificates.

#### Events of Default; Acceleration; Waiver of Default

If an Event of Default (as that term is defined in the Contract) will happen, then such Event of Default will constitute a default under the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding will exercise the remedies provided to the Authority in the Contract; provided, that nothing contained in the Trust Agreement will affect or impact the right of action of any Owner to institute suit directly against the City to enforce payment of the obligation evidenced and represented by such Owner's Certificates. In determining whether a payment default has occurred under the Trust Agreement, or whether a payment on the Certificates has been made under the Trust Agreement, no effect will be given to payments made under the 2007 Certificate Insurance Policy.

#### Other Remedies of the Trustee

The Trustee will have the right --

(1) by mandamus or other action or proceeding or suit at law or in equity to enforce the Authority's rights under the Contract against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Contract;

(2) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(3) by suit in equity upon the happening of any Event of Default under the Trust Agreement to enforce the Authority's rights under the Contract to require the City and its directors, officers and employees to account as the trustee of an express trust.

#### Non-Waiver

A waiver of any default or breach of any duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or any acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee, and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

#### Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

#### No Liability by the City to the Owners

Except for the payment when due of the Payments and the performance of the other agreements and covenants required to be performed by it contained in the Contract, the City will not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

#### No Liability by the Trustee to the Owners

Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by its contained in the Contract.

#### Discharge of Trust Agreement

When the obligations of the City under the Contract will cease pursuant to the Contract (except for the right of the Trustee and the obligation of the City to have the money and Federal Securities mentioned therein applied to the payment of Payments as therein set forth), then and in that case the obligations created by the Trust Agreement will thereupon cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and Federal Securities to the payment of the Certificates as set forth the Trust Agreement and the right of the Trustee to collect any fees or expenses due thereunder and the Trustee will turn over to the City, as an overpayment of Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the Certificates at maturity or on prepayment, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any

represented by the Certificates, and after such payment, the Trust Agreement will become void.

If moneys or Federal Securities are deposited with and held by the Trustee as provided in the Trust Agreement, the Trustee will mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to the Trust Agreement, stating that (a) moneys or Federal Securities are so held by it, and (b) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement.

#### Deposit of Money or Securities with Trustee

Whenever in the Trust Agreement or the Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities (certified to be sufficient by a report of an Independent Certified Public Accountant) in the necessary amount to pay or prepay any Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and will be –

(1) lawful money of the United States of America in an amount equal to the principal amount represented by such Certificates and all unpaid interest represented thereby to maturity, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount plus accrued interest to such date of prepayment plus a prepayment premium, if any, represented by such Certificates; or

(2) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the principal of and interest on which when due will provide, in its opinion of an Independent Certified Public Accountant, delivered to the Trustee, money sufficient to pay the principal plus prepayment premium, if any, plus all accrued interest to maturity or to the prepayment date, as the case may be, represented by the Certificates to be paid or prepaid, as such amounts become due, provided that, in the case of Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Trust Agreement and the Contract or by Written Request of the City) to apply such money to the payment of such principal plus prepayment premium, if any, plus interest represented by such Certificates.

#### Unclaimed Money

Notwithstanding anything contained in the Trust Agreement to the contrary, any money held by the Trustee in trust for the payment and discharge of any of the Certificates which remains unclaimed for two years after the date when such Certificates have become due and payable, either at their stated Certificate Payment Dates or by call for prepayment prior to Certificate Payment Date, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Certificates have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 2007 Payments evidenced and represented by such Certificates; provided, however, that before being required to make any such payment to the City, the Trustee will, at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

### Accounts and Funds; Business Days

Any account or fund required by the Trust Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds will at all times be maintained in accordance with the Tax Certificate and sound industry practice and with due regard for the protection of the security of the Certificates and the rights of the Owners. Any action required to occur thereunder on a day which is not a Business Day will be required to occur on the next succeeding Business Day with the same effect as if made on such non-Business Day.

### CUSIP Numbers

Neither the Authority nor the Trustee will be liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate or in any prepayment notice relating thereto. The Trustee may, in its discretion, include in any prepayment notice relating to any of the Certificates a statement to the effect that the CUSIP numbers on the Certificates have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Authority nor the Trustee will be liable for any defects or inaccuracies in such numbers.

## **THE INSURANCE POLICY**

### Payment under the 2007 Certificate Insurance Policy

So long as the 2007 Certificate Insurance Policy remains in force and effect, the Trustee will comply with all of the provisions thereof which are required to be complied with to ensure timely payment of the principal and interest represented by the Certificates when due. Without limiting the generality of the foregoing, the Trustee will comply with the following provisions:

(a) In the event that, on the 2<sup>nd</sup> Business Day, and again on the Business Day, prior to any payment date on the Certificates, the Trustee has not received sufficient moneys to pay all principal and interest represented by the Certificates due on the 2<sup>nd</sup> following or following, as the case may be, Business Day, the Trustee will immediately notify the 2007 Certificate Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee will so notify the 2007 Certificate Insurer or its designee. In addition, if the Trustee has notice that any 2007 Certificate Owner has been required to disgorge payments of principal or interest represented by the Certificates to a trustee in bankruptcy or creditors or others under a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such 2007 Certificate Owner within the meaning of any applicable bankruptcy laws, then the Trustee will notify the 2007 Certificate Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(b) The Trustee is irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Certificates as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest on the Certificates, the Trustee will (A) execute and deliver to U.S. Bank Trust National Association, in New York, New York, or its successors under the 2007 Certificate Insurance Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the 2007 Certificate Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an

assignment to the 2007 Certificate Insurer of the claims for interest to which such deficiency relates and which are paid by the 2007 Certificate Insurer, (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the 2007 Certificate Insurance Policy payment from the Insurance Trustee with respect to the claims for interest so assigned, and (C) disburse the same to such respective Owners; and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the Certificates, the Trustee will (A) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the 2007 Certificate Insurer as agent for such Owner in any legal proceeding relating to the payment of such principal and an assignment to the 2007 Certificate Insurer of any of the Certificates surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment will be delivered only if payment from the Insurance Trustee is received), (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the 2007 Certificate Insurance Policy payment therefor from the Insurance Trustee, and (C) disburse the same to such Owners.

(c) Payments with respect to claims for interest and principal represented by the Certificates disbursed by the Trustee from proceeds of the 2007 Certificate Insurance Policy will not be considered to discharge the obligation of the City with respect to such Certificates, and the 2007 Certificate Insurer will become the owner of such unpaid 2007 Certificate and claims for the interest in accordance with the tenor of the assignment made to it under the provisions herein described or otherwise. Irrespective of whether any such assignment is executed and delivered, the Authority, the City and the Trustee agree for the benefit of the 2007 Certificate Insurer that:

(i) They recognize that to the extent the 2007 Certificate Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal or interest represented by the Certificates, the 2007 Certificate Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Authority, with interest thereon as provided and solely from the sources stated in the Trust Agreement and the Certificates; and

(ii) They will accordingly pay to the 2007 Certificate Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the 2007 Certificate Insurance Policy, which principal and interest will be deemed past due and not to have been paid), with interest thereon as provided in the Trust Agreement and the Certificates, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Certificates to the Owners, and will otherwise treat the 2007 Certificate Insurer as the owner of such rights to the amount of such principal and interest.

(d) The City agrees to reimburse the 2007 Certificate Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the 2007 Certificate Insurer in connection with (i) the enforcement by the 2007 Certificate Insurer of the City's obligations, or the preservation or defense of any rights of the 2007 Certificate Insurer, under the Trust Agreement and any other document executed in connection with the issuance of the Certificates, and (ii) any consent, amendment, waiver or other action with respect to the Trust Agreement or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the 2007 Certificate Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

(e) The Authority and the City agree not to use the 2007 Certificate Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the 2007 Certificate Insurer's prior consent. If the Authority or the City is advised by counsel that it has a legal obligation to disclose the 2007 Certificate Insurer's name in any press release, public announcement or other public document, the Authority or the City will provide the 2007 Certificate Insurer with at least 3 Business Days' prior written notice of its intent to use the 2007 Certificate Insurer's name together with a copy of the proposed use of the 2007 Certificate Insurer's name and of any description of a transaction with the 2007 Certificate Insurer and will obtain the 2007 Certificate Insurer's prior consent as to the form and substance of the proposed use of the 2007 Certificate Insurer's name and any such description.

(f) The Authority and the City will not enter into any agreement and will not consent to or participate in any arrangement under which Certificates are tendered or purchased for any purpose other than the prepayment and cancellation or legal defeasance of such Certificates, without the prior written consent of the 2007 Certificate Insurer.

#### Rights of the Insurer

For so long as either the 2007 Certificate Insurance Policy or the Surety Bond is outstanding, or amounts are owed to the 2007 Certificate Insurer, notwithstanding anything to the contrary set forth in the Trust Agreement, the City and the Authority agree as follows:

(a) Notices. Any notice to be given to any party under the Trust Agreement will also be given to the 2007 Certificate Insurer at MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Insured Portfolio Management, Fax: (914) 765-3164.

(b) Events of Default. Upon the occurrence of an Event of Default under the Trust Agreement, the 2007 Certificate Insurer is entitled to control and direct the enforcement of all rights and remedies as are granted in the Trust Agreement, provided that the 2007 Certificate Insurer will not be in default under the 2007 Certificate Insurance Policy. Any acceleration of payments due with respect to the Certificates or waiver of Event of Default will be subject to the approval of the 2007 Certificate Insurer.

(d) Insurer as Third Party Beneficiary. The 2007 Certificate Insurer is a third-party beneficiary under the Trust Agreement and will have the power to enforce any right, remedy or claim conferred, given or granted under the Trust Agreement.

(e) Subrogation. If the principal, interest and premium (if any) represented by the Certificates are paid by the 2007 Certificate Insurer under the 2007 Certificate Insurance Policy, the obligations of the Trustee, the Authority and the City will continue in full force and effect and the 2007 Certificate Insurer will be fully subrogated to the rights of all Owners of the Certificates so paid. In addition, the obligations of the Trustee, the Authority and the City under the Trust Agreement and under the Contract, will continue in full force and effect, and will not be terminated, until such time as there has paid all amounts (if any) due and owing to the 2007 Certificate Insurer under the 2007 Certificate Insurance Policy.

[THIS PAGE INTENTIONALLY LEFT BLANK]



**APPENDIX C**  
**PROPOSED FORM OF SPECIAL COUNSEL OPINION**  
**[LETTERHEAD OF JONES HALL]**

[Closing Date]

City Council  
City of Roseville  
311 Vernon Street  
Roseville, California 95678

*OPINION:*     \$53,695,000 City of Roseville Water Utility Revenue Certificates of  
                    Participation, Series 2007

---

Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Roseville of a 2007 Supplemental Installment Purchase Contract dated as of November 1, 2007 (the "2007 Supplement") between the City, as purchaser and the Roseville Finance Authority (the "Authority"), as seller, which is a supplement to a Master Installment Purchase Contract dated November 1, 2007 (the "Master Contract") by and between the City and the Authority. Under a Trust Agreement dated as of November 1, 2007 (the "Trust Agreement"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the Trustee has executed and delivered \$53,695,000 aggregate principal amount of Water Utility Revenue Certificates of Participation, Series 2007 evidencing and representing proportionate interests of the owners thereof in the payments to be made by the City under the 2007 Supplement (the "Installment Payments"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the 2007 Supplement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California, with the full power to

enter into the 2007 Supplement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The 2007 Supplement and the Trust Agreement have been duly approved by the City and constitute valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the terms thereof and of the 2007 Supplement and the Master Contract, the owners of the Certificates are entitled to the benefits of the 2007 Supplement.

4. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the 2007 Supplement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the 2007 Supplement and other instruments relating to the Certificates to comply with each of such requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the 2007 Supplement. We express no opinion regarding other federal tax consequences arising with respect to the 2007 Supplement and the Certificates.

5. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the 2007 Supplement, the Trust Agreement and the Assignment Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF ROSEVILLE (the "City"), for and on behalf of itself and the Roseville Finance Authority (the "Authority"), in connection with the execution and delivery of the \$53,695,000 City of Roseville Water Utility Revenue Certificates of Participation, Series 2007 (the "Certificates"). The Certificates are being executed and delivered by The Bank of New York Trust Company, N. A., as trustee (the "Trustee"), in accordance with a Trust Agreement, dated as of November 1, 2007 (the "Trust Agreement"), by and between the Authority and the Trustee. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

*"Annual Report"* means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

*"Dissemination Agent"* means The Bank of New York Trust Company, N. A., or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

*"Listed Events"* means any of the events listed in Section 5(a) of this Disclosure Certificate.

*"National Repository"* shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule. Any filing under this Disclosure Certificate with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

*"Official Statement"* means the Official Statement relating to the Certificates.

*"Participating Underwriters"* means Morgan Stanley & Co. Incorporated and Citigroup Global Markets, Inc., the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

*"Report Date"* means seven months after the end of the City's fiscal year, (currently January 31 of each year based on the City's June 30 fiscal year end).

*"Repository"* means each National Repository and each State Repository.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State Repository*” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Report Date, beginning on January 31, 2008, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee, the Certificate Insurer and the Participating Underwriter. Not later than 15 business days before the Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Report Date, if not available by the Report Date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City under this Disclosure Certificate.

(b) If the City is unable to provide to the Repositories an Annual Report by the Report Date, the City shall, by written direction, cause the Dissemination Agent to provide to each Repository and to the Municipal Securities Rulemaking Board and each State Repository (with a copy to the Trustee and the Certificate Insurer) a notice, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Report Date the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City, which shall include financial statements of the City’s municipal water utility (the “Water Utility System”) prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Report Date, the following financial information and operating data with respect to the City and the Water Utility System for the preceding fiscal year as of June 30 of the previous fiscal year:

- (i) Any material changes in the City's sources of water as described in the Official Statement and, for the most recently completed Fiscal Year, a description of water production and treatment and distribution cost.
- (ii) A description of the numbers of customers in each group classification of the Water Utility System during the most recently completed Fiscal Year.
- (iii) Total revenues from sales of water during the most recently completed Fiscal Year.
- (iv) Description of total billings, collections and delinquencies during the most recently completed Fiscal Year.
- (v) Revenues and expenses of the Water Utility System and debt service coverage with respect to the 2007 Certificates and any parity obligations for the most recently completed Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

#### Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of Certificates holders.
- (viii) Contingent or unscheduled prepayment of Certificates.
- (ix) Defeasances.

- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, by written direction, cause the Dissemination Agent to promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee, the Participating Underwriter and the Certificate Insurer, together with written direction to the Trustee whether or not to notify the Certificate holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Certificate holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Trust Company, N. A.. Any Dissemination Agent may resign by providing 30 days' written notice to the City and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions of this Section, the first annual financial information filed pursuant to this Disclosure Certificate containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred

by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Certificate holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent, but shall terminate upon the termination of the City's obligations under this Certificate pursuant to Section 6 of this Certificate.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City:	City of Roseville 311 Vernon Street Roseville, California 95678 Attention: Administrative Services Director Fax: (916) 774-5514
--------------	---

To the Trustee:	The Bank of New York Trust Company, N. A. 550 Kearny Street, Suite 600 San Francisco, California 94108 Attention: Corporate Trust Department Fax: (415) 399-1647
-----------------	--

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.



Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2007

CITY OF ROSEVILLE

By \_\_\_\_\_  
Administrative Services Director/Treasurer

ACCEPTED AND AGREED:

The Bank of New York Trust Company, N. A.,  
as Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: CITY OF ROSEVILLE

Name of Issue: \$53,695,000 City of Roseville Water Utility Revenue Certificates of Participation, Series 2007

Date of Issuance: \_\_\_\_\_, 2007

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated as of \_\_\_\_\_, 2007. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

DISSEMINATION AGENT

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc: Trustee

**APPENDIX E**

**AUDITED FINANCIAL STATEMENTS FOR THE CITY  
FOR THE YEAR ENDED JUNE 30, 2006**

[THIS PAGE INTENTIONALLY LEFT BLANK]

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006



CITY OF  
**ROSEVILLE**  
CALIFORNIA

**CITY OF ROSEVILLE, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2006**

**Prepared by  
FINANCE DEPARTMENT**

This Page Left Intentionally Blank

## **INTRODUCTORY SECTION**



**CITY OF ROSEVILLE, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**For The Year Ended June 30, 2006**

**INTRODUCTORY SECTION:**

Table of Contents .....	i
Letter of Transmittal .....	v
Organization Chart .....	xi
Elected Officials .....	xii
GFOA Certificate .....	xiii
CSMFO Certificate .....	xiv

**FINANCIAL SECTION:**

<i>Independent Auditor's Report on Basic Financial Statements</i> .....	1
---	---

<i>Management's Discussion and Analysis</i> .....	3
---	---

***Basic Financial Statements:***

Government-wide Financial Statements:

Statement of Net Assets .....	20
Statement of Activities .....	21

Fund Financial Statements:

Governmental Funds:

Balance Sheet .....	24
Reconciliation of Governmental Funds – Fund Balances with Governmental Activities Net Assets .....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	26
Reconciliation of the Net Change in Fund Balances Total Governmental Funds with the Changes in Net Assets of Governmental Activities .....	27
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: .....	28
Redevelopment Agency Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual: .....	30

<p align="center"><b>CITY OF ROSEVILLE, CALIFORNIA</b>  <b>Comprehensive Annual Financial Report</b>  <b>For The Year Ended June 30, 2006</b></p>
---

<p><b>FINANCIAL SECTION (Continued):</b></p>
--

Major Proprietary Funds:

Statement of Net Assets.....	32
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	34
Statement of Cash Flows .....	36

Fiduciary Funds:

Statement of Fiduciary Net Assets .....	40
Statement of Changes in Net Assets.....	41

Notes to Financial Statements.....	43
------------------------------------	----

1. Summary of Significant Accounting Policies .....	43
2. Budgets and Budgetary Accounting .....	49
3. Cash and Investments.....	51
4. Interfund Transactions.....	56
5. Notes Receivable .....	59
6. Deferred Receivables .....	61
7. Development Agreements and Land Held for Redevelopment.....	61
8. Capital Assets.....	62
9. Long Term Debt.....	67
10. Debt Without City Commitment .....	75
11. Net Assets and Fund Balances .....	76
12. Pension Plan.....	77
13. Risk Management .....	79
14. Prepaid Purchased Electricity.....	80
15. Northern California Power Agency (NCPA).....	81
16. South Placer Wastewater Authority (SPWA) .....	85
17. Municipal Solid Waste Landfill Closure and Postclosure Care Costs.....	86
18. Commitments and Contingent Liabilities.....	86
19. Tax Increment Shift to Educational Revenue Augmentation Fund .....	87
20. Subsequent Events .....	87

**CITY OF ROSEVILLE, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**For The Year Ended June 30, 2006**

**SUPPLEMENTAL INFORMATION SECTION:**

***Required Supplementary Information:***

Modified Approach to Reporting Street Pavement, Costs and Parks and Landscaping Costs .....	89
---	----

***Supplemental Information:***

Non-major Governmental Funds:

Combining Balance Sheets .....	94
--------------------------------	----

Combining Statements of Revenues, Expenditures, and Changes In Fund Balances .....	100
---	-----

Combining Statement of Revenues, Expenditures, and Changes In Fund Balances-Budget and Actual .....	106
--	-----

Internal Service Funds:

Combining Statements of Net Assets .....	114
--	-----

Combining Statements of Revenues, Expenses and Changes in Net Assets .....	116
--	-----

Combining Statements of Cash Flows .....	118
--	-----

Agency Funds

Statement of Changes in Assets and Liabilities .....	124
--	-----

**CITY OF ROSEVILLE, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**For The Year Ended June 30, 2006**

**STATISTICAL SECTION:**

Net Assets by Components– Last Five Fiscal Years.....	137
Changes in Net Assets – Last Five Fiscal Years.....	138
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	140
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	142
Assessed Value and Estimated Value of Taxable Property – Last Five Fiscal Years .....	144
Property Tax Rates – All Overlapping Governments Last Ten Fiscal Years.....	145
Principal Property Tax Payers – Fiscal Year 2005-06 and 1996-97 .....	146
Property Tax Levies and Collections – Last Ten Fiscal Years.....	147
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	148
Revenue Bond Coverage 2000 Wastewater Revenue Bonds – Series A– Last Seven Fiscal Years...	149
2000 Variable Rate Demand Wastewater Revenue Bonds – Series B – Last Seven Fiscal Years.....	150
2003 Refunding Auction Rate-Synthetic Fixed Wastewater Revenue Bonds – Last Three Fiscal Years.....	151
2002 Redevelopment Tax Allocation Bonds – Last Three Fiscal Years.....	152
Computation of Direct and Overlapping Debt.....	153
Computation of Legal Bonded Debt Margin Information – Last Four Fiscal Years.....	154
Demographic and Economic Statistics – Last Ten Fiscal Years.....	155
Principal Employers – Fiscal Year 2005-06 and 1996-97.....	156
Full-Time Equivalent City Employees by Function – Last Ten Fiscal Years.....	157
Operating Indicators by Function/Program – Last Five Fiscal Years.....	158
Capital Assets Statistics by Function/Program – Last Four Fiscal Years.....	159

December 21, 2006

Honorable Mayor, Members of the City Council and City Manager:

This document, the Comprehensive Annual Financial Report (CAFR) of the City of Roseville, is for the fiscal year ended June 30, 2006. The report was prepared by the Finance Department in conjunction with the City's independent auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The data, as presented, is accurate in all material aspects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The organization of the financial report follows the guidelines set forth by the Government Finance Officers' Association (GFOA) of the United States and Canada.

The report is divided into three sections:

- I.     Introductory section, including this letter of transmittal, list of City elected officials, and City's organizational chart.
- II.    Financial section, including the auditors' report by Maze & Associates, the City's independent certified public accountants, management's discussion and analysis, the basic financial statements, notes to the financial statements, required supplemental information and the combining financial statements for non-major funds.
- III.   Statistical section, including a number of tables and graphs of unaudited data depicting 10 years of financial history about the City and information on its overlapping governmental debt.

A separate single audit report has been prepared in conformity with the provisions of the Federal Single Audit Act amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments."

Finally, it is highly recommended that all readers of this report review the narrative introduction, overview, and analysis found in management's discussion and analysis (MD&A) in this CAFR's financial section.

#### THE REPORTING ENTITY AND ITS SERVICES

This report reflects the entity concept prescribed by generally accepted accounting principles (GAAP). It combines the financial statements of the Redevelopment Agency of the City of Roseville (the "Agency"), the Roseville Finance Authority (the "Authority"), and the City of Roseville Housing Authority (the "Housing Authority") with those of the City to constitute a single reporting entity. In accordance with the

criteria of the Government Accounting Standards Board (GASB) Statement 14, the basic financial statements include the financial activity of the City, the Agency, the Authority, and the Housing Authority. The Agency, the Authority, and the Housing Authority are separate legal entities from the City, are controlled by the City, and have the same governing board. The Agency issues its own component unit financial statements. Separate financial statements for the Authority and the Housing Authority are not issued.

Roseville is a charter law city of the State of California. The City was incorporated in 1909 and operates under a Council-Manager form of government. The City's political and legislative body is the City Council and is empowered by the City's charter to formulate citywide policy, including a fiscal program, City services, and appointment of the City Manager and City Attorney. There are five City Council members who are elected at-large for staggered four-year terms, and the Mayor is determined by which member received the highest number of votes in the previous election.

Roseville is a full-service City providing a full range of municipal utilities and services. These include: police; fire; community development; parks and recreation; public libraries; planning; building and public facility inspection; engineering; streets; electric, water, wastewater and solid waste utilities; redevelopment; housing and general administrative services.

Residents of the City desiring to assist the City Council in forming government policy may do so by serving on a City commission, Committee, or Board. The commissions, committees, and boards act in an advisory capacity to the City Council. They are: Planning Commission; Parks and Recreation Commission, Cultural Arts Commission, Public Utilities Commission, Roseville Grants Advisory Commission, Senior Citizen Commission, Transportation Commission, Campaign Finance Reform Committee, Design Committee, Board of Appeals/Hearing Examiners, Library Board, Growth Management Visioning Committee, Central Roseville Revitalization Committee, and the Personnel Board.

### ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City of Roseville still exhibits strong economic growth even with the recent slowdown in the housing market. Roseville's diverse land use has helped to continue a growth pattern that has resulted in improved economic strength for the City. While the housing market has slowed in the last year, home builders are aggressively pricing and marketing their homes for sale. New home building permits are up in the early part of the 2007 fiscal year over the same point in 2006.

Roseville enjoys the convenience of being a regional shopping destination for both general retail goods as well as automobiles, with nearly 354,000 square feet of commercial space being added in FY 2006. The City's office market continues to be one of the strongest sub-markets in the region, with over 1.3 million square feet of office space being added in FY 2006.

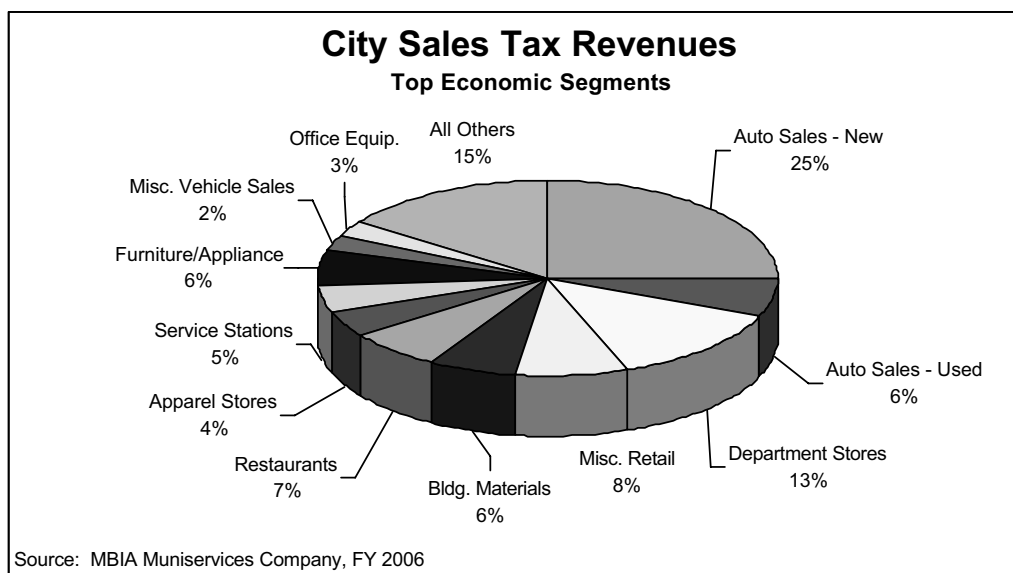
The industrial development segment of the City grew slightly in FY 2006 with 297,000 square feet of new space added during the year. This growth is consistent with that of the last few years. Of the City's two main industrial companies, Hewlett Packard has reduced jobs over the last several years, while NEC has stabilized its employment in large part by expanding its customer base in the electronic area to include the automotive industry.

The City's total employment grew during the year. This year the City has had a net increase of 3,237 jobs to bring the total to 77,847. This increase is consistent with that of the two prior years. The City's ability to attract jobs and residents has been the foundation of the City's economic success.

The City has become a regional health care center. Major expansions of the Kaiser and Sutter hospitals are nearly complete. It is expected that this segment of the economy will continue to grow. Overall, the City appears to be in a favorable position to continue attracting jobs, retail establishments, and new residents for the next several years. This growth increases and strengthens the City's tax base and increases the diversity of revenue generation.

### **Top Sales Tax Generators by Economic Segment**

The chart below provides an overview of the City's sales tax revenue by economic segment. All sectors have grown proportionately in the last fiscal year. Sales taxes increased \$1.7 million in fiscal year 2006. An important note is that while automobile sales represent a significant portion of the City's tax base, this segment is less dominant in total sales as the City continues to diversify its sales tax base. Additionally, used auto sales have become a larger part of total auto sales and is included for the first time as a separate element in the chart below.



### **Major Activity in the City**

Many of the major activities initiated and completed in fiscal year 2006 are consistent with the City Council's direction to focus on projects and funding that provide economic stability within the community and enhance the City's long-term financial condition while maintaining high levels of service to the older parts of the community. Projects were initiated in:

- Public works—completion of a major interchange to ease traffic and an increase in overall road system maintenance
- Water—upgrade of the water treatment plant reservoir and replacement of a major storage tank
- Wastewater—ongoing improvement of treatment plant operations
- Electric—construction of the electric generation power plant
- Downtown Revitalization—construction of a multi-story parking garage

Private development has continued at a growing pace in business professional development—double from last year—and industrial development—slightly increased, but at a slower pace in residential and commercial development. The table below provides a summary of the City's major development activity in the 2006 fiscal year.

<b>Development Type</b>	<b>Number of Permits</b>	<b>New Square Feet Occupied</b>
Single-Family Residential	755	
Multi-Family Development	149	
Industrial Development		296,593
Commercial Development		353,987
Business Professional		1,291,159

Proposed major annexations to the City continue to be processed for specific plans on the boundaries of the West Roseville Specific Plan, the City's newest annexation area. In addition, the City has processed a number of requests to rezone industrial, commercial, and business professional uses to residential land use.

#### ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The Finance Department staff remains committed to improving the City's accounting system; to maintain the City's internal accounting controls to adequately safeguard assets; and to provide reasonable assurances of proper recording of financial transactions. Budgetary control is directed by the City Council by ordinance when the budget is adopted each year. Expenditures may not legally exceed appropriations at the department level by major summary category. The City utilizes the encumbrance system as a management control technique to assist in controlling expenditures. Periodic reports of revenue, expense, and investment activity are prepared and distributed to the City Council and City departments to monitor spending in relation to the budget. At fiscal year-end, open encumbrances are reported as reservations of the fund balance. The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type:

##### Category Fund Type

Governmental Funds: General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Permanent Funds

Proprietary Funds: Enterprise Funds and Internal Service Funds

Fiduciary Funds: Agency Funds and Endowment Private-Purpose Trust Fund

Governmental Funds: The basic financial statements necessary to fairly present the financial position and operating results from major governmental funds are: the balance sheet, and the statement of revenues,



expenditures and changes in fund balance. These funds are maintained using the modified accrual basis of accounting, which is more thoroughly explained in the Notes to the Financial Statements.

Proprietary Funds: Generally accepted accounting principles applicable to private commercial business are applicable to proprietary funds of a government agency. The basic financial statements required to present the financial position and operating results from major proprietary funds are the statement of net assets; statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The full-accrual basis of accounting is utilized as explained in the Notes to the Financial Statements.

Fiduciary Funds: Fiduciary funds are used to account for assets held by a government agency acting as a trustee or agent for individuals, assessment districts, organizations, other governmental units, or other funds of the same entity. The modified accrual basis of accounting is used as explained in the Notes to the Financial Statements.

### CASH MANAGEMENT

The City has a formal investment policy, which is subject to annual review and approval by the City Council. Available cash for operations and capital was invested in the State Treasurer's Local Agency Investment Fund (LAIF), corporate notes, money market funds, commercial paper, and government securities. Restrictions on the maturity and percentage of the investments and categorization of credit risk are discussed in the Notes to the Basic Financial Statements. The City's portfolio is invested mainly in Federal Agency Issues and U.S. Treasury Coupons. The average annual yield was 3.89% on the City's month-end average investment balances. This compared with a return of 2.53% in the prior year. As of June 30, 2006, the yield to market of outstanding investments was 3.32%. This increase was the result of an overall rising interest rate environment. Investment income includes appreciation in the fair value of investments. Increases in fair market value during the current year do not necessarily represent trends that will continue nor is it an available financial resource, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

### INDEPENDENT AUDIT

Each year the City requires an independent annual audit of the City's financial records, the results of its operations, and cash flows. This report includes the opinion of the City's independent auditors, Maze & Associates, for the basic financial statements of the City. In addition, a separately issued document contains the auditors' reports on the internal control structure and compliance with applicable laws and regulations related specifically to the single audit.

### AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roseville for its comprehensive annual financial report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

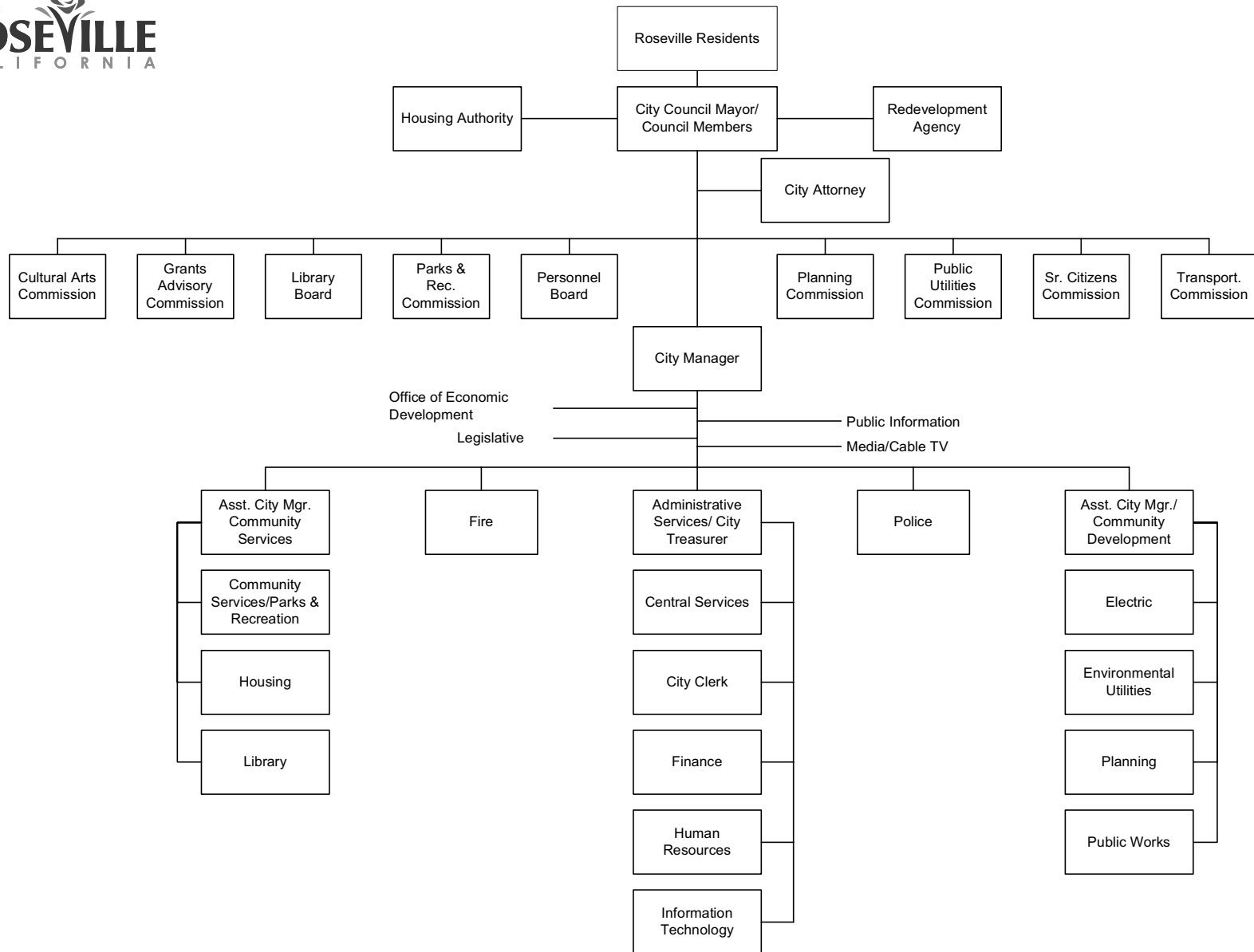
#### ACKNOWLEDGMENTS

I extend my appreciation to the entire staff in the Finance Department and other departments who assisted in the process of compiling the information for this report. In addition, I extend a special "thank you" to the City's Accounting Division staff and our external auditors who contributed long hours to make this document possible. Their efforts and continued dedication are greatly appreciated. I sincerely thank the Mayor, members of the City Council and City Manager, for their support, interest, and integrity in directing the financial affairs of the City in a responsible, professional, and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Russ Branson". The signature is written in a cursive, flowing style.

Russ Branson  
Administrative Services Director/City Treasurer



**CITY OF ROSEVILLE**

**ELECTED OFFICIALS**

**JUNE 30, 2006**

Mayor	Regina Garbolino
Mayor Pro-tem	Frederic C. Rockholm
Council Member	John B. Allard
Council Member	Jim Gray
Council Member	Richard Roccucci

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Roseville  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# California Society of Municipal Finance Officers

Certificate of Award

***Outstanding Financial Reporting 2004-05***

Presented to the

***City of Roseville***



*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

***February 24, 2006***

*William A. Thomas*

Bill Thomas, Chair  
Professional & Technical Standards Committee

***Dedicated to Excellence in Municipal Financial Management***

## **FINANCIAL SECTION**

**ACCOUNTANCY CORPORATION**  
3478 Buskirk Ave. - Suite 215  
Pleasant Hill, California 94523  
(925) 930-0902 • FAX (925) 930-0135  
maze@mazeassociates.com  
www.mazeassociates.com

## INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

Honorable Mayor and City Council  
City of Roseville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, California (City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 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 financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, California as of June 30, 2006 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2006 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedure applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



November 22, 2006



This Page Left Intentionally Blank

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion provides readers of the City of Roseville's financial statements a narrative overview and analysis of the financial activities of the City of Roseville for the fiscal year ended June 30, 2006. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Even with the recent slowdown in the housing market, the City remained strong economically, as General Fund tax revenues increased, business activities were healthy and growing, and revenues for capital expenditures grew at the pace of development. The City's financial highlights are presented below:

### **FISCAL YEAR 2006 FINANCIAL HIGHLIGHTS**

Financial highlights of fiscal year 2006 include the following:

#### *Entity-wide:*

- The City's total net assets were \$2.1 billion as of June 30, 2006. Of this total, \$923.3 million were Governmental assets and \$1.1 billion were Business-type assets.
- Governmental revenues include program revenues of \$147.5 million and general revenues and transfers of \$118.3 million for a total of \$265.8 million.
- Governmental expenses were \$135.9 million.
- Business-type program revenues, interest revenue and miscellaneous revenues were \$244.6 million while Business-type expenses and transfers were \$191.9 million.

#### *Fund Level:*

- Governmental Fund balances increased to \$218.2 million in fiscal year 2006, up \$33.5 million from the prior year.
- Governmental Fund revenues increased to \$239.7 million in 2006, up \$98.9 million from the prior year. This was primarily due to an increase of tax revenues of \$6.9 million, \$84.8 million in contributions of bond proceeds for Community Facility Districts and other developer contributions, \$4.5 million in charges for services, and use of money and property of \$2.9 million. Governmental Fund expenditures increased to \$229.6 million in fiscal year 2006, up \$67 million from the prior year. This increase was primarily due to increases of capital outlay of \$49.6 million, public safety of \$7.2 million, \$4.6 million in public works, and \$4.7 million in general government.
- Other Financing Sources provided a net of \$23.4 million in fiscal year 2006, up \$6.1 million from 2005 due to \$3.5 million in proceeds from property sales in 2006 and an increase of proceeds from capital leases of \$2.1 million.

#### *General Fund:*

- General Fund revenues of \$100.8 million were \$12.4 million higher than the prior year, with the largest increases in taxes and charges for services.
- General Fund expenditures of \$109.9 million represented an increase of \$19.9 million over the prior year. The largest increases were in general government, public safety, and capital outlay.
- Other Financing Sources showed \$16.1 million, which was slightly decreased from 2005.
- The General Fund balance of \$64.3 million as of June 30, 2006 is up from fiscal year 2005's fund balance of \$57.2 million.

## OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is divided into six parts:

- 1) Introductory section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis (this section),
- 3) The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the Notes to these financial statements,
- 4) Required Supplemental Information,
- 5) Combining statements for Non-major Governmental Funds and Fiduciary Funds,
- 6) Statistical information

### **The Basic Financial Statements**

The Basic Financial Statements comprise the Entity-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The Entity-wide Financial Statements provide an overview of the City's activities, and are comprised of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full-accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the City's revenues and all of its expenses, also on the full-accrual basis, with the emphasis on measuring net revenues or expenses of each the City's major functions. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into either Government Activities or Business-type Activities, as explained below. The amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities for the City.

