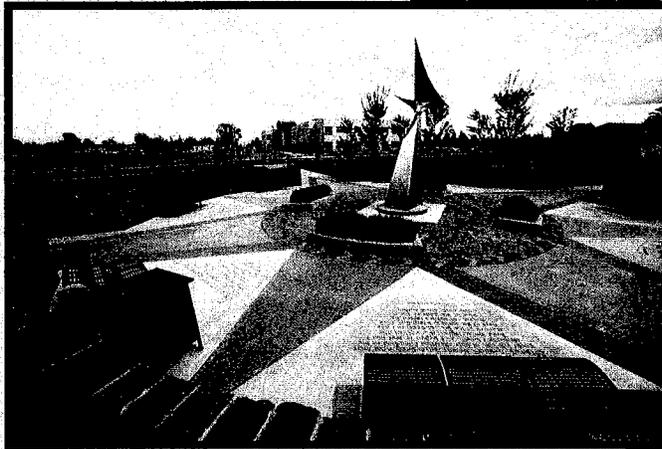


CITY OF RANCHO CORDOVA CALIFORNIA



Comprehensive Annual Financial Report
For the Fiscal Year Ending June 30, 2006

CITY OF RANCHO CORDOVA, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	
Letter of Transmittal	i
California Society of Municipal Finance Officers Certificate of Award for Outstanding Financial Reporting	v
Organizational Chart	vi
List of Principal Officials	vii
Council Members	viii
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	18
Statement of Activities	19
Balance Sheet – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	26
Statement of Net Assets – Internal Service Fund	27
Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Fund	28
Statement of Cash Flows – Internal Service Fund	29
Statement of Fiduciary Net Assets – Agency Funds	30
Notes to the Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	49
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Sunrise Douglas Special Revenue Fund	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Traffic Mitigation Special Revenue Fund	51
Note to Required Supplementary Information	52

CITY OF RANCHO CORDOVA, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

**COMBINING FUND FINANCIAL STATEMENTS
AND SCHEDULES**

<i>NON-MAJOR SPECIAL REVENUE FUNDS</i>	53 – 54
Combining Balance Sheet	52 – 58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	59 – 62
Villages of Zinfandel Special Revenue Funds – Combining Balance Sheet	63
Villages of Zinfandel Special Revenue Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	64
Community Facilities Fees Special Revenue Funds – Combining Balance Sheet	65
Community Facilities Fees Special Revenue Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	67
Grants Special Revenue Funds – Combining Balance Sheet	69
Grants Special Revenue Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	70
 <i>MAJOR GOVERNMENTAL FUNDS</i>	
Sunrise Douglas Special Revenue Funds – Combining Balance Sheet	71
Sunrise Douglas Special Revenue Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	73
Traffic Mitigation Special Revenue Funds – Combining Balance Sheet	75
Traffic Mitigation Special Revenue Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	76
 <i>AGENCY FUNDS</i>	
Combining Statement of Fiduciary Net Assets	78
Combining Statement of Assets and Liabilities	79

STATISTICAL SECTION (Unaudited)

Net Assets by Component	80
Changes in Net Assets	81
Fund Balances of Governmental Funds	82
Changes in Fund Balances of Governmental Funds	83
General Governmental Tax Revenues by Source	84
Assessed and Estimated Value of Property	85
Property Tax Rates – Direct and Overlapping Governments	86
Principal Taxpayers	87

CITY OF RANCHO CORDOVA, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

STATISTICAL SECTION (Unaudited) - continued

Property Tax Levies and Collections	88
Ratio of Outstanding Debt by Type	89
Computation of Direct and Overlapping Debt	90
Legal Debt Margin Information	91
Demographic Statistics	92
Ten Largest Area Employers	93
Miscellaneous Statistics	94



Robert McGarvey
Mayor

David Sander
Vice Mayor

Linda Budge
Council Member

Ken Cooley
Council Member

Dan Skoglund
Council Member

December 11, 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 third Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. 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, 2006, 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.

Gilbert Associates, Inc., 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, 2006, 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, 2006, 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 56,355. 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 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.

The City provides municipal services through contracts for street maintenance, legal, 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 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 1,200 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, although new housing construction has declined in recent months. In the Sacramento Metropolitan Statistical Area (SMA), which includes Sacramento, El Dorado and Placer Counties, job growth was better in 2005 compared to 2004, with 21,000 new jobs (2.48% increase) compared to 12,900 new jobs (1.5% increase). The forecast for 2006, based on actual data through June, is for a better 2.8% (24,800 jobs) increase; and followed by a similar 2.5% (23,100 jobs) increase in 2007. Overall the City's micro economy remains stable and is tracking the overall Sacramento County economy.

MAJOR INITIATIVES

The City, during its' third 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.

- Completed the City Hall move-in project
- Created a City Hall WiFi for citizens
- Adopted the General Plan
- Completed our first baseline Public Opinion Poll Survey
- Adopted a Refuse Collection Ordinance for commercial and industrial waste haulers
- Developed and implemented a dynamic portal/citizen response management system via Comcate for City use (My City Hall Online)
- A pro forma new development impact model was completed and it is part of our long-term fiscal plan
- Completed an inventory of Rancho Cordova non-profit and service agencies
- Created and adopted the first Redevelopment Project Area in less than one year with no protests
- Completed a rezoning of commercial properties with a tight time deadline and no protest
- Focused City resources on making improvements to established neighborhoods
- Convened the Hwy 50 Corridor Development Group
- Initiated a Passport Purchase Program
- Brought cashing in-house which improves our cash flow and increases our interest income

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 *Required Supplementary Information*, 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 adopted by the City in June 2005.

The City ended the year with cash and investments of \$50.8 million, Total accrued earnings were \$1.7 million.

DEBT ADMINISTRATION. The City issued two additional series of “2005 Certificates of Participation” bonds in August 2005. The “2005A Certificates of Participation” were issued in the amount of \$3,695,000 and the “2005B Certificates of Participation” were issued in the amount of \$3,010,000. These two series were used to acquire the Kilgore Business Park property known as the City Operations Facility. Series 2005A are non taxable bonds and were used to acquire offices for police, code enforcement, engineering and planning. Series 2005B are taxable bonds and were used to acquire lease premises at the Kilgore Business Park.

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 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.

ACKNOWLEDGEMENTS

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 Kristin Larsen, Financial Services Manager, Liisa Behrends, Senior Accountant; Marilyn Natividad, Senior Accountant, Keith Misner, Accountant, Esther Pinola, Senior Accounting Technician, Tony Ingalls, Accounting Technician and Susan Jessee, Customer Service Representative. 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,

Sandra C. Salerno

Sandra C. Salerno
Acting Administrative Services Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2004-05

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, 2006

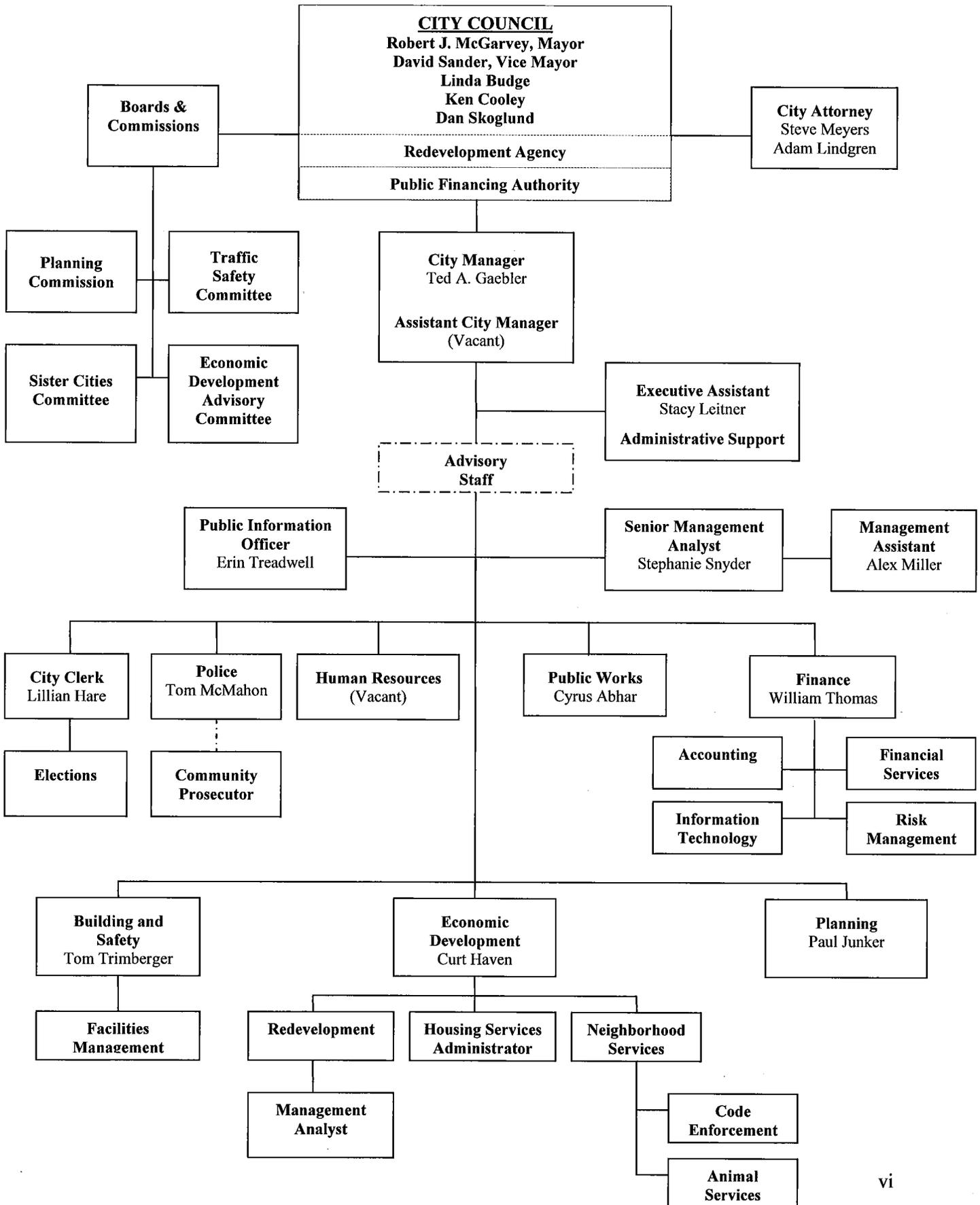
William A. Stumpf

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 Meyers
City Attorney

APPOINTED BY THE CITY MANAGER

Lillian Hare
City Clerk

Tom Trimberger
Building & Safety Official

William Thomas
Chief Financial Officer

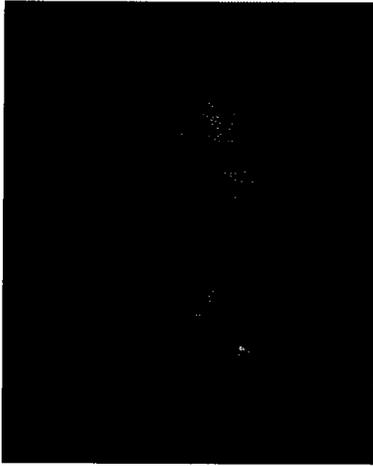
Curt Haven
Economic Development Director

