

CITY OF RANCHO CORDOVA, CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

*Prepared by the Department of Finance
William J. Thomas, Chief Financial Officer*

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2005

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CITY OF RANCHO CORDOVA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Robert McGarvey
Mayor

David Sander
Vice Mayor

Linda Budge
Council Member

Ken Cooley
Council Member

Dan Skoglund
Council Member

February 6, 2006

To the Citizens of the City of Rancho Cordova:

It is with great pleasure that we present to you the City of Rancho Cordova's second Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles, generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America, by a firm of licensed certified public accountants.

For the fiscal year ended June 30, 2005, the City of Rancho Cordova has complied with recent pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement Number 34. Statement 34 established a new financial reporting model for state and local governments incorporating government-wide financial statements, in addition to the customary fund statement presentation. Reconciliations of the fund financial statements to the Statement of Net Assets and Statement of Activities are provided in the financial section of this report.

The new reporting model provides financial report users a narrative introduction, overview and analysis, to accompany the basic financial statements in the form of the Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City of Rancho Cordova's MD&A can be found in the financial section immediately following the reports of the independent auditors.

This report consists of management's representations concerning the finances of the City of Rancho Cordova. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Rancho Cordova has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rancho Cordova's financial statements. Because the cost of internal controls should not outweigh their benefits, the City of Rancho Cordova's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Richardson and Company, a firm of licensed certified public accountants, has audited the City of Rancho Cordova's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rancho Cordova, for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Rancho Cordova's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

CITY OF RANCHO CORDOVA PROFILE

The City of Rancho Cordova was incorporated on July 1, 2003 following a vote of the electorate in November 2002. The City is organized as a General Law City under the State of California. The City of Rancho Cordova encompasses 33.6 square miles in Sacramento County and has a population of 55,145. The City is adjacent to the City of Sacramento and is situated south of the American River that transverses Sacramento County.

The City operates under the Council-Manager form of government. The City Council is comprised of five members elected at large for staggered four-year terms of office. The first municipal election, subsequent to the incorporation, took place in November 2004 with three of the five seats up for election. The next election is scheduled for November 2006. The Mayor and Vice Mayor are selected by the Council from among its members to serve one-year terms. The City serves as the legislative and policy-making body of the City, enacting all laws and directing such actions as are required to provide for the general welfare of the community.

The City Manager, appointed by the City Council, serves as the Chief Executive Officer and is responsible to the City Council for the administration of all City affairs and the implementation of all policies established by the City Council. The City Attorney serves under contract to the City and is appointed by the City Council. All other department heads are appointed by the City Manager including the Chief Financial Officer. The Chief Financial Officer also serves as the Treasurer for the City and for the component units.

The City provides municipal services through contracts for street maintenance, legal, animal control, street sweeping, planning, code enforcement and law enforcement services. The contract for law enforcement services is with the Sacramento County Sheriff's Department. The contract for street maintenance is with the Sacramento County Public Works Department. The contract for Animal Control services is with the Sacramento County Animal Control Department transitioned to City operations in FY 2006. Other contracted services are provided by private companies. Fire protection is provided by the Sacramento Metro Fire District. Parks and recreation are provided by the Cordova Recreation District.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rancho Cordova operates.

The area which became the City of Rancho Cordova was initially built around two major industries – Mather Air Force Base and Aerojet Manufacturing. Mather Air Force Base supplied the air navigators for the Vietnam War while Aerojet was instrumental in the race to the Moon and supplier of the Cold War defense. With the closure of Mather Air Force Base in 1992 and the decline in the Cold War, the area reinvented itself as a business park center of Sacramento County. Today, approximately 62,000 employees work in the various office complexes in the area. The largest industry employers are in the professional and business services (14,000 employees), financial activities (13,000 employees) and wholesale and retail trade (11,000 employees).

Combined with this diverse employment base, the City is gearing up for a significant increase in residents as it expands its residential home base. The City expects that a minimum of 1,500 homes will be built per year for the next ten years. The number of homes actually built could be three times this figure. With the increase in residents, the City will become attractive for both new retail as well as the renovation of the existing retail base. This will increase what is already a strong sales tax base.

The regional Sacramento County economy remains strong. There has been no appreciable change in overall employment levels and a slight decrease in unemployment due to population growth. The unemployment rate has declined from 5.3% in April 2004 to 4.5% in April 2005. This is lower than the state's unemployment rate which was 6.2% and 5.2% respectively for the same time period. In the Sacramento Metropolitan Statistical Area (SMA), which includes Sacramento, El Dorado and Placer Counties, the total wage and salary employment increased by 11,600 jobs or 1.35% from July 2004 to July 2005? This number is expected to increase slightly for fiscal year 2005 – 2006 with the lifting of the hiring freezes by the State and Sacramento County, as well as additional job growth in the private sector. Overall the City's micro economy remains strong and is tracking the overall strong Sacramento County economy.

MAJOR INITIATIVES

The City, during its' second year of existence has made major strides in developing not only a community identity but also addressing long term needs of the community. This was accomplished while concurrently creating a staff to meet those needs.

- Two additional citizen committees were formed to provide input on issues related to traffic safety and economic development.
- The City Attorney's office successfully defended the City's first lawsuit.
- Successfully transitioned the City's first Police Department, including establishing a fleet, Police Department logo, goals and objectives.
- Issued Certificates of Participation in the amount of \$20.565 million that provided funds to acquire the City Hall and other real estate as well as provide funds to make major leasehold improvements to the buildings.

- Received a BBB+ rating from Standard and Poors for the Certificate of Participation that financed the acquisition of the City Hall. This rating allowed the City to receive insurance on the bond issue, resulting in projected savings of \$4.66 million over the 30-year life of the bonds.
- Negotiated the acquisition of 18.9 acre site that includes a historic cemetery, 30,000 square foot office building and 13.97 acres of developable land in the geographic center of the City.
- Completed human resource infrastructure that included the development of:
 - Job descriptions for City positions,
 - Mandated injury and illness prevention program,
 - Employee orientation and employee separation procedures,
 - Employee wellness program, and
 - Employee identification badge and security system.
- Created a citywide filing classification system including a record/document retention schedule.
- Successfully transitioned the Business License program from Sacramento County to the City.
- Completed a business license inventory that resulted in the identification of over 1,200 unlicensed businesses in the City.
- Successfully pursued and collected over \$200,000 in delinquent Transit Occupancy Taxes that were due from local hotels.
- Separated from the Sacramento Housing and Redevelopment Agency and formed a local Community Development Block Grant program with funding effective in January 2006.
- Began process to create a Redevelopment Agency.
- Purchased and began implementation of an integrated software system that included financial, business licensing, human resources, permit processing, and asset management.
- Implemented the crime prevention and neighborhood improvement components of the local “Weed n’ Seed” program by providing law enforcement services to the collaborative effort.
- Revitalized the Problem Oriented Policing (POP) Program with assignment of four POP officers to geographical regions within the City targeting gangs, drug violations, neighborhood nuisances and quality of life issues.
- Applied for and received a grant in the amount of \$485,000 from the Office of Traffic Safety to enhance traffic enforcement activities within the City.
- Initiated the creation of the City’s first General Plan.
- Participated in regional planning programs in support of City interests by providing ongoing representation at a number of regional organizations and programs.
- Worked with Sacramento County and Sacramento Area Council of Governments (SACOG) to develop an equitable division of housing obligations between the City and the County.
- Instituted enhanced shopping cart inventories resulting in a 70% reduction in abandoned carts in the City.
- Expanded the depth of zoning enforcement with emphasis on previously unresolved issues such as commercial corridors with special emphasis being placed on long-standing code violations.
- Implemented innovative public financing mechanisms including securing a loan in the amount of \$1,770,000 from SACOG for the City’s Road Rehabilitation Project.
- Developed the City’s Americans with Disabilities Act Transition Plan and City’s Pedestrian Master Plan.

- Implemented a new solid waste contract and transitioned from Sacramento County providing this service.

FINANCIAL INFORMATION

ANNUAL BUDGET. The City of Rancho Cordova operates on a fiscal year basis, beginning July 1st and ending June 30th. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation and adoption in June, prior to the beginning of the fiscal year.

The budget is submitted to the City Council by the last day in May. Budget hearings are then held in June. The budget is approved by resolution. Upon adoption by the City Council, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City's budgetary procedures are further discussed in the **Notes to the Basic Financial Statements**, which are located in the Financial Section of this report.

CASH MANAGEMENT, POLICIES AND PRACTICES. The City adopts an annual Investment Policy intended to provide specific criteria for the prudent investment of City funds. This Policy is in conformance with all Federal, State and local laws governing the investment of City funds. Cash temporarily idle during the year was invested in various securities, as permitted in the City's Investment Policy and state laws governing the deposit of public funds. The City's current Investment Policy was re-adopted by the City in June 2005.

The City ended the year with cash and investments of \$51.539 million, of which \$31.212 million is managed by the City Treasurer. Total accrued earnings were \$135,826. The estimated average interest rate as of June 30, 2005 was 2.85% compared to 3.29% for U.S. Treasury 91 day yields.

DEBT ADMINISTRATION. The City issued its first debt instrument in June 2005. The "2005 Certificates of Participation -- City Hall Facility Acquisition Project" were issued in the amount of \$20,565,000. These bonds were used to acquire the City Hall property as well as provide funds for leasehold improvements to the building. The first payment is due in February 2005. Special Tax Bonds have been issued under the Mello-Roos Community Facilities Act of 1982 in the amount of \$23.414 million. The City is not obligated in any manner for the repayment of the bonds and therefore they are not shown in the financial statements.

RISK MANAGEMENT. The City uses insured programs to finance its' property and casualty risk. The City contracts with the State Compensation Insurance Fund for Workers' Compensation insurance. The City is a member of CSAC Excess Insurance Authority which provides both insurance and pooled coverage. The City is self-insured to \$10,000 for liability related claims. The total coverage is \$5 million. The City has insurance policies for Boiler and Machinery, Property and Commercial Crime.

OTHER. Additional information concerning the finances of the City is contained in the Notes to the Basic Financial Statements. The City has refrained from duplicating information that is contained in the Management Discussion and Analysis (MD&A) or in the notes.

AWARDS AND ACKNOWLEDGEMENTS

AWARDS. The City was awarded the Certificate of Award for Outstanding Financial Reporting by the California Society of Municipal Finance Officers (CSMFO) for its CAFR. This Certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Award program's requirements and we are submitting it to the CSMFO to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS. This report could not have been prepared without the effort of the entire Finance Department staff. I would like to express my appreciation to all members including Liisa Behrends, Senior Accountant; Keith Misner, Accountant and Alex Miller, Senior Accounting Technician. I would also like to thank the Mayor, City Council and City Manager for their steadfast support for maintaining the highest standards of professionalism in the management of the City of Rancho Cordova's finances.

Respectively submitted,

William J. Thomas

William J. Thomas
Chief Financial Officer/Treasurer

California Society of Municipal Finance Officers

Certificate of Award

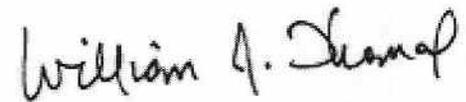
Outstanding Financial Reporting 2003-04

Presented to the

City of Rancho Cordova

*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, 2005

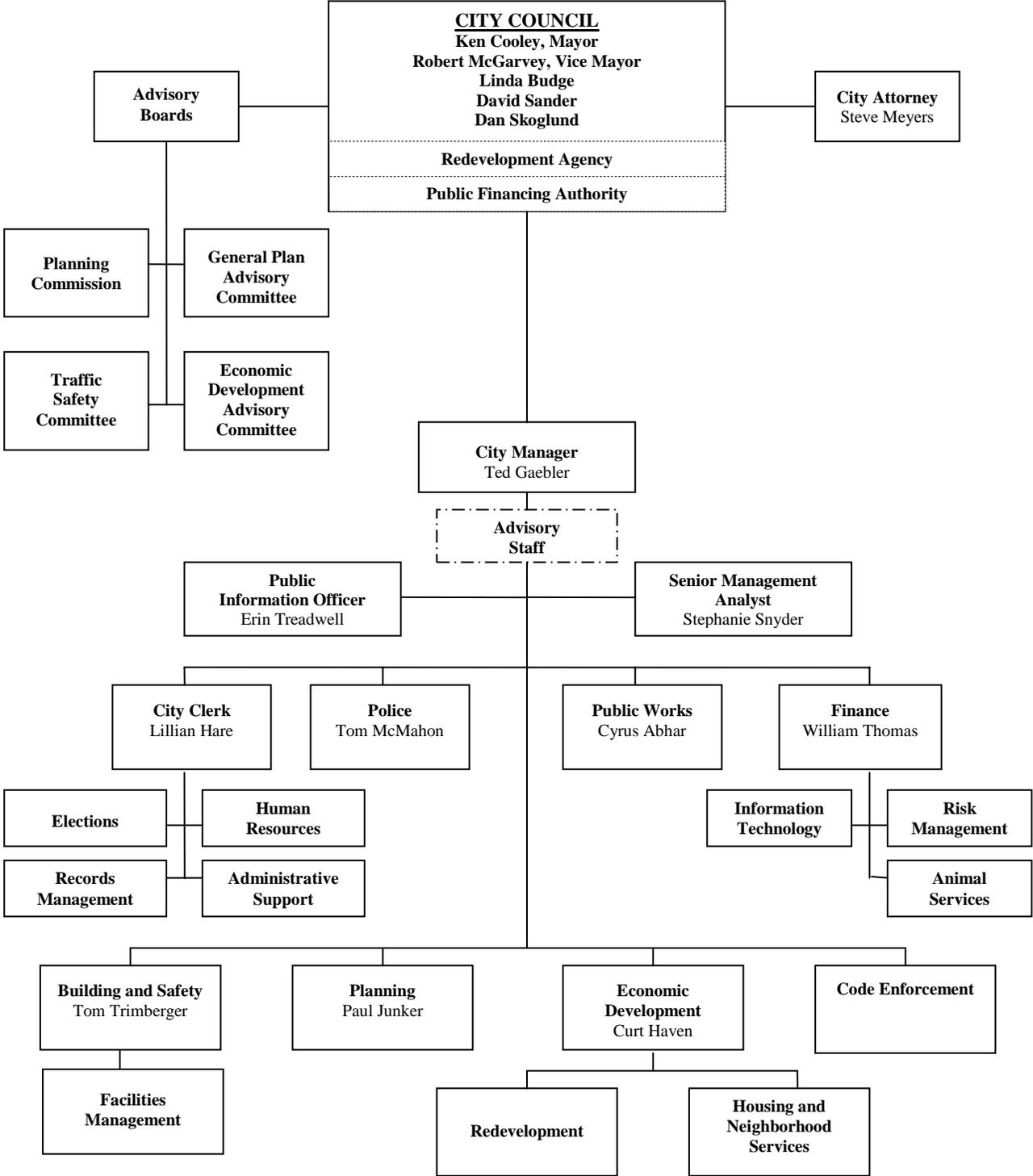


Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



Organizational Chart City of Rancho Cordova



CITY OF RANCHO CORDOVA

LIST OF PRINCIPAL OFFICIALS

ELECTED

Robert McGarvey
Mayor

David Sander
Vice Mayor

Linda Budge
Councilmember

Ken Cooley
Councilmember

Dan Skoglund
Councilmember

APPOINTED BY CITY COUNCIL

Ted Gaebler
City Manager

Steve Meyer
City Attorney

APPOINTED BY THE CITY MANAGER

Lillian Hare
City Clerk

Tom Trimberger
Building & Safety Official

William Thomas
Chief Financial Officer

Curt Haven
Economic Development Director

Tom McMahon
Police Chief

Paul Junker
Planning Director

Cyrus Abhar
Public Works Director

CITY OF RANCHO CORDOVA, CALIFORNIA
CITY COUNCIL



Robert J. McGarvey
Mayor



David Sander
Vice Mayor



Linda Budge
Council Member



Ken Cooley
Council Member



Dan Skoglund
Council Member

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Manager and
Members of the City Council
City of Rancho Cordova
Rancho Cordova, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rancho Cordova (the City) as of June 30, 2005, and for the year then ended, which collectively comprise the City's basic financial statements. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

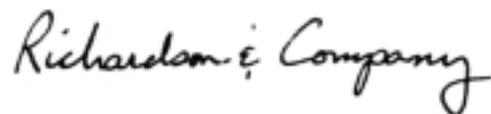
As discussed in Note N, a prior period adjustment to accrue revenue has been recorded during the year ended June 30, 2005.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2005 and the respective changes in financial position there of and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary 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 of the City. Such 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 and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



December 23, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This analysis of the City of Rancho Cordova, CA (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements.