The Fund Financial Statements report the City's operations in more detail than the entity-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The Fiduciary Statements provide financial information about the activities of the Community Facilities Districts and certain other entities, for which the City acts solely as agent. The Fiduciary Statements provide information about the cash balances and activities of these Districts and other entities. These statements are separate, and their balances are excluded, from the City's basic financial statements.

### *The Entity-wide Financial Statements*

Entity-wide financial statements, prepared on the accrual basis, measure the flow of all economic resources of the City.

The Statement of Net Assets and the Statement of Activities present information about the following:

- **Governmental Activities**—All of the City’s basic services are considered to be governmental activities. These services are supported by general City revenues such as taxes, and by specific program revenues such as user fees and charges.

The City’s governmental activities also include the activities of three separate legal entities, the Redevelopment Agency of the City of Roseville, the Roseville Finance Authority, and the City of Roseville Housing Authority. The City is financially accountable for these entities.

- **Business-type Activities**—The City’s enterprise activities of electric, water, wastewater, solid waste, golf course, local transportation, and school-age child care are reported in this area. Unlike governmental activities, these services are supported by charges paid by users based on the amount of the service they use.

#### *Fund Financial Statements*

The Fund Financial Statements provide detailed information about each of the City’s most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City’s activities.

In the City’s case, the Redevelopment Agency of the City of Roseville Fund and the Community Facilities District Projects Fund are the only Major Governmental Funds in addition to the General Fund.

All seven of the City’s Enterprise Funds are reported as Major Funds.

Fund Financial Statements include governmental and proprietary funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis. This means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund Financial Statements are prepared on the full-accrual basis, and include all of their assets and liabilities, current and long-term.

Since the City’s Internal Service Funds provide goods and services only to the City’s governmental and business-type activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the Entity-wide Financial Statements and any related profits or losses are returned to the activities which created them, along with any residual net assets of the Internal Service Funds.

Comparisons of Budget and Actual financial information are presented only for the General Fund and the Redevelopment Agency of the City of Roseville Fund, as required by GASB 34.

#### *Fiduciary Statements*

The City’s fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds’ Statement of Changes in Assets and Liabilities. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its own operations.

## FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1, 2, and 3 focus on the City's Governmental Statement of Net Assets and Statement of Activities, while Tables 4, 5, and 6 focus on the City's Business-type Statement of Net Assets and Statement of Activities.

### *Governmental Activities*

**Table 1**  
**Governmental Net Assets at June 30**  
**(in Millions)**

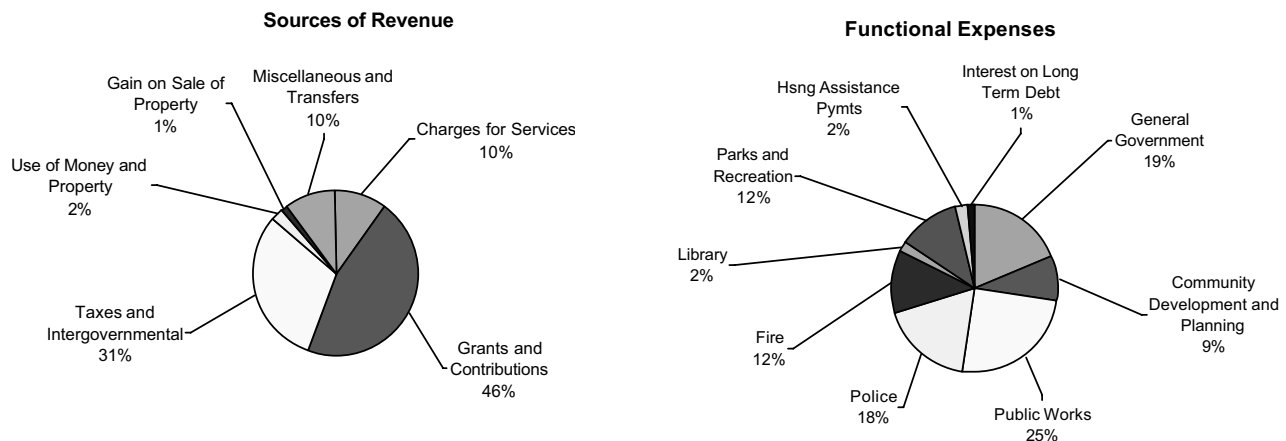
	<u>2006</u>	<u>2005</u>
Cash and Investments	\$298.5	\$255.2
Other Assets	36.7	31.9
Capital Assets	688.4	600.4
<b>Total Assets</b>	<b>1,023.6</b>	<b>887.5</b>
Long-Term Debt Outstanding	33.3	32.0
Other Liabilities	67.0	62.2
<b>Total Liabilities</b>	<b>100.3</b>	<b>94.2</b>
Net Assets:		
Invested in Capital Assets, Net of Debt	664.1	579.8
Restricted	149.8	124.5
Unrestricted	109.4	89.0
<b>Total Net Assets</b>	<b>\$923.3</b>	<b>\$793.3</b>

The City's governmental net assets amounted to \$923.3 million as of June 30, 2006, an increase of \$130 million over 2005. This increase is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net assets as of June 30, 2006 comprised the following:

- Cash and investments comprised \$246.8 million in the city treasury and \$51.7 million of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.
- Receivables comprised \$16.9 million of which are current, along with deferred receivables of \$2.1 million and notes receivable of \$10.3 million that are due over longer periods of time, as explained in Notes 5 and 6 to the financial statements.
- Capital assets of \$688.4 million, net of depreciation charges, includes all of the City's infrastructure as well as other capital assets used in governmental activities, as discussed in Note 8.
- Current liabilities—including accounts payable, claims, and other amounts due currently—totaled \$51.0 million.
- Accrued compensated absence liabilities payable to employees of \$7.6 million, as explained in Note 1G to the financial statements.

- Long-term debt of \$33.3 million, of which \$32.1 million is due in future years and \$1.2 million is due currently, as detailed in Note 9.
- Net assets invested in capital assets net of related debt of \$664.1 million, representing the City's investment in infrastructure and other capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net assets totaling \$149.8 million, only may be used to construct specified capital projects, for debt service, or for community development projects. The restrictions on these funds cannot be changed by the City.
- Unrestricted net assets is that part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had \$109.4 million of unrestricted net assets as of June 30, 2006. While these assets are technically unrestricted, most of these assets are designated for a specific use.

### Fiscal Year 2006 Government Activities



As the Sources of Revenue Chart above shows, \$82.2 million, or 31% of the City's fiscal year 2006 governmental activities revenue, came from taxes and unrestricted intergovernmental revenues (motor vehicle-in-lieu), while \$121.2 million or 46% came from grants and contributions, \$26.3 million, or 10%, came from charges for services, and the remainder came from a variety of sources, as shown above.

The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the Chart shows, general government is \$25.4 million, or 19% of total government expenses, community development and planning is \$11.9 million, or 9%, public works is \$33.5 million, or 25%, police is \$24.5 million, or 18%, fire is \$16.4 million, or 12%, parks and recreation is \$16.1 million, or 12%, and other governmental programs and functions are the remaining 5%.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets summarized below.

**Table 2**  
**Changes in Governmental Net Assets**  
**June 30**  
**(in Millions)**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Expenses</b>		
General Government	\$25.4	\$22.4
Community Development and Planning	11.9	10.1
Public Works	33.5	39.4
Police	24.5	22.8
Fire	16.4	15.2
Library	3.2	3.0
Parks and Recreation	16.1	14.0
Payments Under Developer Agreements	0.0	3.1
Housing Assistance Payments	3.0	3.0
Interest on Long Term Debt	1.9	1.8
<b>Total Expenses</b>	<b>135.9</b>	<b>134.8</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	26.3	21.5
Operating Grants and Contributions	7.7	9.5
Capital Grants and Contributions	113.5	41.1
<b>Total Program Revenues</b>	<b>147.5</b>	<b>72.1</b>
General Revenues:		
Taxes/Intergovernmental	82.2	76.0
Use of Money and Property	8.1	5.6
Miscellaneous	1.7	0.7
Gain on Sale of Property	2.7	
<b>Total General Revenues</b>	<b>94.7</b>	<b>82.3</b>
<b>Total Revenues</b>	<b>242.2</b>	<b>154.4</b>
<b>Changes in Net Assets before Transfers</b>	<b>106.3</b>	<b>19.6</b>
Transfers	23.6	17.3
<b>Change in Net Assets</b>	<b>\$129.9</b>	<b>\$36.9</b>

As the Sources of Revenue Chart and **Table 2** above show, \$147.5 million, or 60.9% of the City's fiscal year 2006 governmental revenue, came from program revenues and \$94.7 million, or 39.1%, came from general revenues such as taxes and interest.

Program revenues were composed of charges for services of \$26.3 million that include permit revenues, fees, and charges used to fund expenses incurred in providing services; \$7.7 million of operating grants and contributions which include gas tax revenues, housing, and police grants; and capital grants and contributions of \$113.5 million that consist mainly of street project grants, developer impact fees restricted to capital outlay and contributions from community facilities districts to be used to build infrastructure in those districts.

General Revenues-Taxes/Intergovernmental showed an increase of \$6.2 million. The majority of this increase was due to property and sales taxes. General revenues are not allocable to programs and are used to pay the net cost of governmental programs.

**Table 3** presents the net (expense) or revenue of each of the City's governmental activities, including interest on long-term debt. Net expense is defined as total program cost less the revenues generated by those specific activities.

<b>Table 3</b> <b>Governmental Activities</b> <b>June 30</b> <b>(in Millions)</b>		
	<u>Net (Expense)/Revenues from Services</u>	
	<u>2006</u>	<u>2005</u>
General Government	(\$19.9)	(\$18.7)
Community Development and Planning	(6.1)	(4.6)
Public Works	(14.7)	(6.8)
Police	(21.3)	(19.7)
Fire	(13.6)	(11.7)
Library	(2.9)	(2.7)
Parks and Recreation	(4.6)	(2.2)
Community Facilities Districts	96.3	8.2
Payments Under Developer Agreements	0.0	(3.1)
Housing Assistance Payments	0.4	0.4
Interest on Long Term Debt	(1.9)	(1.8)
<b>Totals</b>	<b>\$11.7</b>	<b>(\$62.7)</b>



### ***Business-type Activities***

The Statement of Net Assets and Statement of Activities present a summary of the City's Business-type Activities that are composed of the City's enterprise funds.

**Table 4**  
**Business-Type Net Assets at June 30**  
**(in Millions)**

	<u>2006</u>	<u>2005</u>
Cash and Investments	\$308.5	\$383.5
Other Assets	158.2	156.5
Capital Assets	1,156.4	1,008.5
<b>Total Assets</b>	<b>1,623.1</b>	<b>1,548.5</b>
Long-Term Debt Outstanding	390.8	399.9
Other Liabilities	85.3	54.4
<b>Total Liabilities</b>	<b>476.1</b>	<b>454.3</b>
Net Assets:		
Invested in Capital Assets, Net of Debt	838.4	767.6
Restricted	28.2	31.0
Unrestricted	280.4	295.6
<b>Total Net Assets</b>	<b>\$1,147.0</b>	<b>\$1,094.2</b>

The net assets of business-type activities increased to \$1.147 billion in fiscal year 2006, an increase of \$53 million. Cash and investments decreased \$75 million, due to increased expenditures for capital projects; and correspondingly, capital assets have increased \$147.9 million. Other liabilities increased \$30.9 million, which includes increases of \$14.8 million for deposits, \$10.1 million in unearned revenue, and \$6.2 million in accounts payable.

**Table 5**  
**Changes in Business-Type Net Assets**  
**June 30**  
**(in Millions)**

	Business-Type Activities	
	<u>2006</u>	<u>2005</u>
<b>Expenses</b>		
Electric Fund	\$97.1	\$93.1
Water Fund	18.5	16.7
Wastewater Fund	27.2	23.9
Solid Waste Fund	14.2	12.7
Golf Course Fund	2.5	2.5
Local Transportation Fund	4.4	4.1
School-Age Child Care Fund	4.5	4.2
<b>Total Expenses</b>	<b>168.4</b>	<b>157.2</b>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	161.0	151.0
Operating Grants and Contributions	2.3	7.0
Capital Grants and Contributions	68.9	49.8
<b>Total Program Revenues</b>	<b>232.2</b>	<b>207.8</b>
<b>General Revenues</b>		
Use of Property and Money	10.6	4.5
<b>Total Revenues</b>	<b>242.8</b>	<b>212.3</b>
<b>Change in Net Assets before Special Items and Transfers</b>	<b>74.4</b>	<b>55.1</b>
Provision for Disputed SCS Charges	0.0	0.4
Miscellaneous revenues	1.8	
Transfers	(23.6)	(17.3)
<b>Changes in Net Assets</b>	<b>\$52.6</b>	<b>\$38.2</b>

Business-type program revenues, interest revenue, and miscellaneous revenues were \$244.6 million while Business-type expenses and transfers were \$192 million 2006. Each program is discussed in the Proprietary Funds section below.

Table 6 summarizes the financial activity of the business-type programs, the detail of which is discussed under the Proprietary Funds section below.

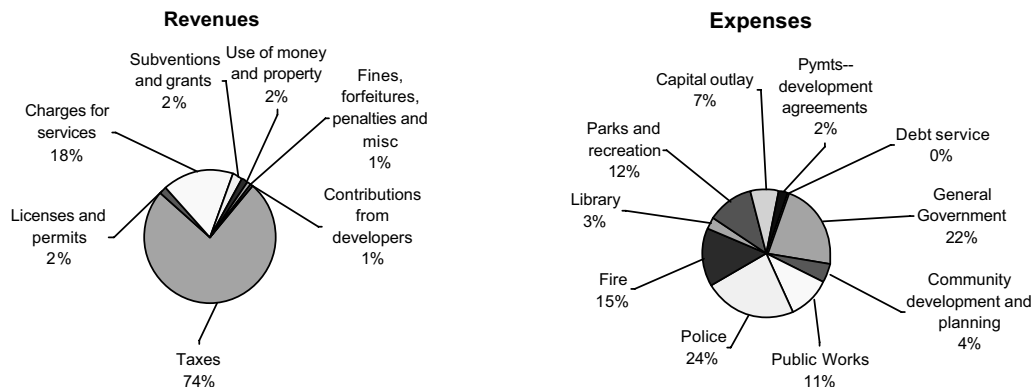
**Table 6**  
**Changes in Business-Type Net Assets**  
**(in Millions)**

	<u>Net (Expense)/Revenues From Services</u>	
	<u>2006</u>	<u>2005</u>
Electric Fund	\$22.1	\$13.3
Water Fund	27.0	18.6
Wastewater Fund	13.6	13.3
Solid Waste Fund	3.3	2.7
Golf Course Fund	0.3	0.1
Local Transportation Fund	(3.1)	2.4
School-Age Child Care Fund	0.6	0.2
<b>Totals</b>	<b>\$63.8</b>	<b>\$50.6</b>

### *Analyses of Major Governmental Funds*

#### General Fund

#### **Fiscal Year 2006 General Fund Activity**



General Fund revenues increased \$12.4 million this fiscal year due primarily to increases in taxes, charges for services, and proceeds from the sale of property. Actual revenues were less than budgeted amounts by \$2.2 million, with licenses and permits and charges for services coming in under budget, as new home construction slowed down, but taxes came in greater than targeted. Taxes increased in both property and sales taxes (\$4.3 million and \$1.7 million, respectively). Property taxes' assessed valuations rose 16.9%, driven by prior years' construction, which are now on the tax rolls. Sales tax revenues increased across the board, as sales increases were reported in all major sectors resulting in part from continued addition of new retail stores surrounding the Galleria regional mall and the Highway 65 corridor.

General Fund expenditures were \$109.9 million, an increase of \$19.9 million from the prior year. Expenditures were \$31 million less than budget however, as most departments expended less than budgeted. The original budget was increased by \$5.2 million from encumbrances carried over from fiscal year 2005. The sources of these budget savings included planning, public works, and central services which had delays in professional services; police, public works, and parks and recreation which had savings in salaries with salaries being budgeted at the top step; vacancies; and projects anticipated for 2006 that have been carried over to fiscal year 2007.

Other financing sources and uses reported net inflows of \$16.1 million in fiscal year 2006, which is comparable to the prior year

As of June 30, 2006, the General Fund's fund balance totaled \$64.3 million, including \$16.7 million reserved almost entirely for encumbrances and advances to other funds, \$12.1 million designated for economic reserve and capital improvements and \$35.5 million in unreserved, undesignated balances. Only the unreserved portion of fund balance represents available liquid resources, since the reserved portion is represented by non-cash assets or by open purchase orders. The designated portion of fund balance has been set aside by City Council, which may alter or reverse its decisions with respect to designated fund balances at any time.

#### **Redevelopment Agency of the City of Roseville**

This Fund accounts for the Redevelopment (RDA) activity including capital projects in the downtown redevelopment area funded by tax allocation bonds. The majority of the bond proceeds from the 2003 tax allocation bonds remain unspent. In addition the RDA owes other City funds \$13.5 million, which will be repaid from future tax increment revenues.

#### **Community Facilities District Projects**

This Fund accounts for capital expenditures on community facilities districts in the City. The purpose of these districts is to finance the construction of capital improvements within the boundaries of each district, through the contribution of Mello-Roos bond proceeds. The improvements are contributed to the City, which in turn acquires and pays for these facilities from the developers who actually construct the improvements. In fiscal year 2006, the Fund received \$92.6 million in such contributions from property-owners and developers, and expended \$66.3 million in capital outlay on facilities in community facilities districts. The largest projects underway in fiscal year 2006 were improvements to the West Roseville area.

#### **Other Governmental Funds**

These funds are not presented separately in the Basic Financial statements, but are individually presented as Supplemental Information.

## ***Proprietary Funds***

### **Electric Fund**

Net assets of the Electric Fund increased \$20.1 million in fiscal year 2006 to a total of \$275.2 million. Operating income for fiscal year 2006 is \$12.2 million, an increase of \$3.4 million from 2005. Electric retail sales increased by \$9.5 million in 2006, however, sale of wholesale power decreased by \$5.7 million, due to the termination of a swap agreement from 2005. Rates are anticipated to be increased in fiscal years 2007 and 2008.

Of the fund's Net Assets of \$275.2 million, \$156.5 million was invested in capital assets, \$17.3 million was restricted and \$101.4 million was unrestricted.

### **Water Fund**

Net assets of the Water Fund increased \$25.8 million in fiscal year 2006. There continued to be an operating loss; this year the loss was \$3.7 million. Operating revenues increased only slightly to a total of \$13.5 million in fiscal year 2006, while expenses increased \$1.5 million to a total of \$17.1 million. The increased operating expenses were primarily due to fully implementing new programs such as water conservation. Rates are anticipated to be increased in fiscal years 2007 and 2008. However, capital connection fees were \$9.4 million (a decrease of \$0.9 million, as growth has stabilized), and contributions from developers were \$20.7 million in fiscal year 2006, an increase of \$9.6 million, while net transfers out were \$3.1 million.

As of June 30, 2006, the Fund's Net Assets were \$371.3 million, of which \$316.1 million was invested in capital assets, \$2.6 million was restricted for debt service and \$52.5 million was unrestricted as to use.

### **Wastewater Fund**

Operating revenues increased in fiscal year 2006 \$2.7 million to a total of \$19 million. Operating expenses increased to \$23.7 million, up \$3 million. The net result was an operating loss of \$4.7 million, of which \$9.3 million was depreciation. Rates are anticipated to be increased in fiscal years 2007 and 2008. Other items that affected net assets were: connection fees of \$5.7 million (down \$1.1 million as growth has stabilized); capital contributions of \$11.8 million and \$1.5 million, respectively, from developers and South Placer Wastewater Authority; and net transfers out of \$4.1 million. The total increase to net assets was \$9.7 million for fiscal year 2006 to a total of \$475.7 million. As of June 30, 2006, of the Fund's Net Assets, \$345 million was invested in capital assets, and \$130.7 million was unrestricted.

### **Solid Waste Fund**

Revenues increased \$2.4 million to \$17.6 million and expenses increased \$1.5 million to \$14.2 million in fiscal year 2006. As a result, net operating income increased by \$0.8 million to \$3.3 million. Rates are anticipated to be increased in fiscal years 2007 and 2008. Net transfers out were \$3.9 million. The total net assets from 2005 were \$2.4 and with a slight decrease of \$0.3 million; the ending balance for 2006 was \$2.1 million.

### **Golf Course Fund**

Revenues and expenses remained relatively flat in fiscal year 2006 at \$2.7 million and \$2.2 million, respectively. As a result, the Fund's net assets were stable at \$8.3 million. The Fund is financed in part by advances from other City funds; as a result, it has a deficit in its unrestricted net assets, partially offsetting the \$10.0 million it has invested in capital assets, net of the related debt.

### **Local Transportation Fund**

Net assets of the Fund decreased \$3.1 million in fiscal year 2006 to a total of \$13.5 million. There was a \$3.8 million operating loss in fiscal year 2006, and most of the subsidies were deferred for future projects. As of June 30, 2006, the Fund's Net Assets were \$13.5 million, of which \$5.9 million was invested in capital assets and \$7.6 million was restricted for use in local transportation.

### **School-Age Child Care Fund**

Net assets of the Fund remained relatively flat with a slight increase of \$0.3 million in fiscal year 2006 to a total of \$0.88 million. Since both revenues and expenses were up \$0.4 million, the decline in net assets was due in part to additional transfers out for indirect costs. As of June 30, 2006, the Fund's Net Assets were \$0.88 million. \$0.96 million were invested in capital assets, which leaves a negative \$0.08 million in unrestricted net assets.

## **CAPITAL ASSETS**

In fiscal year 2002, the City started recording the cost of its infrastructure assets and computed the amount of accumulated depreciation for these assets based on their original acquisition dates. Infrastructure includes roads, bridges, signals and similar assets used by the entire population. The cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 7 below:

**Table 7**  
**Capital Assets at Year End**  
**(in Millions)**

	Balance at June 30, 2006	Balance at June 30, 2005
<b>Governmental Activities</b>		
Land	\$ 22.6	\$ 22.1
Streets (modified)	166.9	159.3
Parks (modified)	60.3	54.4
Landscaping (modified)	29.1	24.6
Construction in Progress	126.8	63.4
Buildings	79.9	79.9
Improvements	4.7	4.2
Equipment	52.6	43.9
Bike Paths	7.2	7.2
Bridges	46.6	45.6
Culverts	18.9	18.9
Curb, Gutter, Sidewalk, & Median Curbs	120.7	118.2
Drain Inlets	18.9	18.2
Flood Control Improvements	17.3	15.5
Soundwall	21.4	18.3
Stormdrains	51.3	49.4
Traffic Signals	18.9	18.6
Less: Accumulated Depreciation	(175.7)	(161.3)
<b>Governmental Activity Capital Assets, Net</b>	<b>\$688.4</b>	<b>\$600.4</b>

	Balance at June 30, 2006	Balance at June 30, 2005
<b>Business-Type Activities</b>		
Land	\$ 16.1	\$ 16.1
Landscaping (modified)	0.6	0.6
Construction in Progress	163.4	70.1
Buildings	12.0	11.8
Improvements	11.0	10.7
Machinery and Equipment	16.2	15.2
Bike Paths	1.1	1.1
Plant and Substations	283.3	270.9
Distribution	846.5	785.2
Less: Accumulated Depreciation	(193.8)	(173.2)
<b>Business-Type Activity Capital Assets, Net</b>	<b>\$1,156.4</b>	<b>\$1,008.5</b>

Detail on capital assets, current year additions and construction in progress can be found in Note 8.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34, except for streets, parks and landscaping, which are reported using the Modified Approach allowed under GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 8 to the financial statements. The Modified Approach requires the City to employ an asset management system that maintains a current inventory of these assets, estimates annual costs to maintain them, and assesses the condition of the assets in a replicable way.

The City uses a computerized Pavement Management System to track the condition levels of each of the street sections. The City has adopted a policy of maintaining arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.5 and residential roadways at an average PQI of 6.5, which means that, on average, the City's streets must be maintained at no less than 70% of pavement in perfect condition.

At June 30, 2006, the City's streets averaged 7.5 PQI for arterial and collector roadways and 7.9 PQI for residential roadways. The City expended \$7.2 million on preservation of its streets in fiscal year 2006, compared to the budgeted amount of \$7.8, and plans to spend \$5.5 million in fiscal year 2007.

The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping. The City has adopted a policy of maintaining parks and landscaping at an average Ground Management Index (GMI) of Level 2, which means that, on average, the City's parks and landscaping must be maintained at no less than 83% of parks and landscaping maintained at a state-of-the-art level.

At June 30, 2006, the City's parks and landscaping averaged 2 GMI. The City expended \$4.3 million on preservation of its parks and landscaping in fiscal year 2006, compared to the \$4.6 budgeted, and plans to spend \$5.1 million in fiscal year 2007.

## **DEBT ADMINISTRATION**

The City made all scheduled repayments of existing debt. Each of the City's debt issues is discussed in detail in Note 9 to the financial statements. As of June 30, the City's debt comprised:

**Table 8**  
**Outstanding Debt**  
**(in Millions)**

	Balance at June 30, 2006	Balance at June 30, 2005
<b>Governmental Activity Debt:</b>		
<b>Certificates of Participation:</b>		
2003 Public Facilities Bond, 2.0%-5.0%, due 8/1/25	\$17.11	\$17.71
<b>Tax Allocation Bonds</b>		
2002 Roseville Redevelopment Project		
3%-5.14% due 9/1/33	13.74	13.96
<b>Installment Purchase Obligations</b>		
Equipment	2.4	0.31
<b>Other Long Term Obligations:</b>		
Foothill Blvd. Extension, due 4/1/07	nil	nil
<b>Total Governmental Activity Debt:</b>	<b>\$33.3</b>	<b>\$31.98</b>



	Balance at June 30, 2006	Balance at June 30, 2005
<b>Business-type Activity Debt:</b>		
<b>Certificates of Participation:</b>		
1997 Electric System Revenue, 3.6%-5.25%, due 2/1/17	\$ 0.33	\$ 0.63
1999 Electric System Revenue, 4.0%-5.5%, due 2/1/24	1.63	2.14
2002 Electric System Revenue, Variable Rate, due 2/1/24	25.62	30.98
Less deferred amount on refunding	(3.09)	(3.26)
2004 Electric System Revenue, 3.0-5.25%, due 2/1/34	39.94	39.94
2005 Electric System Revenue, Series A, 3.0-5.0%, due 2/1/23	52.90	52.90
2005 Electric System Revenue, Series B, Variable Rate, due 2/1/35	90.00	90.00
2005 Electric System Revenue, Series C, Variable Rate, due 2/1/35	60.00	60.00
2003 Golf Course Project, 2.0-5.0%, due 8/1/23	7.63	7.94
1997 Water Utility Revenue, 3.9%-5.2%, due 12/1/18	24.74	26.08
<b>Total Certificates of Participation</b>	<b>299.70</b>	<b>307.35</b>
<b>Revenue Bonds:</b>		
2000 Wastewater Revenue Bonds, Series A, 3.8%-5.5%, due 11/1/27	7.59	8.92
2000 Variable Rate Demand Wastewater Revenue Bonds, Series B, variable rate, due 11/1/35	37.92	37.92
2003 Wastewater Refunding Revenue Bonds, variable rate, due 11/1/27	51.01	51.35
Less deferred amount on refunding	(5.54)	(5.80)
<b>Total Revenue Bonds</b>	<b>90.98</b>	<b>92.39</b>
<b>Other Long Term Obligations:</b>		
Notes, 5%, due 10/1/17	0.17	0.18
<b>Total Business-type Activity Debt:</b>	<b>\$390.85</b>	<b>\$399.92</b>

#### **COMMUNITY FACILITIES/ASSESSMENT DISTRICTS DEBT**

Community facilities districts and assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction in their respective districts. As of June 30, 2006, a total of \$331.4 million in community facilities district and assessment district debt was outstanding, representing fifteen issues by community facilities districts and two issues by assessment districts. This debt is secured only by special tax liens and assessments on the real property in the district issuing the debt and is not the City's responsibility; however, the City does act as the agent in the collection and remittance of special taxes and assessments for these Districts. Further detail on this debt may be found in Note 10 to the financial statements.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the City of Roseville at 311 Vernon Street, Roseville, California, 95678.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

<b>CITY OF ROSEVILLE</b>
--------------------------

<b>STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES</b>
--

The purpose of the Statement of Net Assets and the Statement of Activities is to summarize the entire City's financial activities and financial position.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets and summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all its Enterprise Fund activities and any portion of the Internal Service Fund balances that service Enterprise Funds. Fiduciary activity is excluded.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

Both these Statements include the financial activities of the City, the Redevelopment Agency of the City of Roseville, the Roseville Finance Authority, and the City of Roseville Housing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

CITY OF ROSEVILLE  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments in City Treasury (Note 3)	\$246,807,027	\$159,287,269	\$406,094,296
Restricted cash and investments with fiscal agents (Note 3)	51,692,894	149,186,807	200,879,701
Receivables:			
Taxes	1,381,329	32,934	1,414,263
Accounts	4,610,641	21,165,317	25,775,958
Accrued interest	2,114,757	1,500,419	3,615,176
Due from other government agencies	8,787,876	1,754,764	10,542,640
Internal balances (Note 4D)	4,215,249	(4,215,249)	
Prepays	757,932		757,932
Deferred receivables (Note 6)	2,124,839	684,266	2,809,105
Notes receivable (Note 5)	10,319,915		10,319,915
Notes receivable from NCPA (Note 15B)		192,879	192,879
Inventories (Note 11)	1,375,688	7,873,983	9,249,671
Land held for redevelopment (Note 7D)	1,002,290		1,002,290
Prepaid purchased electricity (Note 14)		4,584,532	4,584,532
Unamortized bond origination costs		1,416,235	1,416,235
Investment in NCPA reserves (Note 15)		12,008,493	12,008,493
Investment in SPWA reserves (Note 16)		111,170,459	111,170,459
Capital assets (Note 8):			
Land and construction in progress	405,667,898	180,087,255	585,755,153
Capital assets being depreciated, net	282,726,110	976,333,504	1,259,059,614
<b>Total assets</b>	<b>1,023,584,445</b>	<b>1,623,063,867</b>	<b>2,646,648,312</b>
<b>LIABILITIES</b>			
Accounts payable	33,128,264	20,825,023	53,953,287
Accrued liabilities	2,632,887	3,470,115	6,103,002
Due to other governments	6,919,772	1,026,740	7,946,512
Deposits	6,665,778	37,990,156	44,655,934
Unearned revenues	1,627,451	13,035,472	14,662,923
Deferred liabilities		125,242	125,242
Landfill closure and post closure liability (Note 17)		3,678,093	3,678,093
Compensated absences (Note 1G):			
Due within one year	274,852	2,609,247	2,884,099
Due in more than one year	7,320,098	2,504,737	9,824,835
Self-insurance claims payable and litigation settlement (Note 13)	8,470,000		8,470,000
Long term liabilities (Note 9):			
Due within one year	1,149,638	4,872,793	6,022,431
Due in more than one year	32,130,571	385,974,107	418,104,678
<b>Total liabilities</b>	<b>100,319,311</b>	<b>476,111,725</b>	<b>576,431,036</b>
<b>NET ASSETS (Note 11)</b>			
Invested in capital assets, net of related debt	664,131,414	838,373,690	1,502,505,104
Restricted for:			
Capital projects:			
Expendable	127,280,639		127,280,639
Nonexpendable	16,425,999		16,425,999
Debt service	1,345,398	20,555,663	21,901,061
Community development projects	4,686,005		4,686,005
Local transportation		7,623,283	7,623,283
<b>Total restricted net assets</b>	<b>149,738,041</b>	<b>28,178,946</b>	<b>177,916,987</b>
Unrestricted net assets	109,395,679	280,399,506	389,795,185
<b>Total net assets</b>	<b>\$923,265,134</b>	<b>\$1,146,952,142</b>	<b>\$2,070,217,276</b>

See accompanying notes to financial statements

CITY OF ROSEVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$25,437,535	\$3,364,921	\$120,778	\$2,032,357	(\$19,919,479)		(\$19,919,479)
Community development and planning	11,893,312	4,312,464	1,077,687	397,946	(6,105,215)		(6,105,215)
Public works	33,498,385	7,959,770	103,747	10,728,483	(14,706,385)		(14,706,385)
Police	24,500,396	1,900,144	1,251,680		(21,348,572)		(21,348,572)
Fire	16,435,774	1,253,881	499,198	1,100,053	(13,582,642)		(13,582,642)
Library	3,156,087	188,738	110,374		(2,856,975)		(2,856,975)
Parks and recreation	16,052,655	7,315,217	1,127,288	2,989,114	(4,621,036)		(4,621,036)
Community facilities districts				96,283,453	96,283,453		96,283,453
Housing assistance payments	2,974,236		3,426,751		452,515		452,515
Interest on long term debt	1,933,654				(1,933,654)		(1,933,654)
Total Governmental Activities	135,882,034	26,295,135	7,717,503	113,531,406	11,662,010		11,662,010
Business-type Activities:							
Electric	97,101,941	102,772,594		16,419,999		\$22,090,652	22,090,652
Water	18,510,040	13,450,264	2,019,853	30,055,261		27,015,338	27,015,338
Wastewater	27,207,717	19,025,742		21,786,854		13,604,879	13,604,879
Solid Waste	14,220,731	17,558,492	26,489			3,364,250	3,364,250
Golf Course	2,479,378	2,747,851				268,473	268,473
Local Transportation	4,415,411	601,087	32,003	652,854		(3,129,467)	(3,129,467)
School-age Child Care	4,430,801	4,833,884	220,844			623,927	623,927
Total Business-type Activities	168,366,019	160,989,914	2,299,189	68,914,968		63,838,052	63,838,052
Total	<u>\$304,248,053</u>	<u>\$187,285,049</u>	<u>\$10,016,692</u>	<u>\$182,446,374</u>	<u>11,662,010</u>	<u>63,838,052</u>	<u>75,500,062</u>
General revenues:							
Taxes:							
Property taxes					30,867,256		30,867,256
Sales taxes					42,642,034		42,642,034
Franchise taxes					1,267,707		1,267,707
Motor fuel taxes					3,116,638		3,116,638
Other taxes					3,630,534		3,630,534
Intergovernmental, unrestricted:							
Motor vehicle in lieu					710,510		710,510
Use of money and property					8,077,599	10,559,581	18,637,180
Miscellaneous revenues					1,680,851	1,825,199	3,506,050
Gain on sales of property					2,703,738		2,703,738
Transfers (Note 4)					23,582,576	(23,582,576)	
Total general revenues and transfers					118,279,443	(11,197,796)	107,081,647
Change in Net Assets					129,941,453	52,640,256	182,581,709
Net Assets-Beginning					793,323,681	1,094,311,886	1,887,635,567
Net assets-Ending					<u>\$923,265,134</u>	<u>\$1,146,952,142</u>	<u>\$2,070,217,276</u>

See accompanying notes to financial statements

This Page Left Intentionally Blank

## **MAJOR GOVERNMENTAL FUNDS**

<b>FUND FINANCIAL STATEMENTS</b>
----------------------------------

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2006. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND**

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

**REDEVELOPMENT AGENCY**

The Redevelopment Agency Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low-income residents; 2) the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 2003; 3) capital projects connected with downtown redevelopment funded by property tax increment revenues.

**COMMUNITY FACILITIES DISTRICT PROJECTS FUND**

This fund is used to account for specific public improvements such as streets, sewers, storm drains, sidewalks or other amenities funded by special assessments against benefited properties.