Tom McMahon
Police Chief

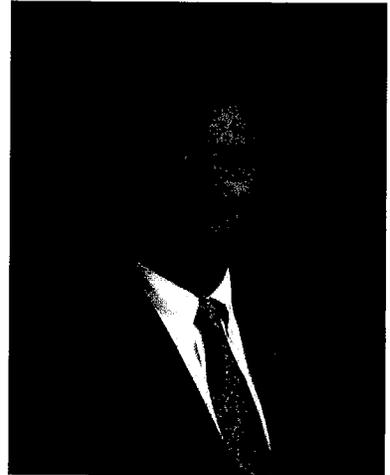
Paul Junker
Planning Director

Cyrus Abhar
Public Works Director

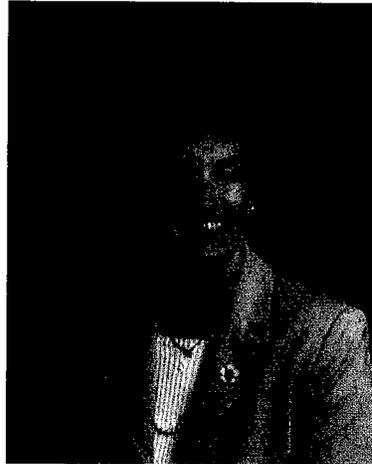
CITY OF RANCHO CORDOVA, CALIFORNIA
CITY COUNCIL



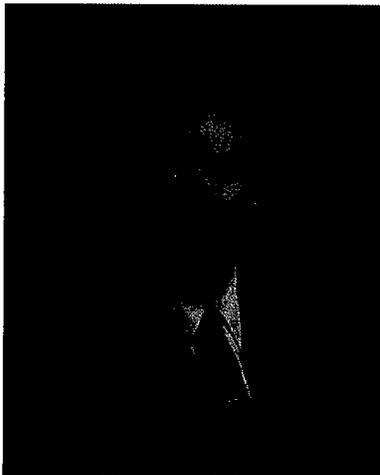
Robert J. McGarvey
Mayor



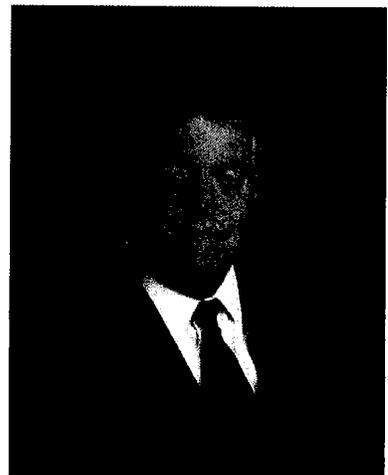
David Sander
Vice Mayor



Linda Budge
Council Member



Ken Cooley
Council Member



Dan Skoglund
Council Member



Gilbert Associates, Inc.
CPAs and Advisors

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, California, (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, respective budgetary information for the general fund and special revenue funds for the year ended June 30, 2006, and note to required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Honorable Mayor, City Manager
City of Rancho Cordova, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.

November 17, 2006

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, 2006. 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 2006 – 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. 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, 2006 by \$55.4 million (net assets). Of this amount, \$6.5 (unrestricted net worth) may be used to meet ongoing obligations to citizens and creditors, but is subject to designation for specific City programs.
- The City's General Fund reported a surplus of \$3.5 million for the year ending June 30, 2006, creating an ending fund balance of \$15.4 million.

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 expenses 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 five Major Funds:

- General Fund
- Sunrise-Douglas Special Revenue Fund
- Traffic Mitigation Impact Fee Special Revenue Fund
- Capital Improvements 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.

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 Traffic Mitigation Impact Fee Special Revenue Fund, Capital Improvements 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 Other Funds. Budgetary comparison statements for the General Fund, Sunrise Douglas Special Revenue Fund and Traffic Mitigation Special Revenue Fund are included as Required Supplemental Information.

FIDUCIARY FUNDS - These funds are used to account for resources held for the benefit of parties outside of the City. 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.

PROPRIETARY FUNDS - The Internal Service Funds are used to centralize certain services and then allocate the cost of those services within the government. The City did not have any business type activities in fiscal year 2006.

NOTES TO THE 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.

REQUIRED SUPPLEMENTARY 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.

Budgetary comparison schedules are presented for the General Fund, Sunrise Douglas Special Revenue Fund and Traffic Mitigation Special Revenue Fund. The Note to Required Supplementary Information discusses the budgetary data.

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 following the note to the required supplementary information.

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. At June 30, 2006, net assets of the City were \$55.4 million which is an increase of \$23.2 million from the prior year (72.2% increase).

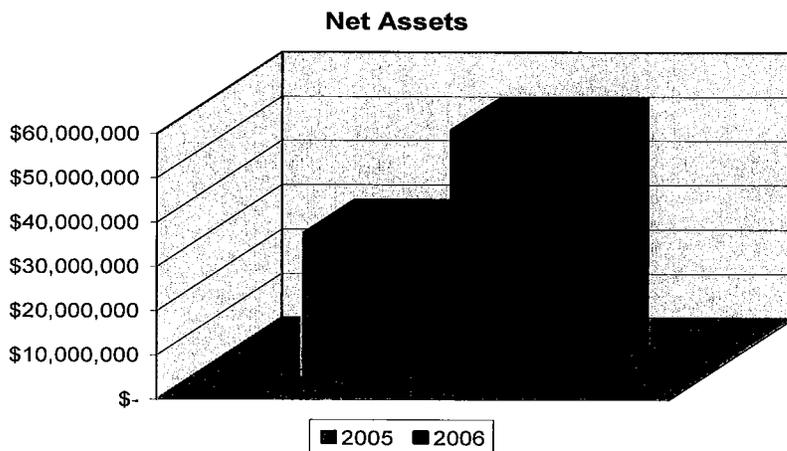
The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2005 and 2006. The City does not have any "business-type" activities.

At June 30, 2006, the largest portion of total assets (44.9%) consists of the City's cash and investments. Other major assets include funds due from other governmental agencies (10.1%) and capital assets (29.5%). Due from other governmental agencies is largely the result of lag time of building and developer revenues. Capital assets increased by \$13.6 million in FY 2005 – 2006 due to City Hall improvements and the purchase of the City Operations building. To meet current needs, the significant cash and investment reserves provide ongoing operating resources.

GOVERNMENTAL ACTIVITIES

	2005		2006
Current Assets	\$ 44,870,813	\$	63,825,053
Capital Assets	13,078,151		26,685,014
Total Assets	57,948,964		90,510,067
Current Liabilities	3,897,306	\$	7,483,890
Long-term Liabilities Outstanding	21,897,611		27,653,455
Total Liabilities	25,794,917		35,137,345
 Net Assets:			
Invested in capital net of related debt	\$ 329,107	\$	8,357,941
Restricted	30,963,342		40,513,083
Unrestricted	861,598		6,501,698
Total Net Assets	\$ 32,154,047	\$	55,372,722

The results of the City's third year of operation provided ending net assets of \$55.4 million which was primarily due to fixed asset acquisition. Restricted net assets are \$40.5 million or 73.2% 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 City completed building improvements at City Hall and purchased the future City Operations building, resulting in net assets invested in capital net of related debt of \$8.4 million. The remainder of our net assets may be used at the City's discretion to meet ongoing activities.



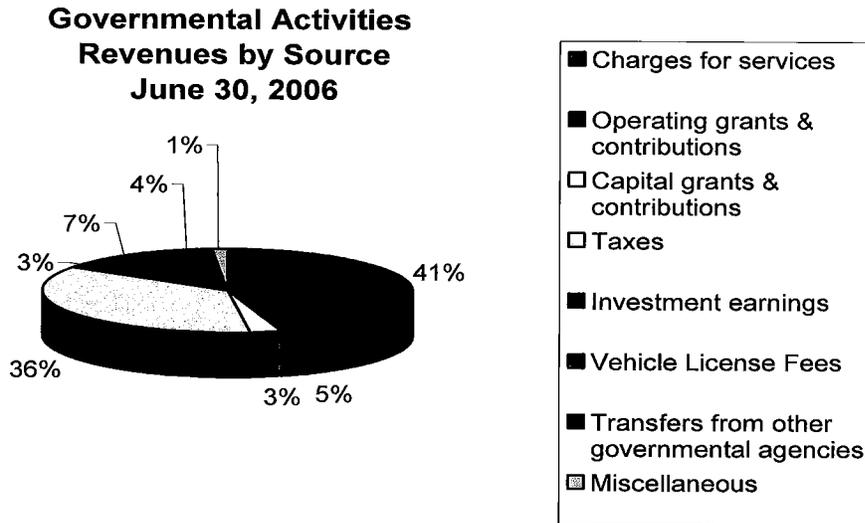
STATEMENT OF ACTIVITIES

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ending June 30, 2005 and 2006:

	Fiscal Year	
	2004 - 2005	2005 - 2006
Revenues:		
Program Revenues		
Charges for services	\$ 25,932,561	\$ 26,142,639
Operating grants & contributions	2,378,060	3,322,801
Capital grants & contributions	39,142	1,803,132
General Revenues:		
Taxes	15,684,889	27,961,990
Investment Earnings	5,589,670	1,950,149
Other	245,978	3,747,908
Total Revenues	<u>49,870,300</u>	<u>64,928,619</u>
Expenses:		
General Government	5,159,815	17,939,297
Community Development	4,055,329	6,812,844
Public Safety	12,935,511	13,446,239
Public Works	2,782,143	2,630,097
Interest and fiscal charges	60,676	881,467
Total Expenses	<u>24,993,474</u>	<u>41,709,944</u>
Increase in Net Assets	<u>24,876,826</u>	<u>23,218,675</u>
Net Assets -- Beginning of Year	7,151,338	32,154,047
Prior Period Adjustment	125,883	-
Net Assets -- End of Year	<u>\$ 32,154,047</u>	<u>\$ 55,372,722</u>

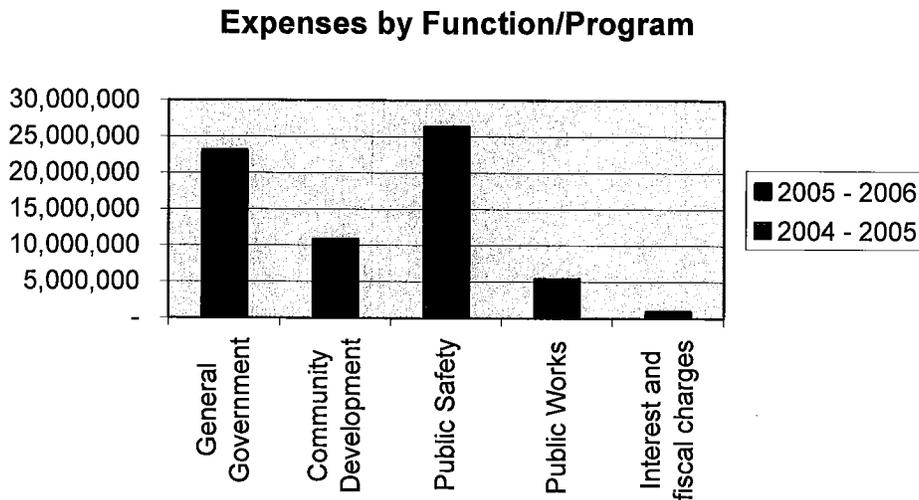
The City's governmental activities (the City does not have business type activities) increased net assets by \$23.2 million, which was a 72.2% increase from the prior fiscal year. Key elements of this change were as follows:

Revenue Highlights



- Charges for services increased \$210 thousand in Fiscal Year 2005 – 2006 primarily due to developer's deposits and impact fees.
- Operating and Capital grants and contributions increased by \$2.7 million in Fiscal Year 2005 – 2006 primarily due to Police Department grants and roadway improvement grants from the State and Federal governments.
- Sales Tax revenue remained as a major revenue source during FY 2006 despite a slowdown in the overall economy. Total sales taxes collected were \$10.4 compared with \$9.6 in FY 2005 (8.3% increase).