The City has implemented all provisions of the Government Accounting Standards Board Statement Number 34 (GASB 34), "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", except for the valuation of existing infrastructure at incorporation. That will be completed in accordance with the exceptions permitted by GASB 34 (e.g. within three years or fiscal year 2003 – 2007). GASB 34 required municipalities to make fundamental changes in accounting and reporting in an effort to make government financial performance clearer and more understandable to readers. GASB 34 has required the City to make substantial changes to the financial statement format. Moreover, the City must provide more detailed discussion and analysis of its financial activities. This is particularly true of comparisons that now have to be provided. This is only the second year of operation for the City and therefore comparisons can only be made between FY 2004 and FY 2005. Subsequent CAFRs will provide additional comparisons as the financial history of this City unfolds. To obtain a complete picture of the City's financial condition, this document should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

The CAFR is presented in three sections:

- An *Introductory Section* which includes the Transmittal Letter and general information.
- The *Financial Section* which includes:
 - Auditor's Report
 - Management Discussion and Analysis
 - Basic Financial Statements; and
 - Combined Financial Statements and Schedules
- *Statistical Information*

FINANCIAL HIGHLIGHTS

- Total assets of the City exceeded its liabilities at June 30, 2005 by \$32.15 million (net assets). Of this amount, \$861,000 (unrestricted net worth) may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific City programs.
- The City' General Fund reported a surplus of \$5,175,785 for the year ending June 30, 2005, creating an ending fund balance of \$11,944,128.

- The resources available for appropriation were \$873,922 more than estimated (budget) for the General Fund (103.47%). The expenditures for the fund were \$4.61 million less than appropriated (budget) for the General Fund (83.7%).

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. *Over time, increases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.*

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 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 combined in a single column on each fund statement. The City of Rancho Cordova has only four Major Funds:

- General Fund
- Sunrise-Douglas Special Revenue Fund
- General Plan Fees Special Revenue Fund
- Finance Corporation Debt Service Fund

All other funds are considered to be Non-major Funds. Subordinate schedules present the detail of the Non-major Funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of these funds of the City can be divided into two categories: governmental funds and fiduciary funds. In addition, proprietary funds are used to report business type activities and internal service funds. The City of Rancho Cordova did not use proprietary funds in fiscal year 2005.

GOVERNMENTAL FUNDS - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provided a detailed short-term view of the City's general government operations and the basic services it provides. ***Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.***

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains various governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Sunrise-Douglas Special Revenue Fund, the General Plan Fees Special Revenue Fund and the Financing Corporation Debt Service Fund (the Major Funds). All of the remaining governmental funds are presented in the aggregate under the heading of Non-Major Governmental Funds. Individual fund data for each of the Non-Major Governmental Funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriation for its General Fund and certain of its Non-Major Funds. The basic financial statements include budgetary comparison statements for the General Fund.

FIDUCIARY FUNDS - These funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The basic fiduciary fund financial statements can be found immediately following the basic governmental fund financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that follows the notes to the basic financial statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented for all non-major Special Revenue Funds and Fiduciary Funds. These combining and individual fund statements and schedules can be found immediately following the notes to the basic financial statements.

This report also contains statistical information that may be useful to readers of this report. This information can be found in the last section of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

Net assets are a good indicator of the City's financial position. During this fiscal year, net assets of the City were \$32,154,047 which is an increase of \$25,002,709 from the prior year (450% increase).

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2004 and 2005. The City does not have any "business-type" activities.

At June 30, 2005, the largest portion of total assets (46.97%) consists of the City's cash and investments. Other major assets include funds due from other governmental agencies (10.48%) and capital assets (22.57%). Due from other governmental agencies is largely the result of lag time of building and developer revenues. Capital assets increased by \$13 million in FY 2004 – 2005 due to the

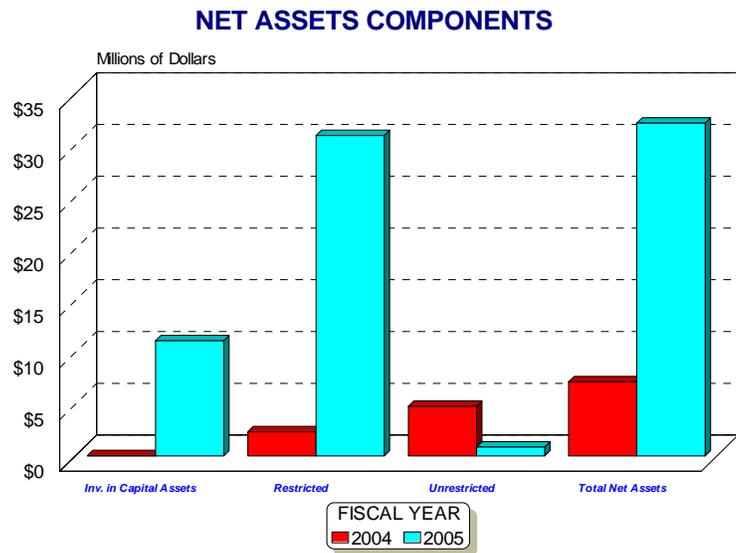
acquisition of the City Hall property. To meet current needs, the significant cash and investment reserves provide ongoing operating resources.

GOVERNMENTAL ACTIVITIES			
	2004		2005
Current Assets	\$ 11,296,322	\$	44,870,813
Capital Assets	<u>25,944</u>		<u>13,078,151</u>
Total Assets	<u>11,322,266</u>		<u>57,948,964</u>
Current Liabilities	2,410,695		3,897,306
Long-term Liabilities Outstanding	<u>1,760,233</u>		<u>21,897,611</u>
Total Liabilities	<u>4,170,928</u>		<u>25,794,917</u>
Net Assets:			
Invested in capital net of related debt	25,944		329,107
Restricted	2,321,085		30,963,342
Unrestricted	<u>4,804,309</u>		<u>861,598</u>
Total Net Assets	<u>\$ 7,151,338</u>	\$	<u>\$ 32,154,047</u>

The results of the City's second year of operation provided ending net assets of \$32,154,047 which was primarily due to surplus cash at year end. Restricted net assets are \$30,963,342 or 97.3% of total net assets. Restricted net assets are restrictions placed on the use of those funds by external parties. Their use is determined by those restrictions and agreements. The remainder of our net assets may be used at the City's discretion to meet ongoing activities.

For the years ended June 30, 2004 and 2005, the City reported positive balances in all three categories of net assets.

- The increase in the City's investment in capital assets was largely due to the purchase of the City Hall property at the end of the fiscal year.
- The increase in restricted net assets was largely due to a significant influx of developer impact fees which are restricted in their use.
- The City's unrestricted net assets declined primarily due to the increase in the acquisition of the City Hall complex at year-end.



STATEMENT OF ACTIVITIES

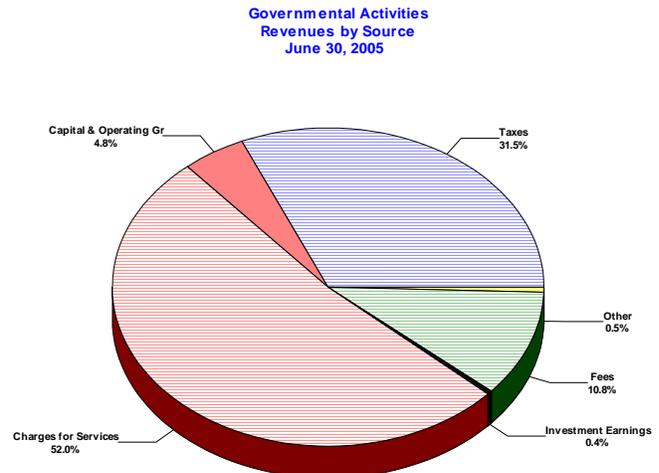
The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ending June 30, 2004 and 2005:

	Fiscal Year	
	2003 - 2004	2004 - 2005
Revenues:		
Program Revenues		
Charges for services	\$ 2,326,721	\$ 25,932,561
Operating grants & contributions	21,442	2,378,060
Capital grants & contributions	-	39,142
General Revenues:		
Taxes	15,982,736	15,684,889
Investment Earnings	16,056	187,954
Fees	4,401,351	5,401,716
Other	313,639	245,978
Total Revenues	<u>23,061,945</u>	<u>49,870,300</u>
Expenses:		
General Government	3,143,679	5,159,815
Community Development	2,285,042	4,055,329
Public Safety	8,978,634	12,935,511
Public Works	1,503,252	2,782,143
Interest on long-term debt	-	60,676
Total Expenses	<u>15,910,607</u>	<u>24,993,474</u>
Increase in Net Assets	<u>7,151,338</u>	<u>24,876,826</u>
Net Assets -- Beginning of Year	-	7,151,338
Prior Period Adjustment	-	125,883
Net Assets -- End of Year	<u>\$ 7,151,338</u>	<u>\$ 32,154,047</u>

The City's governmental activities (the City does not have business type activities) increased net assets by \$25.0 million, which was a 249% increase from the prior fiscal year. Key elements of this change were as follows:

Revenue Highlights

- Charges for services increased \$23.6 million in Fiscal Year 2004 – 2005 primarily due to the developer's deposits and impact fees.
- Operating grants and contributions increased by \$2.36 million in Fiscal Year 2004 – 2005 primarily due to Police Department grants and roadway improvement grants from the State and Federal governments.



- Motor Vehicle Fees and In-Lieu Property Taxes increased to \$4,606,840 as a result of Proposition 1A that provided ERAF funds to backfill the regular Motor Vehicle Fees
- Sales Tax revenue remained as a major revenue source during FY 2005 despite a slowdown in the overall economy. Total sales taxes collected were \$9,603,899 compared with \$9,427,805 in FY 2004 (1.8% increase).

Expense Highlights

Total expenses for governmental activities were \$24.99 million, \$9.08 million more than the prior fiscal year. Program revenues offset total expenditures as follows:

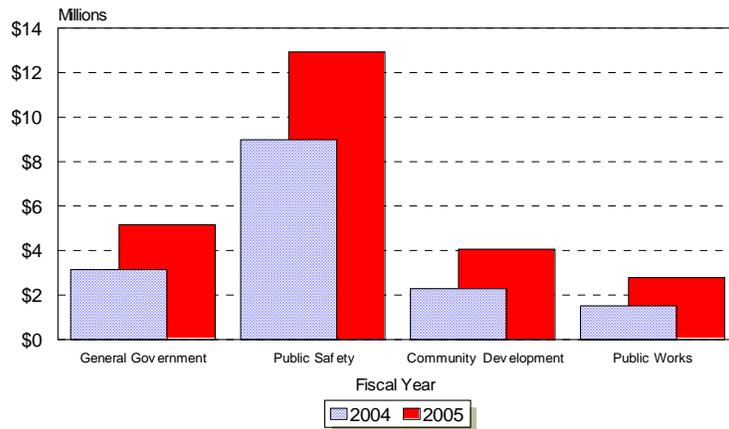
- Those who directly benefited from programs contributed \$25.932 million in charges for services.

- The City was able to fund some of its programs through operating grants and contributions from outside sources or other governments for a total amount of \$2.378 million.
- A total of \$39 thousand in capital projects was funded by outside agencies through capital grants and contributions.

As a result, total expenditures that were funded by *General Revenues* was reduced from \$13.362 million in FY 2004 to providing a surplus (program revenues exceeding expenses) of \$3.356 million in FY 2005.

Governmental Activities

Expenses by Function/Program



Functional expenses (excluding interest on debt) for the years ended June 30, 2004 and 2005 were as follows (amounts in millions):

	Total Cost of Service		Percent Change	Net (Cost) Revenue of Services		Percent Change
	2004	2005	2004 to 2005	2004	2005	2004 to 2005
General Government	\$ 3.14	\$ 5.16	64.33%	\$ (0.85)	\$ 9.43	-1209.41%
Public Safety	8.98	12.96	44.32%	(8.94)	(11.21)	25.39%
Community Development	2.29	4.06	77.29%	(2.29)	2.54	-210.92%
Public Works	1.50	2.78	85.33%	(1.48)	2.66	-279.73%
TOTAL	\$ 15.91	\$ 24.96	56.88%	\$ (13.56)	\$ 3.42	-125.22%

In total, the net cost of services decreased by over \$16 million as the City went from subsidizing the delivery of services by \$13.56 million in FY 2004 to a having a surplus of \$3.42 million for the FY 2005 operations. This was largely due to the collection of impact fees specifically in the Sunrise-Douglas development area. Highlights of FY 2005 changes include:

- Licenses, permits and fees which increased from \$1,838,107 in FY 2004 to \$23,045,059 in FY 2005. This was due to an increase in development activity in the City. Single family home permits increased from 309 in FY 2004 to 1,084 in FY 2005 (251% increase)
- The valuation of permits increased from \$99.7 million in FY 2004 to \$288.2 million in FY 2005 (189% increase). This increase further fueled the costs of permits issued in the City.
- Charges for services charged to City customers increased from \$1,185,736 in FY 2004 to \$2,459,677 (107% increase).

The net cost of Public Safety was increased from \$8.94 million in FY 2004 to \$11.21 million in FY 2005. This increase was due to the transition to a stand-alone Police Department from those services provided as part of the Sacramento County Sheriff's service to unincorporated areas.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the City's governmental funds is to provide information on near-term inflows; outflows and balances of spendable resources. Such information may be useful in assessing the City's financing requirements.

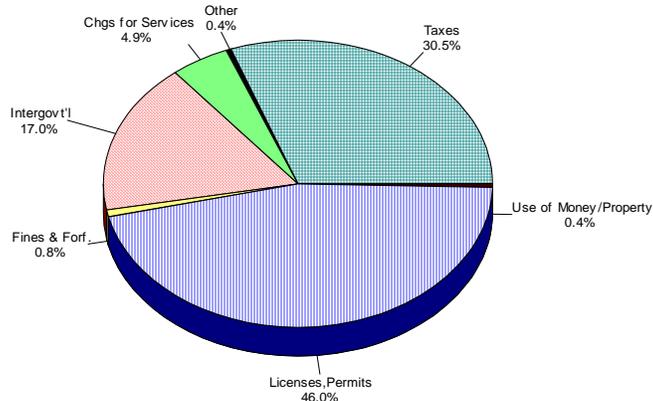
As of the end of the fiscal year 2004 – 2005, the City's governmental funds reported total combined ending fund balances of \$41.548 million, a net increase of \$32.33 million over the prior year of \$9.093 million. As discussed above, this was due primarily to a surplus of revenues over expenditures. Of this amount \$12.249 million (29.5%) is reserved to indicate that it is not available for appropriation because it had already been committed for various purposes (See Note A in the Notes to the Basic Financial Statements). The remaining

unreserved \$29.30 million is comprised of \$7.73 million in the General Fund, \$10.38 million in the Major Special Revenue Funds and \$11.26 million in the other Non-Major Governmental Funds. At June 30, 2005, unreserved fund balance in the General Fund was 35.43% of total expenditures and transfers out, while total fund balance for all governmental funds was 104% of total expenditures and transfers out.

The City's total revenues were \$50.073 million which represented an increase of \$27.214 million (190.53% increase). The primary revenue sources included Sales Taxes (\$9,603,899), Motor Vehicle In-Lieu Property Taxes and Payments (\$4,606,840),

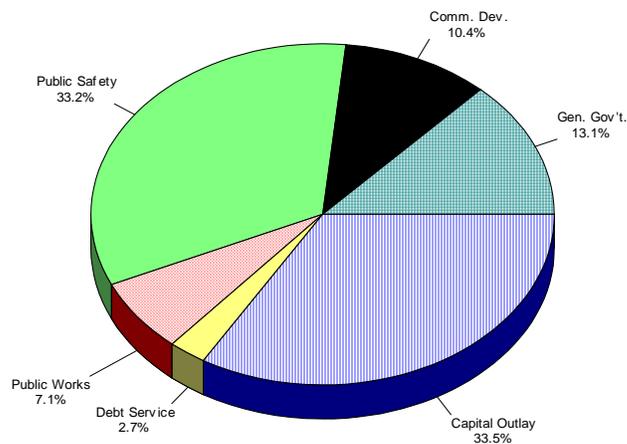
Property Transfer Taxes (\$2,697,012) and Building Permits (\$3,498,063). In addition to the regular sources of revenues, the City received \$19,529,484 in impact fees and other related development fees.

Governmental Funds - Revenues



The total cost of all programs and services was \$38,961,460 which represented an increase of \$23.08 million (145.33% increase). The Public Safety component, which includes both Police and Code Enforcement, was \$12,916,961 or 33.2% of total expenditures.