CITY OF ROSEVILLE  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2006

	General	Redevelopment Agency of the City of Roseville	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments in City Treasury (Note 3)	\$52,082,481	\$7,046,498	\$13,509,577	\$120,624,401	\$193,262,957
Restricted cash and investments with fiscal agents (Note 3)		9,993,292	38,067,255	3,592,347	51,652,894
Receivables:					
Taxes	1,381,329				1,381,329
Accounts	3,961,654			640,679	4,602,333
Accrued interest	1,689,090	79,295	215,694	1,430,544	3,414,623
Due from other government agencies	6,729,965	25,256		2,011,171	8,766,392
Due from other funds (Note 4B)	1,297,351			50,000	1,347,351
Advances to other funds (Note 4C)	8,595,536			4,100,000	12,695,536
Prepays	137,408				137,408
Deferred receivables (Note 6)				2,124,839	2,124,839
Notes receivable (Note 5)	104,846	1,923,079		8,291,990	10,319,915
Inventories (Note 1I)	498,894				498,894
Land held for redevelopment		1,002,290			1,002,290
<b>Total Assets</b>	<b>\$76,478,554</b>	<b>\$20,069,710</b>	<b>\$51,792,526</b>	<b>\$142,865,971</b>	<b>\$291,206,761</b>
<b>LIABILITIES</b>					
Accounts payable	\$3,210,488	\$831,375	\$23,423,446	\$5,004,477	\$32,469,786
Accrued liabilities	1,415,420	520,270		147,865	2,083,555
Due to other funds (Note 4B)		800,000		336,740	1,136,740
Due to other government agencies	19,035			6,900,737	6,919,772
Compensated absences (Note 1G)	126,909				126,909
Advances from other funds (Note 4C)		13,524,737		212,500	13,737,237
Deposits	6,065,778			600,000	6,665,778
Deferred revenue	1,328,486	1,923,079		3,986,105	7,237,670
Deferred liabilities		2,368,988		272,255	2,641,243
<b>Total Liabilities</b>	<b>12,166,116</b>	<b>19,968,449</b>	<b>23,423,446</b>	<b>17,460,679</b>	<b>73,018,690</b>
<b>FUND BALANCES (Note 1I)</b>					
Reserved for:					
Advances	8,595,536			4,100,000	12,695,536
Inventories	498,894				498,894
Encumbrances	7,333,064			6,869,617	14,202,681
Capital projects			28,369,080		28,369,080
Deferred receivables and notes receivable	104,846			26,992	131,838
Prepays	137,408				137,408
Low and moderate income housing		2,443,917			2,443,917
Debt service		10,039,564		1,345,398	11,384,962
Unreserved:					
Designated for economic reserve	11,025,100				11,025,100
Reported in Capital Projects Funds:					
Designated for carryover of capital improvement projects	1,085,289			19,807,821	20,893,110
Unreserved, undesignated, reported in:					
General Fund	35,532,301				35,532,301
Special Revenue Funds		(12,382,220)		76,829,465	64,447,245
Permanent Funds				16,425,999	16,425,999
<b>TOTAL FUND BALANCES</b>	<b>64,312,438</b>	<b>101,261</b>	<b>28,369,080</b>	<b>125,405,292</b>	<b>218,188,071</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$76,478,554</b>	<b>\$20,069,710</b>	<b>\$51,792,526</b>	<b>\$142,865,971</b>	<b>\$291,206,761</b>

See accompanying notes to financial statements

CITY OF ROSEVILLE  
Reconciliation of  
GOVERNMENTAL FUNDS -- FUND BALANCE  
with the Governmental Activities  
NET ASSETS  
JUNE 30, 2006

TOTAL FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS	\$218,188,071
---	---------------

Amounts reported for Governmental Activities in the Statement of  
Net Assets are different from those reported in the Governmental Funds  
above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	688,394,008
---	-------------

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used  
by management to charge the costs of certain activities, such as insurance and  
central services and maintenance, to individual governmental funds.  
The net current assets of the Internal Service Funds are therefore included  
in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	53,584,070
Accounts receivable	8,308
Interest receivable	1,341,377
Due from other government agencies	21,484
Prepaid	620,524
Inventories	876,794
Accounts payable	(658,478)
Accrued liabilities	(39,523)
Self-insurance claims payable	(8,470,000)
Compensated absences	(312,616)
Internal balances	5,046,339

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	5,610,219
---	-----------

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and  
therefore are not reported in the Funds:

Long-term debt	(33,280,209)
Interest payable and other accrued liabilities, included in accrued liabilities	(509,809)
Non-current portion of compensated absences	(7,155,425)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$923,265,134
---------------------------------------	---------------

See accompanying notes to financial statements

CITY OF ROSEVILLE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

	General	Redevelopment Agency of the City of Roseville	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$72,871,777	\$5,506,123		\$4,392,791	\$82,770,691
Less Educational Revenue					
Augmentation Fund payment (Note 19)		(323,743)			(323,743)
Licenses and permits	2,020,467				2,020,467
Charges for services	17,353,831			13,941,436	31,295,267
Subventions and grants	2,004,706	56,761		8,289,814	10,351,281
Use of money and property	1,580,294	571,749	\$2,320,216	3,312,716	7,784,975
Fines, forfeitures and penalties	768,638			1,184,767	1,953,405
Contributions from property owners			92,645,369		92,645,369
Contributions from developers	638,802	395,042	11,288	2,292,513	3,337,645
Miscellaneous revenues	3,607,125	48,316	1,306,580	2,937,547	7,899,568
Total Revenues	100,845,640	6,254,248	96,283,453	36,351,584	239,734,925
EXPENDITURES					
Current:					
General government	24,480,432			458,424	24,938,856
Community development and planning	4,784,483	2,980,943		3,122,636	10,888,062
Public works	12,035,250			3,361,446	15,396,696
Public safety:					
Police	25,567,869				25,567,869
Fire	16,297,463			617,930	16,915,393
Library	3,129,784			3,583	3,133,367
Parks and recreation	13,220,014			2,787,363	16,007,377
Housing assistance payments				2,974,236	2,974,236
Capital outlay	7,627,571	3,290,860	66,327,795	31,068,558	108,314,784
Payments under development agreements (Note 7)	2,592,039				2,592,039
Debt service					
Principal retirement	111,946	225,000		605,000	941,946
Interest and fiscal charges	23,472	1,205,253		712,277	1,941,002
Total Expenditures	109,870,323	7,702,056	66,327,795	45,711,453	229,611,627
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,024,683)	(1,447,808)	29,955,658	(9,359,869)	10,123,298
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property	3,357,188	146,279			3,503,467
Proceeds from capital lease (Note 9)				2,239,765	2,239,765
Transfers in (Note 4A)	21,206,973	940,000	200,000	16,092,185	38,439,158
Transfers (out) (Note 4A)	(8,464,833)	(253,440)	(958,422)	(11,130,142)	(20,806,837)
Total Other Financing Sources (Uses)	16,099,328	832,839	(758,422)	7,201,808	23,375,553
NET CHANGE IN FUND BALANCES	7,074,645	(614,969)	29,197,236	(2,158,061)	33,498,851
Fund balances at beginning of period	57,237,793	716,230	(828,156)	127,563,353	184,689,220
FUND BALANCES AT END OF PERIOD	\$64,312,438	\$101,261	\$28,369,080	\$125,405,292	\$218,188,071

See accompanying notes to financial statements

CITY OF ROSEVILLE  
Reconciliation of the  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
with the  
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$33,498,851
--	--------------

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	103,685,200
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$3,598,624 which has already been allocated to serviced funds.)	(11,556,350)
Loss on retirement of capital assets (Internal service fund retirement of \$8,747 has already been deducted from capital assets)	(6,205,451)
Transfer of assets to Business-Type Activities	(276,329)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Proceeds from the issuance of debt and capital assets are deducted from fund balance	(2,239,765)
Repayment of debt principal is added back to fund balance	941,946

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Long-term compensated absences	3,393,971
Interest payable and accrued liabilities, included in accrued liabilities	7,348
Deferred revenues	90,248

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Assets - All Internal Service Funds	8,601,784
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$129,941,453

See accompanying notes to financial statements

CITY OF ROSEVILLE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$68,894,665	\$71,170,200	\$72,871,777	\$1,701,577
Licenses and permits	4,943,460	4,943,460	2,020,467	(2,922,993)
Charges for services	11,867,159	19,195,545	17,353,831	(1,841,714)
Subventions and grants	994,875	1,671,518	2,004,706	333,188
Use of money and property	1,121,165	1,131,165	1,580,294	449,129
Fines, forfeitures and penalties	511,000	511,000	768,638	257,638
Contributions from developers	1,188,000	1,513,000	638,802	(874,198)
Miscellaneous revenues	1,330,000	2,905,245	3,607,125	701,880
TOTAL REVENUES	90,850,324	103,041,133	100,845,640	(2,195,493)
EXPENDITURES				
Current:				
General government				
Council				
Salaries and benefits	38,630	38,630	35,990	2,640
Operating services and supplies	392,671	450,954	275,570	175,384
City attorney				
Salaries and benefits	1,177,460	1,145,090	1,144,731	359
Operating services and supplies	220,559	220,559	218,900	1,659
City manager				
Salaries and benefits	1,525,700	1,502,900	1,452,226	50,674
Operating services and supplies	406,246	438,723	366,501	72,222
Finance				
Salaries and benefits	5,147,441	5,137,151	4,810,554	326,597
Operating services and supplies	2,172,545	3,252,545	2,307,851	944,694
Human resources				
Salaries and benefits	1,535,070	1,501,920	1,453,679	48,241
Operating services and supplies	619,686	655,436	584,922	70,514
Information technology				
Salaries and benefits	3,192,010	3,192,010	3,166,791	25,219
Operating services and supplies	2,028,288	2,099,388	1,528,058	571,330
City clerk				
Salaries and benefits	586,150	586,150	536,120	50,030
Operating services and supplies	185,590	185,590	79,574	106,016
Economic Development				
Salaries and benefits	205,550	246,550	239,029	7,521
Operating services and supplies	153,238	201,688	161,893	39,795
Central services				
Salaries and benefits	3,089,320	3,089,320	2,900,948	188,372
Operating services and supplies	3,862,235	4,222,703	3,217,095	1,005,608
Community development and planning				
Housing				
Salaries and benefits	167,370	167,370	188,642	(21,272)
Operating services and supplies	117,809	117,809	103,814	13,995
Community development				
Salaries and benefits	1,158,080	1,199,766	1,047,502	152,264
Operating services and supplies	411,596	411,596	150,140	261,456
Planning				
Salaries and benefits	2,300,190	1,837,236	2,177,833	(340,597)
Operating services and supplies	1,689,828	5,499,339	1,116,552	4,382,787

(Continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works				
Salaries and benefits	10,117,892	9,983,642	8,676,220	1,307,422
Operating services and supplies	4,791,216	4,910,066	3,359,030	1,551,036
Public safety:				
Police				
Salaries and benefits	21,083,340	22,288,212	21,076,281	1,211,931
Operating services and supplies	4,597,865	4,948,319	4,491,588	456,731
Fire				
Salaries and benefits	13,902,470	14,427,658	14,365,306	62,352
Operating services and supplies	2,303,578	2,428,758	1,932,157	496,601
Library				
Salaries and benefits	2,948,440	2,948,440	2,386,485	561,955
Operating services and supplies	736,219	736,219	743,299	(7,080)
Parks and recreation				
Salaries and benefits	9,836,052	9,893,311	8,640,239	1,253,072
Operating services and supplies	4,751,144	4,778,539	4,579,775	198,764
Capital outlay	7,788,543	23,317,852	7,627,571	15,690,281
Payments under development agreements	2,558,350	2,557,600	2,592,039	(34,439)
Debt Service:				
Principal	1,550,120	241,870	111,946	129,924
Interest and fiscal charges	44,950	44,950	23,472	21,478
<b>TOTAL EXPENDITURES</b>	<b>119,393,441</b>	<b>140,905,859</b>	<b>109,870,323</b>	<b>31,035,536</b>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property		2,610,000	3,357,188	747,188
Transfers in	21,564,327	23,827,327	21,206,973	(2,620,354)
Transfers (out)	(3,068,600)	(6,120,941)	(8,464,833)	(2,343,892)
<b>Total Other Financing Sources (Uses)</b>	<b>18,495,727</b>	<b>20,316,386</b>	<b>16,099,328</b>	<b>(4,217,058)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$10,047,390)</b>	<b>(\$17,548,340)</b>	<b>7,074,645</b>	
Fund balance at beginning of year			<u>57,237,793</u>	
Fund balance at end of year			<u><u>\$64,312,438</u></u>	

See accompanying notes to financial statements

CITY OF ROSEVILLE  
REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Final	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$4,513,200	\$5,597,890	\$5,506,123	(\$91,767)
Less Educational Revenue				
Augmentation Fund payment (Note 19)			(323,743)	(323,743)
Subventions and grants	954,730	455,900	56,761	(399,139)
Use of money and property	99,974	99,974	571,749	471,775
Contributions from developers	360,000	(33,815)	395,042	428,857
Miscellaneous revenues	16,658	45,358	48,316	2,958
Total revenues	5,944,562	6,165,307	6,254,248	88,941
EXPENDITURES				
Community development and planning				
Community services				
Salaries and benefits	388,450	395,610	378,798	16,812
Operating services and supplies	2,018,069	2,060,249	1,065,722	994,527
Pass-through payments	1,331,090	1,537,460	1,536,423	1,037
Capital outlay	11,310,903	13,703,714	3,290,860	10,412,854
Debt service:				
Principal		225,000	225,000	
Interest and fiscal charges		756,475	1,205,253	(448,778)
Total expenditures	15,048,512	18,678,508	7,702,056	10,976,452
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	75,000	456,280	146,279	(310,001)
Transfers in	2,000,360		940,000	940,000
Transfers out	(1,024,800)		(253,440)	(253,440)
Total Other Financing Sources (Uses)	1,050,560	456,280	832,839	376,559
NET CHANGE IN FUND BALANCE	<u>(\$8,053,390)</u>	<u>(\$12,056,921)</u>	(614,969)	<u>\$11,441,952</u>
Fund balance at beginning of year			716,230	
Fund balance at end of year			<u>\$101,261</u>	

See accompanying notes to financial statements

## **MAJOR PROPRIETARY FUNDS**



<b>MAJOR PROPRIETARY FUNDS</b>
--------------------------------

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2006.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

**ELECTRIC FUND**

This fund accounts for all financial transactions relating to the City's Electric service. Services are on a user charge basis to residents and business owners located in Roseville.

**WATER FUND**

This fund accounts for all financial transactions relating to the City's Water service. Services are on a user charge basis to residents and business owners located in Roseville.

**WASTEWATER FUND**

This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Roseville.

**SOLID WASTE FUND**

This fund accounts for all financial transactions relating to the City's Solid Waste service. Services are on a user charge basis to residents and business owners located in Roseville.

**GOLF COURSE FUND**

This fund accounts for all financial transactions associated relating to the development, operation and maintenance of the City's public golf courses.

**LOCAL TRANSPORTATION FUND**

This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

**SCHOOL-AGE CHILD CARE FUND**

This fund accounts for the receipt of parent fees and State grants used to finance child development programs.

CITY OF ROSEVILLE  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Business-type Activities-Enterprise Funds				
	Electric	Water	Wastewater	Solid Waste	Golf Course
<b>ASSETS</b>					
Current Assets:					
Cash and investments in City Treasury (Note 3)	\$78,755,760	\$50,322,005	\$11,627,998	\$2,781,190	\$1,471,357
Restricted cash and investments with fiscal agents (Note 3)	145,950,098	2,612,496			624,213
Receivables:					
Taxes	32,934				
Accounts	13,142,903	3,431,103	1,893,938	2,036,859	79,379
Accrued Interest	878,779	415,728	85,780	22,092	35,363
Due from other government agencies		68,422	1,238,460	108,393	
Due from other funds (Note 4B)			197,610		
Inventories (Note 11)	5,691,039	1,988,800	66,992	127,152	
Prepays					
Total Current Assets	<u>244,451,513</u>	<u>58,838,554</u>	<u>15,110,778</u>	<u>5,075,686</u>	<u>2,210,312</u>
Noncurrent Assets:					
Deferred receivables (Note 6)	606,079	70,955	7,232		
Notes receivable from NCPA (Note 15B)	192,879				
Prepaid purchased electricity (Note 14)	4,584,532				
Unamortized bond origination costs	597,196	550,186			268,853
Investment in NCPA reserves (Note 15)	12,008,493				
Investment in SPWA reserves (Note 16)			111,170,459		
Advances to other funds (Note 4C)			1,545,390		
Capital assets (Note 8):					
Land and construction in progress	148,684,569	15,653,841	7,966,242	409,632	6,007,666
Capital assets being depreciated, net	196,961,979	325,216,082	433,597,588	3,436,132	11,640,654
Total Noncurrent Assets	<u>363,635,727</u>	<u>341,491,064</u>	<u>554,286,911</u>	<u>3,845,764</u>	<u>17,917,173</u>
Total Assets	<u>608,087,240</u>	<u>400,329,618</u>	<u>569,397,689</u>	<u>8,921,450</u>	<u>20,127,485</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	16,457,123	2,680,509	410,069	699,490	149,148
Accrued liabilities	2,557,436	358,747	210,994	123,884	125,902
Due to other government agencies	79,554		947,186		
Due to other funds (Note 4B)				197,610	127,000
Current portion of compensated absences (Note 1G)	1,047,855	507,286	578,009	245,481	
Current portion of long-term debt (Note 9)	1,400,000	1,405,810	1,746,983		320,000
Deposits	37,919,147	48,000			10,322
Unearned revenue	6,455,973				
Self-insurance claims payable (Note 13)					
Total Current Liabilities	<u>65,917,088</u>	<u>5,000,352</u>	<u>3,893,241</u>	<u>1,266,465</u>	<u>732,372</u>
Long-Term Liabilities					
Deferred liabilities				108,192	
Advances from other funds (Note 4C)				1,545,390	3,766,000
Notes (Note 9)		161,246			
Certificates of participation (Note 9)	269,020,000	23,345,000			7,310,000
Unamortized loss on refunding (Note 9)	(3,093,118)		(5,542,144)		
Revenue bonds (Note 9)			94,773,123		
Landfill closure and post closure liability (Note 17)				3,678,093	
Compensated absences (Note 1G)	1,054,130	548,111	545,767	266,450	
Total Long-Term Liabilities	<u>266,981,012</u>	<u>24,054,357</u>	<u>89,776,746</u>	<u>5,598,125</u>	<u>11,076,000</u>
Total Liabilities	<u>332,898,100</u>	<u>29,054,709</u>	<u>93,669,987</u>	<u>6,864,590</u>	<u>11,808,372</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	156,500,395	316,119,113	345,043,724	3,845,764	10,018,320
Restricted for debt service	17,319,323	2,612,320			624,020
Restricted for local transportation					
Unrestricted	101,369,422	52,543,476	130,683,978	(1,788,904)	(2,323,227)
Total Net Assets	<u>\$275,189,140</u>	<u>\$371,274,909</u>	<u>\$475,727,702</u>	<u>\$2,056,860</u>	<u>\$8,319,113</u>

See accompanying notes to financial statements

Local Transportation	School-Age Child Care	Totals	Governmental Activities- Internal Service Funds
\$13,990,183	\$338,776	\$159,287,269	\$53,544,070
		149,186,807	40,000
		32,934	
12,687	568,448	21,165,317	8,308
60,056	2,621	1,500,419	1,341,377
313,900	25,589	1,754,764	21,484
		197,610	339,500
		7,873,983	876,794
			620,524
14,376,826	935,434	340,999,103	56,792,057
		684,266	
		192,879	
		4,584,532	
		1,416,235	
		12,008,493	
		111,170,459	
		1,545,390	5,107,701
921,979	443,326	180,087,255	
4,961,721	519,348	976,333,504	13,869,030
5,883,700	962,674	1,288,023,013	18,976,731
20,260,526	1,898,108	1,629,022,116	75,768,788
378,528	50,156	20,825,023	658,478
14,920	78,232	3,470,115	39,523
		1,026,740	
	22,249	346,859	400,862
49,055	181,561	2,609,247	147,943
		4,872,793	
90	12,597	37,990,156	
6,227,486	352,013	13,035,472	
			8,470,000
6,670,079	696,808	84,176,405	9,716,806
	17,050	125,242	
	300,000	5,611,390	
		161,246	
		299,675,000	
		(8,635,262)	
		94,773,123	
		3,678,093	
83,464	6,815	2,504,737	164,673
83,464	323,865	397,893,569	164,673
6,753,543	1,020,673	482,069,974	9,881,479
5,883,700	962,674	838,373,690	13,869,030
7,623,283		20,555,663	
	(85,239)	7,623,283	
		280,399,506	52,018,279
\$13,506,983	\$877,435	\$1,146,952,142	\$65,887,309

CITY OF ROSEVILLE  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds				
	Electric	Water	Wastewater	Solid Waste	Golf Course
OPERATING REVENUES					
Charges for services	\$101,342,497	\$12,382,530	\$19,010,612	\$17,108,946	\$2,728,198
Sale of wholesale power	1,065,466				
Other	364,631	1,067,734	15,130	449,546	19,653
Total Operating Revenues	102,772,594	13,450,264	19,025,742	17,558,492	2,747,851
OPERATING EXPENSES					
Purchased power	68,658,451				
Operations	14,258,264	8,259,428	13,944,737	13,465,549	1,766,682
Administration	2,164,378	3,413,000	492,126	651,821	
Depreciation and amortization	5,456,109	5,455,952	9,275,909	103,361	407,236
Claims expense					
Total Operating Expenses	90,537,202	17,128,380	23,712,772	14,220,731	2,173,918
Operating Income (Loss)	12,235,392	(3,678,116)	(4,687,030)	3,337,761	573,933
NONOPERATING REVENUES (EXPENSES)					
Interest and rents revenue/expense	8,167,037	1,799,802	260,510	72,283	100,468
Interest and fiscal charges (expense)	(6,564,739)	(1,381,660)	(3,494,945)		(305,460)
Subventions and grants		2,019,853		26,489	
Increase (decrease) in NCPA reserves	8,923,097				
Increase (decrease) in SPWA reserves			2,762,591		
Nonoperating revenues	1,825,199				
Net Nonoperating Revenues (Expenses)	12,350,594	2,437,995	(471,844)	98,772	(204,992)
Income (Loss) Before Contributions and Transfers	24,585,986	(1,240,121)	(5,158,874)	3,436,533	368,941
Capital contributions - connection fees		9,371,034	5,714,315		
Contribution in aid of construction	3,742,557				
Capital contributions from developers	3,754,345	20,684,227	11,831,371		
Capital contributions from SPWA member agencies			1,478,577		
Transfers in (Note 4A)	9,000	1,234,522		82,676	
Transfers (out) (Note 4A)	(11,952,657)	(4,286,755)	(4,134,568)	(3,865,296)	(159,533)
Change in net assets	20,139,231	25,762,907	9,730,821	(346,087)	209,408
Total net assets-beginning	255,049,909	345,512,002	465,996,881	2,402,947	8,109,705
Total net assets-ending	\$275,189,140	\$371,274,909	\$475,727,702	\$2,056,860	\$8,319,113

See accompanying notes to financial statements

Local Transportation	School-Age Child Care	Totals	Governmental Activities- Internal Service Funds
\$583,613	\$4,831,838	\$157,988,234	\$19,943,861
		1,065,466	
17,474	2,046	1,936,214	447,899
601,087	4,833,884	160,989,914	20,391,760
		68,658,451	
3,143,834	4,404,620	59,243,114	12,753,371
483,094		7,204,419	
788,483	14,523	21,501,573	3,598,624
			2,717,792
4,415,411	4,419,143	156,607,557	19,069,787
(3,814,324)	414,741	4,382,357	1,321,973
161,569	(2,088)	10,559,581	1,289,649
	(11,658)	(11,758,462)	
32,003	220,844	2,299,189	14,000
		8,923,097	
		2,762,591	
		1,825,199	25,907
193,572	207,098	14,611,195	1,329,556
(3,620,752)	621,839	18,993,552	2,651,529
		15,085,349	
		3,742,557	
652,854		36,922,797	
		1,478,577	
184,157	4,240	1,514,595	6,896,645
(365,082)	(333,280)	(25,097,171)	(946,390)
(3,148,823)	292,799	52,640,256	8,601,784
16,655,806	584,636	1,094,311,886	57,285,525
\$13,506,983	\$877,435	\$1,146,952,142	\$65,887,309

CITY OF ROSEVILLE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds				
	Electric	Water	Wastewater	Solid Waste	Golf Course
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$120,766,055	\$10,587,114	\$18,486,764	\$16,845,597	\$2,723,711
Payments to suppliers	(71,055,252)	(6,101,799)	(10,026,720)	(10,364,609)	(1,668,850)
Payments to employees	(9,041,112)	(5,749,107)	(4,475,934)	(3,913,919)	
Claims paid					
Other receipts	364,631	1,067,734	15,130	449,546	19,653
Net cash provided by operating activities	41,034,322	(196,058)	3,999,240	3,016,615	1,074,514
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
(Increase) decrease in due from other funds			(197,610)		
Increase (decrease) in due to other funds				197,610	127,000
(Increase) decrease in advance to other funds			(1,545,390)		
Increase (decrease) in advances from other funds				1,545,390	(127,000)
Transfers in	9,000	1,234,522		82,676	
Transfers (out)	(11,952,657)	(4,286,755)	(4,134,568)	(3,865,296)	(159,533)
Cash Flows from Noncapital Financing Activities	(11,943,657)	(3,052,233)	(5,877,568)	(2,039,620)	(159,533)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	7,496,902	20,684,227			
Acquisition and construction of capital assets, net	(119,388,967)	(32,828,863)	60,836	(1,177,162)	
Transfer of connection fees to SPWA			(5,028,159)		
Change in restricted assets	92,188,659	(53)			(119)
Principal payments on capital debt	(6,170,000)	(1,345,295)			(315,000)
Interest paid on capital debt	(6,564,739)	(1,381,659)			(305,460)
Subventions and grants	894,057	2,023,755	3,025,430	94,263	
Connection fees		9,371,034	5,714,315		
Other	1,825,199				
Cash Flows from Capital and Related Financing Activities	(29,718,889)	(3,476,854)	3,772,422	(1,082,899)	(620,579)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends	7,946,932	1,767,773	251,624	74,247	95,335
Net increase (decrease) in cash and cash equivalents	7,318,708	(4,957,372)	2,145,718	(31,657)	389,737
Cash and investments at beginning of period	71,437,052	55,279,377	9,482,280	2,812,847	1,081,620
Cash and investments at end of period	\$78,755,760	\$50,322,005	\$11,627,998	\$2,781,190	\$1,471,357
<b>NONCASH TRANSACTIONS:</b>					
Contribution of SPWA capital assets to City			\$4,256,591		
Principal retirement of SPWA Revenue Bonds			(1,676,562)		
Interest on SPWA Revenue Bonds			(3,504,143)		
Contribution of capital assets from developers			11,831,371		
Retirement of capital assets	(\$138,762)	(\$1,448,248)	(180,392)	(\$30,648)	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$12,235,392	(\$3,678,116)	(\$4,687,030)	3,337,761	\$573,933
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	5,456,109	5,455,952	9,275,909	103,361	407,236
Change in assets and liabilities:					
Receivables, net	(722,903)	(1,788,416)	(519,020)	(263,349)	(3,865)
Inventories	(40,066)	(1,328,267)	4,171	(33,789)	
Prepays					
Accounts and other payables	19,748,062	1,142,789	(74,790)	(127,369)	97,210
Deferred revenue	4,357,728				
Net cash provided by operating activities	\$41,034,322	(\$196,058)	\$3,999,240	\$3,016,615	\$1,074,514

See accompanying notes to financial statements

Local Transportation	School-Age Child Care	Totals	Governmental Activities- Internal Service Funds
\$6,325,419	\$4,798,888	\$180,533,548	\$19,987,238
(2,991,570)	(620,843)	(102,829,643)	(11,451,611)
(578,518)	(3,909,162)	(27,667,752)	(2,064,866)
			(1,722,792)
17,474	2,046	1,936,214	447,899
2,772,805	270,929	51,972,367	5,195,868
		(197,610)	(127,000)
	(127,578)	197,032	(312,638)
		(1,545,390)	339,500
		1,418,390	
184,157	4,240	1,514,595	6,896,645
(365,082)	(333,280)	(25,097,171)	(946,390)
(180,925)	(456,618)	(23,710,154)	5,850,117
652,854		28,833,983	
(543,053)		(153,877,209)	(5,953,572)
		(5,028,159)	
		92,188,487	
		(7,830,295)	
		(8,251,858)	
9,483,277	195,886	15,716,668	
		15,085,349	
		1,825,199	25,907
9,593,078	195,886	(21,337,835)	(5,927,665)
129,577	(2,451)	10,263,037	1,170,077
12,314,535	7,746	17,187,415	6,288,397
1,675,648	331,030	142,099,854	47,295,673
\$13,990,183	\$338,776	\$159,287,269	\$53,584,070
		\$4,256,591	
		(1,676,562)	
		(3,504,143)	
		11,831,371	
		(1,798,050)	
(\$3,814,324)	414,741	4,382,357	\$1,321,973
788,483	14,523	21,501,573	3,598,624
(11,454)	(57,166)	(3,366,173)	(101,926)
		(1,397,951)	
			(620,524)
56,930	(122,158)	20,720,674	997,721
5,753,170	20,989	10,131,887	
2,772,805	270,929	51,972,367	5,195,868

This Page Left Intentionally Blank



## **FIDUCIARY FUNDS**

<b>FIDUCIARY FUNDS</b>
------------------------

**FIDUCIARY FUNDS**

Fiduciary funds are presented separately from the Government-wide and Fund financial statements.

Endowment Private-Purpose Trust funds are used to account for trust arrangements under which principal and income benefit private organizations.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF ROSEVILLE  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	Endowment Private-purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments in Treasury (Note 3)	\$2,018,964	\$178,754,986
Restricted cash and investments with fiscal agents (Note 3)		58,802,360
Accounts receivable		160,893
Accrued interest receivable	15,947	1,237,559
Due from other government agencies		2,700,026
	<u>2,034,911</u>	<u>241,655,824</u>
Total Assets		
	<u>2,034,911</u>	<u>241,655,824</u>
LIABILITIES		
Accounts payable	6,316	\$3,294,096
Accrued liabilities		326,561
Due to other government agencies		13,014
Due to member agencies		183,135,487
Due to bondholders		54,790,488
Due to others		96,178
	<u>6,316</u>	<u>241,655,824</u>
Total Liabilities		
	<u>6,316</u>	<u>241,655,824</u>
NET ASSETS		
Held in trust for private purpose	<u>\$2,028,595</u>	

See accompanying notes to financial statements

CITY OF ROSEVILLE  
 ENDOWMENT PRIVATE-PURPOSE TRUST FUND  
 STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2006

ADDITIONS	
Contributions from developers	\$65,936
Investment income	<u>49,050</u>
Total additions	<u>114,986</u>
DEDUCTIONS	
Payments in accordance with trust agreements	<u>32,774</u>
Change in net assets	82,212
Net assets - beginning	<u>1,946,383</u>
Net assets - end	<u><u>\$2,028,595</u></u>

See accompanying notes to financial statements

This Page Left Intentionally Blank

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b></p>
---

The City of Roseville was incorporated on April 10, 1909 under provisions of Act 279, P.A. 1909, as amended (Home Rule City). The City operates under the Council Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, water, solid waste, electric, local transportation, school-age child care, golf course, parks recreation, public improvements, planning and zoning, library, general administration services, redevelopment and housing.

The financial statements and accounting policies of the City conform with generally accepted accounting principles in the United States of America applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

**A. *Reporting Entity***

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. This City's component units which are described below are all blended.

The **Redevelopment Agency of the City of Roseville** is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Agency of the City of Roseville Special Revenue Fund.

The **Roseville Finance Authority** is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Roseville Finance Authority Debt Service Fund and Capital Projects Fund.

The **City of Roseville Housing Authority** is a separate government entity whose purpose is to assist with the housing for the City's low and moderate income residents. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Housing Authority Section 8 Special Revenue Fund.

Financial statements for the Redevelopment Agency may be obtained from the City of Roseville at 311 Vernon Street, Roseville, California, 95678. Separate financial statements for the Roseville Finance Authority and Roseville Housing Authority are not issued.

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b></p>
---

The California Joint Powers Risk Management Authority, the Local Agency Workers' Compensation Excess Joint Powers Authority, the Roseville-Placer County Civic Center Improvement Authority, the Highway 65 Joint Powers Authority, the Disaster Recovery Joint Powers Authority, and the South Placer Wastewater Authority are not included in the accompanying basic financial statements because they do not meet the above financial accountability criteria as these entities are administered by governing boards separate from and wholly independent of the City.

**B. Basis of Presentation**

The City'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 U.S.A.

These Standards require that the financial statements described below be presented.

**Government-wide Statements:** The Statement of Net Assets and the Statement of Activities display information about the primary government, the City and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.



**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

**General Fund** - This is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

**Redevelopment Agency** - The Redevelopment Agency Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low-income residents; 2) the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 2003; 3) capital projects connected with downtown redevelopment funded by property tax increment revenues.

**Community Facilities District Projects Fund** - This fund is used to account for specific public improvements such as streets, sewers, storm drains, sidewalks or other amenities funded by special assessments against benefited properties.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

**Electric Fund** - This fund accounts for all financial transactions relating to the City's Electric service. Services are on a user charge basis to residents and business owners located in Roseville.

**Water Fund** - This fund accounts for all financial transactions relating to the City's Water service. Services are on a user charge basis to residents and business owners located in Roseville.

**Wastewater Fund** - This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Roseville.

**Solid Waste Fund** - This fund accounts for all financial transactions relating to the City's Solid Waste service. Services are on a user charge basis to residents and business owners located in Roseville.

**Golf Course Fund** - This fund accounts for all financial transactions associated relating to the development, operation and maintenance of the City's public golf courses.

**Local Transportation Fund** - This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**School-age Child Care Fund** – This fund accounts for the receipt of parent fees and State grants used to finance child development programs.

The City also reports the following fund types:

**Internal Service Funds.** The funds account for automotive services, automotive replacement, worker's compensation, general liability, unemployment reserve, vision, dental, section 125, post retirement, and central stores; all of which are provided to other departments on a cost-reimbursement basis.

**Fiduciary Funds.** The Endowment Private-Purpose Trust Fund and the Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

**D. Basis of Accounting**

The government-wide, proprietary, and private-purpose trust fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, sales and franchise taxes, certain other intergovernmental revenues, certain charges for services and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b></p>
---

The City 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.

**E. *Revenue Recognition For Electric, Water, Sewer, and Garbage Funds***

Revenues are recognized based on cycle billings rendered to customers. All residential and commercial utility customers are billed once per month. There are twenty billing cycles per month which include all types of customers, based on their location within the City. Revenues for services provided but not billed at the end of a fiscal year are accrued.

Contributions of cash or assets to proprietary funds from state and federal agencies, developers and others are recorded as revenue.

**F. *Property Tax***

Placer County assesses properties and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the county, which retains all penalties.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

**G. *Compensated Absences***

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which are accrued as earned. The City’s liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long term portion is recorded in the Statement of Net Assets.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$11,133,428	\$5,206,618	\$16,340,046
Additions	(3,411,566)	(25,719)	(3,437,285)
Payments	(126,912)	(66,915)	(193,827)
Ending Balance	<u>\$7,594,950</u>	<u>\$5,113,984</u>	<u>\$12,708,934</u>
Current Portion	<u>\$274,852</u>	<u>\$2,609,247</u>	<u>\$2,884,099</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund and the Redevelopment Agency of the City of Roseville Special Revenue Fund.

***H. Postemployment Health Care Benefits***

The City provides health care benefits for 327 retired employees and spouses based on negotiated employee bargaining unit contracts. Substantially all of the City's employees hired before January 1, 2004 may become eligible for those benefits if they reach the normal retirement age and have a minimum five years of service while working for the City. Employees hired after January 1, 2004 may become eligible for those benefits if they reach the normal retirement age and have years of service credit that range from 10 to 20 years with the City's contributions ranging from 50% to 100%, respectively. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the year ending June 30, 2006, those costs totaled \$1,953,035.

***I. Inventories***

Inventories are valued at cost, using the weighted-average method. Inventories of the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the General Fund at the time individual inventory items are consumed. Reported General Fund inventories are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets. Inventories of the Enterprise Funds consist primarily of merchandise held for internal consumption.

***J. New Funds***

The South Placer Animal Central Shelter Special Revenue Fund, and the Stone Point CFD #5, NC SP PAR 44 CFD, Placer County Air Quality Pollution Control, and the Sierra College Boulevard Fee Agency Funds were established in fiscal year 2006.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

**A. *Budgeting Procedures***

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a minute order and ordinance.
4. The City Manager or designee is authorized to apply prudent monitoring procedures to assure that actual expenditures/expenses of the City do not exceed the appropriations by department of the major summary categories (salaries and benefits, operating services and supplies, capital outlay, and capital improvement projects) in conformance with the adopted policies set by the City Council. Additional appropriations or interfund transfers not included in the original budget ordinance require approval by the City Council.
5. Expenditures may not legally exceed budgeted appropriations at the department level by major summary category within each fund.
6. Formal budgetary integration is employed as a management control device during the year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. Budgets are adopted for all governmental funds except for the following Special Revenue and Permanent Funds:
  - i. Special Revenue Funds
    1. Park and Recreation Donation
    2. Forfeited Property
  - ii. Permanent Fund
    1. Roseville Aquatics Complex Maintenance

The following funds are budgeted on a project basis. Such budgets are based on a project time frame, rather than a fiscal year “operating” time frame, whereby unused appropriations continue until project completion:

- i. Special Revenue Funds
  1. Traffic Mitigation
  2. State Gasoline Tax
  3. Park Development
  4. Pleasant Grove Drain Basin
  5. Tree Propagation
- ii. Capital Project Funds
  1. Community Facilities District
  2. Building

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

**B. Encumbrances**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

**C. Excess of Expenditures or Expenses over Appropriations**

The Funds below incurred expenditures in excess of their budgets in the amounts below. Sufficient resources were available within each department to finance these overages.

Fund	Department	Amount
General Fund:		
	Housing	
	Salaries and benefits	\$21,272
	Planning	
	Salaries and benefits	340,597
	Library	
	Operating services & supplies	7,080
	Payments under developer agreement	34,439
Redevelopment Agency		
Special Revenue Fund:		
	Debt service:	
	Interest and fiscal charges	448,778
Fire Facilities		
Special Revenue Fund:		
	Debt service:	
	Interest and fiscal charges	8,100
Community Block Grant/HOME		
Special Revenue Fund:		
	Parks and recreation	
	Operating services & supplies	286
Affordable Housing		
Special Revenue Fund:		
	Community services	
	Operating services & supplies	994,741
Storm Water Management		
Special Revenue Fund:		
	Capital outlay	37

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 3 - CASH AND INVESTMENTS</b></p>
---

The City pools cash from all sources and all funds, except certain specific investments within funds and 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.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *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 City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

The City's investments are carried at fair value instead of cost, as required by generally accepted accounting principles. The City 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.

**A. 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 City debt instruments or agency agreements.

Cash and investments in City Treasury	\$406,094,296
Restricted cash and investments with fiscal agent	<u>200,879,701</u>
Total City cash and investments	606,973,997
Cash and investments in Fiduciary Funds (Separate statement)	<u>239,576,310</u>
Total Cash and Investments	<u><u>\$846,550,307</u></u>

Cash and investments as of June 30, 2006 consist of the following:

Cash in bank and on hand	\$30,350,546
Investments	<u>816,199,761</u>
Total Cash and Investments	<u><u>\$846,550,307</u></u>

Cash and investments with original maturities of three months or less are treated as cash and equivalents for purpose of preparing Proprietary Fund statements of cash flows. Also, each Proprietary Funds' portion of the City's overall cash and investment pool is treated as cash and equivalents since these amounts are in substance demand deposits.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**B. 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 City 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. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 Years	None	None	None
U.S. Agency Securities	5 Years	None	None	None
Mortgage Pass-Through Securities	5 Years	None	20%	None
Forward Delivery Agreements (A)	N/A	A	None	None
Local Agency Bonds	5 Years	None	None	None
Repurchase Agreements	30 days	None	None	None
Banker's Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	A-1	25%	10% (B)
Medium-Term Notes	5 Years	AA	30%	None
Collateralized Time Deposits	5 Years	None	None	None
Negotiable Certificates of Deposit	5 Years	AA	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None
Insured Saving Accounts	N/A	None	None	None
Money Market Mutual Funds	N/A	None	20%	10%
Shares in a California Common Law Trust	N/A	None	None	None
Interest Rate Swaps (C )	N/A	None	None	None

- (A) In specified fund accounts where liquidity is not the primary investment objective, the maximum maturity can be up to ten years with granted express authority by the City Council. Such investments cannot be made less than three months following the approval of extended investment terms. All longer-term investments must be Federal Treasury or Agency securities. The specified fund accounts are:

- Citizens Benefit Permanent Fund
- Roseville Aquatics Complex Maintenance Permanent Fund
- Endowment Private-purpose Trust Fund
- All future trust and/or endowment funds established by the City with no anticipated use of principal

- (B) Eligible Commercial Paper may not represent more than 10% of the outstanding paper of an issuing corporation.

- (C) Interest rate swaps may only be used in conjunction with enterprise fund debt or investments, not the General Fund. Currently, the City does not participate in any Forward Delivery Agreements. Pursuant to its function as custodian and investment manager of the South Placer Wastewater Authority, the City invested certain Authority funds in Forward Delivery Agreements which are investments with fixed maturities and which bear interest at a variable rate. To hedge against changes in short term interest rates, the Authority entered into a swap agreement to create a synthetic fixed interest rate on one of the Forward Delivery Agreements. Risks associated with the Forward Delivery Agreement and associated swap agreement are those of the Authority and not those of the City. Details of the swap agreement and associated risks may be found in the Basic Financial Statements of the Authority.



**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**C. Investments Authorized by Debt Agreements**

The City 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 reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. 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:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	N/A	None
U.S. Agency Securities	N/A	None
Certificates of Deposit	N/A - 30 days	None - A-1
Time Deposits	N/A - 30 days	None - A-1
Repurchase Agreements	N/A	None - A
Bankers Acceptances	N/A - 270 days	None - A-1
Obligations	N/A	None
Money Market Funds	N/A	None - Aam-G
Taxable Gov't Money Market Portfolio	N/A	None
Legal Investment	N/A	None
Commercial Paper (A)	180-270 days	A-1 - AA
General Obligations	N/A	None - A
General Short-term Obligations	N/A	A-1
Special Revenue Bonds	N/A	AA
Pre-refunded Municipal Obligations	N/A	AAA
Municipal Obligations	N/A	AAA
Common Law Trust	N/A	None
C.A.M.P.	N/A	None
Lawful Investment	N/A	None
Investment Agreements	N/A	A+ - AA
L.A.I.F.	N/A	None
Placer County Investment Pool	N/A	None

- (A) Maximum investment in one issuer of Commercial Paper is 10% of the outstanding bond proceeds.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**D. 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. The City also manages its interest rate risk by holding most investments to maturity, thus reversing unrealized market gains and losses.