Expense Highlights



Total expenses for governmental activities were \$41.7 million, \$16.7 million more than the prior fiscal year. Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$26.1 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 \$3.3 million.
- A total of \$1.8 million in capital projects was funded by outside agencies through capital grants and contributions.

As a result, total expenditures that were funded by *General Revenues* increased from \$21.5 million in FY 2005 to \$31.3 million in FY 2006, resulting in program expenses exceeding revenues by \$10.4 million.

Functional expenses for the years ended June 30, 2005 and 2006 were as follows (amounts in millions):

	Total Cost of Service		Percent Change 2005 to 2006	Net (Cost) Revenue of Services		Percent Change 2005 to 2006
	2005	2006		2005	2006	
General Government	\$ 5.1	\$ 17.9	251.0%	\$ 9.4	\$ (4.2)	-144.5%
Public Safety	13.0	13.5	3.8%	(11.2)	(12.1)	7.9%
Community Development	4.0	6.8	70.0%	2.5	4.9	96.0%
Public Works	2.8	2.6	-7.1%	2.7	1.9	-29.1%
Interest and Fiscal Charges	0.1	0.9	1400.0%	(0.1)	(0.9)	1400.0%
TOTAL	\$ 25.0	\$ 41.7	67.1%	\$ 3.3	\$ (10.4)	-411.4%

In total, the net cost of services increased by \$13.8 million as the City acquired capital assets. Highlights of FY 2006 changes include:

- Other Revenues increased \$3.5 million to \$3.7 million due to transfers of previous unexpended funds held by Sacramento County for service areas now within the City limits.
- Taxes and Assessments increased from \$15 million to \$28 million in FY 2006. The increase is due in part to Motor Vehicle In Lieu Property Tax that was previously reported in Intergovernmental Revenues (\$4.5 million). Additionally, Property Tax revenues were reported net of the Revenue Neutrality payment in FY 2005.
- Licenses, permits and fees which increased from \$23.0 million in FY 2005 to \$35.7 million in FY 2006. This was due to an increase in development activity in the City. Single family home permits increased from 1,084 in FY 2005 to 1,137 in FY 2006 (4.8% increase)
- The valuation of permits increased from \$288.2 million in FY 2005 to \$343.6 million in FY 2006 (19.2% increase).
- Charges for services charged to City customers increased from \$2.5 million in FY 2005 to \$3.5 million (43.4% increase).

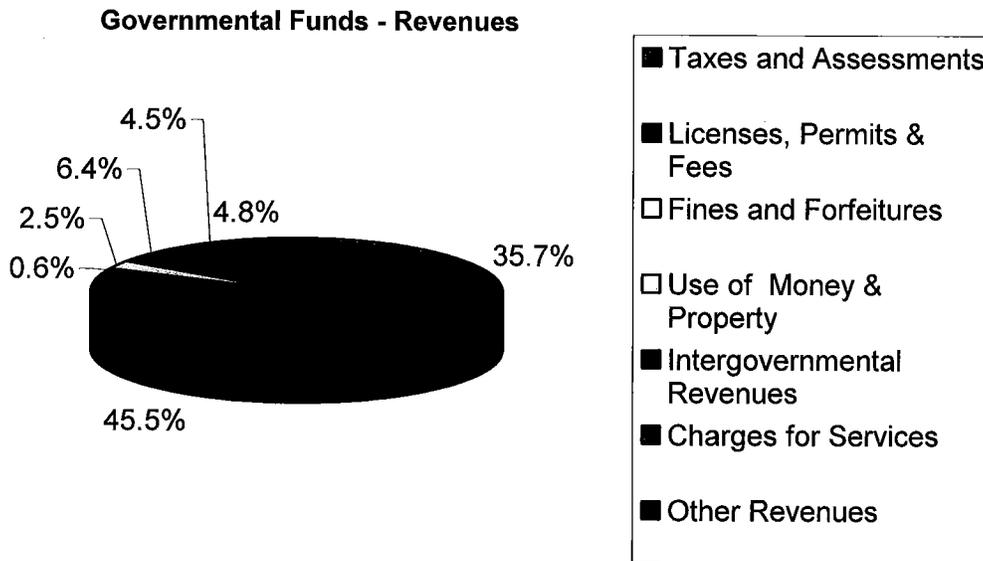
The cost of Public Safety was increased from \$12.9 million in FY 2005 to \$13.5 million in FY 2006. This increase was due to salary and benefit increases passed on to the City from the Sacramento County Sheriff's Office.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

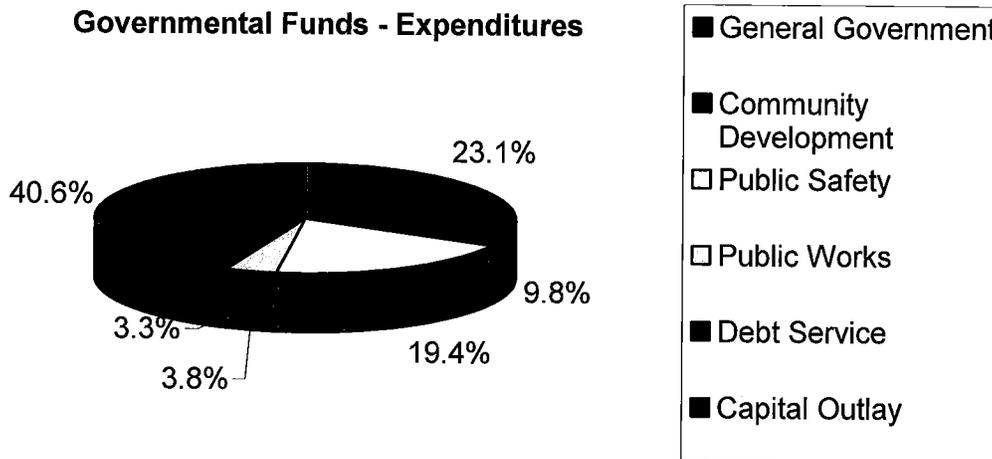
Governmental Funds The focus of the City's governmental funds is to provide information on near-term inflows; outflows and balances of spendable resources. Such information may be useful in assessing the City's financing requirements.

As of the end of the fiscal year 2005 – 2006, the City's governmental funds reported total combined ending fund balances of \$57.1 million, a net increase of \$15.6 million over the prior year of \$41.5 million. Of this amount \$12.8 million (22.4%) 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 \$44.3 million is comprised of \$12.7 million in the General Fund, \$31.5 million in the Major Special Revenue Funds and \$9.7 million in the other Non-Major Governmental Funds. At June 30, 2006 unreserved fund balance in the General Fund was 35.2% of total expenditures and transfers out, while total fund balance for all governmental funds was 77.8% of total expenditures and transfers out.



The City's total revenues were \$78.3 million which represented an increase of \$28.2 million (56.4% increase). The primary revenue sources included Sales Taxes (\$8.2 million), Motor Vehicle In-Lieu Property Taxes and Payments (\$4.5 million), and Building Permits (\$3.9 million). In addition to the regular sources of revenues, the City received \$30.5 million in impact fees and other related development fees.

Governmental Funds - Expenditures



The total cost of all programs and services was \$69.5 million which represented an increase of \$30.4 million (78.3% increase). The Public Safety component, which includes both Police and Community Prosecutor, was \$13.5 million or 19.4% of total expenditures.

The General Government expenditures of \$16.0 million includes the 2005 – 2006 annual property tax obligation due to the County under the Revenue Neutrality Agreement of \$7.2 million.

Capital outlay was \$28.2 million or 40.6% and includes the City Hall Operations Building acquired in July 2006 for \$6.1 million, an additional \$7.5 million for City Hall building improvements, including furniture, and developer credits of \$13.6 million issued for the major roadway construction in the Sunrise Douglas project area. Other expenditures within the governmental funds were:

- Community Development - \$6.8 million
- Public Works - \$2.6 million
- Debt Service - \$2.3 million

GENERAL FUND FINANCIAL INFORMATION

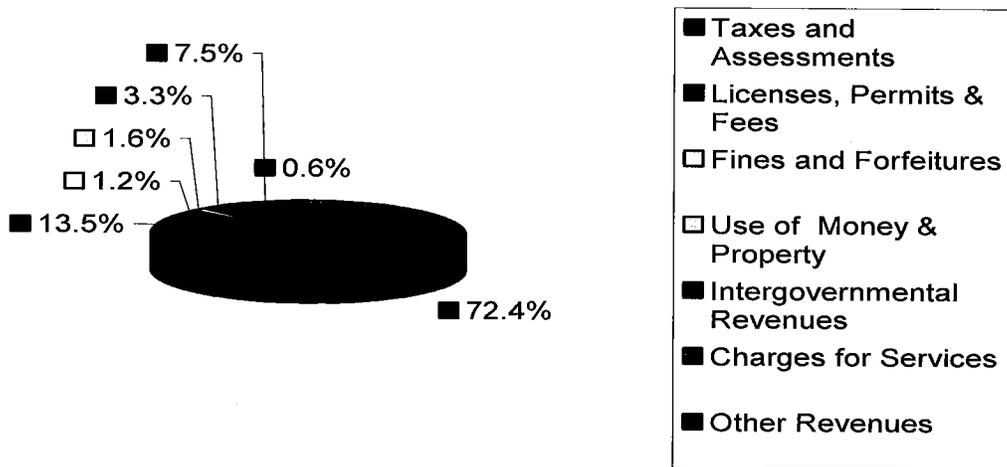
The General Fund is the chief operating fund of the City. At the end of fiscal year 2005 – 2006, the unreserved fund balance was \$12.7 million while the total fund balance was \$15.4 million. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The City's General Fund balance increased by \$3.5 million in FY 2006. This increase is primarily related to increases in revenues associated with Sales Tax and Motor Vehicle In-Lieu Property Taxes as well as the vacancies in approved positions. Revenues increased by \$11.9 million in FY 2006 compared to FY 2005 representing a 44.7% increase, while expenditures increased by \$13.4 million in FY 2006 from \$21.8 million in FY 2005. It should be noted in prior CAFR's the Property Tax Revenues and corresponding Revenue Neutrality Payments were netted to revenue for reporting purposes. The 2005-2006 CAFR reports this on a gross basis to provide improved comparability. Of the \$11.9 million increase in revenue, \$7.7 million represents Property Tax Revenue. These collections are offset by the Revenue Neutrality Payment of \$7.2 million, resulting in net receipt to the City of \$0.5 million.

The resulting surplus in FY 2006 declined from the surplus in FY 2005 (\$3.5 million vs. \$5.1 million respectively).

For the fiscal year ended June 30, 2006, cash and investments were \$1.7 million, other current assets were \$17.2 million while overall assets were \$18.9 million. Liabilities included accounts payable of \$1.8 due mainly to contract service companies. Other liabilities include deposits payable of \$1.0 million which consists of deposits by developers to cover the cost of processing their development plans.

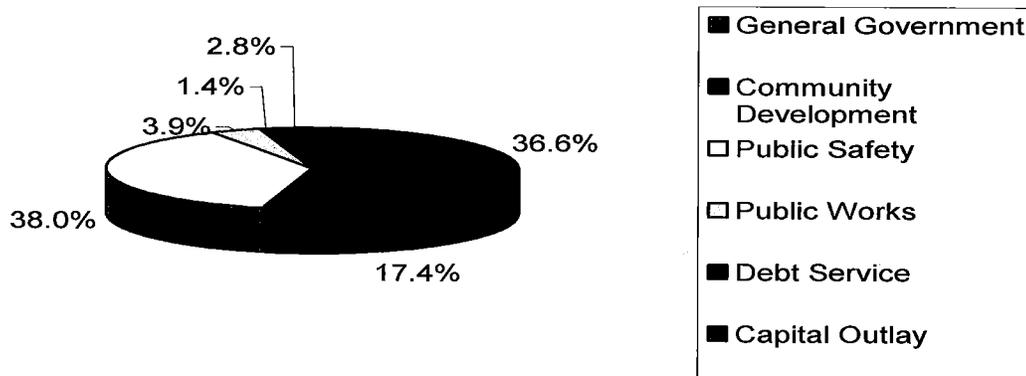
The majority of General Fund Revenues comes from Taxes (72.4%). These Taxes consist of Property Tax including Motor Vehicle in Lieu Property Tax, Sales Tax, Transient Occupancy Tax, Utility Users Tax, Property Transfer Tax and Police Tax. Licenses, Permits and Fees make up 13.5%, the largest share of which is Building Permits at \$3.9 million. Charges for Services (7.5%) consists primarily of cost recovery revenue for City provided services.