Governmental Funds - Expenditures



Capital outlay which main component was the purchase of the City Hall campus (\$12.5 million) was \$13,061,880 or 33.5%. Other expenditures within the governmental funds were:

- General Government - \$5,097,357
- Community Development - \$4,051,342
- Public Works - \$2,782,143
- Debt Service - \$1,051,777

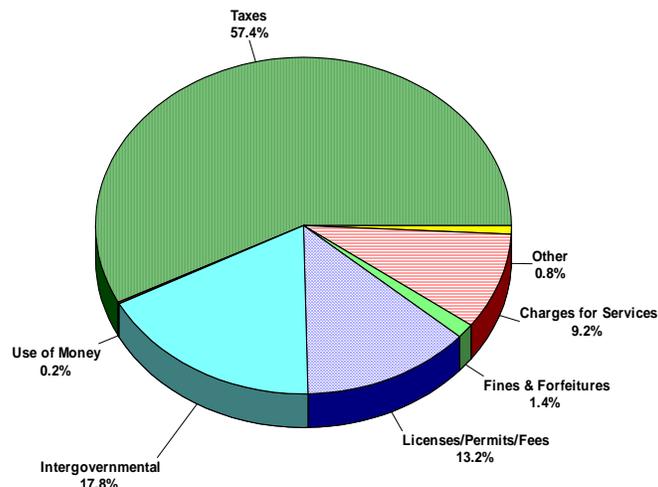
GENERAL FUND FINANCIAL INFORMATION

The General Fund is the chief operating fund of the City. At the end of fiscal year 2004 – 2005, the unreserved fund balance was \$7,730,782 while the total fund balance was \$11,944,128. As a measure of the General Fund’s liquid it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 35.4% of the total General Fund expenditures. The fund balance of the City’s General Fund increased by \$5.08 million in FY 2005. This compares to the first year General Fund-fund balance of \$6.87 million. This increase is primarily related to the significant increase in revenues associated with the Motor Vehicle In-Lieu Property Taxes as well as the vacancies in approved positions. Revenues increased by \$7.45 million in FY 2005 compared to FY 2004 representing a 38.94% increases. While expenditures increased to \$21.421 million in FY 2005 from \$14.389 million in FY 2004. The resulting surplus in FY 2005 remained constant to the surplus in FY 2004 (\$5,076,279 vs. \$6,867,849 respectively).

For the fiscal year ended June 30, 2005, cash and investments were \$6.729 million, while overall assets were \$14.043 million. Liabilities included accounts payable of \$1,176,739 due mainly to contract service companies. Other liabilities include deposits payable of \$856,404 million which consist of deposits by developers to cover the cost of processing their development plans.

Revenues for the General Fund have largely been discussed above. Sales Tax, Utility Users, Motor Vehicle In-Lieu and Transient Occupancy Taxes make up a sizeable majority of General Fund revenues. Additionally, fees for Planning services, building inspection and engineering

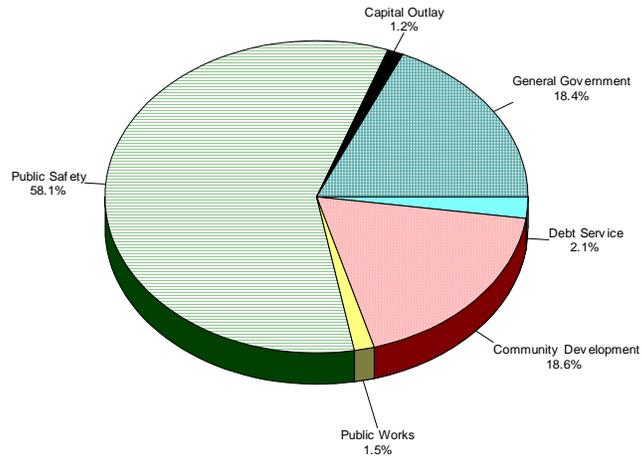
General Fund Revenues



services are designed to recover costs associated with these services when they apply to a certain development/developer. The City is currently analyzing those fees to provide total cost recovery for the service including overhead costs.

Expenditures from the General Fund also were discussed above. The major cost in this fund is for Public Safety. The City contracts with the Sacramento County Sheriff's Department for law enforcement costs. Monthly payments equal to 1/12 of the contract amount is paid to the Sheriff's Department.

General Fund Expenditures



Reconciliation between the contract amount and actual amounts is made semi-annually. Other costs include General Government. General Government includes the following departments: City Council, Advisory Boards, City Attorney, City Manager, City Clerk, Human Resources, Finance, and Economic Development. Total expenditures were \$3,947,290. Community Development, consisting of Planning, Building & Safety and Code Enforcement expended \$3,983,320. Public Works expenditures major expenditures are out of Special Revenue funds and their General Fund expenditure was \$318,921. Other expenditures included \$458,821 for debt service and \$260,296 for Capital Projects. Other normal General Fund activities including Fire and Parks and Recreation are performed by independent districts established to provide those services.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not amend its General Fund budget during the year. Differences and/or variances between what was budgeted and actual results are shown below. Total variance in the revenues was \$1.172 million while the variance between budget to actual for expenditures was \$4.207 million.

	Budget	Actual	Variance	Percentage - Variance as to Budget to Actual
Revenues:				
Taxes and Assessments	\$ 14,637,000	\$ 15,270,080	\$ 633,080	4.33%
Licenses, Permits & Fees	3,095,250	3,515,571	420,321	13.58%
Fines and Forfeitures	360,000	379,624	19,624	5.45%
Use of Money & Property	25,000	46,202	21,202	84.81%
Intergovernmental Revenues	3,755,000	4,720,968	965,968	25.72%
Charges for Services	3,695,059	2,459,677	(1,235,382)	-33.43%
Other Revenues and Transfers In	155,500	503,095	347,595	223.53%
Total Revenues	<u>25,722,809</u>	<u>26,895,217</u>	<u>1,172,408</u>	4.56%
Expenditures				
General Government	4,145,556	3,947,290	198,266	4.78%
Community Development	4,029,175	3,983,320	45,855	1.14%
Public Safety	14,135,319	12,452,298	1,683,021	11.91%
Public Works	2,031,150	318,921	1,712,229	84.30%
Debt Service	1,250,000	458,821	791,179	63.29%
Capital Outlay	435,000	260,296	174,704	40.16%
Transfers Out	-	397,992	(397,992)	n.a
Total Expenditures	<u>26,026,200</u>	<u>21,818,938</u>	<u>4,207,262</u>	16.17%
Excess/(Deficiency) of Revenues over Expenditures	<u>\$ (303,391)</u>	<u>\$ 5,076,279</u>	<u>\$ 5,379,670</u>	

As the City finished its second year, the ability to forecast both revenues and expenditures with increased accuracy took place. The City was within 4.56% of total revenues between what was estimated and what was actually received (compared to 26% variance in FY 2004). Areas of significant variances was in intergovernmental and charges for services. The former was understated since the full impact of the Motor Vehicle In-Lieu Property Taxes was not known at the time the budget was prepared. Actual revenues for charges for services fell short of estimates due to the delay in building as a result of the water issue. Once that was resolved, building activity picked up and continues in FY 2006.

Expenditure projections have also improved in FY 2005. The total expended in FY 2005 was \$4,207,262 less appropriated or 16.17% variance. This positive variance was due to staffing issues in Police (\$1.6 million savings) and the transfer of expenditures for Public Works from the General Fund to other Special Revenue funds (\$1.7 million savings). A positive variance in debt service was the result of the first year transition costs¹ provided savings in this category.

¹ During the first year of incorporation, Sacramento County provided Police, Street Maintenance and Business Licensing services to the City. The costs of these, the transition costs, will be amortized over 5 years. See Note F in the footnotes to the Basic Financial Statements.

FINANCIAL ANALYSIS OF OTHER NON-MAJOR GOVERNMENTAL FUNDS

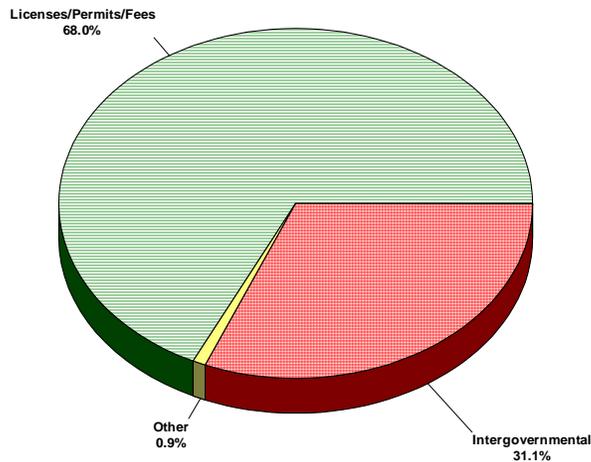
These funds, consisting mainly of Special Revenue Funds, were not of sufficient volume to warrant a “major-fund” designation. Special Revenue Funds that were budgeted included:

- Gas Tax Fund: The majority of funds were spent for Public Work related activity. The total received was \$1,354,149 of which \$85,466 was expended.
- Measure A Fund: These funds are used for street related projects. The total amount of these funds (\$1,552,594) was used to cover the costs of road maintenance and capital projects related to transportation infrastructure.

➤ There are several development “impact” fees that are collected by the City. These include the Community Facilities Fees (CFF) which are used to acquire community facilities. The City Hall campus was acquired and will be paid for by these types of funds.

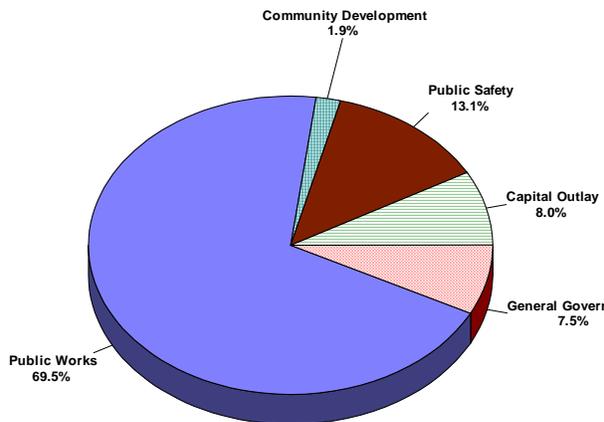
Additionally, the City has specific impact fees related to Traffic, the South-Douglas Specific Plan and the Villages of Zinfandel project.

Non-Major Special Revenue -- Revenues



These funds are specifically restricted to their use and several require that the City reimburse the developer a portion of their costs with these revenues. Other Non-Major Special Revenue Funds include: Very Low Income Housing, Community Development Block Grant,

Non-Major Special Revenue -- Expenditures



Environmental Mitigation, Transit District, Landscape & Lighting, Redevelopment, Asset Forfeiture, Park Development, Grants, Mather/50 Improvements, COPS, and the Sunrise/50 Reliever Interchange. The accompanying graphs provide the makeup of the revenues and expenditures associated with all Non-Major Special Revenue Funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The major capital asset was acquired in late June 2005 and consisted of the purchase of the City Hall campus for \$12,500,000. An additional \$7,000,000 has been programmed for leasehold improvements including furniture for the new City Hall. The campus consists of 92,000 square feet in two buildings. A one-story building is vacant and will be leased out in the future. The two-story building is the site of the new City Hall. Additional lease space will be available in this building.

The City has opted to utilize the GASB 34 exemption that allows infrastructure costs can be placed on the books up to three years after initial implementation of GASB 34. However, the City expects to complete that infrastructure valuation in the current fiscal year and include those assets in our fiscal year 2006 – 2007 CAFR.

Debt

The City issued a Certificate of Participation (COPs) through their Public Financing Authority in June 2005. The Public Financing Authority is a component unit of the City and exists to issue debt for City facilities. The bond issue of \$20.565 million will be paid from lease payments that the City will make to the Authority that is equal to the annual debt service payments. The first payment is due in February 2006.

The City applied to Standard and Poor for a bond rating prior to the issuance of the COPs. Standard and Poor, based on the available financial information that the City was able to supply to them issued a BBB+ rating for the issuance. As a result the City was able to obtain insurance on this issue with XL Assurance which provided an AAA insured rating. The City intends to maintain and improve the credit rating by Standard and Poor in the future.

At year end, there was one outstanding Mello Roos debt instrument during fiscal year 2004 – 2005. The City does not have liability for the payment of this bond. The City intends to issue at least one additional Mello Roos instrument in FY 2006, depending on needs of developers.

Further information concerning this debt issue is contained in the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's primary revenue resources are all potentially affected by economic factors or legislative action. Sales taxes, utility users taxes, transient occupancy taxes and property transfer taxes are all affected not only by the national economy but also by the local economy. A significant revenue source is Motor Vehicle In-Lieu Property Taxes. The state legislature approved a reduction in the Motor Vehicle fee that is paid by vehicle owners. Since cities shared in this revenue, the reduction adversely affected local revenues. As a result, cities brought forward a constitutional amendment that provides that the state shall make "whole" the loss of revenues caused by their actions. The state thus provides an "in-lieu" payment that funds this gap. However, the source of these funds is from funds that are limited in scope. Since this backfill is based solely on "assessed valuation of property", those cities that are growing will be eligible for increasing in-lieu payments. Since the majority of the state is still growing, it appears that revenue resources will be limited in the future.

Expenditures are expected to increase in future years however some of the major costs (City Hall and Capital Outlay) will be paid from non-general fund resources.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The CAFR 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 Finance Department, Office of the Chief Financial Officer at 2729 Prospect Park Drive, Rancho Cordova, CA 95670. This report will also be provided on the City's website at: www.cityofranchocordova.org under the Finance Department's page. Questions concerning any of the information contained in the CAFR should be addressed to the Chief Financial Officer, City of Rancho Cordova, 2729 Prospect Park Drive, Rancho Cordova, CA 95670 or at bthomas@cityofranchocordova.org.

BASIC FINANCIAL STATEMENTS

CITY OF RANCHO CORDOVA, CALIFORNIA

STATEMENT OF NET ASSETS

As of June 30, 2005

ASSETS		
Cash and investments		\$ 27,216,121
Receivables:		
Accounts receivable		527,314
Interest receivable		111,392
Other receivables		589,861
Due from other governmental agencies		6,072,463
Prepaid expenses and other assets		1,238,214
Deferred charges		592,956
Restricted cash with fiscal agent		8,522,492
Capital assets, net		13,078,151
	TOTAL ASSETS	<u>57,948,964</u>
LIABILITIES		
Accounts payable		1,604,705
Accrued payroll liabilities		65,515
Deposits payable		856,404
Accrued interest payable		24,867
Deferred revenues		202,803
Long term liabilities		
Due within one year		1,143,012
Due in more than one year		21,897,611
	TOTAL LIABILITIES	<u>25,794,917</u>
NET ASSETS		
Invested in capital assets, net of related debt		329,107
Restricted for:		
Sunrise Douglas development		11,135,427
City Hall facility improvements		6,982,580
Traffic mitigation		4,348,763
Community facilities		3,511,338
Road projects		2,396,183
Debt service		902,910
Park development		633,487
Environmental mitigation		606,387
Villages of Zinfandel development		216,862
Low income housing		149,820
Other projects		79,585
Unrestricted		861,598
	TOTAL NET ASSETS	<u>\$ 32,154,047</u>

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

CITY OF RANCHO CORDOVA, CALIFORNIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenue
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:				
General government	\$ 5,159,815	\$ 14,565,995	\$ 19,917	\$ 9,426,097
Public safety	12,935,511	1,120,660	565,747	(11,209,962)
Community development	4,055,329	6,351,179	240,250	2,536,100
Public works	2,782,143	3,894,727	1,552,146	2,664,730
Interest on long-term debt	60,676			(60,676)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 24,993,474	\$ 25,932,561	\$ 2,378,060	\$ 39,142
GENERAL REVENUES:				
Taxes:				
Property				717,685
Sales and use				9,603,899
Utility users				1,389,613
Gas				1,340,863
Transient occupancy				2,494,012
Other				138,817
Franchise fees				794,876
Vehicle license fees				4,606,840
Investment earnings				187,954
Other				245,978
			TOTAL GENERAL REVENUES	21,520,537
			CHANGE IN NET ASSETS	24,876,826
			Net assets at beginning of year, as previously reported	7,151,338
			Prior period adjustment	125,883
			Net assets at beginning of year, as previously reported	7,277,221
			NET ASSETS AT END OF YEAR	\$ 32,154,047

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

CITY OF RANCHO CORDOVA, CALIFORNIA
BALANCE SHEET - GOVERNMENTAL FUNDS

As of June 30, 2005

	<u>General Fund</u>	<u>Sunrise Douglas Special Revenue Fund</u>	<u>General Plan Fees Special Revenue Fund</u>
ASSETS			
Cash and investments	\$ 6,729,010	\$ 9,316,419	\$ 34,862
Receivables:			
Accounts receivable	527,314		
Interest receivable	10,532	43,953	
Other receivables	589,861		
Due from other governmental agencies	1,960,129	1,782,133	19,790
Due from other funds	1,847,077		
Advances to other funds	1,153,149		
Prepaid costs and other assets	1,225,714		
Restricted cash with fiscal agent			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 14,042,786</u>	<u>\$ 11,142,505</u>	<u>\$ 54,652</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,176,739	\$ 7,078	\$ 54,652
Accrued payroll liabilities	65,515		
Deposits payable	856,404		
Due to other funds			
Advances from other funds			753,149
Deferred revenues			
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>2,098,658</u>	<u>7,078</u>	<u>807,801</u>
FUND BALANCES			
Reserved for:			
Encumbrances	142,436		
Low and moderate income housing			
Advances to other funds	1,153,149		
Prepaid costs	1,225,714		
Capital projects			
Debt service	1,692,047		
Unreserved:			
Unreserved, reported in:			
General fund	7,730,782		
Special revenue funds		11,135,427	(753,149)
Capital projects funds			
Debt service funds			
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>11,944,128</u>	<u>11,135,427</u>	<u>(753,149)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,042,786</u>	<u>\$ 11,142,505</u>	<u>\$ 54,652</u>