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

	Remaining Maturity (in Months)				Total
	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months	
U.S. Government Securities	\$14,137,746	\$58,300,853	\$11,288,684		\$83,727,283
Federal Agency Securities	204,781,653	75,034,630	51,624,554		331,440,837
Corporate Notes	11,382,750		11,316,608		22,699,358
Forward Delivery Agreement			56,450,906	\$8,857,396	65,308,302
Commercial Paper	33,179,395				33,179,395
Guaranteed Investment Contracts	37,429,463	76,087,213	3,865,506	25,388,630	142,770,812
Repurchase Agreement				4,905,395	4,905,395
Mutual Funds and Money					
Market Funds (U.S. Securities)	78,065,785				78,065,785
Local Agency Investment Fund	40,868,373				40,868,373
California Asset Management Pool	11,211,658				11,211,658
Collateralized Time Deposits	2,022,563				2,022,563
Total Investments	<u>\$433,079,386</u>	<u>\$209,422,696</u>	<u>\$134,546,258</u>	<u>\$39,151,421</u>	<u>\$816,199,761</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. At June 30, 2006 the fair value was \$74,277 less than the City's cost. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**E. 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. Presented below is the actual rating as of June 30, 2006 for each investment type as provided by Standard and Poor's investment rating system:

	AAA	AA	AA-	A+	A-1+	A-1	Total
<b>Investments:</b>							
Federal Agency Securities	\$331,440,837						\$331,440,837
Corporate Notes	2,699,580	\$2,071,112	\$6,545,916	\$11,382,750			22,699,358
Forward Delivery Agreement			56,450,906	8,857,396			65,308,302
Commercial Paper					\$30,678,465	\$2,500,930	33,179,395
Guaranteed Investment Contracts	129,116,962	11,540,578	2,113,272				142,770,812
Repurchase Agreements			4,905,395				4,905,395
Mutual Funds and Money							
Market Funds (U.S. Securities)	78,065,785						78,065,785
<b>Totals</b>	<b>\$541,323,164</b>	<b>\$13,611,690</b>	<b>\$70,015,489</b>	<b>\$20,240,146</b>	<b>\$30,678,465</b>	<b>\$2,500,930</b>	<b>678,369,884</b>
<b>Exempt from Credit Rate Disclosure:</b>							
U.S. Government Securities							83,727,283
<b>Not Rated:</b>							
Local Agency Investment Fund							40,868,373
California Asset Management Pool							11,211,658
Collateralized Time Deposits							2,022,563
<b>Total Investments</b>							<b>\$816,199,761</b>

**F. Concentration of Credit Risk**

Investments in any one issuer, other than U. S. Treasury securities, mutual funds, California Local Agency Investment Fund, and California Asset Management Pool, that represent 5% or more of total Entity-wide investments are as follows at June 30, 2006:

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$114,350,511
Federal National Mortgage Association	Federal Agency Securities	108,582,471
Federal Home Loan Bank	Federal Agency Securities	103,875,842
Trinity Plus Funding	Investment Contract	61,143,914

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Investments in any one issuer that represent 5% or more of total investments by individual funds were as follows at June 30, 2006:

Fund	Issuer	Investment Type	Amount
<b>Major Enterprise</b>			
Electric	Trinity Plus Funding	Investment Agreement	\$61,143,914
	FSA Capital Management	Investment Agreement	17,094,035
	Federal Home Loan Mortgage Corporation	Federal Agency Securities	15,269,287
	Federal National Mortgage Association	Federal Agency Securities	15,126,418
	Federal Home Loan Bank	Federal Agency Securities	14,092,395
Water	Federal Home Loan Mortgage Corporation	Federal Agency Securities	7,730,061
	Federal Home Loan Bank	Federal Agency Securities	3,968,750
	UBS Finance Corporation	Commercial Paper	3,467,127
Golf Course	AIG	Investment Contract	624,020
<b>Fiduciary Funds</b>			
Endowment Private			
Purpose Trust Fund	Federal Home Loan Bank	Federal Agency Securities	678,119
North Roseville Community			
Facilities District #1	Lehman Brothers	Forward Delivery Agreement	1,747,234
Northeast Roseville Community			
Facilities District #1	MBIA	Investment Contract	840,847
Northeast Roseville Community			
Facilities District #2	MBIA	Investment Contract	1,105,291
Northwest Roseville Community			
Facilities District #1	MBIA	Investment Contract	2,367,738
Highland Reserve North Community			
Facilities District #2	MBIA	Investment Contract	2,540,146
Woodcreek West Community			
Facilities District #1	MBIA	Investment Contract	1,402,063
Woodcreek East Community			
Facilities District #2	MBIA	Investment Contract	484,513
Stoneridge East Community			
Facilities District #1	Societe Generale	Investment Contract	1,188,365
Stoneridge West Community			
Facilities District #1	Societe Generale	Investment Contract	924,907
Fiddymont Ranch Community			
Facilities District #1	Rabobank Contract Agreement	Investment Contract	980,769
South Placer Wastewater			
Authority Agency Fund	J.P. Morgan	Forward Delivery Agreement	56,450,906
	Federal Home Loan Mortgage Corporation	Federal Agency Securities	15,150,609
	Federal Home Loan Bank	Federal Agency Securities	13,328,167
	Federal National Mortgage Association	Federal Agency Securities	11,597,322

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Transfers Among Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

Transfers between funds during the fiscal year ended June 30, 2006 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
<b>General Fund</b>	Redevelopment Agency of the City of Roseville	\$228,440 (A)
	Non-Major Governmental Funds	3,320,520 (B)
	Non-Major Governmental Funds	290,280 (C)
	Electric Enterprise Fund	9,604,312 (D)
	Water Enterprise Fund	2,822,534 (E)
	Wastewater Enterprise Fund	2,013,352 (E)
	Solid Waste Enterprise Fund	1,431,991 (E)
	Golf Course Enterprise Fund	151,920 (C)
	Local Transportation Enterprise Fund	171,060 (C)
	School-Age Child Care Enterprise Fund	332,500 (C)
	Internal Service Funds	840,064 (C)
<b>Redevelopment Agency</b>	General Fund	600,000 (F)
	Non-Major Governmental Funds	340,000 (F)
<b>Community Facilities District Projects</b>	Non-Major Governmental Funds	200,000 (F)
<b>Non-Major Governmental Funds</b>	General Fund	4,970,976 (A)
	Redevelopment Agency of the City of Roseville	25,000 (A)
	Community Facilities District Capital Projects Fund	774,265 (F)
	Non-Major Governmental Funds	6,501,780 (F)
	Electric Enterprise Fund	1,776,202 (B)
	Water Enterprise Fund	945,880 (D)
	Wastewater Enterprise Fund	705,750 (D)
	Solid Waste Enterprise Fund	310,150 (D)
	Local Transportation Enterprise Fund	82,182 (E)
<b>Electric Enterprise Fund</b>	Non-Major Governmental Funds	9,000 (B)
<b>Water Enterprise Fund</b>	Wastewater Enterprise Fund	837,811 (C)
	Solid Waste Enterprise Fund	396,711 (C)
<b>Solid Waste Enterprise Fund</b>	Water Enterprise Fund	41,338 (F)
	Wastewater Enterprise Fund	41,338 (F)
<b>Local Transportation Enterprise Fund</b>	Community Facilities District Capital Projects Fund	184,157 (F)
<b>School-Age Child Care Enterprise Fund</b>	Non-Major Governmental Funds	4,240 (F)
<b>Internal Service Funds</b>	General Fund	2,893,857 (E)
	Non-Major Governmental Funds	464,322 (E)
	Electric Enterprise Fund	572,143 (E)
	Water Enterprise Fund	477,003 (E)
	Wastewater Enterprise Fund	536,317 (E)
	Solid Waste Enterprise Fund	1,726,444 (E)
	Golf Course Enterprise Fund	7,613 (E)
	Local Transportation Enterprise Fund	111,840 (E)
	School-Age Child Care Enterprise Fund	780 (E)
	Internal Service Funds	<u>106,326 (E)</u>
<b>Total Interfund Transfers</b>		<u><u>\$46,850,398</u></u>

- (A) To fund operation and fund indirect costs  
 (B) Transfer to fund operations and indirect costs.  
 (C) To pay for indirect costs.  
 (D) To transfer in lieu franchise fees and fund indirect costs.  
 (E) Recurring transfers.  
 (F) To fund various projects in the capital funds or pay debt service.

<b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b>
--

<b>NOTE 4 - INTERFUND TRANSACTIONS (Continued)</b>
--

**B. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2006 interfund balances comprised the following:

Due From Other Funds	Due To Other Funds	Amount
<b>General Fund</b>	Redevelopment Agency of the City of Roseville	
	Special Revenue Fund	\$750,000 (A)
	Park Development Capital Projects Fund	120,000 (A)
	Roseville Aquatic Complex Maintenance Permanent Fund	4,240 (B)
	School-Age Child Care Enterprise Fund	22,249 (B)
	Automotive Service Internal Service Fund	400,862 (B)
<b>Special Revenue Fund:</b>		
Affordable Housing	Redevelopment Agency of the City of Roseville	
	Special Revenue Fund	50,000 (A)
<b>Enterprise Funds:</b>		
Solid Waste	Wastewater Enterprise Fund	197,610 (A)
<b>Internal Service Fund:</b>		
Automotive Replacement	Traffic Mitigation Special Revenue Fund	212,500 (A)
Automotive Replacement	Golf Enterprise Fund	127,000 (A)
		<u>\$1,884,461</u>

(A) Current portion of the advances mentioned in C below.

(B) To temporarily fund short-term cash flow needs.

**C. Long-Term Interfund Advances**

At June 30, 2006 the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
<b>Special Revenue Funds:</b>		
Redevelopment Agency of the City of Roseville	General Fund	\$8,595,536
	Gas Tax Special Revenue Fund	3,900,000
	Affordable Housing Special Revenue Fund	200,000
	Automotive Replacement Internal Service Fund	829,201
Traffic Mitigation	Automotive Replacement Internal Service Fund	212,500
<b>Enterprise Funds:</b>		
Solid Waste	Wastewater	1,545,390
Golf Course	Automotive Replacement Internal Service Fund	3,766,000
School-Age Child Care	Automotive Replacement Internal Service Fund	300,000
		<u>\$19,348,627</u>

<b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b>
--

<b>NOTE 4 - INTERFUND TRANSACTIONS (Continued)</b>
--

**Redevelopment Agency** advance consists of four advances: (1) Advances in the amount of \$876,789 will be repaid in fiscal year 2009. (2) Advances in the amount of \$7,747,948 will be repaid in fiscal year 2029. Both the advances bear interest at the average interest rate of the City's pooled investments. (3) Advance in the amount of \$1,000,000 bears interest at 3.15% and will be repaid in fiscal year 2023. (4) Advances in the amount of \$3,900,000 bear no interest and will be repaid in fiscal year 2029.

**Traffic Mitigation** advance bears interest at the average interest rate of the City's pooled investments. Principal to be repaid over four years, interest at the end of repayment schedule. The first annual principal repayment was paid in fiscal year 2006.

**Solid Waste** advance bears interest at 3.94%. It will be repaid over a period of 10 years and will be repaid in 2016.

**Golf Course** advance bears interest from 3.5-4.0%. It will be repaid over a period of 27 years and will be repaid in 2029.

**School-Age Child Care** advance will be repaid over five years beginning in fiscal year 2007. This advance bears interest at the average interest rate of the City's pooled investments and interest is to be paid at the end of the loan.

**D. Internal Balances**

Internal balances are presented in the City-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

<b>NOTE 5 - NOTES RECEIVABLE</b>
----------------------------------

The City and Agency engage in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these notes are expected to be repaid in full, their balance has been offset in the fund financial statements by deferred revenue or a reservation of fund balance as they are not expected to be repaid during fiscal year 2007. These notes receivable comprised the following at June 30, 2006:

Notes	\$285,591
Employee Notes	90,494
Housing Rehabilitation and Affordable	
Housing Notes	4,929,514
First Time Home-Buyer Notes	4,985,338
Housing Elevation Notes	<u>28,978</u>
Total	<u><u>\$10,319,915</u></u>

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 5 - NOTES RECEIVABLE (Continued)**

**A.     *Notes Receivable***

The City has provided loans to various homeowners and businesses for rehabilitation due to flood damage. The maximum loan amount is \$5,000 carrying various interest rates and payment dates. Although these notes are expected to be repaid in full, their balance has been offset by a reservation of fund balance. The balance of these notes receivable at June 30, 2006 was \$6,632.

In fiscal year 2000, the City sold an air compressor to Western Placer County JPA. The loan balance of \$22,592 was repaid during fiscal year 2006.

In fiscal year 1989, the City made a loan to a property owner in the amount of \$7,719, secured by a first deed of trust. The note does not bear interest and payment is deferred until July 2, 2007 unless the property is transferred or sold. The balance of this note has been offset by a reservation of fund balance.

The Agency engages in a commercial rehabilitation program designed to aid small business owners in renovating and rehabilitating commercial property in need of repair. These notes will be forgiven at the end of the Owner Participation Agreement term, which is five to fifteen years, if the property has not been sold. If the property is sold prior to the completion of the agreement term, a proportionate amount of the note will be forgiven. The notes are secured by a deed of trust on the property. At June 30, 2006, \$271,240 in notes had been issued to thirteen property owners.

**B.     *Employee Notes Receivable***

All full-time and part-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to \$2,500 to purchase a computer. All requests for loans are subject to review by the Information Technology Department and must be approved by the Human Resources Director. Repayment of these loans is handled through payroll deductions which are spread out equally over a two year period. Employees must pay off any outstanding balance on their loans upon ending employment with the City. As of June 30, 2006, 97 employees had \$90,494 in notes due to the City.

**C.     *Housing Rehabilitation and Affordable Housing Notes Receivable***

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset with the liability, Due to Other Governments, as they are not expected to be repaid during fiscal year 2007 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the notes receivable arising from these programs at June 30, 2006 was \$4,929,514.



**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 5 - NOTES RECEIVABLE (Continued)**

**D. *First Time Home-Buyer Notes Receivable***

The City and the Agency engage in a first time home-buyer program designed to encourage home ownership among low income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by due to other governments and deferred revenue as they are not expected to be repaid during fiscal year 2007 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the notes receivable arising from this program at June 30, 2006 was \$4,985,338.

**E. *Housing Elevation Notes Receivable***

In fiscal 1997, the Federal Emergency Management Agency (FEMA) approved Hazard Mitigation Grant Program funds to be used for residential home elevation projects in the City at a maximum of \$33,934 per household, with the total federal share not to exceed \$1,493,096. The City provides matching funds to each eligible household at a maximum of \$5,000 in the form of a zero percent, deferred loan payable upon sale, change of title or change of use (See A. above). As of June 30, 2006, eleven loans funded through the FEMA Hazard Mitigation Grant Program were outstanding with a total balance of \$28,978.

**NOTE 6 - DEFERRED RECEIVABLES**

The City has entered into a number of agreements with developers to defer permit fees for various projects within the City. The terms of these agreements call for various interest rates and payment dates. Although these fees are expected to be repaid in full, their balance has been offset by deferred revenue in governmental funds, as they are not expected to be repaid early enough to be treated as a current asset. The long-term portion of these receivables at June 30, 2006 was \$2,809,105, which has been classified as deferred receivables, and the short-term portion of these receivables, which totaled \$38,991 at June 30, 2006 is included in accounts receivable.

**NOTE 7 – DEVELOPMENT AGREEMENTS AND LAND HELD FOR REDEVELOPMENT**

The City may enter into development agreements in an effort to provide incentives to develop new businesses and new tax revenues. The substance of these agreements is that developers or other public agencies will be paid a portion of future sales tax or traffic mitigation fee revenues produced by their developments. These payments are conditioned on the generation of sales tax revenues or traffic mitigation fee revenues by these developments and the City is not required to use any other resources to pay these amounts.

**A. *Galleria at Roseville***

In fiscal 2001, the City entered into a lease agreement with the Galleria at Roseville regional mall. The purpose of this agreement was to share revenue with the mall developers based on the generation of certain levels of sales tax. The Developer agreed to construct the mall, along with water and storm sewer mains, a bike trail, pedestrian walks, landscaping, parking areas and infrastructure improvements to surrounding streets. The mall opened for business in August 2000 and the term of the revenue sharing agreement commenced on that date. The remaining portion of sales tax revenues to be returned approximated \$17 million at June 30, 2006. The agreement terminates in 2017, regardless of whether this amount has been returned; after that date all future sales tax revenues remain with the City. During fiscal year 2006 payments made to the developer under the agreement totaled \$2,592,039.

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 7 – DEVELOPMENT AGREEMENTS AND LAND HELD FOR REDEVELOPMENT</b> <b>(Continued)</b></p>
--

**B.     *Wal-Mart at Roseville***

In fiscal year 2003, the City entered into a Wal-Mart Sales Tax Revenue Sharing Agreement with the City of Rocklin. The City agreed to share retail sales tax with the City of Rocklin after the retail sales commenced at the new Wal-Mart location in Roseville on October 28, 2003. The City will make certain sales tax revenue payments to Rocklin for thirty-six months from the day of the store opening which occurred in 2004. In addition, the City has the option to share sales tax revenue with City of Rocklin for an extended period of not more than 24 months. The City of Rocklin completed a final audit of the sales tax generated by the new tenant, and the final payment of approximately \$450 thousand will be made in fiscal year 2007.

**C.     *Civic Plaza Project***

In fiscal 2004, the Agency agreed to sell four parcels of land to Vernon Street Associates, LLC for \$150,000, for the purpose of the construction of an office complex and public parking garage. Two of the parcels were owned by the Agency and two by the City. The City parcels were conveyed to the Agency in fiscal 2006 and subsequently all four parcels were sold to the Developer. The office complex is being built on the land sold to the Developer and is funded by the Developer. The developer has agreed to construct the parking garage for the Agency funded by \$5,817,000 of bond proceeds from the Agency's 2002 Tax Allocation Bonds, a \$360,000 contribution from the Developer, and a \$900,000 contribution from the General Fund. In addition, the Developer has agreed to contribute \$20,000 annually, plus an inflationary escalator beginning in 2010, towards the maintenance and operation costs of the parking garage. The Agency anticipates increasing the project contract amount in fiscal 2007 by \$2.2 million, funded by an additional \$111,415 from the 2002 Tax Allocation Bonds and \$2.1 million from the City's General Fund. Construction is expected to be completed in fiscal 2007.

**D.     *Land held for redevelopment***

In fiscal year 2006, the Agency purchased 238 Vernon Street in the amount of \$1,002,290, which is being held for future development projects. This parcel is accounted for the lower of cost or net realizable value.

<p><b>NOTE 8 – CAPITAL ASSETS</b></p>
---------------------------------------

**A.     *Policies***

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the "modified approach" is used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

<b>CITY OF ROSEVILLE</b>
<b>Notes to Basic Financial Statements</b>

<b>NOTE 8 – CAPITAL ASSETS (Continued)</b>
--

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives and capitalization thresholds listed below to capital assets:

	<u>Useful lives</u>	<u>Capitalization Thresholds</u>
Buildings	20-40 years	\$10,000
Improvements	40 years	10,000
Machinery and Equipment	3-12 years	5,000
Bike Paths	20 years	10,000
Bridges	90 years	10,000
Culverts	75 years	10,000
Curb, Gutter, Sidewalks & Median Curbs	20 years	10,000
Drain Inlets	50 years	10,000
Flood Control Improvements	75 years	10,000
Soundwall	35 years	10,000
Stormdrains	75 years	10,000
Traffic Signals	20 years	10,000
Plants and Substations		
Electric	10-120 years	10,000
Sewer	15-60 years	10,000
Water	15-75 years	10,000
Electric Improvements:		
Electric	7-100 years	10,000
Sewer	75 years	10,000
Water	75 years	10,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 8 - CAPITAL ASSETS (Continued)**

**B. Capital Asset Additions and Retirements**

Capital assets at June 30 comprise:

	Balance at June 30, 2005	Additions	Retirements	Transfers	Balance at June 30, 2006
<i><b>Governmental activities</b></i>					
Capital assets not being depreciated:					
Land	\$22,062,494	\$1,320,766	(\$799,729)		\$22,583,531
Streets (modified)	159,271,316	1,801,626		\$5,777,045	166,849,987
Parks (modified)	54,382,618	3,857,806		2,011,928	60,252,352
Landscaping (modified)	24,609,465	1,280,052		3,249,144	29,138,661
Construction in progress	63,420,753	89,090,501	(5,404,243)	(20,263,644)	126,843,367
Total capital assets not being depreciated	323,746,646	97,350,751	(6,203,972)	(9,225,527)	405,667,898
Capital assets being depreciated:					
Buildings	79,895,972				79,895,972
Improvements	4,259,672	487,706			4,747,378
Equipment	43,866,622	8,469,652	(655,386)	897,500	52,578,388
Bike paths	7,173,994	60,000			7,233,994
Bridges	45,570,000			1,020,903	46,590,903
Culverts	18,872,843	30,597		24,115	18,927,555
Curb, gutter, sidewalk, & median curbs	118,184,698	750,337		1,782,931	120,717,966
Drain inlets	18,175,850	11,591		705,864	18,893,305
Flood control improvements	15,567,227	811,593		914,126	17,292,946
Soundwall	18,302,112	737,487		2,323,877	21,363,476
Stormdrains	49,362,029	951,805		996,476	51,310,310
Traffic signals	18,655,503			264,966	18,920,469
Total capital assets being depreciated	437,886,522	12,310,768	(655,386)	8,930,758	458,472,662
Less accumulated depreciation for:					
Buildings	(27,641,123)	(1,964,768)			(29,605,891)
Improvements	(805,173)	(153,286)		31,793	(926,666)
Equipment	(29,739,457)	(4,399,463)	645,160	(13,353)	(33,507,113)
Bike paths	(3,259,863)	(358,921)			(3,618,784)
Bridges	(4,837,833)	(512,005)			(5,349,838)
Culverts	(3,153,509)	(252,003)			(3,405,512)
Curb, gutter, sidewalk, & median curbs	(65,474,801)	(4,878,772)			(70,353,573)
Drain inlets	(4,973,269)	(370,692)			(5,343,961)
Flood control improvements	(1,071,585)	(219,068)			(1,290,653)
Soundwall	(3,341,686)	(566,651)			(3,908,337)
Stormdrains	(7,361,622)	(671,149)			(8,032,771)
Traffic signals	(9,595,257)	(808,196)			(10,403,453)
Total accumulated depreciation	(161,255,178)	(15,154,974)	645,160	18,440	(175,746,552)
Net capital assets being depreciated	276,631,344	(2,844,206)	(10,226)	8,949,198	282,726,110
Governmental activity capital assets, net	\$600,377,990	\$94,506,545	(\$6,214,198)	(\$276,329)	\$688,394,008

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 8 - CAPITAL ASSETS (Continued)**

	Balance at June 30, 2005	Additions	Retirements	Transfers	Balance at June 30, 2006
<i><b>Business-type activities</b></i>					
Capital assets, not being depreciated:					
Land	\$16,060,224	\$65,522			\$16,125,746
Landscaping	550,000				550,000
Construction in progress	70,102,472	124,556,748	(\$26,028)	(\$31,221,683)	163,411,509
Total capital assets not being depreciated	86,712,696	124,622,270	(26,028)	(31,221,683)	180,087,255
Capital assets, being depreciated:					
Buildings	11,826,851	176,179			12,003,030
Improvements	10,760,868	35,182		239,049	11,035,099
Machinery and Equipment	15,166,665	1,275,459	(202,660)	(14,553)	16,224,909
Bike Paths	1,064,167				1,064,167
Drain Inlets	18,500				18,500
Storm Drains	30,863				30,863
Plant and Substations	270,887,289	2,521,151		9,915,763	283,324,200
Distribution	785,173,691	40,599,642	(686,344)	21,376,192	846,463,181
Total capital assets being depreciated	1,094,928,894	44,607,613	(889,004)	31,516,451	1,170,163,949
Less accumulated depreciation for:					
Buildings	(3,310,767)	(304,908)			(3,615,679)
Improvements	(2,710,064)	(259,713)		(3,428)	(2,973,205)
Machinery and Equipment	(6,367,627)	(1,867,914)	172,024	13,354	(8,050,163)
Bike Paths	(79,812)	(53,208)			(133,020)
Drain Inlets	(555)	(370)			(925)
Storm Drains	(618)	(412)			(1,030)
Plant and Substations	(42,798,874)	(6,643,086)			(49,441,960)
Distribution	(117,913,470)	(11,774,704)	102,076	(28,365)	(129,614,463)
Total accumulated depreciation	(173,181,787)	(20,904,315)	274,100	(18,439)	(193,830,445)
Net capital assets being depreciated	921,747,107	23,703,298	(614,904)	31,498,012	976,333,504
Business-type activity capital assets, net	\$1,008,459,803	\$148,325,568	(\$640,932)	\$276,329	\$1,156,420,759

<b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b>
--

<b>NOTE 8 - CAPITAL ASSETS (Continued)</b>
--

**C. Depreciation Allocation**

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

***Governmental Activities***

General government	\$1,079,238
Community development and planning	159,624
Public works	8,889,175
Police	472,351
Fire	439,714
Library	123,320
Parks and recreation	392,928
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>3,598,624</u>
<b>Total Governmental Activities</b>	<b><u>\$15,154,974</u></b>

***Business-Type Activities***

Electric	\$5,016,959
Water	5,413,630
Wastewater	9,011,997
Solid Waste	268,015
Golf Course	395,336
Local Transportation	783,855
School-age Child Care	<u>14,523</u>
<b>Total Business-Type Activities</b>	<b><u>\$20,904,315</u></b>

**D. Streets, Parks and Landscaping Covered By The Modified Approach**

The City has elected to use the modified approach discussed above with respect to its roads, most of which are relatively new. The City's policy based on current funding is to maintain the arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.5 and residential roadways at an average PQI of 6.5, instead of providing depreciation. During fiscal 2006 the City expended \$7,213,261 to preserve its roads. The City estimates that it will be required to expend approximately \$5,521,428 in fiscal 2007 to maintain its roads at this condition level.

The City has also elected to use the modified approach with respect to its parks and landscaping, most of which are relatively new. The City's policy based on current funding is to maintain the parks and landscape at an average Ground Management Index (GMI) of Level 2, instead of providing depreciation. During fiscal 2006 the City expended \$4,309,606 to preserve its parks and landscaping. The City estimates that it will be required to expend approximately \$5,111,124 in fiscal 2007 to maintain its parks at this condition level.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 9 - LONG-TERM DEBT**

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

**A. Current Year Transactions and Balances**

	Original Issue Amount	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006	Current Portion
<b>Governmental Activity Debt:</b>						
<b>Certificates of Participation:</b>						
2003A Public Facilities Refunding Bond, 2.0%-5.0%, due 8/1/25	\$18,275,000	\$17,710,000		\$605,000	\$17,105,000	\$615,000
<b>Tax Allocation Bonds</b>						
2002 Roseville Redevelopment Project 3%-5.14%, due 9/1/33	14,500,000	13,960,000		225,000	13,735,000	275,000
<b>Installment Purchase Obligations:</b>						
Equipment	3,351,714	306,140	\$2,239,765	108,919	2,436,986	256,415
<b>Other Long Term Obligations:</b>						
Foothill Blvd. Extension, due 4/1/07	114,423	6,250		3,027	3,223	3,223
<b>Total Governmental Activity Debt:</b>	<b>\$36,241,137</b>	<b>\$31,982,390</b>	<b>\$2,239,765</b>	<b>\$941,946</b>	<b>\$33,280,209</b>	<b>\$1,149,638</b>
<b>Business-type Activity Debt:</b>						
<b>Certificates of Participation:</b>						
1997 Electric System Revenue, 3.6%-5.25%, due 2/1/17	\$11,880,000	\$635,000		\$310,000	\$325,000	\$325,000
1999 Electric System Revenue, 4.0%-5.5%, due 2/1/24	21,630,000	2,135,000		500,000	1,635,000	520,000
2002 Electric System Revenue, variable rate, due 2/1/24	40,385,000	30,980,000		5,360,000	25,620,000	225,000
Less deferred amount on refunding	(3,780,476)	(3,264,957)		(171,839)	(3,093,118)	
2004 Electric System Revenue, 3.00%-5.25%, due 2/1/34	39,940,000	39,940,000			39,940,000	330,000
2005 Electric System Revenue, Series A 3.00%-5.00%, due 2/1/23	52,900,000	52,900,000			52,900,000	
2005 Electric System Revenue, Series B variable rate, due 2/1/35	90,000,000	90,000,000			90,000,000	
2005 Electric System Revenue, Series C variable rate, due 2/1/35	60,000,000	60,000,000			60,000,000	
2003B Golf Course Refunding Bond, 2.0%-5.0%, due 8/1/23	8,240,000	7,945,000		315,000	7,630,000	320,000
1997 Water Utility Revenue, 3.9%-5.2%, due 12/1/18	33,000,000	26,075,000		1,335,000	24,740,000	1,395,000
<b>Total Certificates of Participation</b>	<b>354,194,524</b>	<b>307,345,043</b>		<b>7,648,161</b>	<b>299,696,882</b>	<b>3,115,000</b>
<b>Revenue Bonds:</b>						
2000 Wastewater Revenue Bonds, Series A, 3.8%-5.5%, due 11/1/27	59,465,118	8,924,501		1,337,999	7,586,502	1,394,878
2000 Variable Rate Demand Wastewater Revenue Bonds, Series B, variable rate, due 11/1/35	37,919,000	37,919,000			37,919,000	
2003 Wastewater Refunding Revenue Bonds, variable rate, due 11/1/27	52,544,900	51,353,167		338,563	51,014,604	352,105
Less deferred amount on refunding	(6,333,890)	(5,806,065)		(263,921)	(5,542,144)	
<b>Total Revenue Bonds</b>	<b>143,595,128</b>	<b>92,390,603</b>		<b>1,412,641</b>	<b>90,977,962</b>	<b>1,746,983</b>
<b>Other Long Term Obligations:</b>						
Notes, 5%, due 10/1/17	333,108	182,351		10,295	172,056	10,810
<b>Total Business-type Activity Debt:</b>	<b>\$498,122,760</b>	<b>\$399,917,997</b>		<b>\$9,071,097</b>	<b>\$390,846,900</b>	<b>\$4,872,793</b>

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 9 - LONG-TERM DEBT (Continued)</b></p>
---

**B.     2003A Public Facilities Refunding Bonds**

On July 17, 2003 the City issued \$18,275,000 of Public Facilities Refunding COPs to advance refund the outstanding 1993 Public Facilities COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. Principal payments are payable annually and interest payments are due semi-annually on February 1 and August 1 through 2025.

**C.     2002 Roseville Redevelopment Project Tax Allocation Bonds**

On October 23, 2002 the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033.

**D.     Installment Purchase Obligations**

The City is purchasing various pieces of computer equipment on the installment basis. The City has also entered into long-term contracts for the lease/purchase of various public safety equipment.

**E.     Foothill Blvd. Extension**

The City acquired several parcels of land, in August of 1989, within the Foothill Boulevard Extension Assessment District to build the Corporation Yard. Upon acquisition, the City took over the assessment debt in the amount of \$114,423, due on these parcels. Principal and interest payments are payable annually on April 1, through April 1, 2007.

**F.     1997 Electric System Revenue Certificates of Participation**

The City issued Certificates of Participation in the original principal amount of \$11,880,000 on November 1, 1997 to finance a substation for the Electrical System and to refinance its' 1985 COP's and is repayable from net revenue of the Electric Utility System. Principal payments are payable annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2017.

In December of 2002 the City defeased a portion of the 1997 COP's by placing proceeds from the 2002 Electric System Revenue Certificates of Participation in an irrevocable trust to provide amounts sufficient to pay on February 1, 2008 the prepayment price of 101% of the principal amount and accrued interest. Accordingly, the trust account assets and the liability for the defeased COP's are not included in the financial statements. At June 30, 2006 the 1997 Electric System Revenue Certificates of Participation outstanding in the amount of \$4,290,000 are considered defeased.



<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 9 - LONG-TERM DEBT (Continued)</b></p>
---

**G.     *1999 Electric System Revenue Certificates of Participation***

On August 3, 1999, the City issued \$21,630,000 of Certificates of Participation to finance a portion of the cost of capital improvements and is repayable from net revenue of the Electric Utility System. The Certificates bear interest at 4.0% - 5.5% and are due semi-annually on February 1 and August 1. Principal payments are due annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2024.

In December of 2002 the City defeased a portion of the 1999 COP's by placing proceeds from the 2002 Electric System Revenue Certificates of Participation in an irrevocable trust to provide amounts sufficient to pay on August 1, 2009 the prepayment price of 101% of the principal amount and accrued interest. Accordingly, the trust account assets and the liability for the defeased COP's are not included in the financial statements. At June 30, 2006 the 1999 Electric System Revenue Certificates of Participation outstanding in the amount of \$17,685,000 are considered defeased.

**H.     *2002 Electric System Revenue Certificates of Participation***

On December 17, 2002 the City issued \$40,385,000 of Certificates of Participation to defease portions of the 1997 and 1999 Electric System Revenue Certificates of Participation above and finance a portion of the cost of capital improvements. The COP's are repayable from net revenue of the Electric Utility System. Principal Payments are due annually in two installments on January 1 and February 1 in fiscal years ending June 30, 2003 through June 30, 2006. The remaining principal payments are due annually on February 1 and interest payments are due monthly, through February 1, 2024.

The 2002 Electric System Revenue Certificates of Participation were issued as variable rate COP's, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the City entered into a 22-year interest rate swap agreement for the entire amount of its 2002 Electric System Revenue Certificates of Participation as discussed in P. below. The combination of the variable rate COPs and a floating rate swap creates synthetic fixed-rate debt for the City. The synthetic fixed rate for the COPs was 2.99% at June 30, 2006.

**I.     *2004 Electric System Revenue Certificates of Participation***

On July 1, 2004 the City issued \$39,940,000 of Certificates of Participation to finance capital improvements to the City's Electric System. The COP's are repayable from net revenue of the Electric Utility System. The COPs bear interest at 3.00%-5.25% and are due semi-annually on February 1 and August 1 of each year beginning February 1, 2005. Principal payments are due annually on February 1 beginning February 1, 2007.

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 9 - LONG-TERM DEBT (Continued)</b></p>
---

**J.     *2005 Electric System Revenue Certificates of Participation, Series A; 2005 Electric System Revenue Certificates of Participation, Series B; and 2005 Electric System Variable Rate Revenue Certificates of Participation, Series C;***

On May 26, 2005 the City issued Certificates of Participation Series A, Series B, and Series C in the original principal amounts of \$52,900,000, \$90,000,000, and \$60,000,000 respectively, to finance certain Electric System improvements, primarily including construction of the Roseville Energy Park.

The Series A COPs bear interest at 3.00%-5.00% and are due semi-annually on February 1 and August 1 of each year beginning February 1, 2006. Principal payments are due annually on February 1 beginning February 1, 2008 through 2023.

The Series B COPs were issued as auction rate securities with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the City entered into a 30-year interest rate swap agreement for the entire amount of the Series B COPs as discussed in P. below. The combination of the variable rate Series B COPs and a floating rate swap creates synthetic fixed-rate debt for the City. The synthetic fixed rate for the Series B COPs was 3.19% at June 30, 2006. Principal payments are due annually on February 1 beginning February 1, 2008 through 2035.

The Series C were issued as variable rate bonds, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. Interest payments are due semi-annually on February 1 and August 1 of each year beginning February 1, 2006. Principal payments are due annually on February 1 beginning February 1, 2008 through 2035.

**K.     *2003B Golf Course Refunding Certificates of Participation***

On July 17, 2003 the City issued \$8,240,000 of Golf Course Refunding COPs, the proceeds of which are to be used to advance refund the outstanding 1993 Golf Course COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. Principal and interest payments are due annually on August 1 through 2025.

**L.     *1997 Water Utility Revenue Certificates of Participation***

The City issued Certificates of Participation in the original principal amount of \$33,000,000 on September 1, 1997 to finance the acquisition, construction, and installation of additions to the water utility system, and is repayable from net revenue from the Water Utility System. Principal payments are payable annually on December 1 and interest payments are due semi-annually on December 1 and June 1, through December 1, 2018.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 9 - LONG-TERM DEBT (Continued)**

***M. 2000 South Placer Wastewater Authority Wastewater Revenue Bonds, Series A; and 2000 South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B***

In November 2000, the South Placer Wastewater Authority issued Revenue Bonds Series A and Series B in the original principal amounts of \$109,775,000 and \$70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. Upon completion, this Plant will benefit the City of Roseville, the South Placer Municipal Utility District, and the County of Placer. These three entities in return share the obligation of the Revenue Bonds. The City's share of this obligation was determined to be 54.17%. As a result, this portion of the debt was recorded on the City's financial statements.

The South Placer Wastewater Authority Wastewater Revenue Bonds, Series A were issued as fixed rate bonds. On September 17, 2003, \$84,525,000 of the Series A Bonds were defeased by the 2003 Wastewater Refunding Revenue Bonds as mentioned below. Remaining principal payments are payable annually on November 1 and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027. At June 30, 2006 the outstanding balance of the defeased portion of the Series A Bonds was \$84,525,000.

The South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B were issued as variable rate bonds, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. The average monthly interest paid in fiscal year 2006 was \$172,905. Beginning in fiscal year 2029, principal payments will be made in addition to the variable interest payments.

***N. 2003 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds***

On September 17, 2003 the South Placer Wastewater Authority issued \$97,000,000 of Refunding Wastewater Revenue Bonds to defease a portion of the Series A Wastewater Revenue Bonds, as discussed above. The City's share of this obligation was determined to be 54.17%. These proceeds were placed in an irrevocable trust to provide for all future debt service payments on the Refunded Bonds. Principal and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027.

The 2003 Wastewater Refunding Revenue Bonds were issued as auction rate bonds with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the Authority entered into a 24-year interest rate swap agreement for the entire amount of its 2003 Refunding Revenue bonds as discussed in P. below. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Authority. The synthetic fixed rate for the Bonds was 3.55% at June 30, 2006.

***O. Notes Payable***

The City borrowed \$333,108 original principal amount, on November 9, 1977, from the U. S. Department of Commerce to aid in financing drought emergency projects. The debt is repayable from the surplus revenue account of the Water Revenue Bonds. Principal and interest payments are payable annually on October 1, through October 1, 2017.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 9 - LONG-TERM DEBT (Continued)**

**P. Interest Rate Swap Agreements**

The City entered into interest swap agreements in connection with the 2002 Electric System Revenue Certificates of Participation and the 2005 Electric Revenue Certificates of Participation, Series B. The City has a 54.17% interest in the Authority which entered into an interest swap agreement in connection with the 2003 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds.

These transactions allow the City to create synthetic fixed rates on the COPs and Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreements are disclosed below.

*Terms.* The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2006, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the associated bond issues.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Credit Rating	Fixed Rate Paid	Variable Rate Received	Termination Date
2002 Electric System Revenue COP	\$25,620,000	12/18/2002	Morgan Stanley Capital Services Inc.	A+	2.980%	62% of 30-day LIBOR	2/1/2024
2005 Electric System Revenue COP, Series B	36,000,000	6/30/2005	Bear Stearns Financial Products Inc.	AAA	3.613%	70.5% of 30-day LIBOR	2/1/2035
2005 Electric System Revenue COP, Series B	54,000,000	6/30/2005	Morgan Stanley Capital Services Inc.	A+	3.613%	70.5% of 30-day LIBOR	2/1/2035
2003 Wastewater Refunding Revenue Bonds (City portion)	<u>51,014,604</u> (A)	9/17/2003	Morgan Stanley Capital Services Inc.	A+	3.433%	62% of 30-day LIBOR	11/1/2027
	<u>\$166,634,604</u>						

(A) The Authority's swap agreement is based on the notional amount of \$94,175,000 equivalent to the outstanding balance on the 2000B Bonds. The City's share of these underlying Bonds is 54.17%, or \$51,014,604. Only the City's portion of the swap agreement is shown above, since the City is only obligated for that portion of the Authority's bonds.

Based on the swap agreements, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that approximates the rate required by the associated COPs and Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

<b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b>
--

<b>NOTE 9 - LONG-TERM DEBT (Continued)</b>
--

*Fair value.* Fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by each swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. As of June 30, 2006, the fair value of the swaps were in favor of the City as follows:

Related Bond Issue	Fair Value
2002 Electric System Revenue COP	\$1,003,562
2005 Electric System Revenue COP, Series	
Bear Stearns Financial Products Inc.	1,961,741
Morgan Stanley Capital Services Inc.	3,045,127
2003B Wastewater System Refunding	
Revenue Bonds	511,220 (A)
	\$6,521,650

(A) The fair value of the Authority 's swap agreement was \$946,704.  
The City's share is 54.17% or \$511,220.

*Credit risk.* As of June 30, 2006, the City was exposed to credit risk on the outstanding swaps because the swaps had positive fair values. These amounts may increase if interest rates increase in the future. However, if interest rates decline and fair values of the swaps were to become negative, the City would no longer be exposed to credit risk. The City will be exposed to interest rate risk only if a counterparty to a swap defaults or if the swap is terminated.