General Fund Revenues



The major cost in the General Fund is for Public Safety (\$13.2 million). 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. 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, PIO, Human Resources, Administrative Support, Finance, and Information Technology. Total expenditures were \$12.7 million. Community Development, consisting of Economic Development, Facilities Management, Planning, Building & Safety and Neighborhood Services which includes Animal Services and Code Enforcement expended \$6.1 million. Public Works major expenditures are out of Special Revenue funds and their General Fund expenditure was \$1.4 million. Other expenditures included \$474 thousand for debt service and \$1.0 million for Capital Outlay. Other usual General Fund activities such as Fire and Parks and Recreation are performed by independent districts established to provide those services.

General Fund Expenditures



GENERAL FUND BUDGETARY HIGHLIGHTS

The City amended its General Fund budget during the year. Differences and/or variances between the original budget, the final budget and actual results are shown below. Total variance in the revenues was \$2.6 million while the variance between budget to actual for expenditures was \$2.2 million.

	Original Budget	Final Budget	Actual	Variance	Percentage - Variance as to Budget to Actual
Revenues:					
Taxes and Assessments	\$ 22,941,400	\$ 27,628,975	\$ 27,878,786	\$ 249,811	0.9%
Licenses, Permits & Fees	6,137,035	4,371,102	5,188,725	817,623	18.7%
Fines and Forfeitures	448,572	414,631	454,199	39,568	9.5%
Use of Money & Property	1,142,646	30,000	607,288	577,288	1924.3%
Intergovernmental Revenues	2,045,423	1,078,304	1,265,635	187,331	17.4%
Charges for Services	2,477,978	2,194,921	2,876,686	681,765	31.1%
Other Revenues and Transfers In	575,456	1,061,879	1,143,434	81,555	7.7%
Total Revenues	35,768,510	36,779,812	39,414,753	2,634,941	7.2%
Expenditures					
General Government	7,091,405	5,718,383	5,515,803	202,580	3.5%
Community Development	4,446,031	2,101,377	6,054,358	(3,952,981)	-188.1%
Public Safety	13,265,780	12,845,497	13,246,498	(401,001)	-3.1%
Public Works	996,036	1,153,630	1,368,386	(214,756)	-18.6%
Revenue Neutrality	5,610,509	7,686,655	7,234,086	452,569	5.9%
Debt Service	463,012	463,012	474,032	(11,020)	-2.4%
Capital Outlay		508,761	969,764	(461,003)	-90.6%
Transfers Out	974,896	3,272,450	1,092,269	2,180,181	66.6%
Total Expenditures	32,847,669	33,749,765	35,955,196	(2,205,431)	-6.5%
Excess/(Deficiency) of Revenues over Expenditures	\$ 2,920,841	\$ 3,030,047	\$ 3,459,557	\$ 429,510	

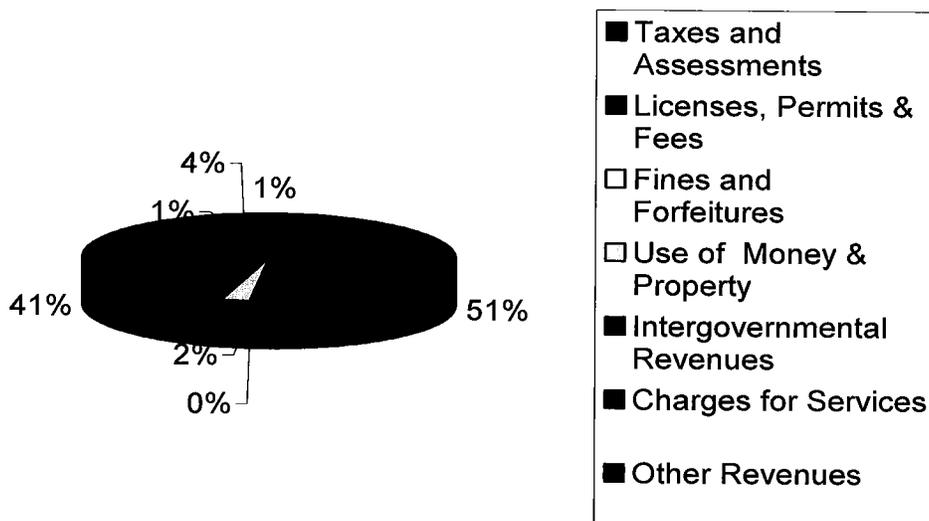
As the City finished its third year, the City was able to forecast both revenues and expenditures with increased accuracy. The City was within 7.2% of total revenues between what was estimated and what was actually received (compared to 26% variance in FY 2005).

FINANCIAL ANALYSIS OF NON-MAJOR GOVERNMENTAL FUNDS

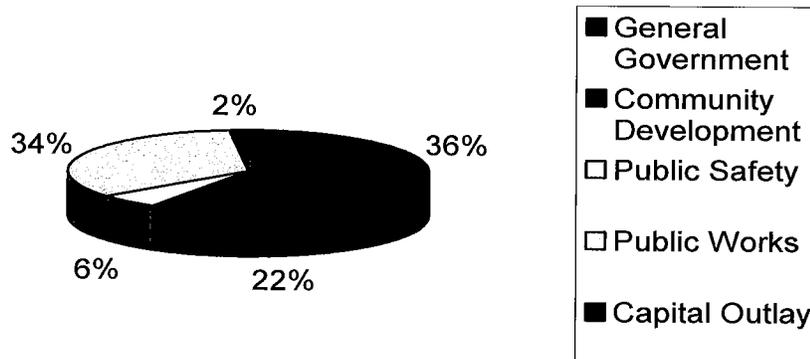
These funds, consisting mainly of Special Revenue Funds, were not of sufficient volume to warrant a “major-fund” designation. Special Revenue Funds that were budgeted included:

- Gas Tax Fund: The funds received were \$1,395,143 of which \$179,000 was expended for Public Works related software.
- Measure A Fund: These funds are used for street related projects. The total amount of these funds (\$1,483,146) 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. 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, Environmental Mitigation, Landscape & Lighting, Road Maintenance District, Asset Forfeiture, Park Development, Grants, Transportation Development Act, Prop 42 and Transportation Services. The accompanying graphs provide the makeup of the revenues and expenditures associated with all Non-Major Special Revenue Funds.

Non-Major Special Revenue - Revenues



Non-Major Special Revenue - Expenditures



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

City Hall Operations Building was acquired in July 2006 for \$6.1 million. An additional \$7.5 million was spent for leasehold improvements, including furniture for the new City Hall.

Developer Credits of \$13.6 million were issued for the major roadway construction in the Sunrise Douglas project area.

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 August 2005. The Public Financing Authority is a component unit of the City and exists to issue debt for City facilities. The bond issue of \$6.7 million will be paid from lease payments that the City will make to the Authority that are equal to the annual debt service payments.

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 were two outstanding Mello Roos debt instruments. 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 2007, 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 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 at 2729 Prospect Park Drive, Rancho Cordova, CA 95670. This report will also be provided on the City's website at: www.cityofranhocordova.org under the Finance Department's page. Questions concerning any of the information contained in the CAFR should be addressed to the City of Rancho Cordova, Finance Department, 2729 Prospect Park Drive, Rancho Cordova, CA 95670 or send us a message online. Log onto our website at www.cityofranhocordova.org and click on *My City Hall Online* to submit your question/request.

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CITY OF RANCHO CORDOVA, CALIFORNIA

STATEMENT OF NET ASSETS

JUNE 30, 2006

ASSETS

Cash and investments	\$ 40,642,970
Accounts receivable	2,520,075
Interest receivable	333,141
Due from other governments	9,125,183
Prepaid expenses	160,286
Deferred charges	847,382
Restricted assets - cash and investments	10,196,016
Capital assets, net of accumulated depreciation	
Nondepreciable	3,599,192
Depreciable	23,085,822
Total assets	<u>90,510,067</u>

LIABILITIES

Accounts payable	4,128,637
Accrued payroll liability	113,241
Deposits payable	1,025,917
Due to other governments	660,862
Accrued interest payable	476,110
Unearned revenue	36,111
Long-term liabilities:	
Due within one year	1,043,012
Due in more than one year	27,653,455
Total liabilities	<u>35,137,345</u>

NET ASSETS

Invested in capital assets, net of related debt	8,357,941
Restricted for:	
Debt service	561,941
Sunrise Douglas development	16,687,406
Traffic Mitigation	14,775,924
Community facilities	5,402,981
Park development	1,380,585
Environmental mitigation	617,712
Villages of Zinfandel development	468,296
Prop 42 funds	324,271
Measure A funds	144,147
Unrestricted	6,651,518
Total net assets	<u>\$ 55,222,902</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF RANCHO CORDOVA, CALIFORNIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 17,939,297	\$ 12,179,728	\$ 1,549,866	\$ -	\$ (4,209,703)
Community development	6,812,844	11,707,470	14,899	-	4,909,525
Public safety	13,446,239	852,487	434,312	-	(12,159,440)
Public works	2,630,097	1,402,954	1,323,724	1,803,132	1,899,713
Interest on long term debt	881,467	-	-	-	(881,467)
Total governmental activities	\$ 41,709,944	\$ 26,142,639	\$ 3,322,801	\$ 1,803,132	(10,441,372)

GENERAL REVENUES:

Taxes:

Property	7,739,207
Sales and use	10,418,318
Transient occupancy	2,581,424
Utility user	1,721,736
Other taxes	982,636
Investment earnings	1,950,149
Vehicle license fees	4,518,669
Transfers from other governmental agencies	2,895,260
Miscellaneous	852,648

Total general revenues 33,660,047

Change in net assets 23,218,675

Net Assets, beginning of year 32,154,047

Net assets, end of year \$ 55,372,722

CITY OF RANCHO CORDOVA, CALIFORNIA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Sunrise Douglas Special Revenue Fund	Traffic Mitigation Special Revenue Fund	Financing Corporation Debt Service Fund
ASSETS				
Cash and investments	\$ 1,659,963	\$ 14,839,070	\$ 11,293,061	\$ 237,966
Restricted cash and equivalents	78,370	-	-	-
Restricted cash with fiscal agent	-	-	-	10,117,646
Receivables:				
Accounts receivable	2,346,531	-	-	148,152
Interest receivable	136,726	69,150	53,315	19,969
Due from other governmental agencies	1,439,668	1,908,253	3,429,548	-
Due from other funds	10,560,310	-	-	-
Advances to other funds	2,573,695	-	-	-
Prepaid costs and other assets	149,746	-	-	-
TOTAL ASSETS	\$ 18,945,009	\$ 16,816,473	\$ 14,775,924	\$ 10,523,733
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,783,018	\$ 129,067	\$ -	\$ 662,012
Accrued payroll liabilities	113,241	-	-	-
Deposits payable	1,001,417	-	-	24,500
Due to other governmental agencies	607,537	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenues	36,111	-	-	-
TOTAL LIABILITIES	3,541,324	129,067	-	686,512
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	-	-
Advances to other funds	2,573,695	-	-	-
Prepaid costs	149,746	-	-	-
Debt service	-	-	-	9,837,221
Unreserved:				
Unreserved, reported in:				
General fund	12,680,244	-	-	-
Special revenue funds	-	16,687,406	14,775,924	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES	15,403,685	16,687,406	14,775,924	9,837,221
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,945,009	\$ 16,816,473	\$ 14,775,924	\$ 10,523,733