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

Financing Corporation Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 11,135,830	\$ 27,216,121
		527,314
\$ 6,669	50,238	111,392
		589,861
	2,310,411	6,072,463
		1,847,077
		1,153,149
	12,500	1,238,214
<u>8,522,492</u>		<u>8,522,492</u>
<u>\$ 8,529,161</u>	<u>\$ 13,508,979</u>	<u>\$ 47,278,083</u>
	\$ 366,236	\$ 1,604,705
		65,515
		856,404
\$ 495,110	1,351,967	1,847,077
	400,000	1,153,149
<u>148,561</u>	<u>54,242</u>	<u>202,803</u>
<u>643,671</u>	<u>2,172,445</u>	<u>5,729,653</u>
		142,436
	149,820	149,820
		1,153,149
		1,225,714
6,982,580		6,982,580
902,910		2,594,957
		7,730,782
	11,225,636	21,607,914
	(38,922)	(38,922)
<u>7,885,490</u>	<u>11,336,534</u>	<u>41,548,430</u>
<u>\$ 8,529,161</u>	<u>\$ 13,508,979</u>	<u>\$ 47,278,083</u>

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CITY OF RANCHO CORDOVA, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

As of June 30, 2005

Fund balances - total governmental funds		\$ 41,548,430
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 13,093,013	
Less: accumulated depreciation	<u>(14,862)</u>	13,078,151
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term debt	(22,909,495)	
Compensated absences	<u>(131,128)</u>	(23,040,623)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds		(24,867)
Governmental funds report debt issuance costs (deferred charges) as part of debt services expenditures, whereas these amounts are deferred and amortized in the government-wide statements.		<u>592,956</u>
Net assets - governmental activities		<u><u>\$ 32,154,047</u></u>

CITY OF RANCHO CORDOVA, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	General Fund	Sunrise Douglas Special Revenue Fund	General Plan Fees Special Revenue Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
REVENUES			
Taxes and assessments	\$ 15,270,080		
Licenses, permits and fees	3,515,571	\$ 11,087,708	\$ 184,972
Fines and forfeitures	379,624		
Use of money and property	46,202	58,460	
Intergovernmental revenues	4,720,968		
Charges for services	2,459,677		
Other revenues	204,609		
TOTAL REVENUES	<u>26,596,731</u>	<u>11,146,168</u>	<u>184,972</u>
EXPENDITURES			
Current:			
General government	3,947,290	10,741	874,881
Community development	3,983,320		
Public safety	12,452,298		
Public works	318,921		
Debt service:			
Principal retirement	423,012		
Interest and fiscal charges	35,809		
Capital outlay	260,296		
TOTAL EXPENDITURES	<u>21,420,946</u>	<u>10,741</u>	<u>874,881</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,175,785	11,135,427	(689,909)
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt			
Transfers in	298,486		
Transfers out	(397,992)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(99,506)</u>		
NET CHANGE IN FUND BALANCES	5,076,279	11,135,427	(689,909)
Fund balances, beginning of year, as previously reported	6,867,849		(63,240)
Prior period adjustments			
Fund balances, beginning of year, as restated	6,867,849		(63,240)
FUND BALANCES, END OF YEAR	<u>\$ 11,944,128</u>	<u>\$ 11,135,427</u>	<u>\$ (753,149)</u>

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

Financing Corporation Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
		\$ 15,270,080
	\$ 8,256,808	23,045,059
	9,235	388,859
\$ 23,440	76,575	204,677
	3,778,923	8,499,891
		2,459,677
	448	205,057
<u>23,440</u>	<u>12,121,989</u>	<u>50,073,300</u>
	264,445	5,097,357
	68,022	4,051,342
	464,663	12,916,961
	2,463,222	2,782,143
		423,012
592,956		628,765
<u>12,517,332</u>	<u>284,252</u>	<u>13,061,880</u>
<u>13,110,288</u>	<u>3,544,604</u>	<u>38,961,460</u>
(13,086,848)	8,577,385	11,111,840
21,217,448		21,217,448
	421,148	719,634
<u>(245,110)</u>	<u>(76,532)</u>	<u>(719,634)</u>
<u>20,972,338</u>	<u>344,616</u>	<u>21,217,448</u>
7,885,490	8,922,001	32,329,288
	2,288,650	9,093,259
	<u>125,883</u>	<u>125,883</u>
	2,414,533	9,219,142
<u>\$ 7,885,490</u>	<u>\$ 11,336,534</u>	<u>\$ 41,548,430</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 32,329,288
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
Capital outlay	\$ 13,061,880
Depreciation expense	<u>(9,673)</u>
	13,052,207
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayment.	
	(20,794,436)
Governmental funds report debt issuance costs (deferred charges) as part of debt service expenditures, whereas these costs are deferred and amortized in the Government-wide Statement of Activities.	
	592,956
Some expenses reported in the Government-wide Statement of Activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.	
Change in accrued interest payable	(24,867)
Change in compensated absences	(75,322)
Revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period in the governmental funds. Revenue in the statement of activities is not limited by availability.	
	<u>(203,000)</u>
Change in net assets - governmental activities	<u><u>\$ 24,876,826</u></u>

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

CITY OF RANCHO CORDOVA, CALIFORNIA

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

For the Year Ended June 30, 2005

GENERAL FUND				Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes and assessments	\$ 14,637,000	\$ 14,637,000	\$ 15,270,080	\$ 633,080
Licenses, permits and fees	3,095,250	3,095,250	3,515,571	420,321
Fines and forfeitures	360,000	360,000	379,624	19,624
Use of money and property	25,000	25,000	46,202	21,202
Intergovernmental revenues	3,755,000	3,755,000	4,720,968	965,968
Charges for services	3,695,059	3,695,059	2,459,677	(1,235,382)
Other revenues	155,500	155,500	204,609	49,109
TOTAL REVENUES	<u>25,722,809</u>	<u>25,722,809</u>	<u>26,596,731</u>	<u>873,922</u>
EXPENDITURES				
Current:				
General government	4,145,556	4,145,556	3,947,290	198,266
Community development	4,029,175	4,029,175	3,983,320	45,855
Public safety	14,135,319	14,135,319	12,452,298	1,683,021
Public works	2,031,150	2,031,150	318,921	1,712,229
Debt service:				
Principal retirement	1,250,000	1,250,000	423,012	826,988
Interest and fiscal charges			35,809	(35,809)
Capital outlay	435,000	435,000	260,296	174,704
TOTAL EXPENDITURES	<u>26,026,200</u>	<u>26,026,200</u>	<u>21,420,946</u>	<u>4,605,254</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(303,391)	(303,391)	5,175,785	5,479,176
OTHER FINANCING SOURCES (USES)				
Transfers in			298,486	298,486
Transfers out			(397,992)	(397,992)
TOTAL OTHER FINANCING SOURCES (USES)			<u>(99,506)</u>	<u>(99,506)</u>
NET CHANGE IN FUND BALANCE	(303,391)	(303,391)	5,076,279	5,379,670
Fund balances, beginning of year	6,867,849	6,867,849	6,867,849	
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 6,564,458</u>	<u>\$ 6,564,458</u>	<u>\$ 11,944,128</u>	<u>\$ 5,379,670</u>

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

CITY OF RANCHO CORDOVA, CALIFORNIA

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS

As of June 30, 2005

	<u>Total Agency Funds</u>
ASSETS	
Cash and investments	\$ 5,180,277
Receivables:	
Interest receivable	24,434
Due from other governmental agencies	12,837
Restricted cash with fiscal agent	<u>11,803,248</u>
TOTAL ASSETS	<u>\$ 17,020,796</u>
LIABILITIES	
Accounts payable	\$ 1,156
Due to other governmental agencies	<u>17,019,640</u>
TOTAL LIABILITIES	<u>\$ 17,020,796</u>

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

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rancho Cordova (the City) was incorporated in May 2002, effective July 1, 2005, under the laws and regulations of the State of California. The City operates under a Council-City Manager form of government and provides the following services: public safety (Police), roads and streets, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity: The City operates as a self-governing local government unit within the State of California (the State). It has the authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, sales taxes, transient occupancy taxes and other intergovernmental revenue from the State and County. The property taxes collected within the City's limits are shared with the County beginning fiscal year 2003/04 and continuing through fiscal year 2033/34 with percentages varying each year from 2.5% to 61.2% retained by the City.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City's reporting entity includes the following blended component units:

Rancho Cordova Financing Corporation (the Corporation) - The Corporation is governed by a board comprised of the City's elected council. Bond issuance authorizations are approved by the City's council and legal liability for the Corporation's debt remains with the City. The Corporation provides services solely for the benefit of the City and is reported as a Debt Service Fund. No separate financial statements are issued for the Corporation.

Rancho Cordova Redevelopment Agency (the Agency) - The Agency was formed as a separate legal entity under the Community Redevelopment Law. The City Council acts as the governing board of the Agency in concurrent session. The City Manager acts as the Redevelopment Agency's executive director. The annual budget is approved by the Agency's Board of Directors. The State's redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a variety of public and private sources. The major source of financing to undertake redevelopment is a "tax increment." Tax increment is the additional property taxes that are paid on the value of new development within the redevelopment project area. This increment can then be leveraged for financial investments to fund the

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

identified projects. However, this tax increment revenue will not be available until fiscal year 2006/07, so the General Fund will fund the activities until that time. The Agency provides services entirely for the benefit of the City of Rancho Cordova and is presented as a Special Revenue Fund. No separate financial statements are issued for the Agency.

Basis of Presentation - Government-wide financial statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The City has no component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when reimbursable costs are incurred under the accrual basis of accounting.

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

Basis of Presentation--Fund Financial Statements: The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for each governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. Payable balances consist primarily of payables to vendors.

Taxes and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City.

The City reports the following major governmental fund types:

General Fund - The general fund is the City's primary operating fund. It is used to account for all activities of the general government, except those required to be accounted for in another fund. All general operating revenues not restricted in use are recorded in this fund.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sunrise Douglas Impact Fee Special Revenue Fund - Used to account for funds received from the Sunrise Douglas area, which are in addition to the other fees imposed. The fees relate specifically to improvements that will be required as a result of the development in that area.

General Plan Fees Special Revenue Fund - Used to account for funds received from development throughout the City to pay for the creation and ongoing maintenance of the City's General Plan.

Financing Corporation Debt Service Fund - Used to account for debt issued on behalf of the City.

Additionally the City reports the following fund types:

Special Revenue Funds - Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, local ordinance or Federal grant regulation to record particular operating or capital functions of the City.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, governmental activities debt principal and interest.

Capital Project Funds - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

Agency Funds - Agency Funds account for assets held by the City in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City's agency funds account for assets held by the City as an agent for bonded assessment districts.

Budgetary Information: The City Council annually adopts the budget resolution for all operating funds of the City. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30.

All budget amounts presented in the accompanying financial statements and supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations, except open project appropriations and unexpended grant appropriations, lapse at the end of each fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial. The budgetary data is prepared on the modified accrual basis consistent with the related "actual" amounts.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The City prepares its annual budget on a budgetary basis, which differs from GAAP. The budget and all transactions are presented in accordance with the budgetary basis in the Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) in order for the General Fund to provide a meaningful comparison of actual results with the budget. The City did not budget for the Sunrise Douglas Impact Fee Major Special Revenue Fund or the General Plan Fees Major Special Revenue Fund for the year ended June 30, 2005.

Investments: All investments are generally stated at fair value, unless amortized cost approximates fair value, in which case those investments would be stated at amortized cost.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions: Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables, as appropriate, and are referred to as either Due to/from other funds (i.e., the current portion of interfund loans) or Advances to/from other funds (i.e., the noncurrent portion of interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs are reported in the fund financial statements as a reservation of fund balance to indicate they do not constitute resources available for appropriation.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as an expenditure in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the City are stated at historical cost or estimated historical cost, if actual historical cost is not available. Although not required, the City will record its infrastructure assets as the information becomes available, but no later than June 30, 2007. Capital assets, which consist of equipment, are depreciated using the straight-line method over 5 years.

It is the City's policy to capitalize all land, structures and improvements and equipment, except assets costing less than \$5,000. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement. Proceeds from the sale of capital assets are included in the statement of revenues, expenditures and changes in fund balances of the related fund. Proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

Deposits Payable: Deposits payable consist of deposits received from developers to cover planning costs incurred by the City.

Long-term Obligations: In the government-wide financial statements, long-term debt is reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, incurred during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Compensated Absences: City employees are granted universal leave in varying amounts based on classification and length of service. City employees have vested interests in the amount of universal leave accrued and are paid on termination. Up to five days of universal leave may be cashed out in December of each year as long as the amount is not more than 50% of the employees leave balance. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The general fund is typically used to liquidate compensated absences.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes: The County of Sacramento is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due provided they are collected within 60 days after year-end.

Secured property taxes are levied on or before the first day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid on August 31.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property and assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments, penalties and interest during a fiscal year will revert to the County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue retained by the County under the revenue neutrality agreement. Under the Teeter Plan Code, 5% of the delinquency must remain with the County as a reserve for Teeter plan funding.

Net Assets: The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This category represents net assets of the City not restricted for any project or other purpose.

Fund Balance Reserves and Designations: In the governmental fund financial statements, fund balance reserves are those portions of the fund balance that are not available for appropriation or expenditure and/or are legally segregated for a specific future use. The following reserves and designations are used by the City.

Reserved for encumbrances - used to segregate that portion of fund balance to indicate that encumbrances do not represent available, spendable resources.

Reserved for low and moderate income housing - used to represent that portion of fund balance reserved for low and moderate income housing for the Redevelopment Agency.

Reserved for advances to other funds - used to indicate that the advances to other funds do not represent available, spendable resources even though they are components of assets.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserved for prepaid costs and other assets - uses to indicate that prepaid costs and other assets do not represent available, spendable resources even though they are components of assets.

Reserved for capital projects - represents debt proceeds held in reserve for City Hall facility improvements.

Reserved for debt service - represents an amount set aside to retire the debt owed to the County and amounts held in debt service reserves to retire the certificates of participation. This amount also represents a designation in the government-wide financial statements.

Designated for future debt service - represents that portion of fund balance designated for servicing of future debt issuances.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B--CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2005 are classified in the accompanying financial statements as follows:

Governmental activities:	
Cash and cash equivalents	\$ 27,216,121
Restricted cash with fiscal agent	8,522,492
Agency fund:	
Cash and cash equivalents	5,180,277
Restricted cash with fiscal agent	<u>11,803,248</u>
Total cash and investments	<u>\$ 52,722,138</u>

As of June 30, 2005, the City's cash and investments consisted of the following:

Cash on hand	\$ 750
Deposits in financial institutions	<u>1,182,798</u>
Total cash	1,183,548
California Asset Management Trust (CAMP)	9,504,003
Local Agency Investment Fund (LAIF)	31,207,608
Money market mutual fund	8,523,476
Investment Agreement	2,298,262
Financing Corporation bonds	<u>5,241</u>
Total investments	<u>51,538,590</u>
Total cash and investments	<u>\$ 52,722,138</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE B--CASH AND INVESTMENTS (Continued)

Investment policy: California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Money Market Funds	None	20%	None
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Bankers acceptances	180 days	40%	30%
High grade commercial paper	180 days	15%	None
Certificates of Deposit	1 year	20%	None
Negotiable certificates of deposit	None	30%	None
LAIF	N/A	None	\$40 million
Repurchase Agreements	30 days	20%	None
California Asset Management	N/A	None	\$40 million

The City complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The 2005 Certificates of Participation contains certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	None	None	None
U.S. Treasury Obligations	None	None	None
Municipal Obligations	None	None	None
Banker's Acceptances or Federal Funds	360 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates and Time Deposits	None	None	None
Repurchase Agreements**	30 days	None	None
Money Market Mutual Funds	None	None	None
Investment Agreement*	None	None	None
California Asset Management Program	None	None	None
Other Investments***	None	None	None

*Repurchase Agreement that exceeds 30 days must be acceptable to the Insurer.

**Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Insurer.

***Approved in writing by Insurer.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE B--CASH AND INVESTMENTS(Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair value of the City's investment (including investments held by Bond Trustee) to market interest rate fluctuation is provided by the following table that shows the distribution of the City's investments by maturity.

Type of Investment	Total	Remaining Maturity	
		12 Months or Less	More than 60 Months
LAIF	\$ 31,207,608	\$ 31,207,608	
Financing Corporation Bonds	5,241		\$ 5,241
Held by bond trustee:			
Money Market Mutual Funds	8,523,476	8,523,476	
CAMP	9,504,003	9,504,003	
Investment Agreements	<u>2,298,262</u>		<u>2,298,262</u>
	<u>\$ 51,538,590</u>	<u>\$ 49,235,087</u>	<u>\$ 2,303,503</u>

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization and the Financing Corporation Bonds, CAMP, the money market mutual funds are AAA rated. The underlying collateral for the investment agreements are rated AA.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2005 the carrying amount of the City's deposits was \$1,188,790, and the bank balance was \$3,352,306. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,252,306 was uninsured yet collateralized with securities held by the pledging financial institution at 110% of the deposits, in accordance with the State of California Government Code, but not in the City's name. As of June 30, 2005, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Reported Amount
Money market mutual funds	\$ 8,523,476
CAMP	9,504,003
Investment agreements	2,298,262
Financing Corporate Bonds	5,241

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE B--CASH AND INVESTMENTS(Continued)

Investment LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$60,503,473,770 managed by the State Treasurer. Of that amount, 97.6 percent is invested in non-derivative financial products and 2.4 percent in derivative financial products and structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in JPA Pool: The only investment in a JPA pool held by the City is the investment in the California Asset Management Trust (CAMP). CAMP was created under the provisions of the California Joint Exercise of Powers Act to provide professional investment management services and allows the participants to combine the use of a money market portfolio with an individually managed portfolio. CAMP is governed by a board of seven trustees, all of whom are officials or employees of public agencies. The money market portfolio offers daily liquidity and is rated Aam by Standard and Poors. To maintain the Aam rating, the portfolio's weighted average maturity may not exceed 70 days. The fair value of the City's position in CAMP is the same as the value of the pool shares.