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rates received from the applicable counterparty. The City bears basis risk on the swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying COPs and Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 9 - LONG-TERM DEBT (Continued)**

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2006, debt service requirements of the City's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at Q:

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swap, Net	Total
	Principal	Interest	Interest	
2007	\$577,105	\$5,538,881	(\$102,625)	\$6,013,361
2008	940,648	5,514,366	(102,101)	6,352,913
2009	974,190	5,482,377	(100,858)	6,355,709
2010	1,612,733	5,440,949	(98,954)	6,954,728
2011	1,666,275	5,386,478	(95,748)	6,957,005
2012-2016	18,454,041	25,234,450	(461,662)	43,226,829
2017-2021	21,975,638	21,835,534	(437,944)	43,373,228
2022-2026	45,635,596	17,084,701	(395,396)	62,324,901
2027-2031	41,998,375	12,117,404	(403,377)	53,712,402
2032-2036	32,800,000	7,628,156	(279,954)	40,148,202
	<u>\$166,634,601</u>	<u>\$111,263,296</u>	<u>(\$2,478,619)</u>	<u>\$275,419,278</u>

**Q. Debt Service Requirements**

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$1,149,638	\$1,436,135	\$4,872,793	\$15,324,484
2008	1,126,997	1,421,673	6,068,755	15,120,543
2009	1,118,157	1,387,311	7,275,160	14,900,219
2010	1,126,019	1,349,838	8,499,303	14,641,478
2011	1,155,813	1,310,437	10,436,183	14,369,851
2012-2016	6,470,133	5,858,137	58,880,278	66,086,933
2017-2021	7,163,452	4,372,673	66,706,723	54,386,392
2022-2026	8,515,000	2,468,625	71,170,596	43,127,820
2027-2031	3,605,000	931,125	83,972,083	34,057,185
2032-2036	1,850,000	104,000	81,600,288	19,126,221
Total	<u>\$33,280,209</u>	<u>\$20,639,954</u>	399,482,162	<u>\$291,141,126</u>

**Reconciliation of long-term debt**

Less deferred amount on refunding	<u>(8,635,262)</u>
Net long-term debt	<u>\$390,846,900</u>

<b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b>
--

<b>NOTE 10 – DEBT WITHOUT CITY COMMITMENT</b>
---

**A. *Special Assessment Districts***

Special Assessment Districts, including Mello Roos Districts, in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not recorded as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2006 is as follows:

North Roseville-Rocklin Sewer Refunding District	\$555,000
Foothills Boulevard Extension Assessment District	850,000
Northeast Roseville Community Facilities District #1 & #2	16,900,000
North Roseville Community Facilities District #1	21,720,000
North Central Roseville Community Facilities District #1	41,575,000
Northwest Roseville Community Facilities District #1	25,010,000
Woodcreek West Community Facilities District #1, Series 2005	20,440,000
Stoneridge Parcel 1 Community Facilities District #1	1,865,000
Stoneridge East Community Facilities District # 1	15,080,000
Stoneridge West Community Facilities District # 1	12,085,000
Crocker Ranch Community Facilities District # 1, Series 2002	4,325,000
Crocker Ranch Community Facilities District # 1, Series 2003	14,980,000
Stone Point Community Facilities District # 1	11,030,000
Fiddymont Ranch Community Facilities District # 1	37,350,000
Longmeadow Parkside Community Facilities District # 1	9,165,000
Westpark Community Facilities District # 1	57,905,000
Roseville Finance Authority Revenue Bonds, Series 2006 A and B	40,515,000
Total	<u><u>\$331,350,000</u></u>

In March 2006, the City issued the Highland Reserve North Community Facilities District Bonds (HRN Bonds) in the principal amount of \$33,120,000 and the Woodcreek East Community Facilities District Bonds (WEC Bonds) in the principal amount of \$6,245,000, to refinance the Highland Reserve North Community Facilities District #1, Series 1999, and the Woodcreek East Community Facilities District #1, Series 2000, Bonds, respectively. Also in March 2006, the Roseville Finance Authority (RFA) issued \$40,515,000 principal amount of Revenue Bonds. Proceeds from the Revenue Bonds were used by a Trustee to purchase the HRN Bonds and the WEC Bonds which are held as investments (\$36,365,000 as of June 30, 2006) and collateral for the repayment of the Revenue Bonds. District property owners pay assessments on their property under the respective HRN and WEC Bond indentures to the Trustee as owner of the HRN and WEC Bonds. The Trustee then uses these assessments to pay debt service on the Revenue Bonds. Neither the faith and credit nor the general taxing power of the City of Roseville have been pledged to the payment of the Bonds. Therefore, the investment and the Bonds have not been included in the accompanying financial statements.

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 11 – NET ASSETS AND FUND BALANCES</b></p>
--

**A.     *Net Assets***

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

*Invested in capital assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*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 City cannot unilaterally alter. These principally include developer fees received for use on capital projects (expended) or contributions received in permanent funds (unexpended), debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

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

**B.     *Fund Balances, Reserves and Designations***

In the Fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

**C.     *Reserves***

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity, which provided the funds. The City cannot modify or remove these restrictions or reserves. At June 30, 2006, reservations included:

Reserves for **advances, inventories, deferred receivables and notes receivable, and prepaids** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserve for **capital projects** is the portion of fund balance to be used for projects approved by the Council.

Reserve for **low and moderate income housing** is the portion of redevelopment fund balance legally required to be set-aside for low and moderate income housing expenditures.

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.



**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)**

**D. Designations**

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period. Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action.

Designated for economic reserve is the portion of fund balance which represents 10% of the original adopted operating expenditure budget to be used in the event of fiscal need.

Designated for carryover of capital improvement projects is the portion of fund balance to be used for approved capital projects.

**E. Fund Balance and Net Assets Deficits**

The Roseville Aquatics Complex Maintenance Permanent and Automotive Services Internal Service Funds had deficit fund balances at June 30, 2006 in the amounts of \$1,786 and \$108,532, respectively. Future revenues are expected to offset these deficits.

**NOTE 12 - PENSION PLAN**

**CALPERS Safety and Miscellaneous Employees Plans**

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service; one year of credited service is equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2006, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	27.929%	17.057%
Actuarially required contributions	\$4,360,965	\$9,840,595

The City's labor contracts require it to pay employee contributions as well as its own.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 12 - PENSION PLAN (Continued)**

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2006, 2005 and 2004 amounted to \$14,201,560, \$16,350,444 and \$12,344,738 respectively. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30:

*Safety Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2003	\$71,045,091	\$59,434,080	\$11,611,011	83.7%	\$11,047,254	105.103%
2004	80,707,509	66,152,912	14,554,597	82.0%	12,799,408	113.713%
2005	97,938,304	75,260,002	22,678,302	76.8%	15,457,592	146.700%

*Miscellaneous Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2003	\$144,786,456	\$111,129,154	\$33,657,302	76.8%	\$42,975,594	78.317%
2004	166,048,078	124,996,283	41,051,795	75.3%	46,309,329	88.647%
2005	194,259,046	145,741,567	48,517,479	75.0%	52,630,299	92.200%

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 13 - RISK MANAGEMENT**

The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks. The City maintains insurance coverage from a commercial carrier for its long-term disability and dental benefit plan.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member agencies. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

**A. Risk Coverage**

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to \$40,000,000, property damage up to \$5,000,000, and boiler and machinery up to \$21,250,000. The City has a self-insured retention or deductible of \$500,000, \$25,000, and \$5,000, respectively, per claim. Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for payment of all claims up to the limit. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. During the fiscal year ended June 30, 2006, the City contributed \$1,221,987 for coverage during the current year and received a refund of \$166,290 of prior year excess contributions.

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which covers workers' compensation claims up to \$1,750,000 and provides additional coverage up to \$146,000,000. The City has a self-insured retention of up to \$250,000 per claim. During the fiscal year ended June 30, 2006, the City contributed \$590,075 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Financial statements for the risk pools may be obtained from CJPRMA, 2333 San Ramon Valley Blvd., Suite 250, San Ramon, CA 94583 and LAWCX, c/o James P. Marta, CPA, 5921 Landis Avenue, Suite 1, Carmichael, CA 95608.

**B. Insurance Internal Service Funds**

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 13 - RISK MANAGEMENT (Continued)**

The change in the Worker's Compensation Internal Service Fund's claims liability, including claims incurred but not reported is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	2006	2005
Claims liability, beginning of year	\$5,432,000	\$5,118,000
Current year claims	2,000,000	1,600,000
Change in prior year claims	(477,000)	(543,000)
Claims paid, current year claims	(330,000)	(206,000)
Claims paid, prior year claims	(81,000)	(537,000)
	<u>\$6,544,000</u>	<u>\$5,432,000</u>
Claims liability, end of year	<u>\$6,544,000</u>	<u>\$5,432,000</u>
Due in one year	<u>\$577,000</u>	<u>\$411,000</u>

The City's liability for uninsured general liability claims, including claims incurred but not reported is reported in the General Liability Internal Service Fund. The liability is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	2006	2005
Claims liability, beginning of year	\$2,043,000	\$1,835,000
Current year claims	1,200,000	750,000
Change in prior year claims	(1,199,000)	1,329,000
Claims paid, current year claims	(85,000)	(106,000)
Claims paid, prior year claims	(33,000)	(1,765,000)
	<u>\$1,926,000</u>	<u>\$2,043,000</u>
Claims liability, end of year	<u>\$1,926,000</u>	<u>\$2,043,000</u>
Due in one year	<u>\$994,500</u>	<u>\$118,000</u>

The Unemployment Reserve and Vision Internal Service Funds had no outstanding claims liability at June 30, 2006.

**NOTE 14 - PREPAID PURCHASED ELECTRICITY**

During fiscal 1999 the City paid \$6,138,335 to the Northern California Power Agency (NCPA) (see Note 15) as a capital contribution for the Geothermal and Hydroelectric Projects debt refinancing. This contribution has been capitalized on the City's balance sheet and will be amortized in conjunction with the related debt service savings. The amount amortized for fiscal year 2006 was \$210,350.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)**

**A. General**

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among twenty-one public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the members position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

The City receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine The City's equity in NCPA as a whole. NCPA reports only The City's share of its General Operating Reserve, comprised of cash and investments, and The City's share of those Projects in which The City is a participant. These amounts are reflected in the financial statements as Investment in NCPA Reserve.

During the year ended June 30, 2006, the City incurred expenses totaling \$17,079,776 for purchased power and assessments and prepaid assets paid to NCPA.

The City's interest in certain NCPA Projects and Reserve, as computed by NCPA using unaudited information, is set forth below.

	<u>June 30, 2006</u>
General Operating Reserve (including advances)	\$9,749,631
Associated Member Services (including advances)	722,580
Undivided equity interest, at cost, in certain NCPA Power Projects:	
Geothermal Projects	406,675
Calaveras Hydroelectric Project	511,224
Combustion Turbine Project No. 1	63,903
Geothermal Public Power Line	Nil
Combustion Turbine Project No. 2	554,480
Graeagle Hydroelectric Project	Nil
	<u>\$12,008,493</u>

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)**

The General Operating Reserve represents the City's portion of funds which resulted from the settlement with third parties of issues with financial consequences and reconciliations of several prior years' budgets for programs. It is recognized that all the funds credited to the City are linked to the collection of revenue from the City's ratepayers, or to the settlement of disputes relating to electric power supply and that the money was collected from the City's ratepayers to pay power bills. Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employees post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam field depletion which will require funding to cover debt service and operational costs in excess of the expected value of the electric power. The General Operating Reserve is intended to minimize the number and amount of individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City has left them with NCPA as a reserve against these contingencies identified by NCPA.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

**B. Projects**

***Geothermal Projects***

A purchased power agreement with NCPA obligates the City for 7.880% of the operating costs and debt service of the two NCPA 110-megawatt geothermal steam powered generating plants, Plant Number 1 and Plant Number 2.

NCPA's Geothermal Project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. NCPA has continued to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and has evaluated a number of alternatives to increase water reinjection at strategic locations. NCPA, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

NCPA will continue to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and is attempting to increase water reinjection at strategic locations. NCPA, other steam developers, and the Lake County Sanitation District have constructed a wastewater pipeline project that greatly increased the amount of water available for reinjection.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)**

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, when compared to local investor-owned utility rates, while meeting all electric system obligations including those to NCPA. In January 1996, NCPA issued \$167,940,000 (1996 Refunding Series B), and \$5,420,000 (1996 Taxable Series C) in variable rate revenue bonds, the proceeds of which were used to refund a portion of the 1987 Refunding Series A Revenue Bonds. In August 1998, NCPA remarketed \$121,590,000 (1996 Refunding Series A) of revenue bonds changing the interest rate from a weekly interest rate to a long term rate. The City is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2006, the book value of this Project's plant, equipment and other assets was \$164,647,974, while its long-term debt totaled \$125,259,152 and other liabilities totaled \$39,388,822. The City's share of the Project's long-term debt amounted to \$9,870,421 at that date.

On October 28, 2004 NCPA approved a resolution to finance the expansion and remodeling of NCPA main office building located in Roseville. The expansion is included as part of the Geothermal Projects funded by the bonds mentioned above. The City will recover its 7.880% share of the cost of the expansion which was \$204,958, with a 5% return on the investment over a ten year period. As of June 30, 2006 the City was owed \$192,879.

***Calaveras Hydroelectric Project***

In July 1981, NCPA agreed with Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project and to finance its construction. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants. Under its power purchase agreement with NCPA, the City is obligated to pay 12% of this Project's debt service and operating costs. On April 16, 2002, NCPA completed the \$86,620,000 refunding of revenue bonds at a weekly variable interest rate, initially set at 5.097%, and a net present value savings of \$10,160,431. During fiscal year 2002 the City paid \$11.6 million to NCPA for its share of refunding the 1992 Refunding Series A Bonds and costs of issuance related to the 2002 Refunding Series A, B and C Bonds. At June 30, 2006, the book value of this Project's plant, equipment and other assets was \$511,981,096 while its long-term debt totaled \$487,145,361 and other liabilities totaled \$24,835,735. The City's share of the Project's long-term debt amounted to \$58,457,443 at that date.

***Combustion Turbine Project No. 1***

In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities, began full commercial operation in June 1986, providing reserve and peaking power. In December 1989, NCPA issued \$68,958,257 in fixed rate revenue bonds, the proceeds of which were used to defease the bonds then outstanding. Under the NCPA power purchase agreement, the City is obligated to pay 13.5840% of this Project's debt service and operating costs. At June 30, 2006, the book value of this Project's plant, equipment and other assets was \$21,066,765, while its long-term debt totaled \$18,661,892 and other liabilities totaled \$2,404,870. The City's share of the Project's long-term debt amounted to \$2,534,285 at that date.

<p style="text-align: center;"><b>CITY OF ROSEVILLE</b> <b>Notes to Basic Financial Statements</b></p>
--

<p><b>NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)</b></p>
---

***Geothermal Public Power Line***

In 1983, NCPA, Sacramento Municipal Utility District, the City of Santa Clara and the Modesto Irrigation District (joint owners) initiated studies for a Geothermal Public Power Line (GPPL) which would carry power generated at several existing and planned geothermal plants in the Geysers area to a location where the joint owners could receive it for transmission to their load centers. NCPA has an 18.5% share of this Project and the City has a 14.1756% participation in NCPA's share. In 1989, the development of the proposed Geothermal Public Power Line was discontinued because NCPA was able to contract for sufficient transmission capacity to meet its needs in the Geysers. However, because the project financing provided funding for an ownership interest in a PG&E transmission line, a central dispatch facility and a performance bond pursuant to the Interconnection Agreement with PG&E, as well as an ownership interest in the proposed GPPL, NCPA issued \$16,000,000 in long-term, fixed-rate revenue bonds in November 1989 to defease the remaining variable rate refunding bonds used to refinance this project. The City is obligated to pay its 14.1756% share of the related debt service, but debt service costs are covered through NCPA billing mechanisms that allocate the costs to members based on use of the facilities and services.

At June 30, 2006, the book value of this Project's plant, equipment and other assets was \$4,107,495, while its long-term debt totaled \$4,047,104 and other liabilities totaled \$60,391. The City's share of the Project's long-term debt amounted to \$573,879 at that date.

***Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)***

The City is a participant in a 49.8 megawatt Steam Injected Gas Turbine project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued \$152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project, a similar project for the Turlock Irrigation District in Ceres, and Lodi system facilities. Under the NCPA power purchase agreement, the City is obligated to pay 36.50% of the debt service and operating costs for the Lodi unit.

The City's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, the City and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. The City is obligated to pay 17.9218%.

At June 30, 2006, the book value of this Project's plant, equipment and other assets was \$68,829,566, while its long-term debt totaled \$65,885,524 and other liabilities totaled \$2,944,042. The City's share of the Project's long-term debt amounted to \$24,048,216 at that date.

***Graeagle Hydroelectric Project***

The City's participation in this small hydroelectric project was approved in 1993. Although this project does not involve any financing, it does involve a long-term contractual commitment to purchase the power produced by the project.



**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)**

**C. *Provision for Disputed SCS Charges***

In November 1999, PG&E filed with FERC its Schedule Coordination Services (SCS) Tariff, alleging that PG&E was entitled to collect from Roseville and other users certain costs imposed by the ISO on PG&E for the period April 1998 to August 2002. In June 2004, PG&E began billing NCPA for these costs, and NCPA, in turn, began billing its members, including Roseville. These costs, which were billed over a twelve-month period, accumulated to approximately \$7.4 million, including interest, and were subject to a final determination by the FERC of the amount actually owed. Roseville maintained its position that PG&E had no legal or factual basis for its proposed tariff, and continued to vigorously contest this charge. In fiscal year 2006, the dispute was settled. PG&E returned funds paid by NCPA in excess of the settlement agreement and Roseville's share was \$7,933,292 which was added to the General Operating Reserve.

**D. *NCPA Financial Information***

NCPA's financial statements can be obtained from NCPA, 180 Cirby Way, Roseville, CA 95678.

**NOTE 16 – SOUTH PLACER WASTEWATER AUTHORITY**

The City is a member of the South Placer Wastewater Authority (SPWA), a joint powers agency which operates under a joint powers agreement among three public agencies, the City of Roseville, South Placer Municipal Utility District and Placer County. The purpose of SPWA is to provide for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities.

Under the terms of a funding agreement, the City will own and operate the Regional Wastewater Facilities. Under the terms of this agreement the member agencies will share the operating costs of the Facilities after construction is complete. The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant. In November 2000, the SPWA issued Revenue Bonds Series A and Series B in the original principal amounts of \$109,775,000 and \$70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. On September 2003, the SPWA issued Refunding Revenue Bonds in the original principal amounts of \$97,000,000. The purpose of these bonds is to advance refund the 2000 Revenue Bonds Series A. The three agencies are responsible for the repayment of the Revenue Bonds. The City's share of this obligation was determined to be 54.17%. As a result, this portion of the debt was recorded on the City's financial statements, as discussed in Note 9.

During the year ended June 30, 2006, the City paid \$5,156,127 to SPWA based on connection fees collected during the fiscal year.

The City records its share of income and expenses from SPWA in the Wastewater Enterprise Fund and these changes are reflected in the Statement of Revenues, Expenses and Changes in Retained Earnings. The City's Interest in SPWA Reserves at June 30, 2006 was \$111,170,459.

SPWA's financial statements can be obtained from the City of Roseville, 311 Vernon Street, Roseville, California, 95678.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 17 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE COSTS**

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the Roseville sanitary landfill site, which is closed, through the year 2024. Accordingly, the City has recorded a liability and expense in the Enterprise Solid Waste Fund for the estimated postclosure care cost. The recorded amount is based on applicable state and local laws and regulations concerning closure and postclosure care. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users or the usage of future tax revenues. As of June 30, 2006, landfill closure liability was \$3,678,093.

**NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES**

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 15. The City's estimated share of such debt outstanding at June 30, 2006 was \$95,484,244. Under certain circumstances, the City may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

The City participates in Federal and State grant programs. These programs have been audited through the fiscal year ended June 30, 2006 by the City's independent accountants in accordance with the provisions of the federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, other than disclosed above, which is likely to have a material adverse effect on the financial position of the City.

On March 3, 1999 the City entered into an agreement with the State of California, acting by and through its Department of Transportation (CalTrans) to modify the interchange on Route 80 at Douglas Boulevard. The City is responsible for all costs in excess of original cost of construction. As of June 30, 2006, the project is complete, but the City has not yet been billed by CalTrans. The City estimates that its share of the project will be \$500 thousand payable to CalTrans for construction, construction engineering, and construction management.

**CITY OF ROSEVILLE**  
**Notes to Basic Financial Statements**

**NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

On September 30, 2005 the City signed a Lease and Sublease Agreement with Roseville Investments, LLC for the development of two hotels and a conference center within the North Central Roseville Specific Plan Area. According to the terms of the Agreement, the City will lease the property in an aggregate amount of \$10 million from the Developer. The City will advance the lease payments for the public improvements at the site. The Developer will then sublease the public improvements from the City commencing upon the issuance of a certificate of occupancy for the first hotel for a term of ten years. At the end of the 10-year period, the Developer is required to make a balloon payment for any remaining rental payments up to the \$10 million.

***Construction and Other Commitments***

The City has the following outstanding construction commitments at June 30, 2006:

Projects	Amounts
Roseville Energy Park	\$42,404,175
WTP Expansion Phase III	26,772,889
Mahany Library	9,524,682
Antelope/PFE Pipeline	4,828,966
Reserve Drive Extension	4,490,530
Re Operation Center	3,879,085
Fire Station #7	3,087,681
William Hughes Park	1,421,270
Blue Oaks Substation	1,248,739
Antelope Creek Bike Trail	1,059,407
Downtown Vernon Specific Plan	732,523
WestPlan Substation	535,178
12KV OH/UG Conversion	514,481

**NOTE 19 - TAX INCREMENT SHIFT TO EDUCATIONAL REVENUE AUGMENTATION FUND (ERAF)**

The State of California directed that a portion of the incremental property taxes which had been received in prior years by redevelopment agencies be paid instead to local educational agencies. During the fiscal year ended June 30, 2006, the Agency paid \$323,743 as a result of the State directive.

**NOTE 20-SUBSEQUENT EVENTS**

Effective July 1, 2006, the City contracted with ACES Power Marketing (APM) to provide scheduling services for the City's power transmission and supply needs. The City informed NCPA it will withdraw and discontinued its participation in the NCPA Power Pool. NCPA will continue to provide power to the City to meet the needs as scheduled by APM. Withdrawal from NCPA will not relieve the City of its obligations discussed in Note 15.

On November 14, 2006 the Redevelopment Agency issued Project Tax Exempt Allocation Bonds, Project Taxable Tax Allocation Bonds, and Taxable Tax Allocation Housing Bonds in the original principal amounts of \$13,155,000, \$3,285,000, and \$6,505,000, respectively, to fund certain redevelopment and housing activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue.

This Page Left Intentionally Blank

## **SUPPLEMENTAL INFORMATION**

## REQUIRED SUPPLEMENTARY INFORMATION

### ***MODIFIED APPROACH TO REPORTING STREET PAVEMENT COSTS AND PARKS AND LANDSCAPING COSTS***

GASB Statement 34 allows the City to use the Modified Approach with respect to infrastructure assets instead of depreciating these assets. The Modified Approach may be used if two requirements are met:

- 1) The City must have an asset management system (AMS) with certain features.
  - ✓ It must maintain an up-to-date inventory of the infrastructure assets.
  - ✓ It must estimate the annual costs to maintain and preserve those assets at the condition level the City has established and disclosed through administrative or executive policy or legislative action.
  - ✓ The AMS must be used to assess the condition of the assets periodically, using a measurement scale.
  - ✓ The condition assessments must be replicable as those that are based on sufficiently understandable and complete measurement methods such that different measurers using the same methods would reach substantially similar results.
- 2) The City must document that the roads, parks and landscaping are being preserved approximately at or above the condition level the City has established and disclosed. This documentation must include the results of the three most recent complete condition assessments and must provide reasonable assurance that the assets are being preserved approximately at or above the intended condition level.

#### **Street Pavement**

The City has elected to use the Modified Approach to report street pavement costs. The City uses a computerized Pavement Management System to track the condition levels of each of the street sections.

The condition of the pavement is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 10 for pavement with perfect condition. The condition index is used to classify pavement in good or better condition (7.0-10.0), fair condition (5.5-6.9), and substandard condition (less than 5.5).

The City's maintenance costs are budgeted to be \$5,521,428 in fiscal 2007. The Pavement Quality Index (PQI) for the City's street pavement for the last three years is as follows:

Year	PQI		Maintenance Budget	Actual Maintenance
	Arterial/ Collector	Residential		
99/00	N/A	N/A	\$3,967,410	\$2,386,645
00/01	7.7	7.6	3,615,450	1,240,576
01/02	7.8	7.5	2,784,660	3,730,265
02/03	7.8	7.9	4,766,980	2,665,863
03/04	7.6	7.6	5,733,500	2,925,909
04/05	7.5	7.9	6,499,729	4,284,993
05/06	7.5	7.9	7,794,196	7,213,261
06/07	7.7	8.0	5,521,428	N/A

The City's policy based on current funding is to maintain arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.5 and residential roadways at an average PQI of 6.5. This rating allows for minor cracking and revealing of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended \$7,213,261 for street preservation for fiscal 2006.

<b>REQUIRED SUPPLEMENTARY INFORMATION (Continued)</b>
---

**Parks and Landscaping**

The City has also elected to use the Modified Approach to report parks and landscaping costs. The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping.

The condition of the parks and landscaping is based on a weighted average of 6 levels of condition. The ground management system uses a measurement scale that is based on various levels ranging from six for an undeveloped natural area to one for parks and landscaping with high-quality, diverse landscaping with state-of-the art maintenance. The condition index is used to classify parks and landscaping in the following levels: state-of-the-art to high-level maintenance (1-2), moderate to moderately low level maintenance (3-4), minimum-level maintenance (5), and natural area that is not developed (6).

The City's maintenance costs are budgeted to be \$5,111,124 in fiscal 2007. The Ground Management Index (GMI) for the City's parks and landscaping maintenance for the last two years is as follows:

<b>Fiscal Year</b>	<b>GMI (Level) Parks and Landscaping</b>	<b>Maintenance Budget</b>	<b>Actual Maintenance</b>
98/99	N/A	N/A	N/A
99/00	N/A	N/A	N/A
00/01	N/A	N/A	N/A
01/02	2	\$3,213,790	\$3,078,263
02/03	2	3,796,952	3,439,081
03/04	2	3,946,547	3,648,683
04/05	2	4,349,147	3,879,242
05/06	2	4,633,558	4,309,606
06/07	2	5,111,124	N/A

The City's policy based on current funding is to maintain parks and landscape at an average Ground Management Index (GMI) of Level 2. This rating allows for high-level maintenance and is the recommended level for most organizations. The City expended \$4,309,606 for maintenance for fiscal 2006.

**NON-MAJOR  
GOVERNMENTAL FUNDS**



<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
-------------------------------------

**SPECIAL REVENUE FUNDS**

**Lighting and Landscape and Service Districts Fund.** To account for the collection of assessment revenue from property owners for the maintenance of surrounding park and landscaping improvements within the boundaries of each district.

**State Gasoline Tax Fund.** To account for revenue apportioned to the City from the State-collected gas tax revenues and spent for construction and maintenance of City streets.

**Home Improvement Fund.** To account for loan activities for the production of affordable housing.

**California Library Services Fund.** To account for revenues and grants from the State to be expended for library related materials

**Traffic Safety Fund.** To account for the City's share of fines generated from violations of the State Motor Vehicle Code.

**Trench Cut Recovery Fund.** To account for the collection of fees charged by the City for cutting trenches in paved roadway and spent for maintaining the street if useful life is decreased.

**Law Enforcement Block Grants Fund.** To account for the collection of grants from the Federal Department of Justice Assistance and expended for front line law enforcement.

**Fire Facilities Fund.** To account for fees applied to new construction and expended for construction or repair of fire facilities and equipment for which it creates a need.

**Public Facilities Fund.** To account for fees applied to new construction and expended for the development of public facilities for which it creates a need.

**Park Development Fund.** To account for collection fees applied to new construction and expended for neighborhood and community park and recreation facilities.

**Pleasant Grove Drain Basin Fund.** To account for collection of fees applied to new construction and expended for mitigation of developmental impacts on the Pleasant Grove watershed.

**Tree Propagation Fund.** To account for fees assessed on oak tree removal and expended on the continuation and preservation of tree planting within the city.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
---

**Air Quality Mitigation Fund.** To account for mitigation fees to fund future emission reduction projects for air quality.

**Community Development Block Grant/HOME Fund.** To account for monies received from the Department of Housing & Urban Development and expended for programs and activities to benefit low-income residents / to account for funds received from the Federal government used to produce affordable housing and rehabilitate existing residential units.

**Housing Authority Section 8 Fund.** To account for monies received from the U.S. Department of Housing and Urban Development and expended for rental assistance to low income households within the Roseville and Rocklin areas.

**Affordable Housing Fund.** To account for monies received from property whose land use was changed from residential to commercial and from affordable housing agreements. These monies are then used to fund other affordable housing projects.

**Park and Recreation Donation Fund.** To account for donations and revenues received by Park and Recreation Facilities and for Olympus Pointe Sculpture Park maintenance.

**Forfeited Property Fund.** To account for revenues received from confiscated property.

**Storm Water Management Fund.** To accumulate expenditures for future storm water mandates.

**Traffic Signal Fund.** To account for traffic signal coordination and maintenance funded by developers and the Electric Fund.

**South Placer Animal Central Shelter.** To account for the collection of fees for the construction of an animal shelter.

**Traffic Mitigation.** To account for revenues and expenses related to major roadways and related structures such as bridges or interchanges.

#### **DEBT SERVICE FUND**

**Roseville Finance Authority Fund.** To account for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Finance Authority.

#### **CAPITAL PROJECTS FUNDS**

**Building Fund.** To account for approved capital projects within the city funded by various fees and sources.

**General Capital Improvement Projects Rehabilitation Fund.** To account for the approved rehabilitation of existing city property funded by the General Fund.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
---

**PERMANENT FUNDS**

**Roseville Aquatics Complex Maintenance Fund.** A permanent fund established to account for contribution from the High School District. Only the interest earnings can be spent on helping maintain the Aquatics Complex.

**Citizens Benefit Fund.** A permanent fund established to account for the proceeds from the sale of any municipally owned Hospital and interest earnings expended for improving the quality of life for the citizens of the City of Roseville.

CITY OF ROSEVILLE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2006

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
ASSETS					
Cash and investments in City Treasury	\$3,760,128	\$9,268,842	\$706,106	\$499,493	\$100
Restricted cash and investments with fiscal agents					
Receivables:					
Accounts	132,174				22,801
Accrued interest	20,340	460,978	24,042	3,027	
Due from other government agencies	318	836,758			101,052
Due from other funds					
Advances to other funds		3,900,000			
Deferred receivables					
Notes receivables			55,970		
Total Assets	<u>\$3,912,960</u>	<u>\$14,466,578</u>	<u>\$786,118</u>	<u>\$502,520</u>	<u>\$123,953</u>
LIABILITIES					
Accounts payable	\$458,425	\$843,702		\$1,689	
Accrued liabilities					\$100
Due to other funds					
Due to other government agencies					
Advances from other funds					
Deposits					
Deferred revenue		151,515	\$28,978		
Deferred liabilities					
Total Liabilities	<u>458,425</u>	<u>995,217</u>	<u>28,978</u>	<u>1,689</u>	<u>100</u>
FUND BALANCES					
Reserved for:					
Advances		3,900,000			
Encumbrances	980,980	4,284,867			
Deferred receivables and notes receivable			26,992		
Debt service					
Unreserved:					
Designated for carryover of capital improvement projects					
Undesignated	<u>2,473,555</u>	<u>5,286,494</u>	<u>730,148</u>	<u>500,831</u>	<u>123,853</u>
TOTAL FUND BALANCES	<u>3,454,535</u>	<u>13,471,361</u>	<u>757,140</u>	<u>500,831</u>	<u>123,853</u>
Total Liabilities and Fund Balances	<u>\$3,912,960</u>	<u>\$14,466,578</u>	<u>\$786,118</u>	<u>\$502,520</u>	<u>\$123,953</u>

Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Public Facilities	Park Development	Pleasant Grove Drain Basin
\$57,937	\$146,038	\$8,351,867 2,217,346	\$8,944,104	\$20,905,785	\$5,162,572
436	1,869	81,269 7,976	89,361	169,910	19,622 35,674
		303,228	367,178	85,286	247,273
<u>\$58,373</u>	<u>\$147,907</u>	<u>\$10,961,686</u>	<u>\$9,400,643</u>	<u>\$21,160,981</u>	<u>\$5,465,141</u>
		\$5,828	\$276,589	\$437,816 120,000	\$2,703
	\$147,450	303,228	\$367,178	85,286 196,356	247,273
	<u>147,450</u>	<u>309,056</u>	<u>643,767</u>	<u>839,458</u>	<u>249,976</u>
		645,372		106,867	159
<u>\$58,373</u>	<u>457</u>	<u>10,007,258</u>	<u>8,756,876</u>	<u>20,214,656</u>	<u>5,215,006</u>
<u>58,373</u>	<u>457</u>	<u>10,652,630</u>	<u>8,756,876</u>	<u>20,321,523</u>	<u>5,215,165</u>
<u>\$58,373</u>	<u>\$147,907</u>	<u>\$10,961,686</u>	<u>\$9,400,643</u>	<u>\$21,160,981</u>	<u>\$5,465,141</u>

(Continued)

CITY OF ROSEVILLE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2006

	SPECIAL REVENUE FUNDS				
	Tree Propagation	Air Quality Mitigation	Community Development Block Grant/HOME	Housing Authority Section 8	Affordable Housing
ASSETS					
Cash and investments in City Treasury	\$4,684,809	\$63,410	\$357,756	\$715,187	\$2,763,279
Restricted cash and investments with fiscal agents				57,823	
Receivables:					
Accounts			76,658	2,485	
Accrued interest	33,403	438			70,747
Due from other government agencies			69,693	18,900	
Due from other funds					50,000
Advances to other funds					200,000
Deferred receivables					
Notes receivables			6,900,737		1,335,283
Total Assets	<u>\$4,718,212</u>	<u>\$63,848</u>	<u>\$7,404,844</u>	<u>\$794,395</u>	<u>\$4,419,309</u>
LIABILITIES					
Accounts payable	\$2,379		\$15,950	\$400,951	
Accrued liabilities			2,094	125,537	
Due to other funds					
Due to other government agencies			6,900,737		
Advances from other funds					
Deposits					
Deferred revenue					\$1,345,675
Deferred liabilities					
	<u>2,379</u>		<u>6,918,781</u>	<u>526,488</u>	<u>1,345,675</u>
FUND BALANCES					
Reserved for:					
Advances					200,000
Encumbrances					
Deferred receivables and notes receivable					
Debt service					
Unreserved:					
Designated for carryover of capital improvement projects					
Undesignated	<u>4,715,833</u>	<u>\$63,848</u>	<u>486,063</u>	<u>267,907</u>	<u>2,873,634</u>
TOTAL FUND BALANCES	<u>4,715,833</u>	<u>63,848</u>	<u>486,063</u>	<u>267,907</u>	<u>3,073,634</u>
Total Liabilities and Fund Balances	<u>\$4,718,212</u>	<u>\$63,848</u>	<u>\$7,404,844</u>	<u>\$794,395</u>	<u>\$4,419,309</u>

SPECIAL REVENUE FUNDS						DEBT SERVICE FUND
Park and Recreation Donation	Forfeited Property	Storm Water Management	Traffic Signal	South Placer Animal Control Shelter	Traffic Mitigation	Roseville Finance Authority
\$309,400	\$43,485	\$265,989	\$2,289,837	\$3,899	\$13,136,894	\$1,317,178
15,516			25,221		346,202	
2,275	265	1,819	16,774	2	108,344	28,220
					976,474	
					1,121,874	
<u>\$327,191</u>	<u>\$43,750</u>	<u>\$267,808</u>	<u>\$2,331,832</u>	<u>\$3,901</u>	<u>\$15,689,788</u>	<u>\$1,345,398</u>
		\$7,622	\$45,192		\$1,358,277	
		4,282	13,174		212,500	
					212,500	
					1,309,522	
					75,899	
		11,904	58,366		3,168,698	
		139,155	\$97,999		133,475	\$1,345,398
<u>\$327,191</u>	<u>\$43,750</u>	<u>116,749</u>	<u>2,175,467</u>	<u>\$3,901</u>	<u>\$12,387,615</u>	
<u>327,191</u>	<u>43,750</u>	<u>255,904</u>	<u>2,273,466</u>	<u>3,901</u>	<u>12,521,090</u>	<u>1,345,398</u>
<u>\$327,191</u>	<u>\$43,750</u>	<u>\$267,808</u>	<u>\$2,331,832</u>	<u>\$3,901</u>	<u>\$15,689,788</u>	<u>\$1,345,398</u>

(Continued)

CITY OF ROSEVILLE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2006

	CAPITAL PROJECTS FUND		PERMANENT FUND		
	Building	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance	Citizens Benefit	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments in City Treasury	\$5,444,962	\$15,860,031	\$592,125	\$16,290,366	\$120,624,401
Restricted cash and investments with fiscal agents					3,592,347
Receivables:					
Accounts					640,679
Accrued interest	28,954	104,649	10,329	137,419	1,430,544
Due from other government agencies					2,011,171
Due from other funds					50,000
Advances to other funds					4,100,000
Deferred receivables					2,124,839
Notes receivables					8,291,990
Total Assets	<u>\$5,473,916</u>	<u>\$15,964,680</u>	<u>\$602,454</u>	<u>\$16,427,785</u>	<u>\$142,865,971</u>
LIABILITIES					
Accounts payable	\$1,147,354				\$5,004,477
Accrued liabilities	2,678				147,865
Due to other funds			\$4,240		336,740
Due to other government agencies					6,900,737
Advances from other funds					212,500
Deposits			600,000		600,000
Deferred revenue					3,986,105
Deferred liabilities					272,255
Total Liabilities	<u>1,150,032</u>		<u>604,240</u>		<u>17,460,679</u>
FUND EQUITY					
Reserved for:					
Advances					4,100,000
Encumbrances	480,743				6,869,617
Deferred receivables and notes receivable					26,992
Debt service					1,345,398
Unreserved:					
Designated for carryover of capital improvement projects	3,843,141	\$15,964,680			19,807,821
Undesignated			(1,786)	\$16,427,785	93,255,464
TOTAL FUND BALANCES	<u>4,323,884</u>	<u>15,964,680</u>	<u>(1,786)</u>	<u>16,427,785</u>	<u>125,405,292</u>
Total Liabilities and Fund Balances	<u>\$5,473,916</u>	<u>\$15,964,680</u>	<u>\$602,454</u>	<u>\$16,427,785</u>	<u>\$142,865,971</u>



This Page Left Intentionally Blank

CITY OF ROSEVILLE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
REVENUES					
Taxes	\$3,294,300				
Charges for services				\$42,552	
Subventions and grants		\$2,351,344		41,130	
Use of money and property	58,132	250,142	\$12,125	33,376	
Fines, forfeitures and penalties					\$1,184,767
Contributions from developers		30,000			
Miscellaneous revenues	46,683	1,976	9,411	35,059	
Total Revenues	3,399,115	2,633,462	21,536	152,117	1,184,767
EXPENDITURES					
Current:					
General government					
Community development and planning					
Public Works		921,936			
Public Safety					
Fire					
Library				3,583	
Parks and recreation	2,508,928				
Housing assistance payments					
Capital outlay		6,438,896			
Debt service					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	2,508,928	7,360,832		3,583	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	890,187	(4,727,370)	21,536	148,534	1,184,767
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease					
Transfers in	50,000	1,791,700			
Transfers (out)		(293,325)	(500)	(330)	(1,060,914)
Total Other Financing Sources (Uses)	50,000	1,498,375	(500)	(330)	(1,060,914)
Net change in fund balances	940,187	(3,228,995)	21,036	148,204	123,853
Fund balances at the beginning of the period	2,514,348	16,700,356	736,104	352,627	
Fund balances at the end of period	\$3,454,535	\$13,471,361	\$757,140	\$500,831	\$123,853