CITY OF RANCHO CORDOVA, CALIFORNIA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

Capital Improvements Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	
			ASSETS
\$ 586,755	\$ 12,021,818	\$ 40,638,633	Cash and investments
-	-	78,370	Restricted cash and equivalents
-	-	10,117,646	Restricted cash with fiscal agent
-	25,392	2,520,075	Receivables:
-	53,981	333,141	Accounts receivable
-	2,347,714	9,125,183	Interest receivable
-	-	10,560,310	Due from other governmental agencies
-	-	10,560,310	Due from other funds
-	-	2,573,695	Advances to other funds
1,700	8,840	160,286	Prepaid costs and other assets
<u>\$ 588,455</u>	<u>\$ 14,457,745</u>	<u>\$ 76,107,339</u>	TOTAL ASSETS
			LIABILITIES AND FUND BALANCES
			LIABILITIES
\$ 773,909	\$ 776,294	\$ 4,124,300	Accounts payable
-	-	113,241	Accrued payroll liabilities
-	-	1,025,917	Deposits payable
-	53,325	660,862	Due to other governmental agencies
9,280,024	1,046,673	10,326,697	Due to other funds
-	2,573,695	2,573,695	Advances from other funds
-	114,846	150,957	Deferred revenues
<u>10,053,933</u>	<u>4,564,833</u>	<u>18,975,669</u>	TOTAL LIABILITIES
			FUND BALANCES
			Reserved for:
-	85,413	85,413	Encumbrances
-	-	2,573,695	Advances to other funds
-	-	149,746	Prepaid costs
-	-	9,837,221	Debt service
			Unreserved:
			Unreserved, reported in:
-	-	12,680,244	General fund
	9,807,499	41,270,829	Special revenue funds
(9,465,478)	-	(9,465,478)	Capital projects funds
<u>(9,465,478)</u>	<u>9,892,912</u>	<u>57,131,670</u>	TOTAL FUND BALANCES
<u>\$ 588,455</u>	<u>\$ 14,457,745</u>	<u>\$ 76,107,339</u>	TOTAL LIABILITIES AND FUND BALANCES

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CITY OF RANCHO CORDOVA, CALIFORNIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - total governmental funds	\$ 57,131,670
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds' balance sheet.	
Nondepreciable capital assets	3,599,192
Depreciable capital assets, net	23,085,822
Certain deferred revenues are considered unavailable, and therefore are not reported in the Governmental Funds' balance sheet.	
	114,846
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets.	
	(233,613)
Various long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:	
Long-term debt, net premium	(28,449,735)
Compensated absences	(246,732)
Deferred Issuance costs	847,382
Accrued interest	(476,110)
Net assets of governmental activities	<u>\$ 55,372,722</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Sunrise Douglas Special Revenue Fund	Traffic Mitigation Special Revenue Fund	Financing Corporation Debt Service Fund
REVENUES				
Taxes and assessments	\$ 27,878,786	\$ -	\$ -	\$ -
Licenses, permits and fees	5,188,725	18,921,241	6,905,088	-
Fines and forfeitures	454,199	-	-	-
Use of money and property	607,288	272,571	210,160	646,777
Intergovernmental revenues	1,265,635	-	-	-
Charges for services	2,876,686	-	575,225	-
Other revenues	234,412	23,904	3,093,168	256
TOTAL REVENUES	38,505,731	19,217,716	10,783,641	647,033
EXPENDITURES				
Current:				
General government	12,749,889	47,669	3,542	-
Community development	6,054,358	-	-	-
Public safety	13,246,498	-	-	-
Public works	1,368,386	-	73,938	-
Debt service:				
Principal retirement	423,012	-	-	720,000
Interest and fiscal charges	51,020	-	-	1,106,621
Capital outlay	969,764	13,607,403	-	6,069,016
TOTAL EXPENDITURES	34,862,927	13,655,072	77,480	7,895,637
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,642,804	5,562,644	10,706,161	(7,248,604)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	-	6,705,000
Transfers in	909,022	-	-	2,495,335
Transfers out	(1,092,269)	(11,005)	(279,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(183,247)	(11,005)	(279,000)	9,200,335
NET CHANGE IN FUND BALANCES	3,459,557	5,551,639	10,427,161	1,951,731
Fund balances, beginning of year,	11,944,128	11,135,767	4,348,763	7,885,490
FUND BALANCES, END OF YEAR	\$ 15,403,685	\$ 16,687,406	\$ 14,775,924	\$ 9,837,221

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

Capital Improvements Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	
\$ -	\$ 83,204	\$ 27,961,990	REVENUES
-	4,654,972	35,670,026	Taxes and assessments
-	10,546	464,745	Licenses, permits and fees
-	213,353	1,950,149	Fines and forfeitures
-	3,745,452	5,011,087	Use of money and property
-	74,871	3,526,782	Intergovernmental revenues
-	396,168	3,747,908	Charges for services
-	9,178,566	78,332,687	Other revenues
-	-	-	TOTAL REVENUES
			EXPENDITURES
			Current:
1,920,477	1,319,567	16,041,144	General government
-	758,486	6,812,844	Community development
-	199,741	13,446,239	Public safety
-	1,187,773	2,630,097	Public works
-	-	1,143,012	Debt service:
-	-	1,157,641	Principal retirement
7,515,537	61,750	28,223,470	Interest and fiscal charges
9,436,014	3,527,317	69,454,447	Capital outlay
			TOTAL EXPENDITURES
(9,436,014)	5,651,249	8,878,240	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
			OTHER FINANCING SOURCES (USES)
-	-	6,705,000	Proceeds from long-term debt
517,564	-	3,921,921	Transfers in
-	(2,539,647)	(3,921,921)	Transfers out
517,564	(2,539,647)	6,705,000	TOTAL OTHER FINANCING SOURCES (USES)
(8,918,450)	3,111,602	15,583,240	NET CHANGE IN FUND BALANCES
(547,028)	6,781,310	41,548,430	Fund balances, beginning of year,
\$ (9,465,478)	\$ 9,892,912	\$ 57,131,670	FUND BALANCES, END OF YEAR

CITY OF RANCHO CORDOVA, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental	\$	15,583,240
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. Capital outlays and depreciation expense are as follows:</p>		
Capitalized capital outlays	\$ 14,343,565	
Depreciation expense	<u>(736,702)</u>	<u>13,606,863</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		114,846
<p>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.</p>		
		254,426
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Change in compensated absences	(115,604)	
Change in accrued interest	(451,243)	
Proceeds from Issuance of long-term debt	(6,705,000)	
Principal repayments on long term debt	<u>1,164,760</u>	<u>(6,107,087)</u>
<p>Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue (expense) of certain activities of the Internal Service Funds is reported with Governmental Activities.</p>		
		<u>(233,613)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>23,218,675</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND

JUNE 30, 2006

	<u>Insurance Fund</u>
ASSETS	
Cash and investments	\$ <u>4,337</u>
LIABILITIES	
Accounts payable	4,337
Due to other funds	<u>233,613</u>
TOTAL LIABILITIES	<u>237,950</u>
NET ASSETS	
Unrestricted	(233,613)
TOTAL NET ASSETS	<u>\$ (233,613)</u>

CITY OF RANCHO CORDOVA, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Insurance Fund</u>
OPERATING REVENUES	
Charges for services	<u>\$ 88,490</u>
OPERATING EXPENSES	
Insurance claims and expenses	<u>322,103</u>
OPERATING LOSS	<u>(233,613)</u>
NET ASSETS, BEGINNING OF YEAR	-
NET DEFICIT, END OF YEAR	<u><u>\$ (233,613)</u></u>

CITY OF RANCHO CORDOVA, CALIFORNIA

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND**

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 88,490
Payments to suppliers	<u>(317,766)</u>
Net cash used by operating activities	<u>(229,276)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	<u>233,613</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,337
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,337</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (233,613)
Adjustments to reconcile operating loss to net cash used by operating activities	
Changes in assets and liabilities:	
Increase in accounts payable	<u>4,337</u>
Net cash used by operating activities	<u><u>\$ (229,276)</u></u>

CITY OF RANCHO CORDOVA, CALIFORNIA

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS**

JUNE 30, 2006

	<u>Total Agency Funds</u>
ASSETS	
Cash and investments	\$ 8,344,303
Receivables:	
Interest receivable	38,415
Due from other governmental agencies	116,909
Restricted cash with fiscal agent	<u>11,003,288</u>
TOTAL ASSETS	<u>\$ 19,502,915</u>
LIABILITIES	
Accounts payable	\$ 52,620
Deposits	100,000
Due to assessment holders	<u>19,350,295</u>
TOTAL LIABILITIES	<u>\$ 19,502,915</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rancho Cordova (the City) was incorporated in May 2002, effective July 1, 2003, 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) in the United States of America 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 of Sacramento (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. Separate financial statements are issued for the Corporation and may be obtained by contacting the City.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

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 Agency's Board of Directors approves the annual budget. 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 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 and is presented as two Special Revenue Funds. Separate financial statements are issued for the Agency and may be obtained by contacting the City.

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 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 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 included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

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, and then unrestricted resources as they are needed.

CITY OF RANCHO CORDOVA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

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. 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.

Sunrise Douglas 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.

Traffic Mitigation Special Revenue Fund - Established to account for the roadway fee imposed on the development of real property.

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

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

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.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Internal Services Funds – Internal Service Funds are used to account for the financing of goods and services provided by one City department to other departments on a cost-reimbursement basis.

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.

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.

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. The City is required to record its infrastructure assets 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.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

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.

Property Taxes: The County 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 and unsecured property taxes are levied based on the assessed value as of March 1, the lien date, of the preceding fiscal year. Secured property tax is levied on September 30, and due in two installments, on November 1 and February 1. Collection dates are December 10 and April 10, which are also the delinquent dates.

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.

CITY OF RANCHO CORDOVA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

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 City uses the following reserves and designations:

Reserved for encumbrances - used to segregate that portion of fund balance for the outstanding contractual obligations for which goods or services have not been received.

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 reflect the amounts due from other funds that are long-term in nature and do not represent available spendable resources.

Reserved for prepaid costs - used to indicate the balances of prepaid costs that benefit future periods and are not available for appropriation.

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

Use of Estimates: The preparation of financial statements in conformity with GAAP 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.

2. 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). Restricted cash and equivalents is restricted for the repayment of principal and interest on the related outstanding debt, and therefore, their use is limited by the applicable debt covenants. Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Governmental activities:	
Cash and equivalents	\$ 40,642,970
Restricted cash and cash equivalents	10,196,016
Agency funds:	
Cash and equivalents	8,344,303
Restricted cash and cash equivalents	<u>11,003,288</u>
Total cash and investments	<u>\$ 70,186,577</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

As of June 30, 2006, the City's cash and investments consisted of the following:

Cash on hand	\$	750
Deposits with financial institutions		9,955,272
Total cash		<u>9,956,022</u>
California Asset Management Trust (CAMP)		20,070,604
Local Agency Investment Fund (LAIF)		19,033,835
Money Market mutual fund		18,822,672
Investment Agreement		2,298,262
Financing Corporation bonds		5,182
Total investments		<u>60,230,555</u>
Total cash and investments	\$	<u>70,186,577</u>

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
Local Agency Investment Funds (LAIF)	N/A	None	\$40 Million
Repurchase Agreements	30 days	20%	None
California Asset Management Program (CAMP)	N/A	None	\$40 Million

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.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

The 2005 and 2006 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
Bankers' 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 Agreements*	None	None	None
California Asset Management	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.