NOTE C--RECEIVABLES

Accounts receivable consists of the following as of June 30, 2005:

Transient occupancy taxes	\$ 300,228
Franchise fees	114,625
Vendor	64,179
Utility taxes	<u>48,282</u>
	<u>\$ 527,314</u>

Due from other governments consists of the following as of June 30, 2005:

Sales taxes due from State	\$ 446,800
Motor vehicle fees due from State	735,759
Building permits, planning fees and fines due from County	435,706
Impact fees due from County	2,838,071
Utility taxes due from various other agencies	64,604
Property and related taxes due from County	151,541
Reimbursements due from County for police contracts	137,453
Miscellaneous amounts due from County	1,331
Grant amounts due from State and County	345,206
Gas taxes due from the State	122,524
Measure A tax due from the County	739,226
Transportation Development Act apportionment due from Sacramento Area Council of Governments	<u>54,242</u>
	<u>\$ 6,072,463</u>

CITY OF RANCHO CORDOVA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE D--CAPITAL ASSET

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Balance at June 30, 2005</u>
GOVERNMENTAL ACTIVITIES:			
Capital assets being depreciated:			
Land		\$ 2,569,725	\$ 2,569,725
Construction process		<u>245,110</u>	<u>245,110</u>
Total capital assets being depreciated		2,814,835	2,814,835
Capital assets, being depreciated			
Building		9,947,607	9,947,607
Office equipment and furniture	\$ 31,133	63,810	94,943
Software		195,000	195,000
Vehicles	<u> </u>	<u>40,628</u>	<u>40,628</u>
Total capital assets, being depreciated	31,133	10,247,045	10,278,178
Less accumulated depreciation for:			
Office equipment and furniture	<u>(5,189)</u>	<u>(9,673)</u>	<u>(14,862)</u>
Total accumulated depreciation	<u>(5,189)</u>	<u>(9,673)</u>	<u>(14,862)</u>
Total capital assets, being depreciated, net	<u>25,944</u>	<u>10,237,372</u>	<u>10,263,316</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 25,944</u>	<u>\$ 13,052,207</u>	<u>\$ 13,078,151</u>

Depreciation of \$9,673 during the year ended June 30, 2005 was charged to the general government function.

NOTE E--INTERFUND TRANSACTIONS

Interfund balances at June 30, 2005 are as follows:

Due to General Fund from:		
Financing Corporation		\$ 495,110
Nonmajor Governmental Funds		<u>1,351,967</u>
		<u>\$ 1,847,077</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances from General Fund to:		
General Plan Fees Fund		\$ 753,149
Nonmajor Special Revenue Fund		<u>400,000</u>
		<u>\$ 1,153,149</u>

CITY OF RANCHO CORDOVA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE E--INTERFUND TRANSACTIONS (Continued)

These balances represent long-term loans until impact fees and property taxes are received.

Transfer to General Fund from:		
Financing Corporation	\$	245,110
Nonmajor Special Revenue Funds		<u>53,376</u>
	<u>\$</u>	<u>298,486</u>
Transfer to Nonmajor Special Revenue Fund from:		
Non-major Special Revenue Fund	\$	<u>23,156</u>
Transfer to Nonmajor Capital Project Fund from:		
General Fund	<u>\$</u>	<u>397,992</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

NOTE F--LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2005:

	<u>Balance at</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
2005 Certificates of Participation		\$ 20,565,000		\$ 20,565,000	\$ 720,000
County debt	\$ 2,115,059		\$ (423,012)	1,692,047	423,012
Compensated absences	<u>69,806</u>	<u>61,322</u>	<u> </u>	<u>131,128</u>	<u> </u>
Total long-term liabilities	2,184,865	<u>\$ 20,626,322</u>	<u>\$ (423,012)</u>	22,388,175	<u>\$ 1,143,012</u>
Bond premium	<u> </u>			<u>652,448</u>	
	<u>\$ 2,184,865</u>			<u>\$ 23,040,623</u>	

Long-term debt consists of the following:

2005 Certificates of Participation: On June 15, 2005, \$20,565,000 Certificates of Participation were issued by the Rancho Cordova Financing Corporation to finance the acquisition and improvement of the new city administration facilities. To provide for repayment of the certificates, the City entered into an agreement to lease the administration facilities from the Rancho Cordova Financing Corporation. Principal payments of \$380,000 to \$1,215,000 are due annually on February 1 through February 1, 2035. Interest rates range from 2.60% to 5.00%

County Debt: The County of Sacramento performed police, animal control and street maintenance services on behalf of the City from July 1, 2003 through June 30, 2004. The City pre-paid the County \$3,500,000 during the year ended June 30, 2004 for these services. The County also retained property and sales tax collected within the City's limits and applied these amounts toward providing these services. As of June 30, 2005, the City's liability to the County is \$1,692,047 for the net remaining cost of these services. The City is required to make quarterly principal payments of \$105,753, through July 2009, plus simple interest at the County Treasury pool rate. The interest rate at June 30, 2005 was 2.328%, which can vary each quarter as the County Treasury pool rate changes.

CITY OF RANCHO CORDOVA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE F--LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding governmental activities debt as of June 30, 2005 are as follows:

Year Ending June 30:	1st Year Transition Costs		2005 Financing Corporation Certificates of Participation	
	Principal	Interest	Principal	Interest
	2006	\$ 423,012	\$ 35,209	\$ 720,000
2007	423,012	25,496	380,000	896,818
2008	423,012	15,783	390,000	886,748
2009	423,011	6,071	400,000	876,023
2010			415,000	864,023
2011-2015			2,275,000	4,114,675
2016-2020			2,725,000	3,659,195
2021-2025			3,390,000	2,992,250
2026-2030			4,340,000	2,054,750
2031-2035			5,530,000	856,500
	\$ 1,692,047	\$ 82,559	\$ 20,565,000	\$ 17,760,477

NOTE G--AGENCY BONDS PAYABLE

Special Tax Bonds have been issued under the Mello-Roos Community Facilities Act of 1982 to provide financial assistance to private-sector entities for the acquisition and construction infrastructure improvements deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received from special assessments. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there were Sunridge Anatolia Community Facilities District No. 2004-1 Special Tax Bonds outstanding, with a principal amount payable of \$23,415,000.

NOTE H--DEFICIT FUND BALANCE

The following funds have a fund deficit at June 30, 2005:

Fund	Deficit
Redevelopment Agency Fund	\$ (46,374)
Sunrise/50 Reliever Interchange Fund	(508,106)
Weed and Seed Grant Fund	(2,209)
General Plan Fees Fund	(753,149)
City Operations Facility Capital Project Fund	(38,922)
Landscaping and Lighting 2005-1 Fund	(12,489)

The deficit of the Redevelopment Agency Fund and Landscaping and Lighting 2005-1 Fund will be eliminated with future property tax revenue. The deficit of the Sunrise/50 Reliever Interchange Fund, General Plan Fees Fund and City Operations Facility Capital Projects Fund will be eliminated with future fee collections. The deficit in the Weed and Seed Grant Fund will be eliminated with future grant revenues.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE I--DEFINED BENEFIT PENSION PLANS

Plan Description: The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent full and part time City employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times their highest average monthly salary over twelve consecutive months of employment. Benefit provisions and all other requirements are established by state statute. The establishment and amendment of specific benefit provisions of the plan is authorized by resolution of the City Council. Copies of PERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy: Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2005 was 10.522% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For the year ending June 30, 2005, the City's annual pension cost of \$229,910 for PERS was equal to the City's required and actual contributions. The City entered PERS effective July 1, 2003. The required contribution was determined as part of the actuarial valuation calculated as of the entry date, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 14.45% for non-safety members, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period (smoothed market value). The PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization of the unfunded liability at June 30, 2004 is 14 years as of valuation date.

Three-year Trend Information for PERS

	<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage OF APC Contributed</u>	<u>Net Pension Obligation</u>		
	2004	\$ 20,125	100.00%	None		
	2005	229,910	100.00%	None		
					(Excess Assets) Unfunded Liability as of % of Covered Payroll	
<u>Actuarial Valuation Date</u>	<u>Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>(Excess Assets) Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>as of % of Covered Payroll</u>
June 30, 2004	\$ 1,253,005	\$ 19,893	\$ 1,233,112	.0158%	\$ 1,005,165	1.226%

CITY OF RANCHO CORDOVA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE J--INSURANCE

The City participates in the California State Association of Counties (CSAC) Excess Insurance Authority (CSAC EIA) a public entity risk pool of cities and counties within Northern California, for general liability insurance. Loss contingency reserves established by the CSAC EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. CSAC EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC EIA has never made an additional assessment and is currently fully funded. No provision has been made on these financial statements for liabilities related to possible additional assessments.

The City's self-insured retention level and maximum coverage under the CSAC EIA are as follows:

	Pool Coverage	Self-Insured Retention
Primary general liability	\$ 100,000	\$ 10,000
General liability	15,000,000	100,000

Property, boiler and machinery and workers compensation insurance are provided through commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past year.

NOTE K--CONTINGENT LIABILITIES

The City is a party to claims arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the City.

NOTE L--COMMITMENTS

The City and the County entered into a revenue neutrality agreement pursuant to Government Code §56845 as a means of mitigating the financial impacts of the incorporation of the City in 2004 on the County's general fund. A portion of the secured and unsecured ad valorem property taxes levied and collected pursuant to state law within the City's corporate limits are retained by the County, according to percentages outlined in the Tax Sharing Agreement. The percentage of taxes retained by the County ranges from 95% for the year ending June 30, 2005 to 38.80% for the year ending June 30, 2034. Any tax increment related to redevelopment project areas are excluded from this Tax Sharing Agreement. For the fiscal year ended June 30, 2005, property taxes retained by the County in accordance with the revenue neutrality agreement totaled \$6,544,089.

The City has an agreement with the County to provide law enforcement services to the City commencing July 1, 2005 and continuing until June 30, 2007. The cost of providing this service will be outlined in a service plan, which will be provided to the City annually. The service plan for fiscal year 2005/06 projected total costs of \$13,157,438.

The City has an agreement with the County to provide transportation operations and maintenance services beginning July 1, 2005 and continuing through June 30, 2007. The agreement is renewable annually through June 30, 2014. Under the agreement, the City is required to budget \$1,000,000 annually for these services and is required to expend a minimum of \$750,000 each year of the contract.

The City has an outstanding commitment with the contractors performing the improvement work on the new City Hall building. The outstanding commitment amount as of June 30, 2005 was \$11,390. The City entered into a contract for the traffic management pilot plan for which \$137,775 was undisbursed as of June 30, 2005.

CITY OF RANCHO CORDOVA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE M-- SUBSEQUENT EVENTS

On August 3, 2005, \$6,705,000 of Certificates of Participation were issued by the Financing Corporation for the purchase of an office building and seven adjacent parcels of vacant land at interest rates ranging from 3% to 5%.

NOTE N--PRIOR PERIOD ADJUSTMENTS

The City determined that the June 2004 gas tax revenue had not been accrued as of June 30, 2004. Adjustments were made as of July 1, 2004 to accrue this revenue. As a result of this adjustment, net assets and fund balance as of July 1, 2004 increased by \$125,883.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, governmental activities debt principal and interest.

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2005

	Special Revenue Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 11,135,830		\$ 11,135,830
Receivables:			
Interest receivable	50,238		50,238
Due from other governmental agencies	2,310,411		2,310,411
Prepaid costs and other assets	<u>12,500</u>		<u>12,500</u>
TOTAL ASSETS	<u>\$ 13,508,979</u>	<u>\$ -</u>	<u>\$ 13,508,979</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 366,236		\$ 366,236
Due to other funds	1,313,045	\$ 38,922	1,351,967
Advances from other funds	400,000		400,000
Deferred revenues	<u>54,242</u>		<u>54,242</u>
TOTAL LIABILITIES	<u>2,133,523</u>	<u>38,922</u>	<u>2,172,445</u>
FUND BALANCES			
Reserved for:			
Low and moderate income housing	149,820		149,820
Unreserved:			
Designated for capital improvements			
Undesignated, reported in:			
Special revenue funds	11,225,636		11,225,636
Capital projects funds		<u>(38,922)</u>	<u>(38,922)</u>
TOTAL FUND BALANCES	<u>11,375,456</u>	<u>(38,922)</u>	<u>11,336,534</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,508,979</u>	<u>\$ -</u>	<u>\$ 13,508,979</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes and assessments			
Licenses, permits and fees	\$ 8,256,808		\$ 8,256,808
Fines and forfeitures	9,235		9,235
Use of money and property	76,575		76,575
Intergovernmental revenues	3,778,923		3,778,923
Other revenues	448		448
TOTAL REVENUES	<u>12,121,989</u>	<u> </u>	<u>12,121,989</u>
EXPENDITURES			
Current:			
General government	72,641	\$ 191,804	264,445
Community development	68,022		68,022
Public safety	464,663		464,663
Public works	2,463,222		2,463,222
Capital outlay	39,142	245,110	284,252
TOTAL EXPENDITURES	<u>3,107,690</u>	<u>436,914</u>	<u>3,544,604</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,014,299	(436,914)	8,577,385
OTHER FINANCING SOURCES (USES)			
Transfers in	23,156	397,992	421,148
Transfers out	(76,532)		(76,532)
TOTAL OTHER SOURCES (USES)	<u>(53,376)</u>	<u>397,992</u>	<u>344,616</u>
NET CHANGE IN FUND BALANCES	8,960,923	(38,922)	8,922,001
Fund balances, beginning of year, as previously reported	2,288,650		2,288,650
Prior period adjustments	125,883		125,883
Fund balances, beginning of year, as restated	<u>2,414,533</u>	<u> </u>	<u>2,414,533</u>
FUND BALANCES, END OF YEAR	<u>\$ 11,375,456</u>	<u>\$ (38,922)</u>	<u>\$ 11,336,534</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, local ordinance or Federal grant regulation to record particular operating or capital functions of the City.

The Nonmajor Special Revenue Funds of the City are outlined as follows:

REDEVELOPMENT FUND - Accounts for property tax increment revenues net of the 20% set aside for low and moderate income housing. Accounts for expenses for furtherance of project area goals.

ASSET FORFEITURE FUND - Accounts for revenues and expenditures associated with the City's share of federally forfeited property derived from illegal activities.

VILLAGES OF ZINFANDEL FUNDS - Accounts for developer impact fees that are imposed on certain development. Includes both road impact and library impact fees that are to be spent in the specific development area.

COMMUNITY FACILITIES FEES - Community Facilities Fees are imposed on all future growth within the City limits. The funds will be used to construct municipal facilities that will serve the City's current as well as future populace.

LIBRARY IMPACT FUND - The funds will be used for library buildings, furnishings, equipment and books.

MUSEUM IMPACT FUND - The funds will be used to construct municipal facilities such as a building, furnishings and equipment.

PARKING FACILITY FUND - The funds will be used to finance and purchase of land.

CITY HALL FUND - The funds will be used to construct municipal facilities such as a new city hall building, land acquisition, equipment and furnishings.

POLICE FUND - The funds will be used to construct police station and the purchase of police vehicles.

COMMUNITY CENTER FUND - The funds will be used to construct municipal facilities, such as the construction of a community center building and the purchase of land.

CORPORATE YARD FUND - The funds will be used to construct a corporation yard building and the purchase of land.

PARK DEVELOPMENT FUND - Accounts for funds received from developers for the impact of development on existing parks and the need to build additional parks. The City charges a 3.75% administrative fee and then passes through the remainder to the Cordova Recreation and Park District (a Special District).

TRAFFIC MITIGATION - Established to account for the roadway fee imposed on the development of real property. The roadway fees for each district shall be used solely to finance the costs of facilities stated in the Sacramento County Roadway Analysis.

GAS TAX FUND - Established to account for revenues and expenditures on road related projects in the City of Rancho Cordova. Financing is provided by the City's share of the statewide tax on gasoline and other fuels.

GRANT FUNDS:

OFFICE OF TRAFFIC SAFETY GRANT FUND - Accounts for revenues and expenditures associated with the Office of Traffic Safety Grants received from the State of California.

WEED AND SEED GRANT FUND - Accounts for federal grant funds to provide resources to clean up (“weed”) and then provide ongoing maintenance (“seed”) to existing neighborhoods.

RECYCLING GRANT FUND - Accounts for funds received from the State of California to provide an enhanced recycling program in the City.

MATHER/50 FUND - Accounts for revenues and expenditures related to the Mather Field/Highway 50 interchange.