SPECIAL REVENUE FUNDS

Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Public Facilities	Park Development	Pleasant Grove Drain Basin
		\$1,098,491			
	\$161,396	61,634	\$1,660,655	\$2,817,179	\$643,580
\$1,366	4,911	211,931	288,890	581,903	115,388
				550	1,046,705
		21,306		161,589	
1,366	166,307	1,393,362	1,949,545	3,561,221	1,805,673
			35,553		75,537
		617,930			
				278,149	
		92,312		3,639,873	66,321
		8,100			
		718,342	35,553	3,918,022	141,858
1,366	166,307	675,020	1,913,992	(356,801)	1,663,815
		2,239,765			
		345,000		774,265	
	(163,186)	(1,646,424)	(4,950,011)	(273,340)	(9,220)
	(163,186)	938,341	(4,950,011)	500,925	(9,220)
1,366	3,121	1,613,361	(3,036,019)	144,124	1,654,595
57,007	(2,664)	9,039,269	11,792,895	20,177,399	3,560,570
\$58,373	\$457	\$10,652,630	\$8,756,876	\$20,321,523	\$5,215,165

(Continued)

CITY OF ROSEVILLE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

	Tree Propagation	Air Quality Mitigation	Community Development Block Grant/HOME	Housing Authority Section 8	Affordable Housing
REVENUES					
Taxes					
Charges for services	\$370,052	\$13,631			\$396,200
Subventions and grants			\$739,639	\$3,395,370	
Use of money and property	103,322	1,217	19,462	24,393	84,477
Fines, forfeitures and penalties					
Contributions from developers					1,207,458
Miscellaneous revenues			1,212,181	6,988	
Total Revenues	473,374	14,848	1,971,282	3,426,751	1,688,135
EXPENDITURES					
Current:					
General government		7,000			
Community development and planning			1,611,455	440,903	994,741
Public Works					
Public Safety					
Fire					
Library					
Parks and recreation			286		
Housing assistance payments				2,974,236	
Capital outlay	10,093				
Debt service					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	10,093	7,000	1,611,741	3,415,139	994,741
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	463,281	7,848	359,541	11,612	693,394
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease					
Transfers in			25,286		
Transfers (out)	(1,580)			(35,820)	(480)
Total Other Financing Sources (Uses)	(1,580)		25,286	(35,820)	(480)
Net change in fund balances	461,701	7,848	384,827	(24,208)	692,914
Fund balances at the beginning of the period	4,254,132	56,000	101,236	292,115	2,380,720
Fund balances at the end of period	\$4,715,833	\$63,848	\$486,063	\$267,907	\$3,073,634

SPECIAL REVENUE FUNDS						DEBT SERVICE FUND
Park and Recreation Donation	Forfeited Property	Storm Water Management	Traffic Signal	South Placer Animal Control Shelter	Traffic Mitigation	Roseville Finance Authority
			\$18,806	\$3,901	\$7,974,880	
\$7,010	\$730	\$5,677	49,219		1,405,168	\$67,428
					541,229	
35,766	25,019		7,800			
			32,015		1,238,979	
42,776	25,749	5,677	107,840	3,901	11,160,256	67,428
		352,720	1,071,142		1,015,648	
	3,490	8,437	184,733		14,157,434	
						605,000
						704,177
	3,490	361,157	1,255,875		15,173,082	1,309,177
42,776	22,259	(355,480)	(1,148,035)	3,901	(4,012,826)	(1,241,749)
		361,157	1,728,049		70,000	1,217,319
		(2,980)	(22,500)		(318,250)	
		358,177	1,705,549		(248,250)	1,217,319
42,776	22,259	2,697	557,514	3,901	(4,261,076)	(24,430)
284,415	21,491	253,207	1,715,952		16,782,166	1,369,828
\$327,191	\$43,750	\$255,904	\$2,273,466	\$3,901	\$12,521,090	\$1,345,398

(Continued)

CITY OF ROSEVILLE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

	CAPITAL PROJECTS FUND		PERMANENT FUND		Total Nonmajor Governmental Funds
	Building	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance	Citizens Benefit	
REVENUES					
Taxes					\$4,392,791
Charges for services					13,941,436
Subventions and grants		\$134,133			8,289,814
Use of money and property	\$93,170	339,621	(\$782)	\$418,379	3,312,716
Fines, forfeitures and penalties					1,184,767
Contributions from developers					2,292,513
Miscellaneous revenues	4,974			105,601	2,937,547
Total Revenues	98,144	473,754	(782)	523,980	36,351,584
EXPENDITURES					
Current:					
General government				415,871	458,424
Community development and planning					3,122,636
Public Works					3,361,446
Public Safety					
Fire					617,930
Library					3,583
Parks and recreation					2,787,363
Housing assistance payments					2,974,236
Capital outlay	6,466,969				31,068,558
Debt service					
Principal retirement					605,000
Interest and fiscal charges					712,277
Total Expenditures	6,466,969			415,871	45,711,453
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,368,825)	473,754	(782)	108,109	(9,359,869)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease					2,239,765
Transfers in	6,421,909	3,307,500			16,092,185
Transfers (out)	(9,820)	(2,341,462)			(11,130,142)
Total Other Financing Sources (Uses)	6,412,089	966,038			7,201,808
Net change in fund balances	43,264	1,439,792	(782)	108,109	(2,158,061)
Fund balances at the beginning of the period	4,280,620	14,524,888	(1,004)	16,319,676	127,563,353
Fund balances at the end of period	\$4,323,884	\$15,964,680	(\$1,786)	\$16,427,785	\$125,405,292

This Page Left Intentionally Blank

CITY OF ROSEVILLE  
BUDGETED NON-MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	LIGHTING AND LANDSCAPE SERVICE DISTRICTS			HOME IMPROVEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$3,002,237	\$3,294,300	\$292,063			
Charges for services						
Subventions and grants						
Use of money and property	51,450	58,132	6,682	\$21,220	\$12,125	(\$9,095)
Fines, forfeitures and penalties						
Contributions from developers						
Miscellaneous revenues		46,683	46,683		9,411	9,411
Total Revenues	<u>3,053,687</u>	<u>3,399,115</u>	<u>345,428</u>	<u>21,220</u>	<u>21,536</u>	<u>316</u>
EXPENDITURES						
Current:						
General government						
Council						
Operating services and supplies						
Central services						
Operating services and supplies						
Community development and planning						
Community Services						
Operating services and supplies						
Housing						
Salaries and benefits						
Operating services and supplies				2,500		2,500
Public works						
Salaries and benefits						
Operating services and supplies						
Public Safety						
Fire						
Operating services and supplies						
Library						
Operating services and supplies						
Parks and recreation						
Operating services and supplies	3,335,482	2,508,928	826,554			
Housing assistance payments						
Capital outlay						
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	<u>3,335,482</u>	<u>2,508,928</u>	<u>826,554</u>	<u>2,500</u>		<u>2,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(281,795)</u>	<u>890,187</u>	<u>1,171,982</u>	<u>18,720</u>	<u>21,536</u>	<u>2,816</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease						
Transfers in	50,000	50,000				
Transfers (out)				(500)	(500)	
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>		<u>(500)</u>	<u>(500)</u>	
NET CHANGE IN FUND BALANCES	<u>(\$231,795)</u>	<u>940,187</u>	<u>\$1,171,982</u>	<u>\$18,220</u>	<u>21,036</u>	<u>\$2,816</u>
Fund balances at beginning of year		<u>2,514,348</u>			<u>736,104</u>	
Fund balances at end of year		<u>\$3,454,535</u>			<u>\$757,140</u>	



CALIFORNIA LIBRARY SERVICES			TRAFFIC SAFETY			TRENCH CUT RECOVERY		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$25,000	\$42,552	\$17,552						
38,000	41,130	3,130						
21,130	33,376	12,246				\$1,780	\$1,366	(\$414)
			\$835,000	\$1,184,767	\$349,767			
18,000	35,059	17,059				1,000		(1,000)
102,130	152,117	49,987	835,000	1,184,767	349,767	2,780	1,366	(1,414)
6,000	3,583	2,417						
6,000	3,583	2,417						
96,130	148,534	52,404	835,000	1,184,767	349,767	2,780	1,366	(1,414)
(330)	(330)		(835,000)	(1,060,914)	(225,914)			
(330)	(330)		(835,000)	(1,060,914)	(225,914)			
\$95,800	148,204	\$52,404		123,853	\$123,853	\$2,780	1,366	(\$1,414)
	352,627						57,007	
	\$500,831			\$123,853			\$58,373	

(Continued)

CITY OF ROSEVILLE  
BUDGETED NON-MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	LAW ENFORCEMENT BLOCK GRANTS			FIRE FACILITIES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				\$3,000,000	\$1,098,491	(\$1,901,509)
Charges for services						
Subventions and grants		\$161,396	\$161,396	407,400	61,634	(345,766)
Use of money and property	\$4,370	4,911	541	289,910	211,931	(77,979)
Fines, forfeitures and penalties						
Contributions from developers						
Miscellaneous revenues					21,306	21,306
Total Revenues	4,370	166,307	161,937	3,697,310	1,393,362	(2,303,948)
EXPENDITURES						
Current:						
General government						
Council						
Operating services and supplies						
Central services						
Operating services and supplies						
Community development and planning						
Community Services						
Operating services and supplies						
Housing						
Salaries and benefits						
Operating services and supplies						
Public works						
Salaries and benefits						
Operating services and supplies						
Public Safety						
Fire						
Operating services and supplies				878,271	617,930	260,341
Library						
Operating services and supplies						
Parks and recreation						
Operating services and supplies						
Housing assistance payments						
Capital outlay				1,256,764	92,312	1,164,452
Debt service						
Principal retirement					8,100	(8,100)
Interest and fiscal charges						
Total Expenditures				2,135,035	718,342	1,416,693
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,370	166,307	161,937	1,562,275	675,020	(887,255)
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease					2,239,765	2,239,765
Transfers in				345,000	345,000	
Transfers (out)		(163,186)	(163,186)	(11,245,551)	(1,646,424)	9,599,127
Total Other Financing Sources (Uses)		(163,186)	(163,186)	(10,900,551)	938,341	11,838,892
NET CHANGE IN FUND BALANCES	\$4,370	3,121	(\$1,249)	(\$9,338,276)	1,613,361	\$10,951,637
Fund balances at beginning of year		(2,664)			9,039,269	
Fund balances at end of year		\$457			\$10,652,630	

PUBLIC FACILITIES			COMMUNITY DEVELOPMENT BLOCK GRANT/ HOME			HOUSING AUTHORITY SECTION 8		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$5,000,000	\$1,660,655	(\$3,339,345)						
262,580	288,890	26,310	\$1,364,505	\$739,639	(\$624,866)	\$3,588,290	\$3,395,370	(\$192,920)
			5,000	19,462	14,462	9,325	24,393	15,068
			500,000	1,212,181	712,181	8,713	6,988	(1,725)
5,262,580	1,949,545	(3,313,035)	1,869,505	1,971,282	101,777	3,606,328	3,426,751	(179,577)
	35,553							
			500,000	286,495	213,505			
			72,163	35,295	36,868	434,620	396,697	37,923
			2,053,342	1,289,665	763,677	50,893	44,206	6,687
				286	(286)	3,158,727	2,974,236	184,491
1,500,000		1,500,000						
1,500,000	35,553	1,500,000	2,625,505	1,611,741	1,013,764	3,644,240	3,415,139	229,101
3,762,580	1,913,992	(1,848,588)	(756,000)	359,541	1,115,541	(37,912)	11,612	49,524
(10,163,226)	(4,950,011)	5,213,215	180,000 (324,000)	25,286	(154,714) 324,000	(51,490)	(35,820)	15,670
(10,163,226)	(4,950,011)	5,213,215	(144,000)	25,286	169,286	(51,490)	(35,820)	15,670
(\$6,400,646)	(3,036,019)	\$3,364,627	(\$900,000)	384,827	\$1,284,827	(\$89,402)	(24,208)	\$65,194
	11,792,895			101,236			292,115	
	\$8,756,876			\$486,063			\$267,907	

(Continued)

CITY OF ROSEVILLE  
BUDGETED NON-MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	AFFORDABLE HOUSING			STORM WATER MANAGEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Charges for services	\$680,000	\$396,200	(\$283,800)			
Subventions and grants						
Use of money and property	47,790	84,477	36,687	\$7,420	\$5,677	(\$1,743)
Fines, forfeitures and penalties						
Contributions from developers		1,207,458	1,207,458			
Miscellaneous revenues						
Total Revenues	727,790	1,688,135	960,345	7,420	5,677	(1,743)
EXPENDITURES						
Current:						
General government						
Council						
Operating services and supplies						
Central services						
Operating services and supplies						
Community development and planning						
Community Services						
Operating services and supplies		994,741	(994,741)			
Housing						
Salaries and benefits						
Operating services and supplies						
Public works						
Salaries and benefits				332,540	177,441	155,099
Operating services and supplies				489,227	175,279	313,948
Public Safety						
Fire						
Operating services and supplies						
Library						
Operating services and supplies						
Parks and recreation						
Operating services and supplies						
Housing assistance payments						
Capital outlay				8,400	8,437	(37)
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures		994,741	(994,741)	830,167	361,157	469,010
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	727,790	693,394	(34,396)	(822,747)	(355,480)	467,267
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease						
Transfers in				637,067	361,157	(275,910)
Transfers (out)	(480)	(480)		(2,980)	(2,980)	
Total Other Financing Sources (Uses)	(480)	(480)		634,087	358,177	(275,910)
NET CHANGE IN FUND BALANCES	\$727,310	692,914	(\$34,396)	(\$188,660)	2,697	\$191,357
Fund balances at beginning of year		2,380,720			253,207	
Fund balances at end of year		\$3,073,634			\$255,904	

TRAFFIC SIGNAL			ROSEVILLE FINANCE AUTHORITY			GENERAL CAPITAL IMPROVEMENT PROJECTS REHABILITATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$18,806	\$18,806						
	49,219	49,219		\$67,428	\$67,428	\$484,350	\$134,133 339,621	\$134,133 (144,729)
	7,800 32,015	32,015						
	107,840	100,040		67,428	67,428	484,350	473,754	(10,596)
\$635,460	626,323	9,137						
542,137	444,819	97,318						
519,857	184,733	335,124						
			\$605,000 708,500	605,000 704,177	4,323			
1,697,454	1,255,875	441,579	1,313,500	1,309,177	4,323			
(1,697,454)	(1,148,035)	549,419	(1,313,500)	(1,241,749)	71,751	484,350	473,754	(10,596)
1,728,049 (30,930)	1,728,049 (22,500)	8,430	1,309,000	1,217,319	(91,681)	(5,813,049)	3,307,500 (2,341,462)	3,307,500 3,471,587
1,697,119	1,705,549	8,430	1,309,000	1,217,319	(91,681)	(5,813,049)	966,038	6,779,087
(\$335)	557,514	\$557,849	(\$4,500)	(24,430)	(\$19,930)	(\$5,328,699)	1,439,792	\$6,768,491
	1,715,952			1,369,828			14,524,888	
	\$2,273,466			\$1,345,398			\$15,964,680	

(Continued)

CITY OF ROSEVILLE  
BUDGETED NON-MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	CITIZENS BENEFIT		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes			
Charges for services			
Subventions and grants			
Use of money and property	\$537,380	\$418,379	(\$119,001)
Fines, forfeitures and penalties			
Contributions from developers			
Miscellaneous revenues		105,601	105,601
Total Revenues	<u>537,380</u>	<u>523,980</u>	<u>(13,400)</u>
EXPENDITURES			
Current:			
General government			
Council			
Operating services and supplies	429,165	415,871	13,294
Central services			
Operating services and supplies			
Community development and planning			
Community Services			
Operating services and supplies			
Housing			
Salaries and benefits			
Operating services and supplies			
Public works			
Salaries and benefits			
Operating services and supplies			
Public Safety			
Fire			
Operating services and supplies			
Library			
Operating services and supplies			
Parks and recreation			
Operating services and supplies			
Housing assistance payments			
Capital outlay			
Debt service			
Principal retirement			
Interest and fiscal charges			
Total Expenditures	<u>429,165</u>	<u>415,871</u>	<u>13,294</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>108,215</u>	<u>108,109</u>	<u>(106)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease			
Transfers in			
Transfers (out)			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	<u>\$108,215</u>	<u>108,109</u>	<u>(\$106)</u>
Fund balances at beginning of year		<u>16,319,676</u>	
Fund balances at end of year		<u>\$16,427,785</u>	

## **INTERNAL SERVICE FUNDS**

This Page Left Intentionally Blank



## INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

**Automotive Services Fund.** To account for the maintenance of vehicles used by City departments. Funds are received by means of a rental fee charged to the various departments.

**Automotive Replacement Fund.** To accumulate resources and account for the purchase of vehicles used by City departments. The source of revenue for this fund is replacement fees charged to city vehicles.

**Workers Compensation Fund.** To account for the City's self-insurance program for Workers' Compensation benefits and for the administration of various preventative programs.

**General Liability Fund.** To account for the cost of claims and administrative costs of the City's self-insured general liability program.

**Unemployment Reserve Fund.** To account for State and Federal mandated unemployment insurance benefits for employees.

**Vision Fund.** To account for the City's insurance program for Vision benefits.

**Dental Fund.** To account for the City's insurance program for Dental benefits.

**Section 125 Fund.** To account for the assets and liabilities of the employer's flexible benefits plan established under Internal Revenue Code Section 125.

**Post Retirement Fund.** To account for the contributions and benefits paid in relation to accrued employee retirement compensation.

**Central Stores Fund.** To account for stores inventory that gets allocated out at year-end to the General Fund and Enterprise Funds.

CITY OF ROSEVILLE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET ASSETS  
JUNE 30, 2006

	Automotive Services	Automotive Replacement	Self Insurance Funds	
			Worker's Compensation	General Liability
<b>ASSETS</b>				
Current Assets				
Cash and investments in City Treasury		\$13,970,077	\$9,415,000	\$7,004,810
Restricted cash and investments with fiscal agents				40,000
Receivables:				
Accounts	\$7,703		605	
Accrued interest		1,064,830	64,950	48,454
Due from other government agencies	21,484			
Due from other funds		339,500		
Inventories	875,918			
Prepaid		620,524		
Total Current Assets	905,105	15,994,931	9,480,555	7,093,264
Non Current Assets				
Advances to other funds		5,107,701		
Capital assets, net of accumulated depreciation	11,846	13,857,184		
Total Assets	916,951	34,959,816	9,480,555	7,093,264
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	272,482	120,763	27,025	24,704
Accrued liabilities	39,523			
Due to other funds	400,862			
Compensated absences	147,943			
Self-insurance claims payable			6,544,000	1,926,000
Total Current Liabilities	860,810	120,763	6,571,025	1,950,704
Long-term Liabilities				
Compensated absences	164,673			
Total Liabilities	1,025,483	120,763	6,571,025	1,950,704
<b>NET ASSETS</b>				
Invested in capital assets	11,846	13,857,184		
Unrestricted	(120,378)	20,981,869	2,909,530	5,142,560
Total Net Assets	(\$108,532)	\$34,839,053	\$2,909,530	\$5,142,560

Self Insurance Funds						
Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
\$125,181	\$269,865	\$534,124	\$26,575	\$22,014,312	\$184,126	\$53,544,070
						40,000
						8,308
738	2,059	3,590	43	156,713		1,341,377
						21,484
						339,500
					876	876,794
						620,524
<u>125,919</u>	<u>271,924</u>	<u>537,714</u>	<u>26,618</u>	<u>22,171,025</u>	<u>185,002</u>	<u>56,792,057</u>
						5,107,701
						13,869,030
<u>125,919</u>	<u>271,924</u>	<u>537,714</u>	<u>26,618</u>	<u>22,171,025</u>	<u>185,002</u>	<u>75,768,788</u>
25,343		17,314	17,934		152,913	658,478
						39,523
						400,862
						147,943
						8,470,000
<u>25,343</u>		<u>17,314</u>	<u>17,934</u>		<u>152,913</u>	<u>9,716,806</u>
						164,673
<u>25,343</u>		<u>17,314</u>	<u>17,934</u>		<u>152,913</u>	<u>9,881,479</u>
<u>100,576</u>	<u>271,924</u>	<u>520,400</u>	<u>8,684</u>	<u>22,171,025</u>	<u>32,089</u>	<u>13,869,030</u>
						52,018,279
<u>\$100,576</u>	<u>\$271,924</u>	<u>\$520,400</u>	<u>\$8,684</u>	<u>\$22,171,025</u>	<u>\$32,089</u>	<u>\$65,887,309</u>

CITY OF ROSEVILLE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006

	Automotive Services	Automotive Replacement	Self Insurance Funds	
			Worker's Compensation	General Liability
OPERATING REVENUES				
Charges for services	\$6,025,650	\$4,561,641	\$3,362,030	\$1,990,430
Other	129,598		150,937	167,364
Total Operating Revenues	6,155,248	4,561,641	3,512,967	2,157,794
OPERATING EXPENSES				
Operations	6,026,157	2,931	1,570,496	935,452
Depreciation and amortization	2,972	3,595,508	144	
Claims expense			1,937,880	779,912
Total Operating Expenses	6,029,129	3,598,439	3,508,520	1,715,364
Operating Income (Loss)	126,119	963,202	4,447	442,430
NONOPERATING (EXPENSES)				
Interest revenue	100,559	343,004	197,433	149,231
Subventions and grants		14,000		
Other	3,200	22,707		
Net Nonoperating Revenues (Expenses)	103,759	379,711	197,433	149,231
Income (Loss) Before Transfers	229,878	1,342,913	201,880	591,661
Transfers in	1,000,000	3,396,210		
Transfers (out)	(856,570)	(17,370)	(23,600)	(17,410)
Change in Net Assets	373,308	4,721,753	178,280	574,251
Net assets (deficit)-beginning	(481,840)	30,117,300	2,731,250	4,568,309
Net assets (deficit)-ending	(\$108,532)	\$34,839,053	\$2,909,530	\$5,142,560

Self Insurance Funds						
Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
\$99,245	\$145,518	\$1,232,356	\$318,556	\$2,208,435		\$19,943,861 447,899
99,245	145,518	1,232,356	318,556	2,208,435		20,391,760
89,183	150,994	1,166,360	303,379	2,508,419		12,753,371 3,598,624 2,717,792
89,183	150,994	1,166,360	303,379	2,508,419		19,069,787
10,062	(5,476)	65,996	15,177	(299,984)		1,321,973
2,260	6,525	11,024	168	479,445		1,289,649 14,000 25,907
2,260	6,525	11,024	168	479,445		1,329,556
12,322	1,049	77,020	15,345	179,461		2,651,529
(590)	(840)	(9,220)	(17,560)	2,500,435 (3,230)		6,896,645 (946,390)
11,732	209	67,800	(2,215)	2,676,666		8,601,784
88,844	271,715	452,600	10,899	19,494,359	\$32,089	57,285,525
\$100,576	\$271,924	\$520,400	\$8,684	\$22,171,025	\$32,089	\$65,887,309

CITY OF ROSEVILLE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006

	Automotive Services	Automotive Replacement	Self Insurance Funds		Unemployment Reserve
			Worker's Compensation	General Liability	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$6,027,661	\$4,569,481	\$3,395,456	\$1,990,530	\$99,245
Payments to suppliers	(4,042,009)	(588,639)	(1,656,045)	(943,648)	(63,840)
Payments to employees	(2,049,801)				
Claims paid			(825,880)	(896,912)	
Other receipts (payments)	129,598		150,937	167,364	
Net cash provided by operating activities	65,449	3,980,842	1,064,468	317,334	35,405
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
(Increase) decrease in due from other funds		(127,000)			
Increase (decrease) in due to other funds	(312,638)				
(Increase) decrease in advances to other funds		339,500			
Transfers in	1,000,000	3,396,210			
Transfers (out)	(856,570)	(17,370)	(23,600)	(17,410)	(590)
Cash Flows from Noncapital Financing Activities	(169,208)	3,591,340	(23,600)	(17,410)	(590)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net		(5,953,572)			
Other	3,200	22,707			
Cash Flows from Capital and Related Financing Activities	3,200	(5,930,865)			
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	100,559	268,857	183,090	145,705	2,206
Cash Flows from Investing Activities	100,559	268,857	183,090	145,705	2,206
Net increase (decrease) in cash and cash equivalents		1,910,174	1,223,958	445,629	37,021
Cash and investments at beginning of period		12,059,903	8,191,042	6,599,181	88,160
Cash and investments at end of period		\$13,970,077	\$9,415,000	\$7,044,810	\$125,181
NONCASH TRANSACTIONS:					
Contributions		\$14,000			
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$126,119	\$963,202	\$4,447	\$442,430	\$10,062
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,972	3,595,508	144		
Change in assets and liabilities:					
Receivables, net	(145,994)	7,840	33,426	100	
Prepaid		(620,524)			
Accounts and other payables	82,352	34,816	1,026,451	(125,196)	25,343
Net cash provided by operating activities	\$65,449	\$3,980,842	\$1,064,468	\$317,334	\$35,405

Self Insurance Funds					
Vision	Dental	Section 125	Post Retirement	Central Stores	Total
\$145,518	\$1,232,356	\$318,556	\$2,208,435		\$19,987,238
(151,995)	(1,186,751)	(298,526)	(2,508,419)	(\$11,739)	(11,451,611)
			(15,065)		(2,064,866)
					(1,722,792)
					447,899
(6,477)	45,605	20,030	(315,049)	(11,739)	5,195,868
					(127,000)
					(312,638)
					339,500
			2,500,435		6,896,645
(840)	(9,220)	(17,560)	(3,230)		(946,390)
(840)	(9,220)	(17,560)	2,497,205		5,850,117
					(5,953,572)
					25,907
					(5,927,665)
6,286	10,514	279	452,581		1,170,077
6,286	10,514	279	452,581		1,170,077
(1,031)	46,899	2,749	2,634,737	(11,739)	6,288,397
270,896	487,225	23,826	19,379,575	195,865	47,295,673
\$269,865	\$534,124	\$26,575	\$22,014,312	\$184,126	\$53,584,070
					\$14,000
(\$5,476)	\$65,996	\$15,177	(\$299,984)		\$1,321,973
					3,598,624
				\$2,702	(101,926)
					(620,524)
(1,001)	(20,391)	4,853	(15,065)	(14,441)	997,721
(\$6,477)	\$45,605	\$20,030	(\$315,049)	(\$11,739)	\$5,195,868

This Page Left Intentionally Blank



## **AGENCY FUNDS**

<b>AGENCY FUNDS</b>
---------------------

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

**Special Assessments/Community Facility Districts (CFDs)**

These funds account for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

**Payroll Revolving Fund**

This fund accounts for the payroll deductions and contributions that are held in transit.

**Highway 65 JPA (Bizz Johnson JPA)**

This JPA, which consists of the City, City of Rocklin and Placer County, was formed to fund interchanges off of Highway 65. The City acts as lead agency and treasurer. The fees are collected via building permits.

**Dry Creek Drainage Basin**

Fees are collected via building permits for the Dry Creek area and submitted quarterly to Placer County for drainage mitigation.

**Disaster Recovery JPA (DRJPA)**

The DRJPA was formed to provide disaster recovery for computer services. The members are the City, Yolo County of Education, City of West Sacramento, City of Alameda and Yolo County. The City of Woodland pays just for services (non-voting member). The City is acting as lead agency and treasurer. The agencies pay annual membership dues for maintenance of backup computer servers and capital outlay.

**County Capital Facilities Fee**

This fee was established by the County to fund future county capital facilities from development. It is collected via building permits and submitted quarterly to the County.

**South Placer Wastewater Authority (SPWA)**

SPWA is a Joint Powers Authority comprised of the City, Placer County and South Placer Public Utilities District. The City is acting as the treasurer and construction manager. This JPA was formed to issue debt to facilitate the construction of the regional wastewater infrastructure. The agencies collect regional wastewater connection fees and submit them to SPWA which is used for debt service payments and for the future expansion of facilities.

<b>AGENCY FUNDS (Continued)</b>
---------------------------------

**NCRCFD School Fees**

Fees are collected for the school district from the North Central Roseville CFD area via the City's building permit process.

**Special Sewer Benefit Area #3**

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the northeast portion of the City. The reimbursements are made to various project participants.

**Special Sewer Benefit Area #4**

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the southeast portion of the City. The reimbursements are made to Southfork Partnership.

**South Placer County Tourism Business Improvement District (SPCTBID)**

All hotels in the region are assessed fees for the purpose of promoting tourism in the area. These fees are forwarded to the City quarterly and then submitted quarterly to the SPCTBID.

**South Placer County Safe Kids Coalition**

The fees are collected for and submitted to an organization in Placer County for child safety programs.

**South Placer Regional Traffic Fee**

This fee is collected via building permits and submitted quarterly to Placer County Transportation Authority to fund regional traffic mitigation.

**City/County Traffic Mitigation Fund**

The fee is collected via building permits and submitted quarterly to Placer County to fund regional traffic mitigation due to new development.

**Placer County Air Pollution Control Fund**

The fee is collected to contribute towards construction of a future animal shelter in South Placer County.

**Sierra College Boulevard Fund**

To account for contributions to provide maintenance of bike trails and open space.

This Page Left Intentionally Blank

CITY OF ROSEVILLE  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<hr/> Foothills Boulevard <hr/>				
Cash and investments in City Treasury	\$15,875			\$15,875
Due to bondholders	\$15,875			\$15,875
<hr/> Hilltop <hr/>				
Cash and investments in City Treasury	\$1,015			\$1,015
Accrued interest receivable				
Total Assets	\$1,015			\$1,015
Due to bondholders	\$1,015			\$1,015
<hr/> North Roseville/Rocklin Sewer <hr/>				
Cash and investments in City Treasury	\$577,992	\$392,482	\$577,992	\$392,482
Accrued interest receivable	1,839	2,004	1,839	2,004
Total Assets	\$579,831	\$394,486	\$579,831	\$394,486
Accounts payable	\$41	\$289	\$41	\$289
Due to bondholders	579,790	394,197	579,790	394,197
Total Liabilities	\$579,831	\$394,486	\$579,831	\$394,486
<hr/> Rocky Ridge/Harding <hr/>				
Cash and investments in City Treasury	\$353,486	\$45,559	\$353,486	\$45,559
Accrued interest receivable	1,586	1,730	1,586	1,730
Total Assets	\$355,072	\$47,289	\$355,072	\$47,289
Accounts payable	\$74		\$74	
Due to bondholders	354,998	47,289	354,998	47,289
Total Liabilities	\$355,072	\$47,289	\$355,072	\$47,289
<hr/> Champion Oaks <hr/>				
Cash and investments in City Treasury	\$19,287			\$19,287
Due to bondholders	\$19,287			\$19,287

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Foothills Boulevard Extension</u>				
Cash and investments in City Treasury	\$1,264,221	\$1,051,755	\$1,264,221	\$1,051,755
Accrued interest receivable	4,855	5,297	4,855	5,297
Total Assets	<u>\$1,269,076</u>	<u>\$1,057,052</u>	<u>\$1,269,076</u>	<u>\$1,057,052</u>
Accounts payable	\$409	\$462	\$409	\$462
Due to bondholders	1,268,667	1,056,590	1,268,667	1,056,590
Total Liabilities	<u>\$1,269,076</u>	<u>\$1,057,052</u>	<u>\$1,269,076</u>	<u>\$1,057,052</u>
<u>Northeast Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$2,590,921	\$2,702,702	\$2,590,921	\$2,702,702
Restricted cash and investments with fiscal agents	841,416	841,118	841,416	841,118
Accrued interest receivable	18,874	20,613	18,874	20,613
Total Assets	<u>\$3,451,211</u>	<u>\$3,564,433</u>	<u>\$3,451,211</u>	<u>\$3,564,433</u>
Accounts payable	\$1,446	\$1,466	\$1,446	\$1,466
Due to bondholders	3,449,765	3,562,967	3,449,765	3,562,967
Total Liabilities	<u>\$3,451,211</u>	<u>\$3,564,433</u>	<u>\$3,451,211</u>	<u>\$3,564,433</u>
<u>Northwest Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$2,134,579	\$1,755,278	\$2,134,579	\$1,755,278
Restricted cash and investments with fiscal agents	2,425,684	2,426,475	2,425,684	2,426,475
Accrued interest receivable	48,087	47,222	48,087	47,222
Total Assets	<u>\$4,608,350</u>	<u>\$4,228,975</u>	<u>\$4,608,350</u>	<u>\$4,228,975</u>
Accounts payable	\$4,079	\$2,288	\$4,079	\$2,288
Due to bondholders	4,604,271	4,226,687	4,604,271	4,226,687
Total Liabilities	<u>\$4,608,350</u>	<u>\$4,228,975</u>	<u>\$4,608,350</u>	<u>\$4,228,975</u>
<u>Stoneridge East Community Facilities District #1</u>				
Cash and investments in City Treasury	\$717,816	\$831,915	\$717,816	\$831,915
Restricted cash and investments with fiscal agents	1,188,640	1,188,956	1,188,640	1,188,956
Accrued interest receivable	20,915	22,313	20,915	22,313
Total Assets	<u>\$1,927,371</u>	<u>\$2,043,184</u>	<u>\$1,927,371</u>	<u>\$2,043,184</u>
Accounts payable	\$1,738	\$1,987	\$1,738	\$1,987
Due to bondholders	1,925,633	2,041,197	1,925,633	2,041,197
Total Liabilities	<u>\$1,927,371</u>	<u>\$2,043,184</u>	<u>\$1,927,371</u>	<u>\$2,043,184</u>

(Continued)

CITY OF ROSEVILLE  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Northeast Roseville Community Facilities District #2</u>				
Cash and investments in City Treasury	\$1,375,060	\$832,640	\$1,375,060	\$832,640
Restricted cash and investments with fiscal agents	1,118,616	1,118,553	1,118,616	1,118,553
Accrued interest receivable	21,870	22,455	21,870	22,455
Total Assets	<u>\$2,515,546</u>	<u>\$1,973,648</u>	<u>\$2,515,546</u>	<u>\$1,973,648</u>
Accounts payable	\$1,446	\$1,465	\$1,446	\$1,465
Due to bondholders	2,514,100	1,972,183	2,514,100	1,972,183
Total Liabilities	<u>\$2,515,546</u>	<u>\$1,973,648</u>	<u>\$2,515,546</u>	<u>\$1,973,648</u>
<u>North Central Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$6,090,155	\$6,955,199	\$6,090,155	\$6,955,199
Restricted cash and investments with fiscal agents	5,187,359	4,968,636	5,187,359	4,968,636
Accrued interest receivable	49,079	72,495	49,079	72,495
Total Assets	<u>\$11,326,593</u>	<u>\$11,996,330</u>	<u>\$11,326,593</u>	<u>\$11,996,330</u>
Accounts payable	\$4,465	\$2,913	\$4,465	\$2,913
Due to bondholders	11,322,128	11,993,417	11,322,128	11,993,417
Total Liabilities	<u>\$11,326,593</u>	<u>\$11,996,330</u>	<u>\$11,326,593</u>	<u>\$11,996,330</u>
<u>North Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$979,425	\$1,884,234	\$979,425	\$1,884,234
Restricted cash and investments with fiscal agents	1,543,095	1,787,945	1,543,095	1,787,945
Accrued interest receivable	10,869	5,163	10,869	5,163
Total Assets	<u>\$2,533,389</u>	<u>\$3,677,342</u>	<u>\$2,533,389</u>	<u>\$3,677,342</u>
Accounts payable	\$4,635	\$2,376	\$4,635	\$2,376
Due to bondholders	2,528,754	3,674,966	2,528,754	3,674,966
Total Liabilities	<u>\$2,533,389</u>	<u>\$3,677,342</u>	<u>\$2,533,389</u>	<u>\$3,677,342</u>
<u>Woodcreek West Community Facilities District #1</u>				
Cash and investments in City Treasury	\$135,837	\$626,172	\$135,837	\$626,172
Restricted cash and investments with fiscal agents	1,687,214	1,446,142	1,687,214	1,446,142
Accrued interest receivable	2,896	24,311	2,896	24,311
Total Assets	<u>\$1,825,947</u>	<u>\$2,096,625</u>	<u>\$1,825,947</u>	<u>\$2,096,625</u>
Accounts payable	\$4,534	\$2,077	\$4,534	\$2,077
Due to bondholders	1,821,413	2,094,548	1,821,413	2,094,548
Total Liabilities	<u>\$1,825,947</u>	<u>\$2,096,625</u>	<u>\$1,825,947</u>	<u>\$2,096,625</u>

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Highland Reserve North Community Facilities District #1</u>				
Cash and investments in City Treasury	\$1,851,004	\$2,158,790	\$1,851,004	\$2,158,790
Restricted cash and investments with fiscal agents	2,693,369	2,989,551	2,693,369	2,989,551
Accrued interest receivable	18,704	32,591	18,704	32,591
Total Assets	<u>\$4,563,077</u>	<u>\$5,180,932</u>	<u>\$4,563,077</u>	<u>\$5,180,932</u>
Accounts payable	\$2,331	\$2,780	\$2,331	\$2,780
Due to bondholders	4,560,746	5,178,152	4,560,746	5,178,152
Total Liabilities	<u>\$4,563,077</u>	<u>\$5,180,932</u>	<u>\$4,563,077</u>	<u>\$5,180,932</u>
<u>Stoneridge Parcel 1 Community Facilities District #1</u>				
Cash and investments in City Treasury	\$71,982	\$98,006	\$71,982	\$98,006
Restricted cash and investments with fiscal agents	162,609	166,838	162,609	166,838
Accrued interest receivable	247	100	247	100
Total Assets	<u>\$234,838</u>	<u>\$264,944</u>	<u>\$234,838</u>	<u>\$264,944</u>
Accounts payable	\$902	\$917	\$902	\$917
Due to bondholders	233,936	264,027	233,936	264,027
Total Liabilities	<u>\$234,838</u>	<u>\$264,944</u>	<u>\$234,838</u>	<u>\$264,944</u>
<u>Woodcreek East Community Facilities District #1</u>				
Cash and investments in City Treasury	\$352,709	\$229,254	\$352,709	\$229,254
Restricted cash and investments with fiscal agents	439,987	598,403	439,987	598,403
Accrued interest receivable	4,335	6,291	4,335	6,291
Total Assets	<u>\$797,031</u>	<u>\$833,948</u>	<u>\$797,031</u>	<u>\$833,948</u>
Accounts payable	\$3,535	\$1,721	\$3,535	\$1,721
Due to bondholders	793,496	832,227	793,496	832,227
Total Liabilities	<u>\$797,031</u>	<u>\$833,948</u>	<u>\$797,031</u>	<u>\$833,948</u>
<u>Stoneridge West Community Facilities District #1</u>				
Cash and investments in City Treasury	\$602,770	\$636,915	\$602,770	\$636,915
Restricted cash and investments with fiscal agents	925,117	925,357	925,117	925,357
Accrued interest receivable	17,232	17,836	17,232	17,836
Total Assets	<u>\$1,545,119</u>	<u>\$1,580,108</u>	<u>\$1,545,119</u>	<u>\$1,580,108</u>
Accounts payable	\$1,864	\$1,977	\$1,864	\$1,977
Due to bondholders	1,543,255	1,578,131	1,543,255	1,578,131
Total Liabilities	<u>\$1,545,119</u>	<u>\$1,580,108</u>	<u>\$1,545,119</u>	<u>\$1,580,108</u>

(Continued)