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.

	<u>Less than 12 months</u>	<u>More than 60 months</u>	<u>Total Fair Value</u>
LAIF	\$ 19,033,835	\$ -	\$ 19,033,835
Financing Corporation Bonds	-	5,182	5,182
Held by Bond trustee:			
Money Market Mutual Funds	18,822,672	-	18,822,672
CAMP	20,070,604	-	20,070,604
Investment Agreements	-	2,298,262	2,298,262
Total	\$ 57,927,111	\$ 2,303,444	\$ 60,230,555

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Credit Risk: Credit risk is the risk that 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, 2006 the carrying amount of the City's deposits was \$9,955,272, and the bank balance was \$10,870,493.

As of June 30, 2006, 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:

<u>Investment Type</u>	<u>Reported Amount</u>
Money Market Mutual Funds	\$ 18,822,672
CAMP	20,070,604
Investment Agreement	2,298,262
Financing Corporate Bonds	<u>5,182</u>
Total	\$ <u>41,196,720</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Investments LAIF: The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized cost basis. The City's investment in LAIF included a portion of the pool funds invested in collateralized mortgage obligations, mortgage backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. These investments included the following:

Structured Notes are debt securities (other than asset backed securities) whose cash flow characteristics (coupon rate, redemption amount or state maturity) depend on one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

3. RECEIVABLES

Accounts receivable consisted of the following at June 30, 2006:

Developer deposits	\$ 1,619,338
Transient occupancy taxes	278,189
Rent	243,303
Franchise fees	133,211
Utility taxes	119,200
Vendor	77,270
Fines	33,716
Other	<u>15,848</u>
Totals	\$ <u>2,520,075</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Due from other governments consisted of the following at June 30, 2006:

Impact fees	\$ 5,730,336
Measure A funds	849,958
Sales tax	641,600
Property and related tax	517,046
Grants	436,145
Building permits	423,952
Motor vehicle fees	157,949
Gas tax	124,556
Transportation Development Act funds	114,846
Prop 42 funds	89,867
Other	<u>38,928</u>
Totals	<u>\$ 9,125,183</u>

4. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital assets, not being depreciated:				
Land	\$ 2,569,725	\$ 840,563	\$ -	\$ 3,410,288
Construction in progress	245,110	188,904	(245,110)	188,904
Total capital assets, not being depreciated	<u>2,814,835</u>	<u>1,029,467</u>	<u>(245,110)</u>	<u>3,599,192</u>
Capital assets, being depreciated:				
Roads	-	94,764	-	94,764
Buildings and improvements	9,947,607	12,289,830	245,110	22,482,547
Office equipment and furniture	94,943	-	-	94,943
Software	195,000	771,671	-	966,671
Vehicles	40,628	157,833	-	198,461
Total capital assets, being depreciated	<u>10,278,178</u>	<u>13,314,098</u>	<u>245,110</u>	<u>23,837,386</u>
Less accumulated depreciation for:				
Roads	-	(2,764)	-	(2,764)
Buildings and improvements	-	(393,178)	-	(393,178)
Office equipment and furniture	(14,862)	(22,278)	-	(37,140)
Software	-	(300,508)	-	(300,508)
Vehicles	-	(17,974)	-	(17,974)
Total accumulated depreciation	<u>(14,862)</u>	<u>(736,702)</u>	<u>-</u>	<u>(751,564)</u>
Total capital assets, being depreciated, net	<u>10,263,316</u>	<u>12,577,396</u>	<u>245,110</u>	<u>23,085,822</u>
Capital assets, net	<u>\$ 13,078,151</u>	<u>\$ 13,606,863</u>	<u>\$ -</u>	<u>\$ 26,685,014</u>

Depreciation of \$736,702 during the year ended June 30, 2006 was charged to the general government function.

CITY OF RANCHO CORDOVA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

5. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2006 are as follows:

Due to General Fund from:	
Capital Improvement Projects Fund	\$ 9,280,024
Non-major Governmental Funds	1,046,673
Internal Service Fund – Insurance	<u>233,613</u>
Totals	<u>\$ 10,560,310</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:	
Non-major Special Revenue Funds	\$ <u>2,573,695</u>
Totals	<u>\$ 2,573,695</u>

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

The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2006.

General Fund	Financing Corporation	\$ 1,044,260
	Capital Improvement	<u>125,299</u>
		<u>1,092,269</u>
Sunrise Douglas Fee Fund	General Fund	10,825
	Capital Improvement	<u>180</u>
		<u>11,005</u>
Traffic Mitigation Fund	General Fund	<u>279,000</u>
Non-major Governmental Funds	General Fund	619,197
	Financing Corporation	1,451,075
	Capital Improvement	<u>392,085</u>
		<u>2,539,647</u>
Total transfers		<u>\$ 3,921,921</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.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

6. LONG-TERM LIABILITIES

Changes In Long-Term Liabilities

A schedule of changes in general long-term debt for the year ended June 30, 2006 is shown below:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year	Non Current
Primary Institution						
Compensated Absences	\$ 131,128	\$ 280,301	\$ 164,697	\$ 246,732	\$ -	\$ 246,732
County debt	1,692,047	-	423,012	1,269,035	423,012	846,023
Certificates of Participation	<u>20,565,000</u>	<u>6,705,000</u>	<u>720,000</u>	<u>26,550,000</u>	<u>620,000</u>	<u>25,930,000</u>
Add: Bond Premium	<u>652,448</u>	-	<u>21,748</u>	<u>630,700</u>	-	<u>630,700</u>
	<u>\$ 23,040,623</u>	<u>\$ 6,985,301</u>	<u>\$ 1,514,284</u>	<u>\$ 28,696,467</u>	<u>\$ 1,043,012</u>	<u>\$ 27,653,455</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 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 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%.

2005 Series A & B Certificates of Participation: On August 1, 2005, \$3,695,000 and \$3,010,000 Certificates of Participation were issued by the Corporation to finance the acquisition and improvement of the new city operations facilities. To provide for repayment of the certificates, the City entered into an agreement to lease the administration facilities from the Corporation. Principal payments of \$75,000 to \$370,000 are due annually on September 1 through September 1, 2035. Interest rates range from 3.00% to 5.00%.

County Debt: The County performed police, animal control and street maintenance services on behalf of the City from July 1, 2003 through June 30, 2004. The City prepaid 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, 2006, the City's liability to the County is \$1,269,035 for the 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 can vary each quarter as the County Treasury pool rate changes.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Certificates of Participation

The annual requirements to amortize certificates of participation outstanding as of June 30, 2006 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 620,000	\$ 1,198,125	\$ 1,818,125
2008	715,000	1,175,805	1,890,805
2009	740,000	1,149,955	1,889,955
2010	775,000	1,121,893	1,896,893
2011	800,000	1,092,393	1,892,393
2012-2016	4,495,000	4,957,022	9,452,022
2017-2021	3,390,000	4,150,758	7,540,758
2022-2026	4,245,000	3,296,828	7,541,828
2027-2031	5,410,000	2,143,300	7,553,300
2032-2036	<u>5,360,000</u>	<u>675,175</u>	<u>6,035,175</u>
Total	<u>\$ 26,550,000</u>	<u>\$ 20,961,254</u>	<u>\$ 47,511,254</u>

County Debt

The annual requirements to amortize county debt outstanding as of June 30, 2006 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 423,012	\$ 25,496	\$ 448,508
2008	423,012	15,783	438,795
2009	<u>423,011</u>	<u>6,071</u>	<u>429,082</u>
Total	<u>\$ 1,269,035</u>	<u>\$ 47,350</u>	<u>\$ 1,316,385</u>

7. 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.

CITY OF RANCHO CORDOVA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

As of June 30, 2006, Special Tax Bonds outstanding were as follows:

Sunridge Anatolia CFD 2003-1 – Series 2003	\$ 23,415,000
Sunridge Anatolia CFD 2003-1 – Series 2005	<u>14,660,000</u>
Totals	<u>\$ 38,075,000</u>

8. DEFICIT FUND BALANCE

The following funds have a fund deficit at June 30, 2006:

<u>Fund</u>	<u>Deficit</u>
Capital Improvement Projects Fund	\$ (9,465,478)
Redevelopment Administration Fund	(787,980)
General Plan Fees Fund	(1,785,715)
Grant Revenue Fund	(111,561)
Transportation Development Fund	(150)
Community Development Block Grant Fund	<u>(29,369)</u>
Totals	<u>\$ (12,180,253)</u>

The deficit of the Redevelopment Administration Fund will be eliminated with future property tax revenue. The deficit of the Capital Improvement Projects Fund and General Plan Fees Fund will be eliminated with future fee collections. The deficit in the Grant Revenue Fund, Transportation Development Fund, and Community Development Block Grant Fund will be eliminated with future grant revenues.

9. DEFINED BENEFIT PENSION PLANS

Plan Description: The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS. Under CalPERS, 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 CalPERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy: At the beginning of the fiscal year, participants were required to contribute 7% of their annual covered salary, and the City made the contributions required of the City employees on their behalf and for their account. During October 2005, the City approved a contract amendment that increased the contribution rate to 8%. The City is required to contribute at an actuarially determined rate;

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

however, the City elected to prepay their 2005/06 employer contributions for the year ended June 30, 2006. The prepaid amount was based on CalPERS actuarial determined calculation. The contract amendment resulted in an increase employer contribution rate of 3.69% for the remaining portion of the fiscal year. The City makes 5.5% of the current 8% participant contribution required by CalPERS under the new contract. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost: For the year ending June 30, 2006, the City's annual pension cost of \$308,119 for CalPERS was equal to the City's required and actual contributions. The City entered CalPERS 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 CalPERS 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 CalPERS 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.

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/04	\$ 20,125	100%	None
06/30/05	229,910	100%	None
06/30/06	308,119	100%	None

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Asset</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded Actuarial Accrued Liability (UAAL) (Col 3-Col 2)</u>	<u>Funded Ratio (Col 2/Col 4)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll (Col 4/Col 6)</u>
06/30/04	\$ 20,391	\$ 1,253,005	\$ 1,232,614	.0165%	\$ 1,005,165	122.6%

CITY OF RANCHO CORDOVA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

10. 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.

11. 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.

The City has received federal and state grants for specific purposes that are subject to review and audit by the federal and state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

12. COMMITMENTS

The City and 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 2003 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, 2006 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, 2006, property taxes retained by the County in accordance with the revenue neutrality agreement totaled \$7,234,086.

CITY OF RANCHO CORDOVA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

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 2006/07 projected total costs of \$15,202,127.

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. For the fiscal year ended June 30, 2006, actual costs totaled \$1,142,090, with the majority of the costs charged to the Measure A Special Revenue Fund.