COPS FUND - Accounts for receipts and expenditures for the “Community Oriented Public Safety” funds provided by the State of California.

SUNRISE/50 RELIEVER INTERCHANGE FUND - Accounts for expenditures relating to the construction of a major interchange at Hwy 50 and Sunrise Boulevard. Funding will come from developer’s fees.

TRANSPORTATION DEVELOPMENT ACT FUND - Accounts for revenues and the associated expenditures of appropriated Transportation Development Act funds, which are restricted for public transit services or streets and roads projects.

VERY LOW INCOME HOUSING FUND - Established to account for tax increment revenues and the associated expenditures specifically set aside for affordable housing as mandated by law.

MEASURE A - Established to account for the one-half percent sales tax that is imposed in Sacramento County for transportation related projects.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) - Established to account for the federal grants received under the Housing and Community Development Act of 1974.

ENVIRONMENTAL MITIGATION - Established to account for developer fee revenues and expenditures related to the mitigation of habitat losses for the Swainson Hawk due to construction.

TRANSIT DISTRICT FUNDS - Established to account for the transit fee imposed on the development of real property. These transit fees should not have been sent to the City and so they have now been returned.

LANDSCAPING AND LIGHTING 2005-1 FUND - Accounts for funds received to mitigate the cost of maintaining public landscape areas in the majority of the City. This fund is being transferred from Sacramento County to the City and continued operation of the district will be dependent on voter approval in the future.

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

As of June 30, 2005

	Redevelopment Agency Fund	Asset Forfeiture Fund	Villages of Zinfandel Fund	Traffic Mitigation Fund
ASSETS				
Cash and investments	\$ 359,790	\$ 9,073	\$ 214,919	\$ 3,718,041
Receivables:				
Interest receivable		43	883	17,614
Due from other governmental agencies		199	1,060	624,157
Prepaid costs and other assets				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 359,790</u>	<u>\$ 9,315</u>	<u>\$ 216,862</u>	<u>\$ 4,359,812</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 6,164			\$ 6,500
Due to other funds				4,549
Advances from other funds	400,000			
Deferred revenues				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	406,164			11,049
 FUND BALANCES				
Reserved for:				
Low and moderate income housing				
Unreserved:				
Undesignated	(46,374)	\$ 9,315	\$ 216,862	4,348,763
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	(46,374)	9,315	216,862	4,348,763
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 359,790</u>	<u>\$ 9,315</u>	<u>\$ 216,862</u>	<u>\$ 4,359,812</u>

Community Facilities Fees Fund	Park Development Fund	Gas Tax Fund	Grant Revenue Fund	Mather/50 Fund	COPS Fund	Sunrise/50 Reliever Interchange Fund
\$ 3,168,761	\$ 543,945	\$ 2,264,376	\$ 8,379	\$ 5,419	\$ 90,703	
14,910	2,560	10,687				
334,533	89,022	122,524	159,892			
			12,500			
<u>\$ 3,518,204</u>	<u>\$ 635,527</u>	<u>\$ 2,397,587</u>	<u>\$ 180,771</u>	<u>\$ 5,419</u>	<u>\$ 90,703</u>	<u>\$ -</u>
\$ 6,866	\$ 2,040	\$ 1,404	\$ 3,466	\$ 5,419	\$ 26,552	\$ 117,914
			171,186			390,192
<u>6,866</u>	<u>2,040</u>	<u>1,404</u>	<u>174,652</u>	<u>5,419</u>	<u>26,552</u>	<u>508,106</u>
<u>3,511,338</u>	<u>633,487</u>	<u>2,396,183</u>	<u>6,119</u>		<u>64,151</u>	<u>(508,106)</u>
<u>3,511,338</u>	<u>633,487</u>	<u>2,396,183</u>	<u>6,119</u>		<u>64,151</u>	<u>(508,106)</u>
<u>\$ 3,518,204</u>	<u>\$ 635,527</u>	<u>\$ 2,397,587</u>	<u>\$ 180,771</u>	<u>\$ 5,419</u>	<u>\$ 90,703</u>	<u>\$ -</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

As of June 30, 2005

	Transportation Development Act Fund	Very Low Income Housing Fund	Measure A Fund	Community Development Block Grant Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments		\$ 148,877		
Receivables:				
Interest receivable		701		
Due from other				
governmental agencies	\$ 54,242	242	\$ 739,226	\$ 185,314
Prepaid costs and other assets				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 54,242</u>	<u>\$ 149,820</u>	<u>\$ 739,226</u>	<u>\$ 185,314</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable			\$ 166,557	\$ 19,054
Due to other funds			572,669	166,260
Advances from other funds				
Deferred revenues	\$ 54,242			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	54,242		739,226	185,314
 FUND BALANCES				
Reserved for:				
Low and moderate income housing		\$ 149,820		
Unreserved:				
Undesignated				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES		149,820		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 54,242</u>	<u>\$ 149,820</u>	<u>\$ 739,226</u>	<u>\$ 185,314</u>

Environmental Mitigation Fund	Landscape and Lighting 2005-1 Fund	Total Nonmajor Special Revenue Funds
\$ 603,547		\$ 11,135,830
2,840		50,238
		2,310,411
		12,500
<u>\$ 606,387</u>		<u>\$ 13,508,979</u>
	\$ 4,300	\$ 366,236
	8,189	1,313,045
		400,000
		54,242
	<u>12,489</u>	<u>2,133,523</u>
		149,820
<u>\$ 606,387</u>	<u>(12,489)</u>	<u>11,225,636</u>
<u>606,387</u>	<u>(12,489)</u>	<u>11,375,456</u>
<u>\$ 606,387</u>	<u>\$ -</u>	<u>\$ 13,508,979</u>

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	<u>Redevelopment Agency Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Villages of Zinfandel Fund</u>	<u>Traffic Mitigation Fund</u>
REVENUES				
Taxes and assessments				
Licenses, permits and fees			\$ 177,800	\$ 3,700,356
Fines and forfeitures		\$ 9,235		
Use of money and property		80	1,894	21,939
Intergovernmental revenues				
Other revenues				
TOTAL REVENUES		9,315	179,694	3,722,295
EXPENDITURES				
Current:				
General government				4,549
Community development	\$ 46,374			
Public safety				
Public works				70,457
Capital outlay				
TOTAL EXPENDITURES	46,374			75,006
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(46,374)	9,315	179,694	3,647,289
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
TOTAL OTHER SOURCES (USES)				
NET CHANGE IN FUND BALANCES	(46,374)	9,315	179,694	3,647,289
Fund balances, beginning of year, as previously reported			37,168	701,474
Prior period adjustments				
Fund balances, beginning of year, as restated			37,168	701,474
FUND BALANCES (DEFICITS), END OF YEAR	\$ (46,374)	\$ 9,315	\$ 216,862	\$ 4,348,763

CFF Fund	Park Development Fund	Gas Tax Fund	Grant Fund	Mather/50 Fund	COPS Fund	Sunrise/50 Reliever Interchange Fund
\$ 3,522,420	\$ 650,338					
27,944	4,797	\$ 13,286				
		1,340,863	\$ 484,811	\$ 60,000	\$ 100,853	
<u>3,550,364</u>	<u>655,135</u>	<u>1,354,149</u>	<u>484,811</u>	<u>60,000</u>	<u>100,853</u>	
6,866			11,589			
	21,648		427,961		36,702	
		85,466		82,881		\$ 508,106
			39,142			
<u>6,866</u>	<u>21,648</u>	<u>85,466</u>	<u>478,692</u>	<u>82,881</u>	<u>36,702</u>	<u>508,106</u>
3,543,498	633,487	1,268,683	6,119	(22,881)	64,151	(508,106)
				22,881		
				<u>22,881</u>		
3,543,498	633,487	1,268,683	6,119		64,151	(508,106)
(32,160)		1,001,617				
		125,883				
<u>(32,160)</u>		<u>1,127,500</u>				
<u>\$ 3,511,338</u>	<u>\$ 633,487</u>	<u>\$ 2,396,183</u>	<u>\$ 6,119</u>	<u>\$ -</u>	<u>\$ 64,151</u>	<u>\$ (508,106)</u>

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	Very Low Income Housing Fund	Measure A Fund	Community Development Block Grant Fund	Environmental Mitigation Fund
REVENUES				
Taxes and assessments				
Licenses, permits and fees	\$ 67,077			\$ 138,817
Fines and forfeitures				
Use of money and property	1,313			5,322
Intergovernmental revenues		\$ 1,552,146	\$ 240,250	
Other revenues		448		
TOTAL REVENUES	68,390	1,552,594	240,250	144,139
EXPENDITURES				
Current:				
General government				5,197
Community development				
Public safety				
Public works		1,476,062	240,250	
Capital outlay				
TOTAL EXPENDITURES		1,476,062	240,250	5,197
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	68,390	76,532		138,942
OTHER FINANCING SOURCES (USES)				
Transfers in		275		
Transfers out		(76,532)		
TOTAL OTHER SOURCES (USES)		(76,257)		
NET CHANGE IN FUND BALANCES	68,390	275		138,942
Fund balances, beginning of year, as previously reported	81,430	(275)		467,445
Prior period adjustments				
Fund balances, beginning of year, as restated	81,430	(275)		467,445
FUND BALANCES (DEFICITS), END OF YEAR	\$ 149,820	\$ -	\$ -	\$ 606,387

Transit District Fund	Landscape and Lighting 2005-1 Fund	Total Non-Major Special Revenue Funds
		8,256,808
		9,235
		76,575
		3,778,923
		448
		<u>12,121,989</u>
\$ 31,951	\$ 12,489	72,641
		68,022
		464,663
		2,463,222
		39,142
<u>31,951</u>	<u>12,489</u>	<u>3,107,690</u>
(31,951)	(12,489)	9,014,299
		23,156
		(76,532)
		<u>(53,376)</u>
(31,951)	(12,489)	8,960,923
31,951		2,288,650
		125,883
<u>31,951</u>		<u>2,414,533</u>
<u>\$ -</u>	<u>\$ (12,489)</u>	<u>\$ 11,375,456</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
 VILLAGES OF ZINFANDEL (VOZ) SPECIAL REVENUE FUNDS

As of June 30, 2005

	<u>VOZ Roadway Fund</u>	<u>VOZ Admin Fund</u>	<u>VOZ Library Fund</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 97,104	\$ 6,355	\$ 111,460	\$ 214,919
Receivables:				
Interest receivable	399	26	458	883
Due from other governmental agencies	<u>448</u>	<u>30</u>	<u>582</u>	<u>1,060</u>
TOTAL ASSETS	<u>\$ 97,951</u>	<u>\$ 6,411</u>	<u>\$ 112,500</u>	<u>\$ 216,862</u>
 LIABILITIES AND FUND BALANCES				
FUND BALANCES				
Unreserved:				
Undesignated	<u>\$ 97,951</u>	<u>\$ 6,411</u>	<u>\$ 112,500</u>	<u>\$ 216,862</u>
TOTAL FUND BALANCES	<u>97,951</u>	<u>6,411</u>	<u>112,500</u>	<u>216,862</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 97,951</u>	<u>\$ 6,411</u>	<u>\$ 112,500</u>	<u>\$ 216,862</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 VILLAGES OF ZINFANDEL (VOZ) SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	<u>VOZ Roadway Fund</u>	<u>VOZ Admin Fund</u>	<u>VOZ Library Fund</u>	<u>Totals</u>
REVENUES				
Licenses, permits and fees	\$ 74,382	\$ 6,355	\$ 97,063	\$ 177,800
Use of money and property	856	56	982	1,894
TOTAL REVENUES	<u>75,238</u>	<u>6,411</u>	<u>98,045</u>	<u>179,694</u>
NET CHANGE IN FUND BALANCES	75,238	6,411	98,045	179,694
Fund balances, beginning of year	<u>22,713</u>		<u>14,455</u>	<u>37,168</u>
FUND BALANCES, END OF YEAR	<u>\$ 97,951</u>	<u>\$ 6,411</u>	<u>\$ 112,500</u>	<u>\$ 216,862</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
TRAFFIC MITIGATION SPECIAL REVENUE FUNDS

As of June 30, 2005

	Traffic Mitigation Fund	Traffic Mitigation Admin Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 3,718,041		\$ 3,718,041
Receivables:			
Interest receivable	17,614		17,614
Due from other governmental agencies	<u>532,575</u>	<u>\$ 91,582</u>	<u>624,157</u>
TOTAL ASSETS	<u>\$ 4,268,230</u>	<u>\$ 91,582</u>	<u>\$ 4,359,812</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 6,500		\$ 6,500
Due to other funds		<u>\$ 4,549</u>	<u>4,549</u>
TOTAL LIABILITIES	<u>6,500</u>	<u>4,549</u>	<u>11,049</u>
 FUND BALANCES			
Unreserved:			
Undesignated	<u>4,261,730</u>	<u>87,033</u>	<u>4,348,763</u>
TOTAL FUND BALANCES	<u>4,261,730</u>	<u>87,033</u>	<u>4,348,763</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,268,230</u>	<u>\$ 91,582</u>	<u>\$ 4,359,812</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 TRAFFIC MITIGATION SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	Traffic Mitigation Fund	Traffic Mitigation Admin Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Licenses, permits and fees	\$ 3,608,774	\$ 91,582	\$ 3,700,356
Use of money and property	21,939		21,939
TOTAL REVENUES	<u>3,630,713</u>	<u>91,582</u>	<u>3,722,295</u>
EXPENDITURES			
Current:			
General government		4,549	4,549
Public works	70,457		70,457
TOTAL EXPENDITURES	<u>70,457</u>	<u>4,549</u>	<u>75,006</u>
NET CHANGE IN FUND BALANCES	3,560,256	87,033	3,647,289
Fund balances, beginning of year	<u>701,474</u>		<u>701,474</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,261,730</u>	<u>\$ 87,033</u>	<u>\$ 4,348,763</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
COMMUNITY FACILITIES FEES (CFF) SPECIAL REVENUE FUNDS

As of June 30, 2005

	<u>CFF Library Impact Fund</u>	<u>CFF Museum Impact Fund</u>	<u>CFF Parking Facility Fund</u>	<u>CFF City Hall Fund</u>	<u>CFF Police Fund</u>
ASSETS					
Cash and investments	\$ 167,794	\$ 243,857	\$ 253,204	\$ 610,324	\$ 805,262
Receivables:					
Interest receivable	790	1,147	1,191	2,303	3,789
Due from other governmental agencies	<u>472</u>	<u>27,798</u>	<u>28,522</u>	<u>67,922</u>	<u>113,373</u>
TOTAL ASSETS	<u>\$ 169,056</u>	<u>\$ 272,802</u>	<u>\$ 282,917</u>	<u>\$ 680,549</u>	<u>\$ 922,424</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable					
TOTAL LIABILITIES					
FUND BALANCES (DEFICIT)					
Unreserved:					
Undesignated	<u>\$ 169,056</u>	<u>\$ 272,802</u>	<u>\$ 282,917</u>	<u>\$ 680,549</u>	<u>\$ 922,424</u>
TOTAL FUND BALANCES	<u>169,056</u>	<u>272,802</u>	<u>282,917</u>	<u>680,549</u>	<u>922,424</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169,056</u>	<u>\$ 272,802</u>	<u>\$ 282,917</u>	<u>\$ 680,549</u>	<u>\$ 922,424</u>

<u>CFF Community Center Fund</u>	<u>CFF Corporate Yard Fund</u>	<u>CFF Admin Fund</u>	<u>Totals</u>
\$ 746,847	\$ 211,222	\$ 130,251	\$ 3,168,761
3,514	1,563	613	14,910
<u>82,063</u>		<u>14,383</u>	<u>334,533</u>
<u>\$ 832,424</u>	<u>\$ 212,785</u>	<u>\$ 145,247</u>	<u>\$ 3,518,204</u>
		\$ 6,866	\$ 6,866
		6,866	6,866
<u>\$ 832,424</u>	<u>\$ 212,785</u>	<u>138,381</u>	<u>3,511,338</u>
<u>832,424</u>	<u>212,785</u>	<u>138,381</u>	<u>3,511,338</u>
<u>\$ 832,424</u>	<u>\$ 212,785</u>	<u>\$ 145,247</u>	<u>\$ 3,518,204</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
COMMUNITY FACILITIES FEES (CFF) SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	CFF Library Impact Fund	CFF Museum Impact Fund	CFF Parking Facility Fund	CFF City Hall Fund	CFF Police Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES					
Licenses, permits and fees	\$ 167,576	\$ 276,012	\$ 286,044	\$ 681,593	\$ 920,683
Use of money and property	1,480	2,150	2,233	4,316	7,101
TOTAL REVENUES	<u>169,056</u>	<u>278,162</u>	<u>288,277</u>	<u>685,909</u>	<u>927,784</u>
EXPENDITURES					
Current:					
General government	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCES	169,056	278,162	288,277	685,909	927,784
Fund balances, beginning of year	<u> </u>	<u>(5,360)</u>	<u>(5,360)</u>	<u>(5,360)</u>	<u>(5,360)</u>
FUND BALANCES, END OF YEAR	<u>\$ 169,056</u>	<u>\$ 272,802</u>	<u>\$ 282,917</u>	<u>\$ 680,549</u>	<u>\$ 922,424</u>