CITY OF ROSEVILLE  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<hr/> Crocketer Ranch Community Facilities District #1 <hr/>				
Cash and investments in City Treasury	\$1,405,611	\$877,963	\$1,405,611	\$877,963
Restricted cash and investments with fiscal agents	1,413,985	1,439,986	1,413,985	1,439,986
Accrued Interest receivable	6,791	21,651	6,791	21,651
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$2,826,387	\$2,339,600	\$2,826,387	\$2,339,600
	<hr/>	<hr/>	<hr/>	<hr/>
Accounts payable	\$6,126	\$4,638	\$6,126	\$4,638
Due to bondholders	2,820,261	2,334,962	2,820,261	2,334,962
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	\$2,826,387	\$2,339,600	\$2,826,387	\$2,339,600
	<hr/>	<hr/>	<hr/>	<hr/>
<hr/> Stone Point Community Facilities District #1 <hr/>				
Cash and investments in City Treasury	\$736,328	\$709,796	\$736,328	\$709,796
Restricted cash and investments with fiscal agents	912,606	913,225	912,606	913,225
Accrued interest receivable	5,379	11,501	5,379	11,501
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$1,654,313	\$1,634,522	\$1,654,313	\$1,634,522
	<hr/>	<hr/>	<hr/>	<hr/>
Accounts payable	\$1,268	\$3,282	\$1,268	\$3,282
Due to bondholders	1,653,045	1,631,240	1,653,045	1,631,240
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	\$1,654,313	\$1,634,522	\$1,654,313	\$1,634,522
	<hr/>	<hr/>	<hr/>	<hr/>
<hr/> Stone Point Community Facilities District #5 <hr/>				
Cash and investments in City Treasury		\$12,904	\$12,904	
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets		\$12,904	\$12,904	
	<hr/>	<hr/>	<hr/>	<hr/>
Accounts payable		\$5,142		\$5,142
Due to bondholders		7,762	12,904	(5,142)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities		\$12,904	\$12,904	
	<hr/>	<hr/>	<hr/>	<hr/>
<hr/> Westpark Community Facilities District #1 <hr/>				
Cash and investments in City Treasury	\$22,674	\$39,021	\$61,695	
Restricted cash and investments with fiscal agents		6,619,854		6,619,854
Accrued interest receivable	123	96,513	123	96,513
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$22,797	\$6,755,388	\$61,818	\$6,716,367
	<hr/>	<hr/>	<hr/>	<hr/>
Accounts payable	\$10,396	\$1,571	\$10,396	\$1,571
Due to bondholders	12,401	6,753,817	51,422	6,714,796
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	\$22,797	\$6,755,388	\$61,818	\$6,716,367
	<hr/>	<hr/>	<hr/>	<hr/>

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Fiddymment Ranch Community Facilities District #1</u>				
Cash and investments in City Treasury	\$24,394	\$2,201	\$24,394	\$2,201
Restricted cash and investments with fiscal agents		4,245,965		4,245,965
Accrued interest receivable	121	65,479	121	65,479
Total Assets	<u>\$24,515</u>	<u>\$4,313,645</u>	<u>\$24,515</u>	<u>\$4,313,645</u>
Accounts payable	\$11,629	\$2,299	\$11,629	\$2,299
Due to bondholders	12,886	4,311,346	12,886	4,311,346
Total Liabilities	<u>\$24,515</u>	<u>\$4,313,645</u>	<u>\$24,515</u>	<u>\$4,313,645</u>
<u>Longmeadow Community Facilities District #1</u>				
Cash and investments in City Treasury		\$26,406	\$26,406	
Restricted cash and investments with fiscal agents		843,715		\$843,715
Accrued interest receivable		6,816		6,816
Total Assets		<u>\$876,937</u>	<u>\$26,406</u>	<u>\$850,531</u>
Accounts payable	\$2,669		\$2,669	
Due to bondholders	(2,669)	\$876,937	23,737	\$850,531
Total Liabilities		<u>\$876,937</u>	<u>\$26,406</u>	<u>\$850,531</u>
<u>NC SP PAR 44 CFD</u>				
Cash and investments in City Treasury		\$5,780		\$5,780
Total Assets		<u>\$5,780</u>		<u>\$5,780</u>
Accounts payable		\$5,780		\$5,780
Total Liabilities		<u>\$5,780</u>		<u>\$5,780</u>
<u>Payroll Revolving</u>				
Cash and investments in City Treasury	<u>\$643,961</u>	<u>\$1,659,823</u>	<u>\$643,961</u>	<u>\$1,659,823</u>
Accounts payable	<u>\$643,961</u>	<u>\$1,659,823</u>	<u>\$643,961</u>	<u>\$1,659,823</u>
<u>Highway 65 JPA</u>				
Cash and investments in City Treasury	\$7,153,620	\$9,812,800	\$7,153,620	\$9,812,800
Accrued interest receivable	46,618	63,809	46,618	63,809
Due from other government agencies	269,915	948,162	269,915	948,162
Total Assets	<u>\$7,470,153</u>	<u>\$10,824,771</u>	<u>\$7,470,153</u>	<u>\$10,824,771</u>
Accounts payable	\$1,087		\$1,087	
Due to member agencies	7,469,066	\$10,824,771	7,469,066	\$10,824,771
Total Liabilities	<u>\$7,470,153</u>	<u>\$10,824,771</u>	<u>\$7,470,153</u>	<u>\$10,824,771</u>

(Continued)

CITY OF ROSEVILLE  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Dry Creek Drainage Basin</u>				
Cash and investments in City Treasury	\$134,659	\$12,591	\$134,659	\$12,591
Accrued interest receivable	709	412	709	412
Deferred receivable	583		583	
Total Assets	<u>\$135,951</u>	<u>\$13,003</u>	<u>\$135,951</u>	<u>\$13,003</u>
Accounts Payable	\$84,758	\$13,287	\$84,758	\$13,287
Due to others	51,193	(284)	51,193	(284)
Total Liabilities	<u>\$135,951</u>	<u>\$13,003</u>	<u>\$135,951</u>	<u>\$13,003</u>
<u>Disaster Recovery JPA</u>				
Cash and investments in City Treasury	\$39,958	\$39,365	\$39,958	\$39,365
Accounts receivable		887		887
Accrued interest receivable	327	294	327	294
Due from other government agencies	887		887	
Total Assets	<u>\$41,172</u>	<u>\$40,546</u>	<u>\$41,172</u>	<u>\$40,546</u>
Due to member agencies	41,172	\$40,546	\$41,172	\$40,546
Total Liabilities	<u>\$41,172</u>	<u>\$40,546</u>	<u>\$41,172</u>	<u>\$40,546</u>
<u>County Capital Facilities Fee</u>				
Cash and investments in City Treasury	\$571,391	\$505,694	\$571,391	\$505,694
Accrued interest receivable	3,565	3,118	3,565	3,118
Total Assets	<u>\$574,956</u>	<u>\$508,812</u>	<u>\$574,956</u>	<u>\$508,812</u>
Accounts payable	\$515,679	\$452,066	\$515,679	\$452,066
Due to others	59,277	56,746	59,277	56,746
Total Liabilities	<u>\$574,956</u>	<u>\$508,812</u>	<u>\$574,956</u>	<u>\$508,812</u>
<u>South Placer Wastewater Authority</u>				
Cash and investments in City Treasury	\$140,005,923	\$144,183,054	\$140,005,923	\$144,183,054
Restricted cash and investments with fiscal agents	30,586,482	\$26,281,641	30,586,482	26,281,641
Accounts receivable	6,015		6,015	
Accrued interest receivable	1,085,854	684,162	1,085,854	684,162
Due from other government agencies	1,104,318	1,751,864	1,104,318	1,751,864
Deferred receivable	9		9	
Total Assets	<u>\$172,788,601</u>	<u>\$172,900,721</u>	<u>\$172,788,601</u>	<u>\$172,900,721</u>
Accounts payable	\$739,965	\$303,990	\$739,965	\$303,990
Accrued liabilities	253,602	326,561	253,602	326,561
Due to member agencies	171,795,034	172,270,170	171,795,034	172,270,170
Total Liabilities	<u>\$172,788,601</u>	<u>\$172,900,721</u>	<u>\$172,788,601</u>	<u>\$172,900,721</u>

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<b>North Central Roseville Community Facilities District School Fees</b>				
Cash and investments in City Treasury		\$972	\$972	
Accrued interest receivable	\$432		432	
Total Assets	\$432	\$972	\$1,404	
Accounts payable	\$1,033		\$1,033	
Due to others	(601)	972	371	
Total Liabilities	\$432	\$972	\$1,404	
<b>Special Sewer Benefit Area #3</b>				
Cash and investments in City Treasury		\$895		\$895
Accrued interest receivable	\$42	1	\$42	\$1
Total Assets	\$42	\$896	\$42	\$896
Due to others	42	\$896	\$42	\$896
Total Liabilities	\$42	\$896	\$42	\$896
<b>Special Sewer Benefit Area #4</b>				
Cash and investments in City Treasury	\$113,905	\$122,828	\$113,905	\$122,828
Accrued interest receivable	804	892	804	892
Total Assets	\$114,709	\$123,720	\$114,709	\$123,720
Accounts payable	\$112,119	\$117,971	\$112,119	\$117,971
Due to others	2,590	5,749	2,590	5,749
Total Liabilities	\$114,709	\$123,720	\$114,709	\$123,720
<b>South Placer County Tourism Business Improvement District (SPCTBID)</b>				
Cash and investments in City Treasury	\$5,042	\$2,770	\$5,042	\$2,770
Accounts receivable	141,876	159,604	141,876	159,604
Accrued interest receivable	247	252	247	252
Total Assets	\$147,165	\$162,626	\$147,165	\$162,626
Accounts payable	\$145,009	\$158,704	\$145,009	\$158,704
Due to others	2,156	3,922	2,156	3,922
Total Liabilities	\$147,165	\$162,626	\$147,165	\$162,626
<b>South Placer County Safe Kids Coalition</b>				
Cash and investments in City Treasury	\$14,850	\$13,824	\$14,850	\$13,824
Accrued interest receivable	49	120	49	120
Total Assets	\$14,899	\$13,944	\$14,899	\$13,944
Accounts payable	\$1,312	\$326	\$1,312	\$326
Due to others	13,587	13,618	13,587	13,618
Total Liabilities	\$14,899	\$13,944	\$14,899	\$13,944

(Continued)

CITY OF ROSEVILLE  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>South Placer Regional Traffic Fee</u>				
Cash and investments in City Treasury	\$265,420	\$427,896	\$265,420	\$427,896
Accrued interest receivable	1,271	1,563	1,271	1,563
Total Assets	<u>\$266,691</u>	<u>\$429,459</u>	<u>\$266,691</u>	<u>\$429,459</u>
Accounts payable	\$259,092	\$423,100	\$259,092	\$423,100
Due to others	7,599	6,359	7,599	6,359
Total Liabilities	<u>\$266,691</u>	<u>\$429,459</u>	<u>\$266,691</u>	<u>\$429,459</u>
<u>City/County TMF Fund</u>				
Cash and investments in City Treasury	\$137,563	\$112,917	\$137,563	\$112,917
Accrued interest receivable	197	552	197	552
Total Assets	<u>\$137,760</u>	<u>\$113,469</u>	<u>\$137,760</u>	<u>\$113,469</u>
Accounts payable	\$137,749	\$119,399	\$137,749	\$119,399
Due to others	11	(5,930)	11	(5,930)
Total Liabilities	<u>\$137,760</u>	<u>\$113,469</u>	<u>\$137,760</u>	<u>\$113,469</u>
<u>Placer County Air Pollution Control</u>				
Cash and investments in City Treasury		\$8,849		\$8,849
Accounts receivable		402		402
Accrued interest receivable		1		1
Total Assets		<u>\$9,252</u>		<u>\$9,252</u>
Due to others		\$9,252		\$9,252
Total Liabilities		<u>\$9,252</u>		<u>\$9,252</u>
<u>Sierra College Boulevard</u>				
Cash and investments in City Treasury		\$5,848		\$5,848
Accrued interest receivable		2		2
Total Assets		<u>\$5,850</u>		<u>\$5,850</u>
Due to others		\$5,850		\$5,850
Total Liabilities		<u>\$5,850</u>		<u>\$5,850</u>

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Other</u>				
Cash and investments in City Treasury	\$13,014			\$13,014
Total Assets	<u>\$13,014</u>			<u>\$13,014</u>
Due to other government agencies	\$13,014			\$13,014
Total Liabilities	<u>\$13,014</u>			<u>\$13,014</u>
<u>Total Agency Funds</u>				
Cash and investments in City Treasury	\$170,422,447	\$178,785,098	\$170,452,559	\$178,754,986
Restricted cash and investments with fiscal agents	51,126,179	58,802,360	51,126,179	58,802,360
Accounts receivable	147,891	160,893	147,891	160,893
Accrued interest receivable	1,373,917	1,237,559	1,373,917	1,237,559
Due from other government agencies	1,375,120	2,700,026	1,375,120	2,700,026
Deferred receivable	592		592	
Total Assets	<u>\$224,446,146</u>	<u>\$241,685,936</u>	<u>\$224,476,258</u>	<u>\$241,655,824</u>
Accounts payable	\$2,705,351	\$3,294,096	\$2,705,351	\$3,294,096
Accrued liabilities	253,602	326,561	253,602	326,561
Due to other government agencies	13,014			13,014
Due to member agencies	179,305,272	183,135,487	179,305,272	183,135,487
Due to bondholders	42,033,053	54,832,642	42,075,207	54,790,488
Due to others	135,854	97,150	136,826	96,178
Total Liabilities	<u>\$224,446,146</u>	<u>\$241,685,936</u>	<u>\$224,476,258</u>	<u>\$241,655,824</u>

This Page Left Intentionally Blank

## **STATISTICAL SECTION**



## STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### ***Financial Trends***

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

### ***Revenue Capacity***

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value and Estimated Value of Taxable Property
2. Property Tax Rates, All Direct Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 2000 Wastewater Revenue Bonds – Series A
3. Revenue Bond Coverage – 2000 Variable Rate Demand Wastewater Revenue Bonds – Series B
4. Revenue Bond Coverage – 2003 Refunding Auction Rate-Synthetic Fixed Wastewater Revenue Bonds
5. Bonded Debt Pledged Revenue Coverage – 2002 Redevelopment Tax Allocation Bonds
6. Computation of Direct and Overlapping Debt
7. Computation of Legal Bonded Debt Margin

### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

### ***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

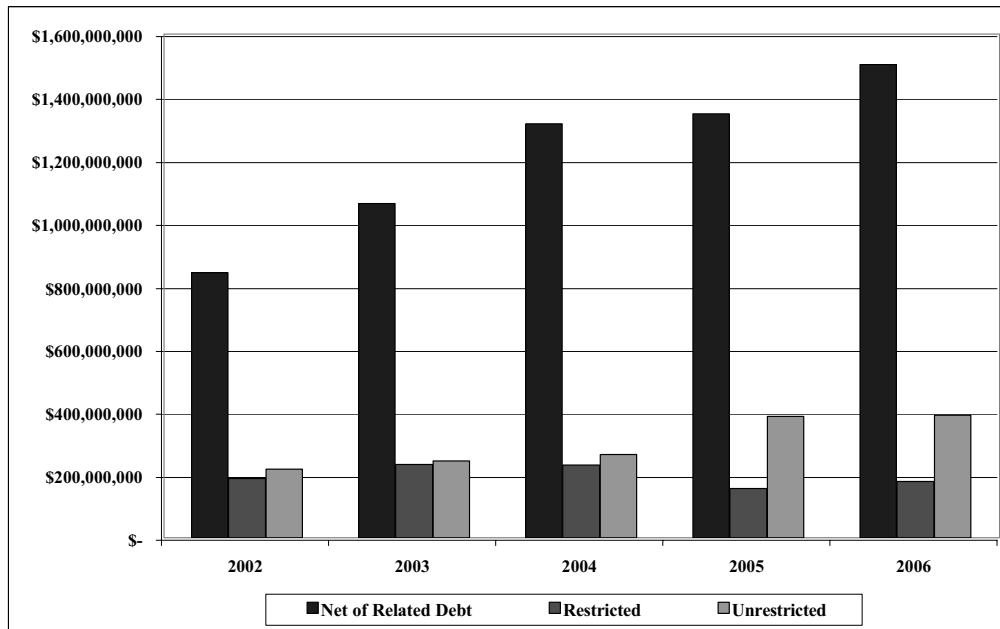
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

### ***Sources***

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

This Page Left Intentionally Blank

**CITY OF ROSEVILLE  
NET ASSETS BY COMPONENT  
LAST FIVE FISCAL YEARS  
(accrual basis of accounting)**



	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$487,758,224	\$501,785,076	\$540,714,647	\$579,757,919	\$664,131,414
Restricted	108,421,222	148,067,075	142,404,742	124,527,445	149,738,041
Unrestricted	50,482,829	63,933,275	73,230,549	89,038,317	109,395,679
Total governmental activities net assets	<u>\$646,662,275</u>	<u>\$713,785,426</u>	<u>\$756,349,938</u>	<u>\$793,323,681</u>	<u>\$923,265,134</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$353,316,278	\$560,136,358	\$774,624,921	\$767,628,987	\$838,373,690
Restricted	79,252,497	85,285,040	89,408,729	31,082,339	28,178,946
Unrestricted	168,232,413	180,828,388	191,964,333	295,600,560	280,399,506
Total business-type activities net assets	<u>\$600,801,188</u>	<u>\$826,249,786</u>	<u>\$1,055,997,983</u>	<u>\$1,094,311,886</u>	<u>\$1,146,952,142</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$841,074,502	\$1,061,921,434	\$1,315,339,568	\$1,347,386,906	\$1,502,505,104
Restricted	187,673,719	233,352,115	231,813,471	155,609,784	177,916,987
Unrestricted	218,715,242	244,761,663	265,194,882	384,638,877	389,795,185
Total primary government net assets	<u>\$1,247,463,463</u>	<u>\$1,540,035,212</u>	<u>\$1,812,347,921</u>	<u>\$1,887,635,567</u>	<u>\$2,070,217,276</u>

The City of Roseville implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Source: The City's Comprehensive Annual Financial Reports

**CITY OF ROSEVILLE  
CHANGES IN NET ASSETS  
LAST FIVE FISCAL YEARS  
(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental Activities:					
General Government	\$17,964,866	\$19,464,175	\$19,299,495	\$22,350,454	\$25,437,535
Community Development and Planning	6,289,024	9,250,195	10,370,401	10,131,568	11,893,312
Public Works	22,234,851	31,259,219	21,567,351	39,391,505	33,498,385
Police	15,521,608	17,630,323	19,351,991	22,761,768	24,500,396
Fire	9,888,898	11,601,885	12,768,918	15,226,498	16,435,774
Library	2,600,828	2,792,317	2,839,127	2,996,195	3,156,087
Parks and recreation	10,410,021	12,742,186	13,257,771	14,001,045	16,052,655
Community facilities districts	997,338	23,792,411			
Payments under developer agreements	2,270,481	2,406,806	2,607,608	3,093,615	
Housing assistance payments	2,027,930	2,541,178	3,127,150	3,050,762	2,974,236
Interest on long term debt	1,231,940	2,278,540	1,813,647	1,760,833	1,933,654
Total Governmental Activities Expenses	91,437,785	135,759,235	107,003,459	134,764,243	135,882,034
Business-Type Activities:					
Electric	91,181,747	71,539,423	69,630,286	93,061,537	97,101,941
Water	10,763,651	12,822,705	15,748,289	16,719,257	18,510,040
Wastewater	15,224,345	18,632,682	18,050,409	23,885,474	27,207,717
Solid Waste	13,253,807	10,927,735	11,614,060	12,749,998	14,220,731
Golf Course	2,529,029	2,545,069	2,365,048	2,473,835	2,479,378
Local Transportation	2,928,898	3,374,680	3,768,970	4,106,631	4,415,411
School-age Child Care	3,292,081	3,761,228	3,824,316	4,211,285	4,430,801
Total Business-Type Activities Expenses	139,173,558	123,603,522	125,001,378	157,208,017	168,366,019
Total Primary Government Expenses	\$230,611,343	\$259,362,757	\$232,004,837	\$291,972,260	\$304,248,053
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General Government	\$46,441	\$1,337,514	\$1,318,112	\$1,570,571	\$3,364,921
Community development and planning	1,021,175	1,753,229	2,988,881	3,652,829	4,312,464
Public Works	7,435,683	6,362,355	6,612,890	6,814,277	7,959,770
Police	1,003,793	1,698,465	1,581,324	2,009,281	1,900,144
Fire	406,127	554,019	945,366	1,082,211	1,253,881
Library	67	75,753	136,710	162,479	188,738
Parks and recreation	3,746,008	4,402,180	5,508,574	6,224,464	7,315,217
Community facilities districts		47,335			
Operating Grants and Contributions	7,413,016	7,007,583	8,476,255	9,449,752	7,717,503
Capital Grants and Contributions	78,415,634	72,499,797	35,094,840	41,143,945	113,531,406
Total Governmental Activities Program Revenues	99,487,944	95,738,230	62,662,952	72,109,809	147,544,044
Business-Type Activities:					
Charges for Services:					
Electric	72,397,572	79,906,500	94,387,590	98,949,341	102,772,594
Water	8,225,840	8,869,111	11,804,088	13,163,434	13,450,264
Wastewater	11,632,233	13,103,088	14,739,888	16,355,694	19,025,742
Solid Waste	12,175,022	13,859,409	14,678,394	15,244,048	17,558,492
Golf Course	2,583,468	2,468,170	2,436,735	2,564,469	2,747,851
Local Transportation	566,366	936,121	526,204	530,516	601,087
School-age Child Care	3,341,780	3,615,963	3,810,089	4,193,923	4,833,884
Operating Grants and Contributions	7,172,360	4,359,680	6,717,432	7,104,895	2,299,189
Capital Grants and Contributions	85,642,953	88,803,680	52,603,696	49,828,229	68,914,968
Total Business-Type Activities Program Revenue	203,737,594	215,921,722	201,704,116	207,934,549	232,204,071
Total Primary Government Program Revenues	\$303,225,538	\$311,659,952	\$264,367,068	\$280,044,358	\$379,748,115
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$8,050,159	(\$40,021,005)	(\$44,340,507)	(\$62,654,434)	\$11,662,010
Business-Type Activities	64,564,036	92,318,200	76,702,738	50,726,532	63,838,052
Total Primary Government Net Expense	\$72,614,195	\$52,297,195	\$32,362,231	(\$11,927,902)	\$75,500,062

**CITY OF ROSEVILLE  
CHANGES IN NET ASSETS  
LAST FIVE FISCAL YEARS  
(Accrual Basis of Accounting)  
(Continued)**

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental Activities:					
Taxes:	\$60,265,780 (a)				
Licenses and permits	4,562,788				
Property taxes		\$16,812,259	\$20,101,838	\$26,548,498	\$30,867,256
Less Education Revenue Augmentation Fund Payment		(55,417)	(143,182)	(260,676)	
Sales taxes		34,678,592	38,031,918	40,973,365	42,642,034
Franchise taxes		657,865	954,396	1,060,903	1,267,707
Motor fuel taxes		1,880,505	1,775,122	1,897,211	3,116,638
Motor vehicle in lieu (Intergovernmental- unrestricted)		5,360,094	4,152,209	2,123,202	710,510
Utility Users Taxes		6,006,269 (b)			
Other Taxes		2,692,573	2,978,450	3,671,924	3,630,534
Use of money and property	6,509,896	6,856,853	2,992,312	5,631,061	8,077,599
Miscellaneous revenues	1,807,075	1,356,471	12,975	664,191	1,680,851
Transfers	12,245,181	12,024,203	15,605,538	17,318,498	23,582,576
Gain/(Loss) from sales of capital assets			92,324		2,703,738
Bond issuance premium			351,119		
Extraordinary Item:					
Litigation Settlement	(8,500,000)				
Total Governmental Activities	76,890,720	88,270,267	86,905,019	99,628,177	118,279,443
Business-Type Activities:					
Use of money and property	5,764,373	5,539,231	1,096,493	4,487,348	10,559,581
Miscellaneous revenue					1,825,199
Provision for disputed SCS charges				418,521	
Transfers	(12,245,181)	(12,024,203)	(15,605,538)	(17,318,498)	(23,582,576)
Gain/(Loss) from sales of capital assets			(227,334)		
Special Item		(13,300,000)	(7,394,906)		
Total Business-Type Activities	(6,480,808)	(19,784,972)	(22,131,285)	(12,412,629)	(11,197,796)
Total Primary Government	<u>\$70,409,912</u>	<u>\$68,485,295</u>	<u>\$64,773,734</u>	<u>\$87,215,548</u>	<u>\$107,081,647</u>
<b>Change in Net Assets</b>					
Governmental Activities	\$84,940,879	\$48,249,262	\$42,564,512	\$36,973,743	\$129,941,453
Business-Type Activities	58,083,228	72,533,228	54,571,453	38,313,903	52,640,256
Total Primary Government	<u>\$143,024,107</u>	<u>\$120,782,490</u>	<u>\$97,135,965</u>	<u>\$75,287,646</u>	<u>\$182,581,709</u>

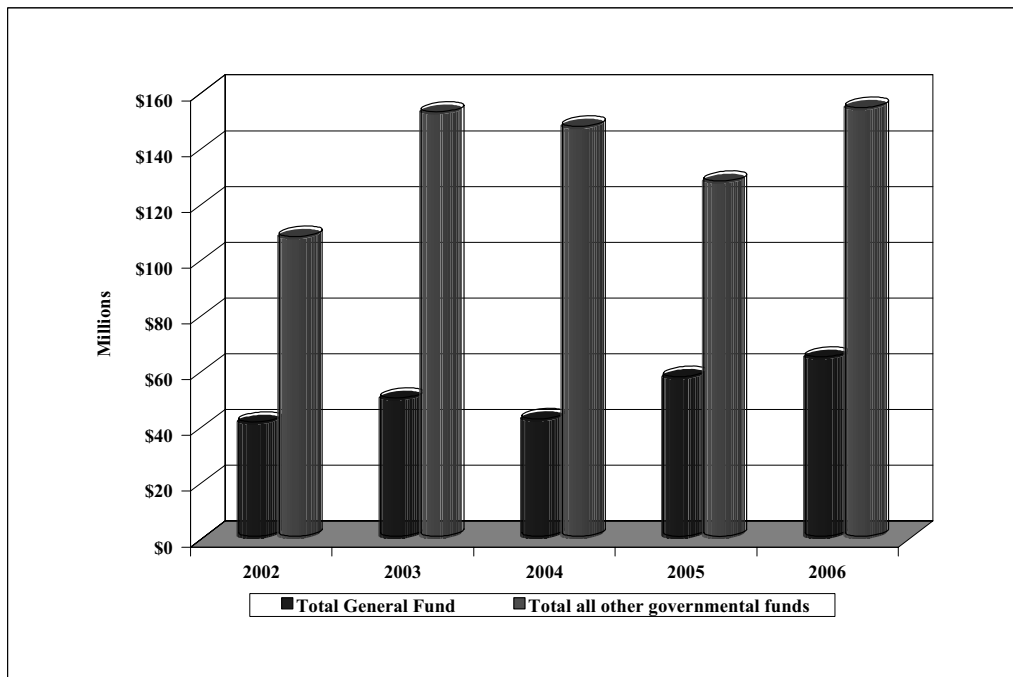
The City of Roseville implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

(a) In 2002 the taxes were combined as one total on the Statement of Activities.

(b) 2003 was the last year the City of Roseville collected a Utility Users Tax.

Source: The City's Comprehensive Annual Financial Reports

**CITY OF ROSEVILLE**  
**FUND BALANCES OF GOVERNMENT FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**



	Fiscal Year Ended June 30,				
	1997	1998	1999	2000	2001
General Fund					
Reserved	\$1,073,522	\$1,403,098	\$8,548,817	\$17,748,596	\$10,686,999
Unreserved	4,495,782	7,412,609	8,961,165	8,068,863	18,902,395
Total General Fund	<u>\$5,569,304</u>	<u>\$8,815,707</u>	<u>\$17,509,982</u>	<u>\$25,817,459</u>	<u>\$29,589,394</u>
All Other Governmental Funds					
Reserved	\$2,028,343	\$2,838,584	\$3,091,753	\$3,690,269	\$4,844,613
Unreserved, reported in:					
Special Revenue Funds	43,372,280	43,784,006	45,776,454	35,810,147	61,189,946
Capital Projects	7,143,919	8,548,642	23,119,340	46,830,294	28,561,048
Permanent Funds					
Total all other governmental funds	<u>\$52,544,542</u>	<u>\$55,171,232</u>	<u>\$71,987,547</u>	<u>\$86,330,710</u>	<u>\$94,595,607</u>

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$9,127,227	\$18,553,213	\$18,414,069	\$18,449,612	\$16,669,748
Unreserved	31,843,500	31,034,445	23,647,906	38,788,181	47,642,690
Total General Fund	<u>\$40,970,727</u>	<u>\$49,587,658</u>	<u>\$42,061,975</u>	<u>\$57,237,793</u>	<u>\$64,312,438</u>
All Other Governmental Funds					
Reserved	\$22,018,851	\$47,532,457	\$23,989,841	\$27,132,041	\$53,194,568
Unreserved, reported in:					
Special Revenue Funds	57,998,370	73,713,153	87,880,374	66,266,786	64,447,245
Capital Projects	11,448,839	14,958,485	19,522,248	17,733,928	19,807,821
Permanent Funds	16,014,323	16,061,477	15,725,381	16,318,672	16,425,999
Total all other governmental funds	<u>\$107,480,383</u>	<u>\$152,265,572</u>	<u>\$147,117,844</u>	<u>\$127,451,427</u>	<u>\$153,875,633</u>

The City of Roseville has elected to show only five years of data in the graph for this schedule.

Source: The City's Comprehensive Annual Financial Reports

This Page Left Intentionally Blank

**CITY OF ROSEVILLE**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,				
	1997	1998	1999	2000	2001
<b>Revenues</b>					
Taxes	\$30,729,846	\$35,431,655	\$39,152,089	\$46,414,028	\$56,621,766
Less Educational Revenue Augmentation					
Licenses, permits and fees	1,711,635	2,365,373	2,274,709	2,210,596	2,431,091
Charges for services	12,197,372	15,860,923	21,211,092	25,878,364	27,841,157
Subventions and grants	6,895,174	8,230,879	8,911,568	16,785,739	15,518,284
Use of money and property	3,873,805	4,618,397	4,267,319	6,779,306	9,064,978
Fine, forfeitures and penalties	256,322	250,569	345,121	354,984	465,239
Contributions from property owners					
Contributions from developers					
Miscellaneous revenues	2,523,383	317,954	727,239	434,172	1,302,877
Total Revenues	<u>58,187,537</u>	<u>67,075,750</u>	<u>76,889,137</u>	<u>98,857,189</u>	<u>113,245,392</u>
<b>Expenditures</b>					
Current:					
General government	14,225,324	12,879,952	19,144,670	19,020,015	16,185,257
Community development and planning					5,623,597
Public works	7,837,361	8,330,762	9,691,170	16,652,261	10,873,585
Public safety:	15,917,315	17,908,183	19,579,783	20,551,250	
Police					13,868,406
Fire					9,197,433
Library	1,748,321	1,787,070	1,971,818	2,014,063	2,345,854
Parks and recreation	5,953,813	6,300,621	6,810,633	7,095,673	9,679,890
Housing assistance payments	1,431,319	1,460,151	1,495,145	1,496,176	1,737,541
Capital outlay	14,596,616	20,443,080	31,175,155	62,874,445	52,834,535
Payments under development agreements					1,603,838
Debt service:					
Principal repayment	1,748,594	1,854,205	1,759,209	2,642,740	1,081,040
Interest and fiscal charges	1,486,852	1,374,491	1,334,312	1,262,038	1,295,452
Total Expenditures	<u>64,945,515</u>	<u>72,338,515</u>	<u>92,961,895</u>	<u>133,608,661</u>	<u>126,326,428</u>
Excess (deficiency) of revenues over (under) expenditures	(6,757,978)	(5,262,765)	(16,072,758)	(34,751,472)	(13,081,036)
<b>Other Financing Sources (Uses)</b>					
Proceeds from capital lease		153,520	2,273,169	78,368	271,598
Proceeds from sale of property			69,456		1,200,000
Proceeds from debt issuance					
Transfers in	21,459,190	22,129,322	28,270,229	29,356,569	39,124,451
Transfers (out)	(10,994,253)	(13,323,930)	(19,086,499)	(20,521,671)	(29,175,395)
Payment to refunded bond escrow					
Contributions from property owners		1,622,414	25,669,689	45,162,789	8,224,249
Contributions from developers	1,058,692	554,532	4,387,304	3,326,057	2,186,771
Bond issuance premium					
Total other financing sources (uses)	<u>11,523,629</u>	<u>11,135,858</u>	<u>41,583,348</u>	<u>57,402,112</u>	<u>21,831,674</u>
Net Change in fund balances	<u>\$4,765,651</u>	<u>\$5,873,093</u>	<u>\$25,510,590</u>	<u>\$22,650,640</u>	<u>\$8,750,638</u>
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	(a)

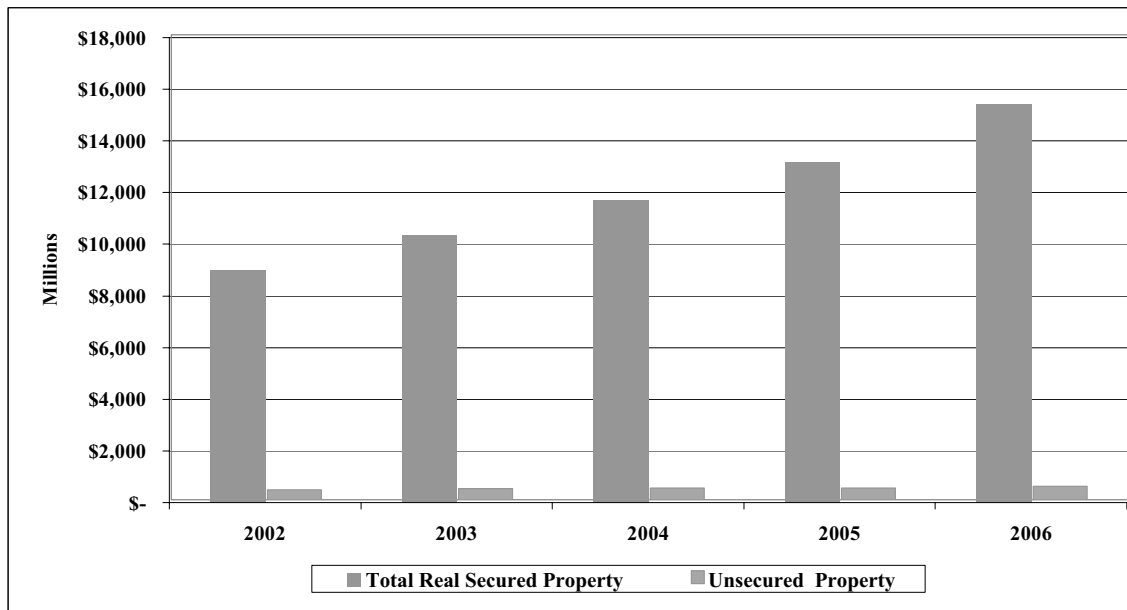
(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.