CITY OF RANCHO CORDOVA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL — GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 8,847,000	\$ 11,820,991	\$ 12,174,672	\$ 353,681
Sales and use	10,100,000	10,874,082	10,418,318	(455,764)
Transient occupancy	2,200,000	2,353,105	2,581,424	228,319
Utility user	1,585,000	1,736,677	1,721,736	(14,941)
Other	209,400	844,120	982,636	138,516
Licenses and permits	6,137,035	4,371,102	5,188,725	817,623
Intergovernmental revenues	2,045,423	1,078,304	1,265,635	187,331
Charges for current services	2,477,978	2,194,921	2,876,686	681,765
Fines and forfeitures	448,572	414,631	454,199	39,568
Use of money and property	1,142,646	30,000	607,288	577,288
Other revenue	-	1,026	234,412	233,386
Total revenues	<u>35,193,054</u>	<u>35,718,959</u>	<u>38,505,731</u>	<u>2,786,772</u>
EXPENDITURES:				
Current operating:				
General government	7,091,405	5,718,383	5,515,803	202,580
Community development	4,446,031	4,841,984	6,054,358	(1,212,374)
Public safety	13,265,780	12,845,497	13,246,498	(401,001)
Public works	996,036	1,153,630	1,368,386	(214,756)
Neutrality agreement	5,610,509	7,686,655	7,234,086	452,569
Debt service:				
Principal retirements	423,012	423,012	423,012	-
Interest and fiscal charges	40,000	40,000	51,020	(11,020)
Capital Outlay	-	508,761	969,764	(461,003)
Total expenditures	<u>31,872,773</u>	<u>33,217,922</u>	<u>34,862,927</u>	<u>(1,645,005)</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>3,320,281</u>	<u>2,501,037</u>	<u>3,642,804</u>	<u>1,141,767</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	575,456	1,060,853	909,022	(151,831)
Transfers out	<u>(974,896)</u>	<u>(3,272,450)</u>	<u>(1,092,269)</u>	<u>2,180,181</u>
Total other financing sources (uses)	<u>(399,440)</u>	<u>(2,211,597)</u>	<u>(183,247)</u>	<u>2,028,350</u>
NET CHANGE IN FUND BALANCE	<u>2,920,841</u>	<u>289,440</u>	<u>3,459,557</u>	<u>\$ 3,170,117</u>
FUND BALANCE, BEGINNING OF YEAR	<u>11,944,128</u>	<u>11,944,128</u>	<u>11,944,128</u>	
FUND BALANCE - ENDING	<u>\$ 14,864,969</u>	<u>\$ 12,233,568</u>	<u>\$ 15,403,685</u>	

CITY OF RANCHO CORDOVA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL — SUNRISE DOUGLAS SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Licenses, permits and fees	\$ 4,142,000	\$ 575,000	\$ 5,313,838	\$ 4,738,838
Use of money and property	2,500	1,000	272,571	271,571
Other revenue	-	-	23,904	23,904
Total revenues	4,144,500	576,000	5,610,313	5,034,313
EXPENDITURES:				
Current operating:				
General government	300,000	45,000	47,669	(2,669)
Total expenditures	300,000	45,000	47,669	(2,669)
EXCESS OF REVENUES OVER EXPENDITURES	3,844,500	531,000	5,562,644	5,031,644
OTHER FINANCING USES:				
Transfers out	(600,000)	(10,000)	(11,005)	(1,005)
TOTAL OTHER FINANCING USES	(600,000)	(10,000)	(11,005)	(1,005)
NET CHANGE IN FUND BALANCE	3,244,500	521,000	5,551,639	\$ 5,030,639
FUND BALANCE - BEGINNING OF YEAR	11,135,427	11,135,427	11,135,767	
FUND BALANCE - END OF YEAR	\$ 14,379,927	\$ 11,656,427	\$ 16,687,406	

CITY OF RANCHO CORDOVA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL — TRAFFIC MITIGATION SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Licenses, permits and fees	\$ 2,200,000	\$ 6,910,000	\$ 6,905,088	\$ (4,912)
Charges for current services	-	-	575,225	575,225
Use of money and property	1,000	6,000	210,160	204,160
Other revenue	-	-	3,093,168	3,093,168
Total revenues	2,201,000	6,916,000	10,783,641	3,867,641
EXPENDITURES:				
Current operating:				
General government	-	-	3,542	(3,542)
Public works	75,000	138,000	73,938	64,062
Total expenditures	75,000	138,000	77,480	60,520
EXCESS OF REVENUES OVER EXPENDITURES	2,126,000	6,778,000	10,706,161	3,928,161
OTHER FINANCING USES:				
Transfers out	(660,000)	(120,000)	(279,000)	(159,000)
TOTAL OTHER FINANCING USES	(660,000)	(120,000)	(279,000)	(159,000)
NET CHANGE IN FUND BALANCE	1,466,000	6,658,000	10,427,161	\$ 3,769,161
FUND BALANCE - BEGINNING OF YEAR	4,348,763	4,348,763	4,348,763	
FUND BALANCE - END OF YEAR	\$ 5,814,763	\$ 11,006,763	\$ 14,775,924	

CITY OF RANCHO CORDOVA, CALIFORNIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006

Note 1 - Budgetary Data

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.

**COMBINING FUND FINANCIAL
STATEMENTS AND SCHEDULES**

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 functions of the City.

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

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

LOW/MODERATE INCOME HOUSING FUND – Accounts for 20% of property tax increment revenues set aside for low and moderate income housing. Accounts for expenditures 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.

GENERAL PLAN FUND – General Plan Fund fees are imposed on all future growth within the City limits. The funds will be 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.

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.

ADMINISTRATION FUND – The funds will be used to help cover administration costs incurred in development of the city.

ANIMAL SERVICES FUND – The funds will be used for animal services to city residents.

RECORDS MANAGEMENT FUND – The funds will be used to help cover record management costs incurred in development of the city.

TELECOMMUNICATIONS IMPACT FUND – The funds will be used to help cover telecommunications start-up costs incurred in development of the city.

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).

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 REVENUE FUNDS:

STATE GRANT FUND – Accounts for revenues and expenditures associated with the Office of Traffic Safety Grants received from the State of California. This fund also accounts for receipts and expenditures for the “Community Oriented Public Safety” funds provided by the State of California.

FEDERAL GRANT FUND – Accounts for the Weed ‘n Seed grant for the federal government.

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.

TRANSIT-RELATED SERVICES TAX FUND – Accounts for revenues and expenditures related to provide transit related services.

ROAD MAINTENANCE FUND – Accounts for revenues and expenditures related to the road maintenance.

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

PROP 42 FUND – Accounts for revenue and expenditures related to state funded programs to assist cities in maintaining public works infrastructure.

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.

LANDSCAPING AND LIGHTING 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

JUNE 30, 2006

	Redevelopment Administration Fund	Low/Mod. Income Housing	Asset Forfeiture Fund	Villages of Zinfandel Fund	General Plan Fund
ASSETS					
Cash and investments	\$ 55,377	\$ 21,524	\$ 20,138	\$ 466,002	\$ 435,473
Receivables:					
Accounts receivable	-	25,392	-	-	-
Interest receivable	-	-	93	2,294	-
Due from other governmental agencies	-	-	-	-	16,957
Prepaid costs and other assets	-	-	-	-	-
TOTAL ASSETS	\$ 55,377	\$ 46,916	\$ 20,231	\$ 468,296	\$ 452,430
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 55,377	\$ -	\$ -	\$ -	\$ 452,430
Due to other funds	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-
Advances from other funds	787,980	-	-	-	1,785,715
Deferred revenues	-	-	-	-	-
TOTAL LIABILITIES	843,357	-	-	-	2,238,145
FUND BALANCES					
Reserved for:					
Encumbrances	-	-	-	-	9,893
Unreserved:					
Undesignated	(787,980)	46,916	20,231	468,296	(1,795,608)
TOTAL FUND BALANCES	(787,980)	46,916	20,231	468,296	(1,785,715)
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,377	\$ 46,916	\$ 20,231	\$ 468,296	\$ 452,430

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

	Community Facilities Fees Fund	Park Development Fund	Gas Tax Fund	Grant Revenue Fund	Transportation Development Act Fund
ASSETS					
Cash and investments	\$ 5,090,091	\$ 1,301,254	\$ 3,471,362	\$ -	\$ -
Receivables:					
Accounts receivable	-	-	-	-	-
Interest receivable	23,716	6,063	16,408	-	-
Due from other governmental agencies	289,174	73,560	124,556	251,862	114,846
Prepaid costs and other assets	-	-	-	8,840	-
TOTAL ASSETS	\$ 5,402,981	\$ 1,380,877	\$ 3,612,326	\$ 260,702	\$ 114,846
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 292	\$ 9,300	\$ 22,196	\$ -
Due to other funds	-	-	-	350,067	150
Due to other governmental agencies	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	114,846
TOTAL LIABILITIES	-	292	9,300	372,263	114,996
FUND BALANCES					
Reserved for:					
Encumbrances	-	-	-	28,100	-
Unreserved:					
Undesignated	5,402,981	1,380,585	3,603,026	(139,661)	(150)
TOTAL FUND BALANCES	5,402,981	1,380,585	3,603,026	(111,561)	(150)
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,402,981	\$ 1,380,877	\$ 3,612,326	\$ 260,702	\$ 114,846

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

	Very Low Income Housing Fund	Measure A Fund	Transit- Related Services Tax Fund	Road Maintenance Fund	Community Development Block Grant Fund
ASSETS					
Cash and investments	\$ 227,088	\$ -	\$ 19,163	\$ 14,646	\$ -
Receivables:					
Accounts receivable	-	-	-	-	-
Interest receivable	1,058	-	89	68	-
Due from other					
Governmental agencies	-	849,958	-	-	193,168
Prepaid costs and other assets	-	-	-	-	-
TOTAL ASSETS	\$ 228,146	\$ 849,958	\$ 19,252	\$ 14,714	\$ 193,168
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 173,564	\$ -	\$ 6,632	\$ 5,003
Due to other funds	-	532,247	-	-	164,209
Due to other governmental agencies	-	-	-	-	53,325
Advances from other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
TOTAL LIABILITIES	-	705,811	-	6,632	222,537
FUND BALANCES					
Reserved for:					
Encumbrances	-	-	-	47,420	-
Unreserved:					
Undesignated	228,146	144,147	19,252	(39,338)	(29,369)
TOTAL FUND BALANCES	228,146	144,147	19,252	8,082	(29,369)
TOTAL LIABILITIES AND FUND BALANCES	\$ 228,146	\$ 849,958	\$ 19,252	\$ 14,714	\$ 193,168

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

	Prop 42 Fund	Environmental Mitigation Fund	Landscape and Lighting Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and investments	\$ 233,317	\$ 616,614	\$ 49,769	\$ 12,021,818
Receivables:				
Accounts receivable	-	-	-	25,392
Interest receivable	1,087	2,873	232	53,981
Due from other				
Governmental agencies	89,867	-	343,766	2,347,714
Prepaid costs and other assets	-	-	-	8,840
TOTAL ASSETS	\$ 324,271	\$ 619,487	\$ 393,767	\$ 14,457,745
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 1,775	\$ 49,725	\$ 776,294
Due to other funds	-	-	-	1,046,673
Due to other governmental agencies	-	-	-	53,325
Advances from other funds	-	-	-	2,573,695
Deferred revenues	-	-	-	114,846
TOTAL LIABILITIES	-	1,775	49,725	4,564,833
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	-	85,413
Unreserved:				
Undesignated	324,271	617,712	344,042	9,807,499
TOTAL FUND BALANCES	324,271	617,712	344,042	9,892,912
TOTAL LIABILITIES AND FUND BALANCES	\$ 324,271	\$ 619,487	\$ 393,767	\$ 14,457,745

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Redevelopment Administration Fund	Low/Mod. Income Housing	Asset Forfeiture Fund	Villages of Zinfandel Fund	General Plan Fees Fund
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	269,874	205,859
Fines and forfeitures	-	-	10,546	-	-
Use of money and property	-	-	370	9,045	-
Intergovernmental revenues	-	-	-	-	-
Charges for services	-	-	-	-	733
Other revenues	-	46,916	-	-	-
TOTAL REVENUES	-	46,916	10,916	278,919	206,592
EXPENDITURES					
Current:					
General government	-	-	-	-	1,239,158
Community development	741,606	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	741,606	-	-	-	1,239,158
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(741,606)	46,916	10,916	278,919	(1,032,566)
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(27,485)	-
TOTAL OTHER SOURCES (USES)	-	-	-	(27,485)	-
NET CHANGE IN FUND BALANCES	(741,606)	46,916	10,916	251,434	(1,032,566)
Fund balances, beginning of year	(46,374)	-	9,315	216,862	(753,149)
FUND BALANCES (DEFICITS), END OF YEAR	\$ (787,980)	\$ 46,916	\$ 20,231	\$ 468,296	\$ (1,785,715)