CFF Community Center Fund	CFF Corporate Yard Fund	CFF Admin Fund	Totals
\$ 831,198	\$ 215,216	\$ 144,098	\$ 3,522,420
<u>6,586</u>	<u>2,929</u>	<u>1,149</u>	<u>27,944</u>
837,784	218,145	145,247	3,550,364
		<u>6,866</u>	<u>6,866</u>
		<u>6,866</u>	<u>6,866</u>
837,784	218,145	138,381	3,543,498
<u>(5,360)</u>	<u>(5,360)</u>		<u>(32,160)</u>
<u>\$ 832,424</u>	<u>\$ 212,785</u>	<u>\$ 138,381</u>	<u>\$ 3,511,338</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
GRANT SPECIAL REVENUE FUNDS

As of June 30, 2005

	Office of Traffic Safety Grant Fund	Weed and Seed Grant Fund	Recycling Grant Fund	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments			\$ 8,379	\$ 8,379
Due from other governmental agencies	\$ 154,892	\$ 5,000		159,892
Prepaid costs and other assets		12,500		12,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 154,892</u>	<u>\$ 17,500</u>	<u>\$ 8,379</u>	<u>\$ 180,771</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable		\$ 3,415	\$ 51	\$ 3,466
Due to other funds	\$ 154,892	16,294		171,186
TOTAL LIABILITIES	<u>154,892</u>	<u>19,709</u>	<u>51</u>	<u>174,652</u>
 FUND BALANCES				
Unreserved:				
Undesignated		(2,209)	8,328	6,119
TOTAL FUND BALANCES	<u> </u>	<u>(2,209)</u>	<u>8,328</u>	<u>6,119</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 154,892</u>	<u>\$ 17,500</u>	<u>\$ 8,379</u>	<u>\$ 180,771</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GRANT SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	School Readiness Officer Grant Fund	Office of Traffic Safety Grant Fund	Weed and Seed Grant Fund	Recycling Grant Fund	Totals
REVENUES					
Intergovernmental revenues	\$ 83,742	\$ 279,168	\$ 101,984	\$ 19,917	\$ 484,811
TOTAL REVENUES	<u>83,742</u>	<u>279,168</u>	<u>101,984</u>	<u>19,917</u>	<u>484,811</u>
EXPENDITURES					
Current:					
General government				11,589	11,589
Public safety	83,742	240,026	104,193		427,961
Capital outlay		39,142			39,142
TOTAL EXPENDITURES	<u>83,742</u>	<u>279,168</u>	<u>104,193</u>	<u>11,589</u>	<u>478,692</u>
NET CHANGE IN FUND BALANCES			(2,209)	8,328	6,119
Fund balances, beginning of year	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,209)</u>	<u>\$ 8,328</u>	<u>\$ 6,119</u>

NONMAJOR CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

The City of Rancho Codova's nonmajor Capital Projects funds are summarized as follows:

CITY HALL CAPITAL PROJECT FUND: Accounts for payments related to the acquisition and tenant improvements for the new City Hall.

CITY OPERATIONS FACILITY CAPITAL PROJECT FUND: Accounts for payments related to the acquisition and tenant improvements for the new Police Facility and Corporation Yard.

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS

As of June 30, 2005

	City Operations Construction Fund	Total Nonmajor Capital Projects Funds
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Due to other funds	\$ 38,922	\$ 38,922
TOTAL LIABILITIES	38,922	38,922
FUND BALANCES		
Unreserved:		
Undesignated	(38,922)	(38,922)
TOTAL FUND BALANCES	(38,922)	(38,922)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2005

	City Hall Fund	City Operations Construction Fund	Total Nonmajor Capital Projects Funds
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Current:			
General government	\$ 152,882	\$ 38,922	\$ 191,804
Capital outlay	245,110		245,110
TOTAL EXPENDITURES	<u>397,992</u>	<u>38,922</u>	<u>436,914</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(397,992)	(38,922)	(436,914)
OTHER FINANCING SOURCES (USES)			
Transfers in	397,992		397,992
TOTAL OTHER FINANCING SOURCES (USES)	<u>397,992</u>		<u>397,992</u>
NET CHANGE IN FUND BALANCES		(38,922)	(38,922)
Fund balances, beginning of year			
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ (38,922)</u>	<u>\$ (38,922)</u>

MAJOR GOVERNMENTAL FUNDS

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET SCHEDULE
SUNRISE DOUGLAS (SD) SPECIAL REVENUE FUNDS

As of June 30, 2005

	<u>SD Program Updates Fund</u>	<u>SD Interim Sewer Fund</u>	<u>SD Library Fund</u>	<u>SD Park Fund</u>	<u>SD Offsite Water Fund</u>
ASSETS					
Cash and investments	\$ 39,665	\$ 335,312	\$ 328,976	\$ 2,024,876	\$ 291,365
Receivables:					
Interest receivable	187	1,578	1,548	9,557	1,371
Due from other governmental agencies	<u>8,040</u>	<u>64,065</u>	<u>62,880</u>	<u>384,572</u>	<u>55,680</u>
TOTAL ASSETS	<u>\$ 47,892</u>	<u>\$ 400,955</u>	<u>\$ 393,404</u>	<u>\$ 2,419,005</u>	<u>\$ 348,416</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	<u>\$ 6,738</u>				
TOTAL LIABILITIES	6,738				
FUND BALANCES (DEFICIT)					
Unreserved:					
Undesignated	<u>41,154</u>	<u>\$ 400,955</u>	<u>\$ 393,404</u>	<u>\$ 2,419,005</u>	<u>\$ 348,416</u>
TOTAL FUND BALANCES	<u>41,154</u>	<u>400,955</u>	<u>393,404</u>	<u>2,419,005</u>	<u>348,416</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 47,892</u>	<u>\$ 400,955</u>	<u>\$ 393,404</u>	<u>\$ 2,419,005</u>	<u>\$ 348,416</u>

<u>SD Street Assessment District Fund</u>	<u>SD Transit Shuttle Fund</u>	<u>SD Admin Fund</u>	<u>SD Traffic Fund</u>	<u>Totals</u>
	\$ 40,103	\$ 251,128	\$ 6,004,994	\$ 9,316,419
	189	1,181	28,342	43,953
	<u>7,616</u>	<u>48,240</u>	<u>1,151,040</u>	<u>1,782,133</u>
	<u>\$ 47,908</u>	<u>\$ 300,549</u>	<u>\$ 7,184,376</u>	<u>\$ 11,142,505</u>
\$ 340				\$ 7,078
340				7,078
(340)	\$ 47,908	\$ 300,549	\$ 7,184,376	11,135,427
(340)	<u>47,908</u>	<u>300,549</u>	<u>7,184,376</u>	<u>11,135,427</u>
\$ -	<u>\$ 47,908</u>	<u>\$ 300,549</u>	<u>\$ 7,184,376</u>	<u>\$ 11,142,505</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SUNRISE DOUGLAS (SD) SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	<u>SD Program Updates Fund</u>	<u>SD Interim Sewer Fund</u>	<u>SD Library Fund</u>	<u>SD Park Fund</u>	<u>SD Offsite Water Fund</u>
REVENUES					
Licenses, permits and fees	\$ 50,245	\$ 397,998	\$ 390,503	\$ 2,407,124	\$ 345,847
Use of money and property	350	2,957	2,901	11,881	2,569
TOTAL REVENUES	<u>50,595</u>	<u>400,955</u>	<u>393,404</u>	<u>2,419,005</u>	<u>348,416</u>
EXPENDITURES					
Current:					
General government	<u>9,441</u>	_____	_____	_____	_____
TOTAL EXPENDITURES	<u>9,441</u>	_____	_____	_____	_____
NET CHANGE IN FUND BALANCES	41,154	400,955	393,404	2,419,005	348,416
Fund balances, beginning of year	_____	_____	_____	_____	_____
FUND BALANCES, END OF YEAR	<u>\$ 41,154</u>	<u>\$ 400,955</u>	<u>\$ 393,404</u>	<u>\$ 2,419,005</u>	<u>\$ 348,416</u>

<u>SD Street Assessment District Fund</u>	<u>SD Transit Shuttle Fund</u>	<u>SD Admin Fund</u>	<u>SD Traffic Fund</u>	<u>Totals</u>
	\$ 47,554	\$ 299,295	\$ 7,149,142	\$11,087,708
	354	2,214	35,234	58,460
	<u>47,908</u>	<u>301,509</u>	<u>7,184,376</u>	<u>11,146,168</u>
\$ 340		960		10,741
<u>340</u>		<u>960</u>		<u>10,741</u>
(340)	47,908	300,549	7,184,376	11,135,427
<u>\$ (340)</u>	<u>\$ 47,908</u>	<u>\$ 300,549</u>	<u>\$ 7,184,376</u>	<u>\$11,135,427</u>

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMBINING BALANCE SHEET SCHEDULE
 FINANCING CORPORATION DEBT SERVICE FUND

As of June 30, 2005

	Project Fund	Reserve Fund	Cost of Issuance	Lease	Totals
ASSETS					
Receivables:					
Interest receivable	\$ 4,690	\$ 831	\$ 13	\$ 1,135	\$ 6,669
Restricted cash with fiscal agent	7,223,000	1,279,750	19,742		8,522,492
TOTAL ASSETS	\$ 7,227,690	\$ 1,280,581	\$ 19,755	\$ 1,135	\$ 8,529,161
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ 245,110			\$ 250,000	\$ 495,110
Long term liabilities				148,561	148,561
TOTAL LIABILITIES	245,110			398,561	643,671
 FUND BALANCES					
Reserved for:					
Capital projects	6,982,580				6,982,580
Debt service		\$ 1,280,581	\$ 19,755	(397,426)	902,910
TOTAL FUND BALANCES	6,982,580	1,280,581	19,755	(397,426)	7,885,490
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,227,690	\$ 1,280,581	\$ 19,755	\$ 1,135	\$ 8,529,161

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FINANCING CORPORATION DEBT SERVICE FUND

For the Year Ended June 30, 2005

	Project Fund	Reserve Fund	Cost of Issuance	Lease	Totals
REVENUES					
Use of money and property	\$ 4,691	\$ 831	\$ 13	\$ 17,905	\$ 23,440
Other revenues					
TOTAL REVENUES	<u>4,691</u>	<u>831</u>	<u>13</u>	<u>17,905</u>	<u>23,440</u>
EXPENDITURES					
Debt service:					
Fiscal charges			422,735	170,221	592,956
Capital outlay	12,517,332				12,517,332
TOTAL EXPENDITURES	<u>12,517,332</u>	<u></u>	<u>422,735</u>	<u>170,221</u>	<u>13,110,288</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,512,641)	831	(422,722)	(152,316)	(13,086,848)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	19,495,221	1,279,750	442,477		21,217,448
Transfers out				(245,110)	(245,110)
TOTAL OTHER SOURCES (USES)	<u></u>	<u></u>	<u></u>	<u>(245,110)</u>	<u>20,972,338</u>
NET CHANGE IN FUND BALANCES	6,982,580	1,280,581	19,755	(397,426)	7,885,490
Fund balances, beginning of year					
FUND BALANCES, END OF YEAR	<u>\$ 6,982,580</u>	<u>\$ 1,280,581</u>	<u>\$ 19,755</u>	<u>\$ (397,426)</u>	<u>\$ 7,885,490</u>

AGENCY FUNDS

Agency Funds are used to account for the receipt and disbursement of various taxes, deposits, deductions and property collected by the City, acting in the capacity of an agent for distribution to other governmental units or other organizations.

The Agency Funds of the City are outlined as follows:

SUNRIDGE ANATOLIA COMMUNITY FACILITIES DISTRICT - to account for assessment revenue and associated expenditures for billing and collections of the Sunridge Anatolia Community Facilities District No. 2004-1 Special Tax Bonds Series 2004 debt service payments.

SUNRIDGE PARK COMMUNITY FACILITIES DISTRICT - to account for assessment revenues and associated expenditures for billing and collections related to a future bond issuance to finance infrastructure improvements.

SUNRIDGE NORTH DOUGLAS COMMUNITY FACILITIES DISTRICT - to account for assessment revenues and associated expenditures for billing and collections related to a future bond issuance to finance infrastructure improvements.

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

As of June 30, 2005

	CFD 2003-1 Fund	CFD 2004-1 Fund	CFD 2005-1 Fund	Total Agency Funds
ASSETS				
Cash and investments	\$ 4,114,330	\$ 969,867	\$ 96,080	\$ 5,180,277
Receivables:				
Interest receivable	19,418	4,564	452	24,434
Due from other governmental agencies	10,156	2,681		12,837
Restricted cash with fiscal agent	11,803,248			11,803,248
TOTAL ASSETS	<u>\$ 15,947,152</u>	<u>\$ 977,112</u>	<u>\$ 96,532</u>	<u>\$ 17,020,796</u>
LIABILITIES				
Accounts payable		\$ 500	\$ 656	\$ 1,156
Due to assessment holders	\$ 15,947,152	976,612	95,876	17,019,640
TOTAL LIABILITIES	<u>\$ 15,947,152</u>	<u>\$ 977,112</u>	<u>\$ 96,532</u>	<u>\$ 17,020,796</u>

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CITY OF RANCHO CORDOVA, CA GENERAL GOVERNMENT EXPENDITURES BY FUNCTION

Last ten fiscal years

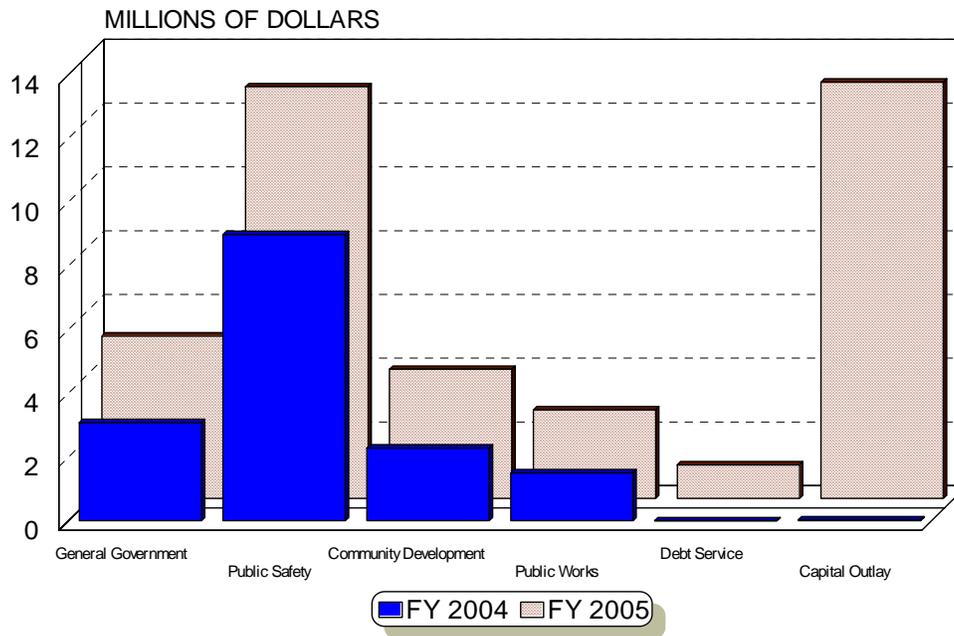
Fiscal Year*	General Government	Public Safety	Community Development	Public Works	Debt Service	Capital Outlay	Total
1995-96	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996-97	-	-	-	-	-	-	-
1997-98	-	-	-	-	-	-	-
1998-99	-	-	-	-	-	-	-
1999-00	-	-	-	-	-	-	-
2000-01	-	-	-	-	-	-	-
2001-02	-	-	-	-	-	-	-
2002-03	-	-	-	-	-	-	-
2003-04	3,082,683	8,978,634	2,285,042	1,503,252	-	31,133	15,880,744
2004-05	5,097,357	12,916,961	4,051,342	2,782,143	1,051,777	13,061,880	38,961,460
TOTAL	\$ 8,180,040	\$ 21,895,595	\$ 6,336,384	\$ 4,285,395	\$ 1,051,777	\$ 13,093,013	\$ 15,880,744

Includes the General Fund and Special Revenue Funds.

* The City of Rancho Cordova incorporated on July 1, 2003.