Source: The City's Comprehensive Annual Financial Reports



Fiscal Year Ended June 30,				
2002	2003	2004	2005	2006
\$61,361,572	\$64,866,117	\$65,815,061	\$75,900,403	\$82,770,691
	(55,417)	(143,182)	(260,676)	(323,743)
2,787,695	2,913,664	2,784,570	2,591,354	2,020,467
29,589,733	30,198,984	27,343,649	26,814,640	31,295,267
16,109,594	16,583,320	13,758,850	12,630,086	10,351,281
5,946,919	6,361,032	3,455,309	4,922,685	7,784,975
1,093,381	1,842,340	1,471,716	1,803,562	1,953,405
		2,574,635	7,841,639	92,645,369
		2,662,371	4,373,481	3,337,645
1,557,781	6,500,778	3,331,708	4,213,970	7,899,568
118,446,675	129,210,818	123,054,687	140,831,144	239,734,925
17,714,229	25,734,538	20,919,559	20,248,180	24,938,856
6,812,834	9,605,904	10,807,567	9,751,722	10,888,062
10,991,887	11,880,167	10,956,006	10,817,148	15,396,696
14,647,683	18,003,412	19,051,384	21,547,825	25,567,869
9,631,469	11,772,858	12,602,614	13,753,902	16,915,393
2,504,890	2,792,063	2,842,537	2,762,274	3,133,367
10,481,015	12,731,251	13,249,576	13,507,359	16,007,377
2,027,930	2,541,178	3,127,150	3,050,762	2,974,236
60,046,961	23,432,869	41,149,143	58,729,356	108,314,784
5,214,902	6,131,086	2,607,608	5,389,110	2,592,039
1,077,202	1,152,517	1,439,690	1,264,702	941,946
1,195,978	2,071,634	1,912,196	1,789,098	1,941,002
142,346,980	127,849,477	140,665,030	162,611,438	229,611,627
(23,900,305)	1,361,341	(17,610,343)	(21,780,294)	10,123,298
142,889			147,266	2,239,765
				3,503,467
	14,745,063	18,275,000		
27,126,928	38,559,850	27,934,748	26,116,934	38,439,158
(14,588,595)	(27,405,095)	(23,543,935)	(8,974,505)	(20,806,837)
		(18,080,000)		
34,173,448	3,568,579			
4,699,675	22,572,382			
		351,119		
51,554,345	52,040,779	4,936,932	17,289,695	23,375,553
\$27,654,040	\$53,402,120	(\$12,673,411)	(\$4,490,599)	\$33,498,851
2.8%	3.2%	3.5%	3.0%	2.4%

**CITY OF ROSEVILLE  
ASSESSED VALUE AND ESTIMATED VALUE  
OF TAXABLE PROPERTY  
Last Five Fiscal Years**



Fiscal Year	Real Property				Total Real Secured Property
	Residential Property	Commercial Property	Industrial Property	Other	
2002	\$ 5,442,062,133	\$ 1,871,423,871	\$ 1,181,007,519	\$ 519,567,984	\$ 9,014,061,507
2003	6,466,979,581	2,219,573,719	1,101,028,754	583,119,381	10,370,701,435
2004	8,100,569,492	2,525,160,445	1,084,291,005	3,495,616	11,713,516,558
2005	9,317,201,508	2,820,484,542	997,687,641	38,320,792	13,173,694,483
2006	11,085,891,082	3,201,617,042	1,096,921,025	29,783,011	15,414,212,160

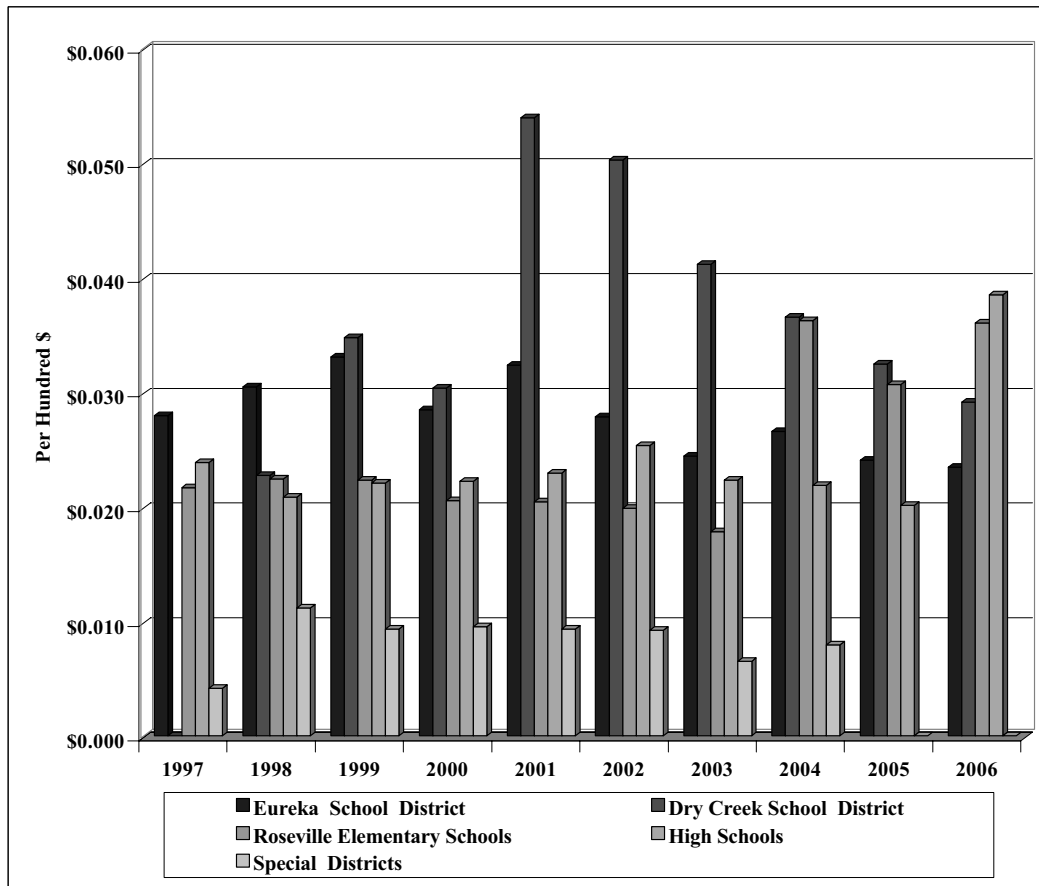
Fiscal Year	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2002	\$ 388,509,068	\$ 9,402,570,575	\$ 9,402,570,575	1%
2003	440,976,929	10,811,678,364	10,811,678,364	1%
2004	458,621,280	12,172,137,838	12,172,137,838	1%
2005	463,111,057	13,636,805,540	13,636,805,540	1%
2006	529,989,522	15,944,201,682	15,944,201,682	1%

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Source: Placer County Assessor Office

**CITY OF ROSEVILLE  
PROPERTY TAX RATES  
ALL OVERLAPPING GOVERNMENTS  
Last Ten Fiscal Years**



Fiscal Year	Basic County Wide Levy	Eureka School District	Dry Creek School District	Roseville Elementary Schools	High Schools	Special Districts	Total
1997	\$1.0000	\$0.0279	\$0.0000	\$0.0216	\$0.0238	\$0.0041	\$1.0774
1998	1.0000	0.0304	0.0227	0.0224	0.0208	0.0111	1.1074
1999	1.0000	0.0330	0.0347	0.0223	0.0220	0.0093	1.1213
2000	1.0000	0.0284	0.0303	0.0205	0.0222	0.0095	1.1109
2001	1.0000	0.0323	0.0539	0.0204	0.0229	0.0093	1.1388
2002	1.0000	0.0278	0.0502	0.0198	0.0253	0.0092	1.1323
2003	1.0000	0.0244	0.0411	0.0178	0.0223	0.0065	1.1121
2004	1.0000	0.0265	0.0365	0.0362	0.0218	0.0079	1.1289
2005	1.0000	0.0240	0.0324	0.0306	0.0201	N/A*	1.1071
2006	1.0000	0.0234	0.0291	0.0360	0.0384	N/A*	1.1269

\* San Juan Water bond matured and paid in 2004/05

Source: Placer County Tax Rates and Information

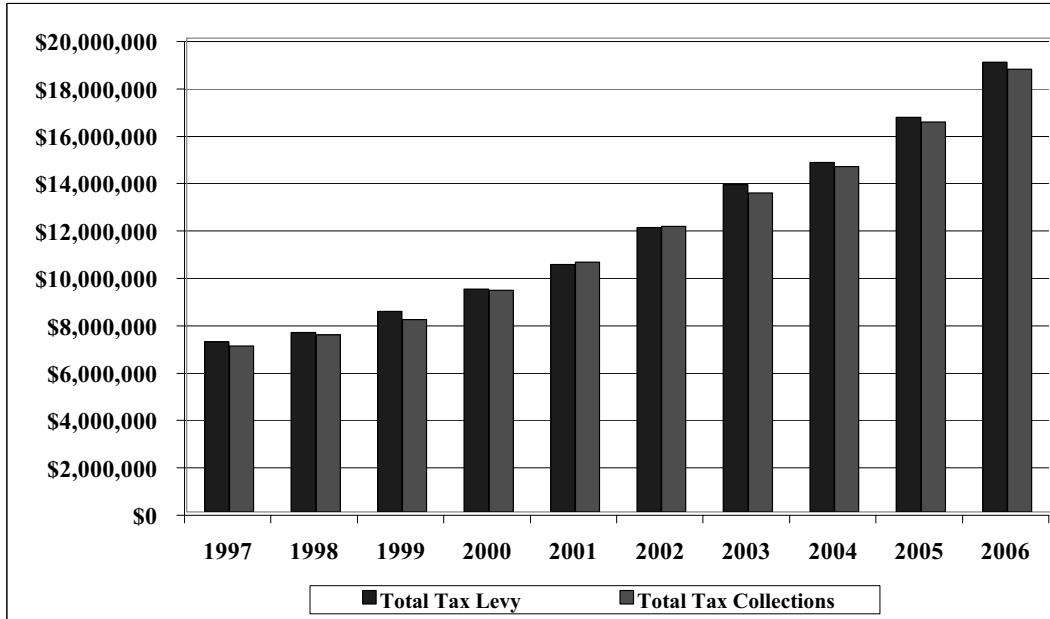
**CITY OF ROSEVILLE**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**Current Year and Nine Years Ago**

Taxpayer	2006		1997	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Hewlett Packard Co.	\$345,594,132	2.59%	\$267,194,570	5.44%
NEC Electronics USA Inc.	261,564,162	1.96%	645,461,558	13.13%
Roseville Shoppingtown LLC	222,775,877	1.67%	-	0.00%
Kobra Properties	92,352,856	0.69%	-	0.00%
Walmart Stores	70,874,295	0.53%	-	0.00%
NNN Parkway Corporate Plaza LLC	62,923,000	0.47%	-	0.00%
SI VII LLC	56,348,950	0.42%	-	0.00%
Rosemead LLC	52,060,430	0.39%	-	0.00%
Haverhill Communities LLC	49,361,480	0.37%	-	0.00%
EOP Johnson Ranch Corp. Center II LLC	43,929,707	0.33%	-	0.00%
Del Webb California Corp.	-	0.00%	174,523,984	3.55%
Albertsons, Inc.	-	0.00%	40,440,202	0.82%
Johnson Ranch LP	-	0.00%	29,995,360	0.61%
Lincoln National Life	-	0.00%	26,822,134	0.55%
Spieker Properties	-	0.00%	21,105,447	0.43%
H.C. Elliott Inc.	-	0.0%	17,759,963	0.36%
Minnesota Mining & Mfg Co.	-	0.0%	16,750,675	0.34%
Olympus Corporate Center Assoc.	-	0.0%	16,350,952	0.33%
	<b>\$1,257,784,889</b>	<b>9.4%</b>	<b>\$1,256,404,845</b>	<b>25.57%</b>

2005-2006 Local Secured Assessed Valuation: \$13,337,959,442  
1996-1997 Local Secured Assessed Valuation: \$4,914,483,294

*Source: California Municipal Statistics, Inc.*

**CITY OF ROSEVILLE  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**



Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (b)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1997	\$ 7,186,779	\$ 7,002,999	97.44%		\$ 7,002,999	97.44%
1998	7,579,293	7,480,287	98.69%		7,480,287	98.69%
1999	8,464,546	8,114,689	95.87%		8,114,689	95.87%
2000	9,411,328	9,367,744	99.54%		9,367,744	99.54%
2001	10,457,636	10,552,003	100.90%		10,552,003	100.90%
2002	11,995,194	12,056,708	100.51%		12,056,708	100.51%
2003	13,800,915	13,460,448	97.53%		13,460,448	97.53%
2004	14,747,241	14,582,072	98.88%		14,582,072	98.88%
2005	16,653,884	16,469,026	98.89%		16,469,026	98.89%
2006	18,987,819	18,695,407	98.46%		18,695,407	98.46%

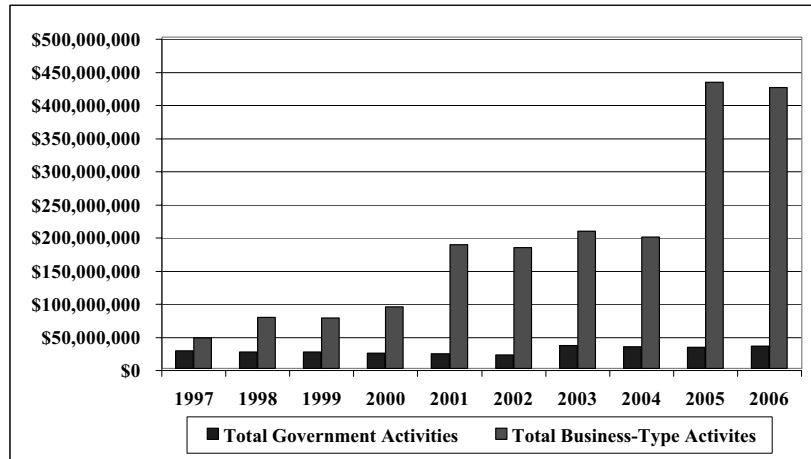
Note: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California.

(a) Levies include real and personal property.

(b) During fiscal year 1995 the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

Source: Placer County Department of Finance

**CITY OF ROSEVILLE**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**



Fiscal Year	Governmental Activities				Total
	Tax Allocation Bonds	Certificates of Participation	Installment Purchase Obligations	Other Long Term Obligations	
1997		\$22,290,000	\$3,996,276	\$114,423	\$26,400,699
1998		21,755,000	2,838,564	106,451	24,700,015
1999		21,200,000	3,915,965	98,010	25,213,975
2000		20,625,000	1,935,971	88,632	22,649,603
2001		20,025,000	1,582,504	78,779	21,686,283
2002		19,405,000	1,278,976	67,994	20,751,970
2003	\$ 14,500,000	18,755,000	1,077,800	11,716	34,344,516
2004	14,180,000	18,275,000	635,743	9,083	33,099,826
2005	13,960,000	17,710,000	306,140	6,250	31,982,390
2006	13,735,000	17,105,000	2,436,986	3,223	33,280,209

Fiscal Year	Business-Type Activities						Other Long Term Obligations	Total Primary Government	Percentage of Placer County Personal Income [a]	Debt Per Capita [a]
	Electric System Revenue	Golf Course Refunding Bonds	Water Utility Revenue	Wastewater Revenue Bonds	Sewer Serial Bond					
1997	\$5,455,000	\$9,250,000			\$5,085,000 [c]	\$248,893	\$20,038,893	\$46,439,592	6.83%	\$689
1998	10,395,000	9,095,000	\$33,000,000			241,925	52,731,925	77,431,940	10.25%	1,081
1999	8,995,000	8,930,000	33,000,000			234,607	51,159,607	76,373,582	9.15%	996
2000	29,175,000	8,755,000	31,960,000			226,924	70,116,924	92,766,527	10.14%	1,170
2001	27,665,000	8,575,000	30,875,000	\$97,384,118		218,857	164,717,975	186,404,258	18.99%	2,268
2002	26,980,000	8,385,000	29,750,000	96,346,762		210,387	161,672,149	182,424,119	17.87%	2,126
2003	40,774,524	8,185,000	28,575,000	95,155,022		201,493	172,891,039	207,235,555	18.93%	2,285
2004	35,808,204	8,240,000	27,350,000	93,738,248		192,155	165,328,607	198,428,433	16.63%	2,054
2005	273,325,043	7,945,000	26,075,000	92,390,603		182,351	399,917,997	431,900,387	[b]	4,226
2006	267,326,882	7,630,000	24,740,000	90,977,962		172,056	390,846,900	424,127,109	[b]	4,053

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.

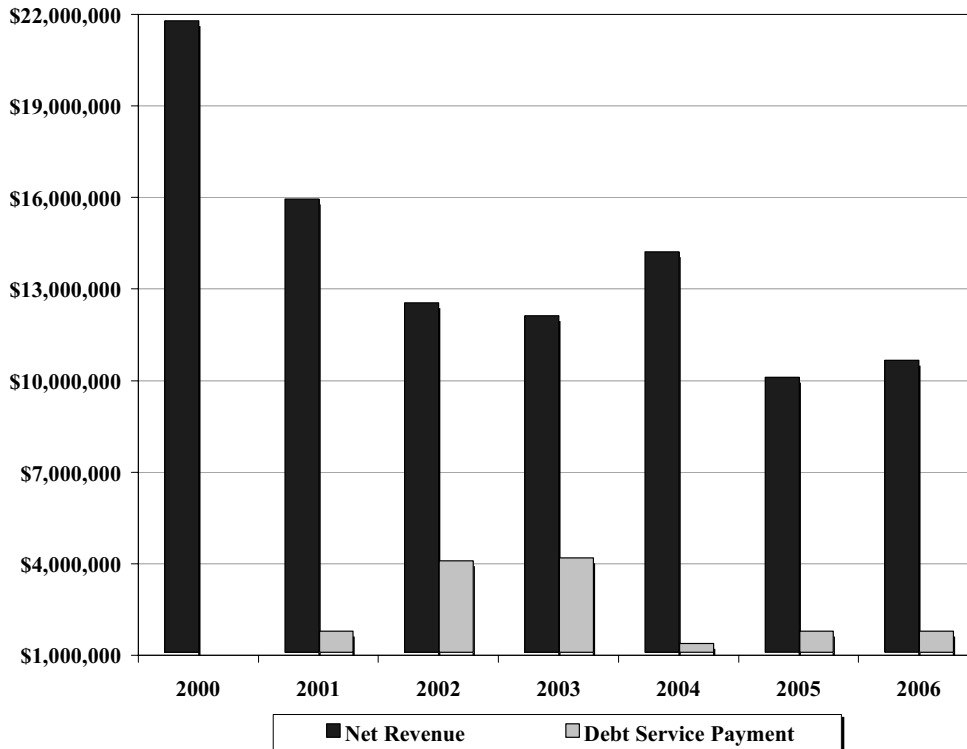
[a] These ratios are calculated using personal income and population as shown on the Demographics Statistics page.

[b] Total personal income information not available.

[c] Sewer Serial Bond obligation ended 12/1/2002.

Sources: The City's Comprehensive Annual Financial Reports  
State of California, Department of Finance (population)  
U.S. Department of commerce, Bureau of the Census (income)

**CITY OF ROSEVILLE  
REVENUE BOND COVERAGE  
2000 WASTEWATER REVENUE BONDS - SERIES A  
LAST SEVEN FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000	\$28,429,548	\$6,733,043	\$21,696,505	\$0	\$0	\$0	
2001	25,428,386	9,573,817	15,854,569	-	1,687,679	1,687,679	9.39
2002	24,695,978	12,245,420	12,450,558	1,037,356	2,955,498	3,992,854	3.12
2003	25,349,107	13,323,621	12,025,486	1,191,740	2,908,817	4,100,557	2.93
2004	24,313,564	10,199,806	14,113,758	1,237,785	50,867 *	1,288,652	10.95
2005	23,385,997	13,383,537	10,002,460	1,286,546	401,434	1,687,980	5.93
2006	25,000,567	14,436,863	10,563,704	1,337,999	347,589	1,685,588	6.27

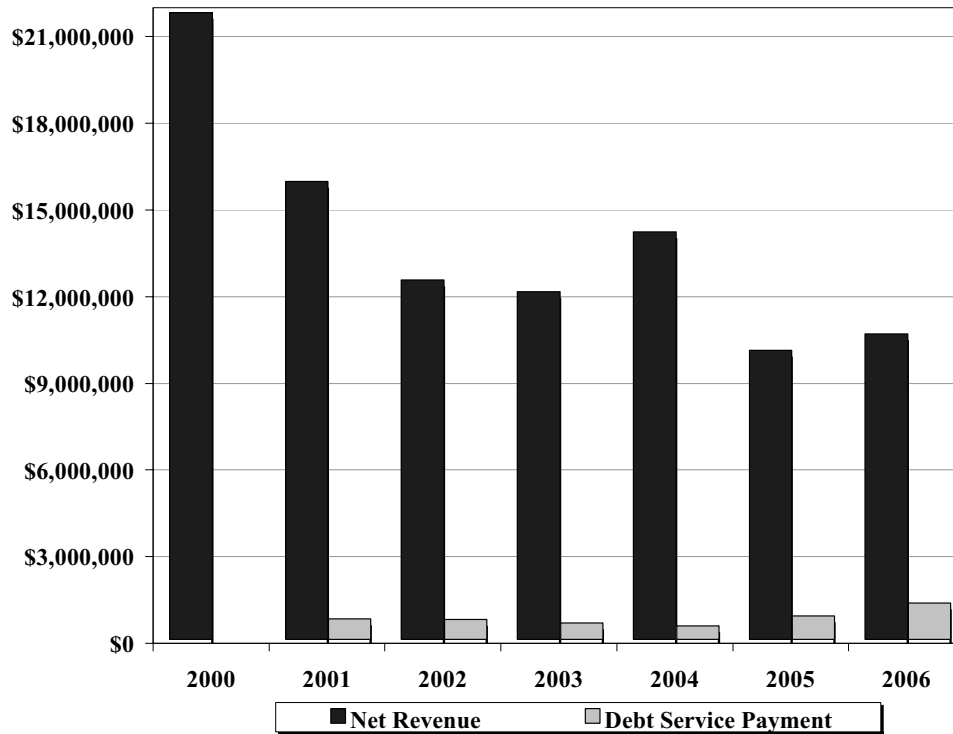
Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue

(2) Includes all Wastewater Operating Expenses less Depreciation and Interest

\* Refinanced with the 2003 Refunding Variable Rate Wastewater Revenue Bonds

Source: City of Roseville Annual Financial Statements

**CITY OF ROSEVILLE**  
**2000 VARIABLE RATE DEMAND WASTEWATER REVENUE BONDS - SERIES B**  
**LAST SEVEN FISCAL YEARS**



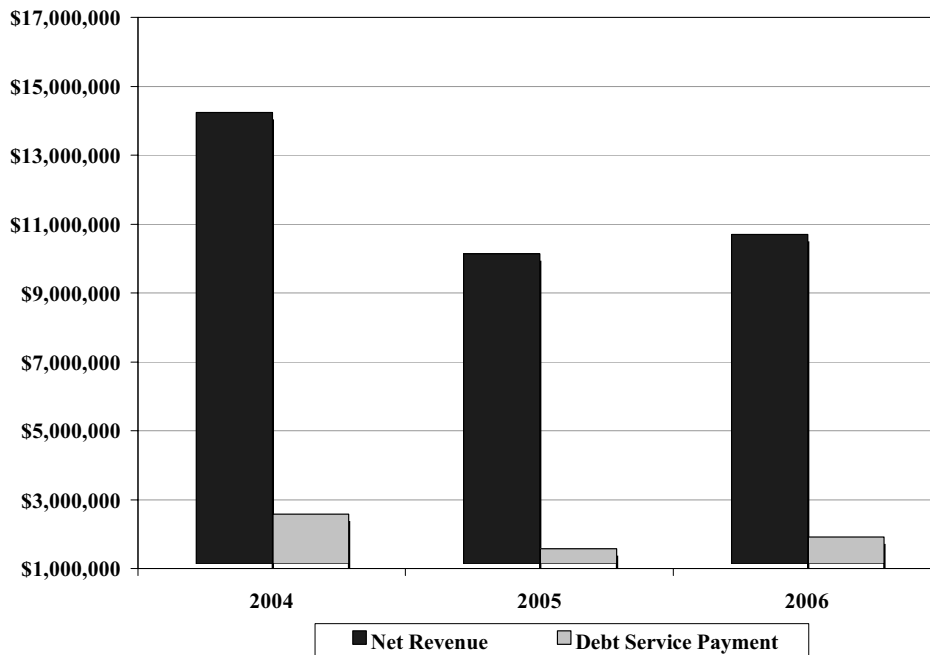
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2000	\$28,429,548	\$6,733,043	\$21,696,505	\$0	\$0	\$0	
2001	25,428,386	9,573,817	15,854,569	0	709,607	709,607	22.34
2002	24,695,978	12,245,420	12,450,558	0	699,238	699,238	17.81
2003	25,349,107	13,323,621	12,025,486	0	562,542	562,542	21.38
2004	24,313,564	10,199,806	14,113,758	0	464,168	464,168	30.41
2005	23,385,997	13,383,537	10,002,460	0	805,182	805,182	12.42
2006	25,000,567	14,436,863	10,563,704	0	1,252,978	1,252,978	8.43

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue  
(2) Includes all Wastewater Operating Expenses less Depreciation and Interest

Source: City of Roseville Annual Financial Statements



**CITY OF ROSEVILLE  
REVENUE BOND COVERAGE  
2003 REFUNDING AUCTION RATE-SYNTHETIC FIXED WASTEWATER REVENUE BOND  
LAST THREE FISCAL YEARS**

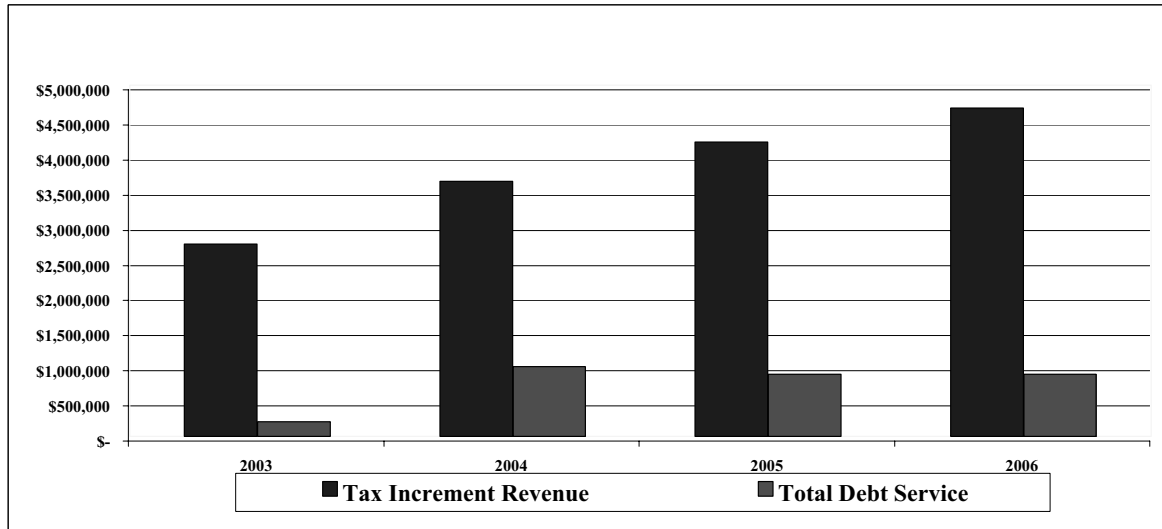


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$24,313,564	\$10,199,806	\$14,113,758	\$866,720	\$1,579,805	\$2,446,525	5.77
2005	23,385,997	13,383,537	10,002,460	325,020	1,120,561	1,445,581	6.92
2006	25,000,567	14,436,863	10,563,704	338,563	1,441,948	1,780,511	5.93

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues  
(2) Includes all Wastewater Operating Expenses less Depreciation and Interest

Source: City of Roseville Annual Financial Statements

**CITY OF ROSEVILLE**  
**2002 REDEVELOPMENT TAX ALLOCATION BONDS**  
**Last Three Fiscal Years**



Fiscal Year	Debt Service Requirements					Coverage
	Tax Increment Revenue	Principal Payment	Interest Due	Total Debt Service	Principal Outstanding	
2003	\$ 2,740,656.14	\$ -	\$ 205,692.08	\$ 205,692.08	\$ 14,500,000.00	13.32%
2004	3,630,050.00	320,000.00	674,550.00	994,550.00	14,180,000.00	3.65%
2005	4,190,987.00	220,000.00	666,450.00	886,450.00	13,960,000.00	4.73%
2006	4,673,904.00	225,000.00	659,775.00	884,775.00	13,735,000.00	5.28%

Source: City of Roseville Redevelopment Department

**CITY OF ROSEVILLE**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2006**

2005-06 Assessed Valuation:	\$13,814,355,842
Redevelopment Incremental Valuation:	<u>539,232,807</u>
Adjusted Assessed Valuation:	\$13,275,123,035

	Total Debt 6/30/2006	Percentage Applicable To City of Roseville (1)	Amount Applicable To City of Roseville
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Roseville Joint Union High School District	\$60,249,260	72.838%	\$43,884,356
Center Joint Unified School District	19,120,550	0.07200%	13,767
Rocklin Unified School District	89,220,692	0.013%	11,599
Dry Creek Joint School District	17,763,042	59.463%	10,562,438
Eureka Union School District	9,418,163	37.941%	3,573,345
Roseville City School District	39,203,085	97.636%	38,276,324
City of Roseville Community Facilities Districts	295,475,000	100.000%	295,475,000
City of Roseville 1915 Act Bonds	1,785,000	100.000%	1,785,000
California Statewide Communities Development Authority Assessment District No. 04-01	3,590,000	55.216%	1,982,254
California Statewide Communities Development Authority Assessment District No. 05-01	10,645,000	6.701%	713,321
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b><u>\$ 396,277,404</u></b>

<b><u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>			
Placer County Certificates of Participation	\$22,855,000	30.466%	\$6,963,004
Placer County Office of Education Certificates of Participation	2,885,000	30.466%	878,944
Sierra Joint Community College District Certificates of Participation	10,700,000	22.764%	2,435,748
Roseville Joint Union High School District Certificates of Participation	5,995,000	72.838%	4,366,638
Center Joint Unified School District	9,110,779	0.072%	6,560
Eureka Union School District Certificates of Participation	7,105,000	37.941%	2,695,708
Roseville City School District Certificates of Participation	18,825,000	97.636%	18,379,977
<b>City of Roseville Certificates of Participation</b>	<b>24,735,000</b>	<b>100.000%</b>	<b>24,735,000</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b><u>\$ 60,461,579</u></b>

**COMBINED TOTAL DEBT** **\$ 456,738,983** (2)

(1) Percentage of each overlapping agency's assessed valuation located within the boundaries of the city.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**Ratios to 2005-06 Assessed Valuation:**

Total Overlapping Tax and Assessment Debt 2.87%

**Ratios to Adjusted Assessed Valuation:**

**Combined Direct Debt (\$24,735,000)** **0.19%**

Combined Total Debt 3.44%

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0**

*Source: California Municipal Statistics, Inc.*

**CITY OF EXAMPLE**  
**COMPUTATION OF LEGAL BONDED DEBT MARGIN**  
**JUNE 30, 2006**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$13,337,959,442
---	------------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$500,173,479
---	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0
Amount of debt subject to limit	0

LEGAL BONDED DEBT MARGIN	\$500,173,479
--------------------------	---------------

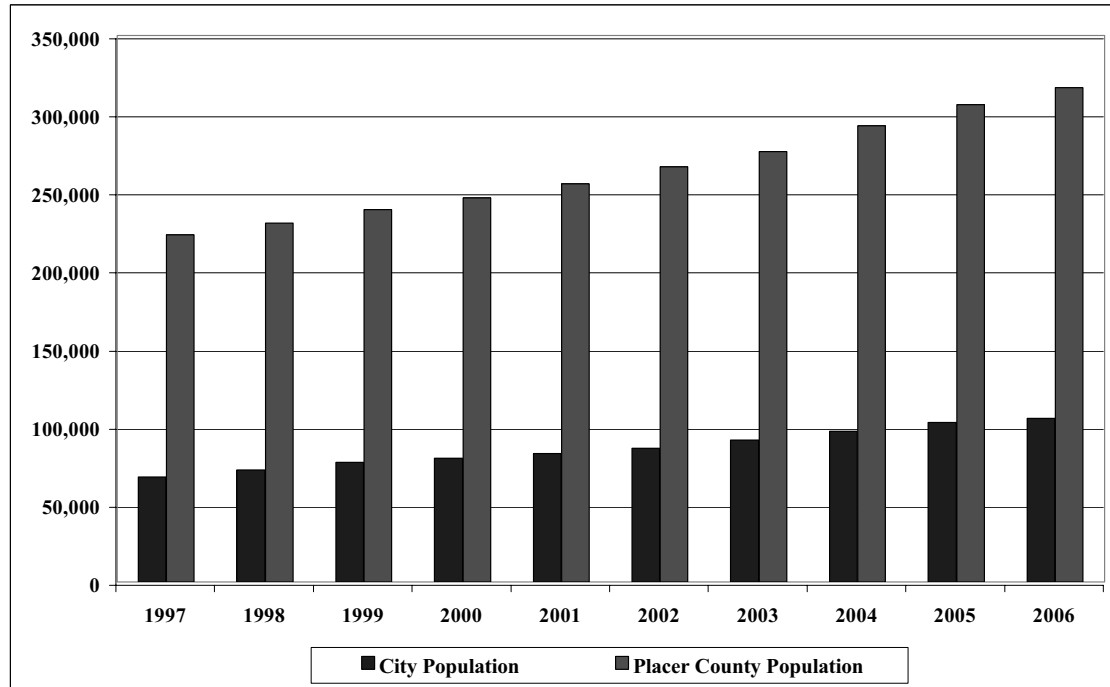
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2003	\$358,392,538	0	\$358,392,538	0.00%
2004	394,584,662	0	394,584,662	0.00%
2005	445,276,653	0	445,276,653	0.00%
2006	500,173,479	0	500,173,479	0.00%

NOTE: The City of Roseville began preparing a CAFR in fiscal year 2003.

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: City of Roseville Finance Department

**CITY OF ROSEVILLE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years**



Fiscal Year	City of Roseville Population	Placer County Total Personal Income (a)	Placer County Per Capita Personal Income	Unemployment Rate (%)	Placer County Population	City Population % of County
1997	67,400	\$ 6,797,591	\$ 30,597	4.9%	222,300	30.32%
1998	71,600	7,551,358	32,665	4.3%	229,700	31.17%
1999	76,700	8,346,248	34,642	3.4%	238,300	32.19%
2000	79,300	9,153,080	36,419	3.6%	246,100	32.22%
2001	82,200	9,815,673	37,066	3.9%	255,100	32.22%
2002	85,800	10,209,270	36,604	4.8%	265,700	32.29%
2003	90,700	10,946,842	37,303	4.9%	275,600	32.91%
2004	96,600	11,933,069	38,958	4.5%	292,235	33.06%
2005	102,191	(b)	(b)	4.0%	305,675	33.43%
2006	104,655	(b)	(b)	(b)	316,508	33.07%

(a) In thousands of dollars

(b) Information not available.

Source: Bureau of Economic Analysis and  
State of California Department of Finance  
State of California Employment Development Department

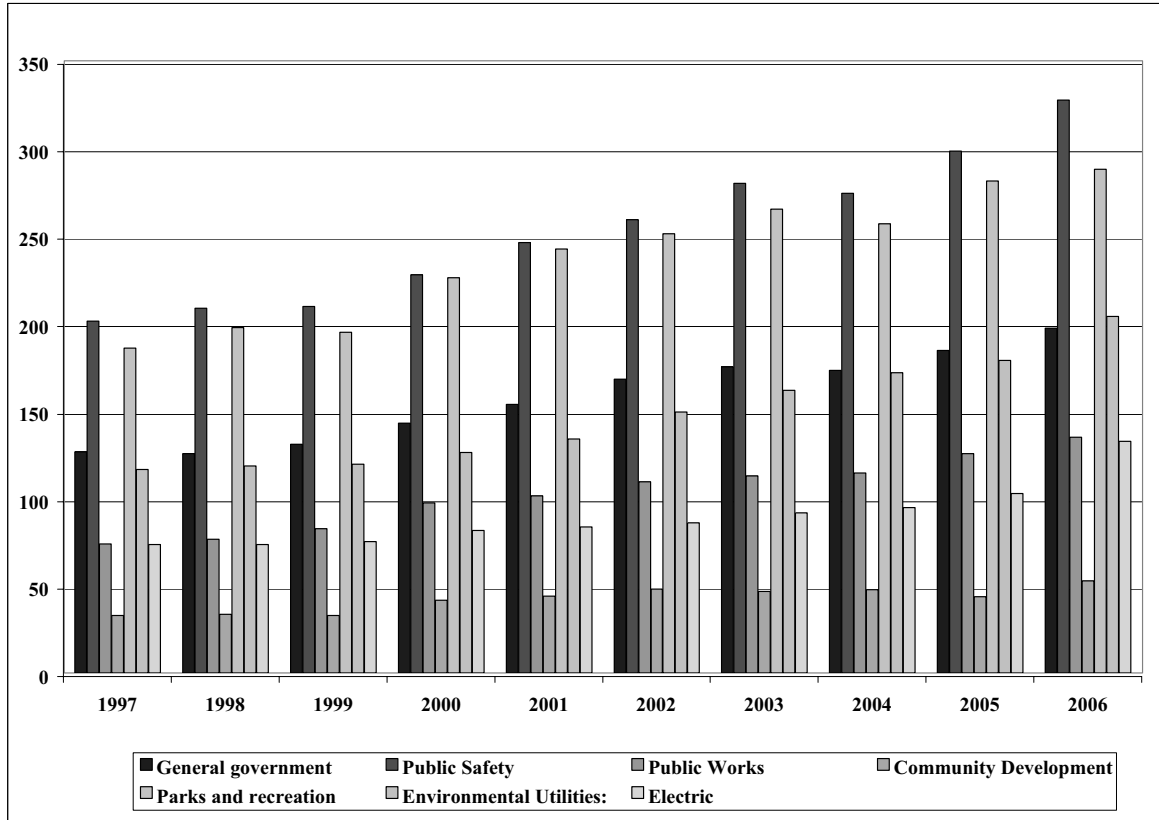
**CITY OF ROSEVILLE  
PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago**

<b>Employer</b>	<b>2006</b>			<b>1997</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employees</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employees</b>
Hewlett-Packard	3,857	1	4.9%	4,200	1	10.0%
Kaiser Permanente	3,062	2	3.9%	661	7	1.6%
Sutter Roseville Medical Center	1,922	3	2.5%	1,300	3	3.1%
Union Pacific Railroad	1,328	4	1.7%	1,038	4	2.5%
City of Roseville	1,233	5	1.6%	749	5	1.8%
Roseville Joint Union High School District	975	6	1.3%	515	8	1.2%
Roseville Elementary School District	840	7	1.1%	520	9	1.2%
NEC Electronics	800	8	1.0%	2,200	2	5.2%
PRIDE Industries	800	9	1.0%	-	-	-
Wal-Mart	690	10	0.9%	-	-	-
Roseville Communications	-	-	-	520	6	1.2%
Subtotal	15,507		19.9%	11,703		27.9%
Total Employment*	78,000			42,000		

\*Total Employment as used above represents the total employment of all employees located within the City limits.

*Source: City of Roseville Economic and Community Services Department*

**CITY OF ROSEVILLE**  
**FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**



Adopted for Fiscal Year Ended June 30,

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Function</b>										
General government	126.48	125.44	130.69	142.92	153.42	167.81	175.06	172.95	184.23	197.23
Public Safety	201.16	208.64	209.64	227.59	246.07	259.07	280.07	274.24	298.43	327.46
Public Works	73.70	76.50	82.50	97.31	101.29	109.29	112.54	114.29	125.29	134.77
Community Development	32.98	33.50	33.00	41.50	44.00	48.00	46.74	47.63	43.63	52.63
Parks and recreation	185.70	197.39	194.84	225.81	242.50	251.09	265.33	256.83	281.12	287.86
Environmental Utilities:	116.42	118.42	119.42	125.92	133.84	149.09	161.47	171.57	178.82	203.74
Electric	73.50	73.50	75.00	81.46	83.46	85.80	91.46	94.46	102.46	132.46
<b>Total</b>	<b>809.94</b>	<b>833.39</b>	<b>845.09</b>	<b>942.51</b>	<b>1,004.58</b>	<b>1,070.15</b>	<b>1,132.67</b>	<b>1,131.97</b>	<b>1,213.98</b>	<b>1,336.15</b>

Source: City of Roseville Annual Budget

**CITY OF ROSEVILLE**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Five Fiscal Years**

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Function/Program</b>					
Public safety:					
Fire:					
Number of medical emergencies answered	5,016	5,063	5,234	5,228	6,458
Number of Haz-Mat alarms answered	132	151	126	134	413
Total Number of alarms answered	7,675	7,730	8,390	8,023	9,784
Police:					
Law violations:					
Physical arrests (adult and juvenile)	4,460	4,652	4,120	5,578	7,602
Traffic citations	10,607	19,432	11,382	15,260	18,587
Public works:					
Total building permits issued	5,263	5,663	5,718	4,434	5,703
Total square feet of street maintenance performed	4,478,876	5,202,440	3,174,672	9,529,760	3,763,328
Park and recreation:					
Community Services:					
Number of participants in Cultural Art classes	5,029	4,767	6,582	3,029	3,447
Total attendance to aquatic facilities	309,995	331,561	361,104	271,377	234,542
Library:					
Number of materials checked out	490,676	508,809	510,421	554,174	627,317
Water:					
Average Daily Consumption (in gallons)	N/A	26.6M	28.77M	26.82M	27.26M
Number of meters sold	2,543	1,720	1,870	1,987	1,800
Number of backflow devices tested	2,905	3,644	3,817	4,122	3,836
Wastewater:					
Number of miles of sewer mains flushed	373	401	419	448	427
Total preventative work orders completed	2,667	2,599	2,192	3,107	7,065
Solid Waste:					
Number of incoming phone calls	22,621	37,954	37,943	22,684	23,672
Tons of solid waste collected	83,463	95,151	99,082	98,910	102,370
Electric:					
Number of customers participating in energy efficiency programs	2,682	1,231	2,124	2,793	3,123
Number of trees planted (Shade Tree Program)	1,175	1,065	836	625	621

Note: The Library totals include Main Library, Maidu Library and Bookmobile  
In 2002 & 2003 the wastewater treatment plant was still under construction

Source: City of Roseville Quarterly Performance Report



**CITY OF ROSEVILLE**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**Last Four Fiscal Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Function/Program</b>				
Public safety:				
Fire stations	6	6	7	7
Police stations	1	1	1	1
Police patrol units	63	75	97	110
Public works:				
Miles of streets	400	428	432	455
Number of Traffic Lights	134	133	135	141
Park and recreation:				
Community services:				
City parks	40	40	48	53
Miles of creek	n/a	57	57	60
Golf courses (18 holes)	2	2	2	2
Swimming pools	4	4	4	4
Tennis courts	12	12	12	12
Library:				
City Libraries	2	2	3	3
Water				
Miles of water mains	450	480	494	506
Fire hydrants	3,653	4,499	3,881	3,978
Wastewater				
Miles of sanitary sewers	600	600	460	447
Miles of storm drain	410	420	352	435
Solid Waste:				
Number of new residential refuse customers	2,137	1,490	1,062	705
Electric:				
Number of residential customers	38,054	40,312	41,883	43,001
Number of commercial customers	4,720	5,101	5,410	5,523

*Source: City of Roseville Department Staff*

This Page Left Intentionally Blank

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2007 Certificates, payment of principal, interest and other payments on the 2007 Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2007 Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the City nor the Trustee take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2007 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2007 Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2007 Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

**DTC and its Participants.** The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2007 Certificates. The 2007 Certificates will be delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the 2007 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Authority ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Authority, Government Securities Clearing Authority, MBS Clearing Authority, and Emerging Markets Clearing Authority, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC

system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

**Book-Entry Only System.** Purchases of the 2007 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2007 Certificates, except in the event that use of the book-entry system for the 2007 Certificates is discontinued.

To facilitate subsequent transfers, all 2007 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2007 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2007 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2007 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2007 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the 2007 Certificates may wish to ascertain that the nominee holding the 2007 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices are provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2007 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2007 Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or

voting rights to those Direct Participants to whose accounts the 2007 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the 2007 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the 2007 Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2007 Certificates at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

***Discontinuance of DTC Services.*** In the event that (a) DTC determines not to continue to act as securities depository for the 2007 Certificates, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Trustee to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the 2007 Certificates. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered 2007 Certificate for each maturity of the 2007 Certificates registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the trust agreement executed in connection with the 2007 Certificates. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the 2007 Certificates, then the 2007 Certificates will no longer be restricted to being registered in the bond registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the 2007 Certificates designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the 2007 Certificates will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the 2007 Certificates will be payable upon surrender thereof at the corporate trust office of the Trustee, (iii) interest on the 2007 Certificates will be payable by check mailed by first-class mail or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of 2007 Certificates received by the Trustee on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the 2007 Certificates

will be transferable and exchangeable as provided in the trust agreement executed in connection with the 2007 Certificates.

## **APPENDIX G**

### **SPECIMEN CERTIFICATE INSURANCE POLICY**

[THIS PAGE INTENTIONALLY LEFT BLANK]



# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

\_\_\_\_\_  
Assistant Secretary

[THIS PAGE INTENTIONALLY LEFT BLANK]