Source: Annual financial reports

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION



CITY OF RANCHO CORDOVA, CA GENERAL GOVERNMENT REVENUES BY SOURCE

Last ten fiscal years

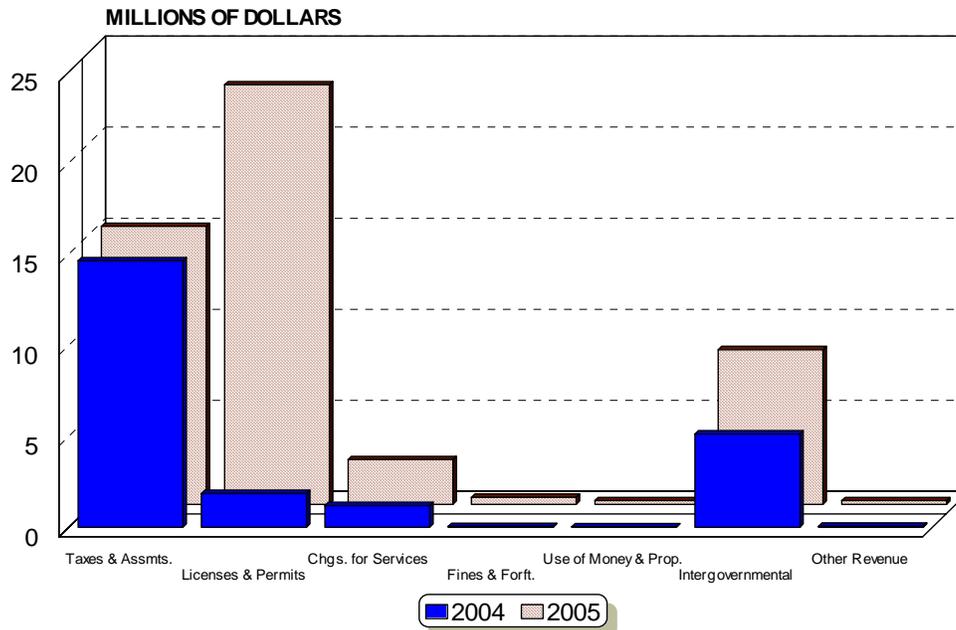
Fiscal Year*	Taxes & Assessments	Licenses, Permits & Fees	Charges for Services	Fines and Forfeitures	Use of Money & Property	Intergovernmental	Other Revenues	TOTAL
1995-96	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996-97	-	-	-	-	-	-	-	-
1997-98	-	-	-	-	-	-	-	-
1998-99	-	-	-	-	-	-	-	-
1999-00	-	-	-	-	-	-	-	-
2000-01	-	-	-	-	-	-	-	-
2001-02	-	-	-	-	-	-	-	-
2002-03	-	-	-	-	-	-	-	-
2003-04	14,626,557	1,838,107	1,185,736	36,041	16,055	5,108,526	47,922	22,858,944
2004-05	15,270,080	23,045,059	2,459,677	388,859	204,677	8,499,891	205,057	50,073,300
TOTAL	\$ 29,896,637	\$ 24,883,166	\$ 3,645,413	\$ 424,900	\$ 220,732	\$ 13,608,417	\$ 252,979	\$ 72,932,244

Includes the General Fund and Special Revenue Funds.

* The City of Rancho Cordova incorporated on July 1, 2003.

Source: Annual financial reports

GENERAL GOVERNMENT REVENUES BY SOURCE



CITY OF RANCHO CORDOVA, CA GENERAL GOVERNMENT TAX REVENUES BY SOURCE

Last ten fiscal years

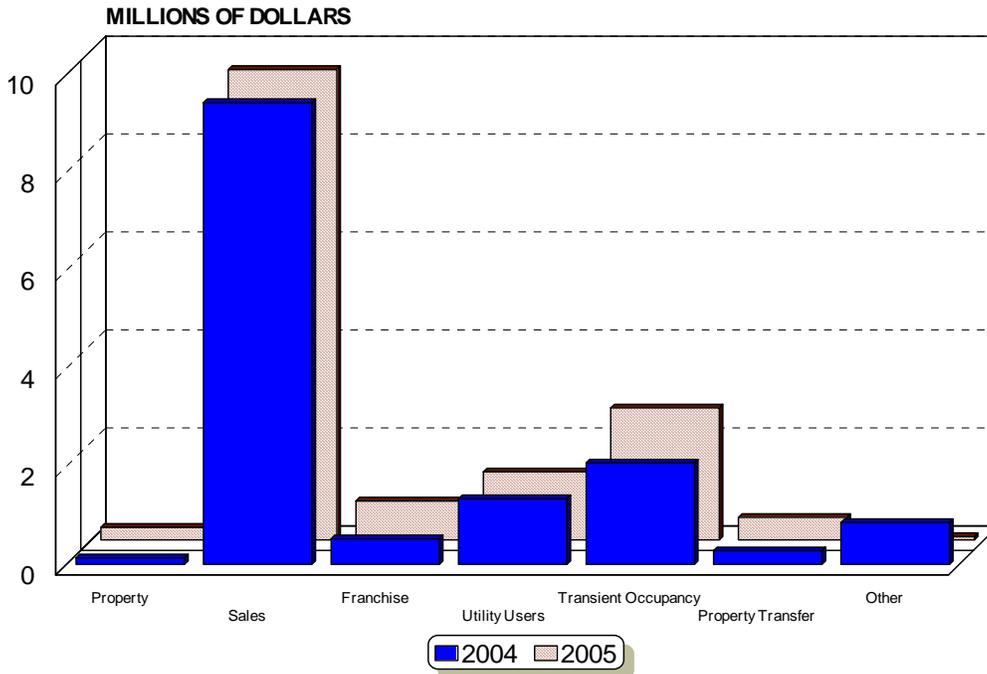
Fiscal Year*	Property Tax	Sales Tax	Franchise Tax	Utility Users Tax	Transient Occup. Tax	Property Transfer Tax	Other	Total
1995-96	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996-97	-	-	-	-	-	-	-	-
1997-98	-	-	-	-	-	-	-	-
1998-99	-	-	-	-	-	-	-	-
1999-00	-	-	-	-	-	-	-	-
2000-01	-	-	-	-	-	-	-	-
2001-02	-	-	-	-	-	-	-	-
2002-03	-	-	-	-	-	-	-	-
2003-04	132,796	9,427,805	522,262	1,338,854	2,070,645	278,694	855,501	14,626,557
2004-05	258,352	9,603,899	794,876	1,389,613	2,697,012	459,334	66,994	15,270,080
TOTAL	\$ 391,148	\$ 19,031,704	\$ 1,317,138	\$ 2,728,467	\$ 4,767,657	\$ 738,028	\$ 922,495	\$ 29,896,637

Includes the General Fund and Special Revenue Funds.

* The City of Rancho Cordova incorporated on July 1, 2003.

Source: Annual financial reports

GENERAL GOVERNMENT TAX REVENUES BY SOURCE



CITY OF RANCHO CORDOVA, CA PROPERTY TAX LEVIES AND COLLECTIONS

Last ten fiscal years

Fiscal Year*	Total Current Tax Levy	Total Current Collections	Percentage of Levy Collected	Delinquent Tax Receivables ⁽¹⁾
1995-96	\$ -	\$ -	0.00%	\$ -
1996-97	-	-	0.00%	-
1997-98	-	-	0.00%	-
1998-99	-	-	0.00%	-
1999-00	-	-	0.00%	-
2000-01	-	-	0.00%	-
2001-02	-	-	0.00%	-
2002-03	-	-	0.00%	-
2003-04	4,690,024	4,690,024	100.00%	-
2004-05	6,888,514	6,888,514	100.00%	-

The City of Rancho Cordova incorporated on July 1, 2003. Due to Revenue Neutrality law, the City has entered into a contract with the County, whereby the County will keep a portion of the City's property tax revenue through June 2034 as discussed in NOTE A - PROPERTY TAXES.

(1) The City participates in the Teeter Plan. The Teeter Plan is an alternative method of apportioning property tax monies. Cities participating in the Plan receive 95% of the property taxes in advance from the County and the remaining 5% after the County reconciles the cities' balances at June 30. As part of the Plan, the County retains the penalties and interest on the delinquent taxes.

Source: Sacramento County Auditor-Controller

CITY OF RANCHO CORDOVA, CA
ASSESSED AND ESTIMATED VALUE OF PROPERTY

Last ten fiscal years

Fiscal Year*	Secured Property	Public Utility	Unsecured Property	Less: Exemptions	Assessed Valuation	Full Market Value
1995-96	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996-97	-	-	-	-	-	-
1997-98	-	-	-	-	-	-
1998-99	-	-	-	-	-	-
1999-00	-	-	-	-	-	-
2000-01	-	-	-	-	-	-
2001-02	-	-	-	-	-	-
2002-03	-	-	-	-	-	-
2003-04	3,584,204,261	53,313	349,769,727	58,760,154	3,875,267,147	3,934,027,301
2004-05	4,138,028,203	56,612	334,784,128	60,216,379	4,412,652,564	4,472,868,943

* The City of Rancho Cordova incorporated on July 1, 2003. Due to Revenue Neutrality law, the City has entered into a contract with the County, whereby the County will keep a portion of the City's property tax revenue through June 2034 as discussed in NOTE A .

Numbers above represent estimates provided by the County.

Source: *Sacramento County Auditor-Controller*

CITY OF RANCHO CORDOVA, CA PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS

Last ten fiscal years

Fiscal Year*	Basic Prop 13 Statewide Tax Rate**	Voter Approved (or) Pre 1978 Debt Service					
		School Districts			Special Districts		
		City	Sacramento Unified GOB	Los Rios College GOB	Sacramento Regional County Sanitation	Folsom Cordova CFD #1	Folsom Cordova CFD #2
1995-96	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
1996-97	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
1997-98	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
1998-99	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
1999-00	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
2000-01	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
2001-02	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
2002-03	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
2003-04	1.0000%	0.0000%	0.1043%	0.0015%	0.0070%	0.0589%	0.0000%
2004-05	1.0000%	0.0000%	0.0587%	0.0060%	0.0067%	0.0530%	0.0386%

* The City of Rancho Cordova incorporated on July 1, 2003.

** In 1978, the voters approved Proposition 13 which, among other things, established a statewide limit of property tax levies to a maximum of 1% of the assessed valuation. Subsequently, the State legislation fixed the statewide property rate at 1%.

Source: Sacramento County Auditor-Controller

CITY OF RANCHO CORDOVA, CA PRINCIPAL TAXPAYERS

Taxpayer	Land Use	2005		Percentage of Total Assessed Valuation *
		Valuation	Valuation *	
Prospect Green Partners	Office Building	\$ 72,278,299	2.02%	1.67%
Altair Holding Company	Office Building	61,929,830	1.73%	1.49%
Trizechahn TBI Sacramento I LLC	Office Building	54,215,453	1.51%	1.45%
Franklin Resources Inc	Office Building	47,931,162	1.34%	1.33%
Salvatore A. Rubino Declaration of Trust	Office Building	37,386,099	1.04%	1.26%
Evergreen & Zinfandel	Office Building	36,664,670	1.02%	1.04%
Wasatch Pool Holdings LLC	Apartments	34,916,838	0.97%	0.98%
Cordova LLC	Office Building	33,442,539	0.93%	0.86%
Elliott Whiterock LLC	Industrial	28,424,850	0.79%	0.82%
JB Management LP	Shopping Center	25,973,468	0.72%	0.77%
		<u>\$ 433,163,208</u>	12.09%	0.66%
Evergreen & Zinfandel	Office Building		27,801,477	0.63%
JB Management LP	Shopping Center		27,054,153	0.61%
Gold Center, LLC	Office Building		25,532,756	0.58%
WDCI, Inc.	Office Building		22,854,443	0.52%
RCTC SSS LLC et.al	Shopping Center		22,672,342	0.51%
One Capital Center	Office Building		20,825,348	0.47%
Sequoia Equities-Fairways	Apartments		19,187,668	0.43%
Berkeley Land Co	Office Building		19,069,895	0.43%
Prospect West A LLC	Office Building		19,019,510	0.43%
			<u>\$ 747,798,307</u>	

* 2004 - 2005 Total Assessed Value - \$4,412,652,564

Source: California Municipal Statistics, Inc.

CITY OF RANCHO CORDOVA, CA COMPUTATION OF LEGAL DEBT MARGIN (LIMIT)

Gross Assessed Value	\$	4,412,652,564
Debt Limitation - 15% of Total Assessed Value		661,897,885
Debt Applicable to Limitation		
General Obligations Bonds Outstanding	-	
Less Amounts Available for Repayment	-	
Total Debt Applicable to Limitation		-
Available Legal Debt Margin	\$	<u>661,897,885</u>

Source: Assessed Value - Sacramento County Auditor-Controller
Source: City of Rancho Cordova financial data

CITY OF RANCHO CORDOVA, CA COMPUTATION OF DIRECT AND OVERLAPPING DEBT

2004-05 Assessed Valuation:	\$ 4,472,868,943
Redevelopment Incremental Valuation:	<u>72,592,250</u>
Adjusted Assessed Valuation:	\$ 4,400,276,693

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/05</u>
Los Rios Community College District	4.20%	3,834,527
Folsom-Cordova Unified School District Facilities Improvement District No. 1	78.82%	42,550,188
Sacramento Unified School District	3.53%	9,507,655
San Juan Unified School District	7.30%	185,559
Sacramento Regional County Sanitation District	4.79%	395,415
Elk Grove Unified School District Facilities Improvement District No. 1	1.19%	1,293,844
City of Rancho Cordova Community Facilities District No. 2003-1	100.00%	23,415,000
Sacramento Area Flood Control District Operation and Maintenance Assessment District	6.46%	<u>303,156</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>81,485,344</u>

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Sacramento County General Fund Obligations	4.97%	17,593,916
Sacramento County Pension Obligations	4.97%	47,478,324
Sacramento County Office of Education Certificates of Participation	4.97%	661,160
Folsom-Cordova Unified School District Certificates of Participation	31.55%	2,801,818
Sacramento Unified School District Certificates of Participation	3.53%	2,349,065
Sacramento Unified School District Pension Obligations	3.53%	191,801
San Juan Unified School District General Fund Obligations	7.30%	9,355
City of Rancho Cordova	100.00%	20,565,000
Sacramento Metropolitan Fire District Pension Obligations	10.76%	<u>7,442,658</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>99,093,097</u>

COMBINED TOTAL DEBT **\$ 180,578,441** (1)

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2004-05 Assessed Valuation:
Total Direct and Overlapping Tax and Assessment Debt 1.82%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt (\$20,565,000) 0.47%
Combined Total Debt 4.10%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05 \$ 91

Source: California Municipal Statistics, Inc.

CITY OF RANCHO CORDOVA, CA DEMOGRAPHIC STATISTICS

Last ten fiscal years

Fiscal Year*	Population	County (1)	Per Capita Income Sacramento Metro Area (2)	Median Age (2)	Unemployment Rate County (2)
1995-96					
1996-97					
1997-98					
1998-99					
1999-00					
2000-01					
2001-02					
2002-03					
2003-04	54,513	1,230,700	29,631	35.0	5.5%
2004-05	55,145	1,370,000	31,425	35.0	4.6%

* The City of Rancho Cordova incorporated on July 1, 2003.

(1) Source: County of Sacramento

(2) Source: Sacramento Metropolitan Chamber of Commerce

TOP TEN EMPLOYERS

<u>Company</u>	<u>Number of Employees</u>
Catholic Health Care	6845
Bank of America	3118
Health Net	2300
Electronic Data Systems	1787
Vision Service Plan	1586
Aerojet - General Corp	1538
Delta Dental	1500
Franklin Templeton	1200
Cedar Valley Concrete	1154
EdFund	805

Source: Sacramento Business Journal and Reference USA

**CITY OF RANCHO CORDOVA, CA
PROPERTY VALUES AND CONSTRUCTION VALUES**

Last ten fiscal years

Fiscal Year*	Property Value (1)					Total
	Secured	Public Utility	Unsecured	Exemptions		
1995-96	\$ -	\$ -	\$ -	\$ -	\$ -	-
1996-97	-	-	-	-	-	-
1997-98	-	-	-	-	-	-
1998-99	-	-	-	-	-	-
1999-00	-	-	-	-	-	-
2000-01	-	-	-	-	-	-
2001-02	-	-	-	-	-	-
2002-03	-	-	-	-	-	-
2003-04	3,584,204,261	53,313	349,769,727	58,760,154		3,875,267,147
2004-05	4,138,028,203	56,612	334,784,128	60,216,379		4,412,652,564

Fiscal Year*	<u>Commercial/Industrial Construction (2)</u>		<u>Residential Construction (2)</u>	
	Number of Units	Value	Number of Units	Value
1995-96	-	\$ -	-	\$ -
1996-97	-	-	-	-
1997-98	-	-	-	-
1998-99	-	-	-	-
1999-00	-	-	-	-
2000-01	-	-	-	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	1,767	108,161,833	524	50,096,849
2004-05	545	43,650,457	1,084	245,286,035

* The City of Rancho Cordova incorporated on July 1, 2003.

(1) Source: Sacramento County Auditor-Controller

(2) Source: City of Rancho Cordova Building Department

CITY OF RANCHO CORDOVA, CA MISCELLANEOUS STATISTICS

Date of Incorporation	July 1, 2003
Form of Government	General Law
Number of Employees	
Full-time	20
Part-time	1
Number of contract employees (excludes public safety - shown below)	41
Area in square miles	33
 Government Facilities and Services	
Miles of Streets	220
Number of street lights	3,000
Number of signalized intersections	70
Police Protection	
Number of stations	1
Number of police personnel - sworn	67
Number of police personnel - non sworn	13
 Facilities and services not included in the reporting entity	
Culture and Recreation:	
Parks	11
Park acreage	282
Swimming pools	3
Tennis courts	21
Community centers	3
Senior centers	1
Ball and soccer fields	10
 Fire Protection:	
Number of stations	5
 Education:	
Number of districts	3
Number of elementary schools	10
Number of secondary schools	6
Number of community colleges	1
 County Library:	
City branches	1

Source: City Finance Department