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Community Facilities Fees Fund	Park Development Fund	Gas Tax Fund	Grant Fund	Transportation Development Fund
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	3,299,227	805,857	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	93,491	23,900	64,678	-	-
Intergovernmental revenues	-	-	1,323,724	449,211	-
Charges for services	-	-	-	5,000	-
Other revenues	-	-	6,741	11,377	-
TOTAL REVENUES	<u>3,392,718</u>	<u>829,757</u>	<u>1,395,143</u>	<u>465,588</u>	<u>-</u>
EXPENDITURES					
Current:					
General government	-	-	9,300	11,685	150
Community development	-	16,880	-	-	-
Public safety	-	-	-	199,741	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	61,750	-
TOTAL EXPENDITURES	<u>-</u>	<u>16,880</u>	<u>9,300</u>	<u>273,176</u>	<u>150</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,392,718	812,877	1,385,843	192,412	(150)
OTHER FINANCING SOURCES (USES)					
Transfers out	(1,501,075)	(65,779)	(179,000)	(374,243)	-
TOTAL OTHER SOURCES (USES)	<u>(1,501,075)</u>	<u>(65,779)</u>	<u>(179,000)</u>	<u>(374,243)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,891,643	747,098	1,206,843	(181,831)	(150)
Fund balances, beginning of year	<u>3,511,338</u>	<u>633,487</u>	<u>2,396,183</u>	<u>70,270</u>	<u>-</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ 5,402,981</u>	<u>\$ 1,380,585</u>	<u>\$ 3,603,026</u>	<u>\$ (111,561)</u>	<u>\$ (150)</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Very Low Income Housing Fund	Measure A Fund	Transit- Related Services Tax Fund	Road Maintenance District	Community Development Block Grant Fund
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	74,155	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	4,171	-	352	269	-
Intergovernmental revenues	-	1,483,146	-	-	169,385
Charges for services	-	-	18,900	50,238	-
Other revenues	-	-	-	-	-
TOTAL REVENUES	<u>78,326</u>	<u>1,483,146</u>	<u>19,252</u>	<u>50,507</u>	<u>169,385</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Community development	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	1,093,490	-	42,085	52,198
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>1,093,490</u>	<u>-</u>	<u>42,085</u>	<u>52,198</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	78,326	389,656	19,252	8,422	117,187
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(245,509)	-	-	(146,556)
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>(245,509)</u>	<u>-</u>	<u>-</u>	<u>(146,556)</u>
NET CHANGE IN FUND BALANCES	78,326	144,147	19,252	8,422	(29,369)
Fund balances, beginning of year	<u>149,820</u>	<u>-</u>	<u>-</u>	<u>(340)</u>	<u>-</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ 228,146</u>	<u>\$ 144,147</u>	<u>\$ 19,252</u>	<u>\$ 8,082</u>	<u>\$ (29,369)</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Prop 42 Fund	Environmental Mitigation Fund	Landscape and Lighting Fund	Total Nonmajor Special Revenue Funds
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ 83,204	\$ 83,204
Licenses, permits and fees	-	-	-	4,654,972
Fines and forfeitures	-	-	-	10,546
Use of money and property	4,285	11,325	1,467	213,353
Intergovernmental revenues	319,986	-	-	3,745,452
Charges for services	-	-	-	74,871
Other revenues	-	-	331,134	396,168
TOTAL REVENUES	<u>324,271</u>	<u>11,325</u>	<u>415,805</u>	<u>9,178,566</u>
EXPENDITURES				
Current:				
General government	-	-	59,274	1,319,567
Community development	-	-	-	758,486
Public safety	-	-	-	199,741
Public works	-	-	-	1,187,773
Capital outlay	-	-	-	61,750
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>59,274</u>	<u>3,527,317</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	324,271	11,325	356,531	5,651,249
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(2,539,647)
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,539,647)</u>
NET CHANGE IN FUND BALANCES	324,271	11,325	356,531	3,111,602
Fund balances, beginning of year	<u>-</u>	<u>606,387</u>	<u>(12,489)</u>	<u>6,781,310</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ 324,271</u>	<u>\$ 617,712</u>	<u>\$ 344,042</u>	<u>\$ 9,892,912</u>

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMBINING BALANCE SHEET
 VILLAGES OF ZINFANDEL (VOZ) SPECIAL REVENUE FUNDS

JUNE 30, 2006

	VOZ Roadway Fund	VOZ Admin Fund	VOZ Library Fund	Total VOZ Special Revenue Funds
ASSETS				
Cash and investments	\$ 306,959	\$ 7,579	\$ 151,464	\$ 466,002
Receivables:				
Interest receivable	1,553	35	706	2,294
TOTAL ASSETS	<u>\$ 308,512</u>	<u>\$ 7,614</u>	<u>\$ 152,170</u>	<u>\$ 468,296</u>
FUND BALANCES				
Unreserved:				
Undesignated	\$ 308,512	\$ 7,614	\$ 152,170	\$ 468,296
TOTAL FUND BALANCES	<u>\$ 308,512</u>	<u>\$ 7,614</u>	<u>\$ 152,170</u>	<u>\$ 468,296</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

	VOZ Roadway Fund	VOZ Admin Fund	VOZ Library Fund	Total VOZ Special Revenue Funds
REVENUES				
Licenses, permits and fees	\$ 230,922	\$ 2,064	\$ 36,888	\$ 269,874
Use of money and property	6,124	139	2,782	9,045
TOTAL REVENUES	<u>237,046</u>	<u>2,203</u>	<u>39,670</u>	<u>278,919</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(26,485)	(1,000)	-	(27,485)
TOTAL OTHER SOURCES (USES)	<u>(26,485)</u>	<u>(1,000)</u>	<u>-</u>	<u>(27,485)</u>
NET CHANGE IN FUND BALANCES	210,561	1,203	39,670	251,434
Fund balances, beginning of year	<u>97,951</u>	<u>6,411</u>	<u>112,500</u>	<u>216,862</u>
FUND BALANCES, END OF YEAR	<u>\$ 308,512</u>	<u>\$ 7,614</u>	<u>\$ 152,170</u>	<u>\$ 468,296</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

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

JUNE 30, 2006

	CFF Library Impact Fund	CFF Museum Impact Fund	CFF Parking Facility Fund	CFF City Hall Fund	CFF Police Fund	CFF Community Center Fund
ASSETS						
Cash and investments	\$ 208,749	\$ 521,536	\$ 543,854	\$ 713,260	\$ 1,562,461	\$ 873,039
Receivables:						
Interest receivable	973	2,430	2,534	3,323	7,280	4,068
Due from other						
Governmental agencies		23,224	23,808	56,652	74,434	68,507
TOTAL ASSETS	\$ 209,722	\$ 547,190	\$ 570,196	\$ 773,235	\$ 1,644,175	\$ 945,614
FUND BALANCES						
Unreserved:						
Undesignated	\$ 209,722	\$ 547,190	\$ 570,196	\$ 773,235	\$ 1,644,175	\$ 945,614
TOTAL FUND BALANCES	\$ 209,722	\$ 547,190	\$ 570,196	\$ 773,235	\$ 1,644,175	\$ 945,614

CITY OF RANCHO CORDOVA, CALIFORNIA

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

JUNE 30, 2006

	CFF Corporate Yard Fund	CFF Admin Fund	CFF Animal Services Fund	CFF Records Management Fund	CFF Telecom -munication Impact Fund	Total CFF Special Revenue Funds
ASSETS						
Cash and investments	\$ 435,117	\$ 218,794	\$ 7,138	\$ 410	\$ 5,733	\$ 5,090,091
Receivables:						
Interest receivable	2,027	1,019	33	2	27	23,716
Due from other						
Governmental agencies	20,406	12,349	5,393	285	4,116	289,174
TOTAL ASSETS	\$ 457,550	\$ 232,162	\$ 12,564	\$ 697	\$ 9,876	\$ 5,402,981
FUND BALANCES						
Unreserved:						
Undesignated	\$ 457,550	\$ 232,162	\$ 12,564	\$ 697	\$ 9,876	\$ 5,402,981
TOTAL FUND BALANCES	\$ 457,550	\$ 232,162	\$ 12,564	\$ 697	\$ 9,876	\$ 5,402,981

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

	CFF Library Impact Fund	CFF Museum Impact Fund	CFF Parking Facility Fund	CFF City Hall Fund	CFF Police Fund	CFF Community Center Fund
REVENUES						
Licenses, permits and fees	\$ 36,832	\$ 264,809	\$ 277,290	\$ 659,287	\$ 864,633	\$ 796,949
Use of money and property	3,834	9,579	9,989	13,100	28,698	16,035
TOTAL REVENUES	<u>40,666</u>	<u>274,388</u>	<u>287,279</u>	<u>672,387</u>	<u>893,331</u>	<u>812,984</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,666	274,388	287,279	672,387	893,331	812,984
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	(579,701)	(171,580)	(699,794)
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(579,701)</u>	<u>(171,580)</u>	<u>(699,794)</u>
NET CHANGE IN FUND BALANCES	40,666	274,388	287,279	92,686	721,751	113,190
Fund balances, beginning of year	<u>169,056</u>	<u>272,802</u>	<u>282,917</u>	<u>680,549</u>	<u>922,424</u>	<u>832,424</u>
FUND BALANCES, END OF YEAR	<u>\$ 209,722</u>	<u>\$ 547,190</u>	<u>\$ 570,196</u>	<u>\$ 773,235</u>	<u>\$ 1,644,175</u>	<u>\$ 945,614</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

	CFF Corporate Yard Fund	CFF Admin Fund	CFF Animal Services Fund	CFF Records Management Fund	CFF Telecom -munication Impact Fund	Total CFF Special Revenue Funds
REVENUES						
Licenses, permits and fees	\$ 236,773	\$ 139,762	\$ 12,433	\$ 688	\$ 9,771	\$ 3,299,227
Use of money and property	7,992	4,019	131	9	105	93,491
TOTAL REVENUES	<u>244,765</u>	<u>143,781</u>	<u>12,564</u>	<u>697</u>	<u>9,876</u>	<u>3,392,718</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	244,765	143,781	12,564	697	9,876	3,392,718
OTHER FINANCING SOURCES (USES)						
Transfers out	-	(50,000)	-	-	-	(1,501,075)
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,501,075)</u>
NET CHANGE IN FUND BALANCES	244,765	93,781	12,564	697	9,876	1,891,643
Fund balances, beginning of year	<u>212,785</u>	<u>138,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,511,338</u>
FUND BALANCES, END OF YEAR	<u>\$ 457,550</u>	<u>\$ 232,162</u>	<u>\$ 12,564</u>	<u>\$ 697</u>	<u>\$ 9,876</u>	<u>\$ 5,402,981</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING BALANCE SHEET
GRANT SPECIAL REVENUE FUNDS

JUNE 30, 2006

	State Grant Fund	Federal Grant Fund	Total Grant Special Revenue Funds
ASSETS			
Due from other			
Governmental agencies	\$ 251,862	\$ -	\$ 251,862
Prepaid costs and other assets	-	8,840	8,840
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 251,862</u>	<u>\$ 8,840</u>	<u>\$ 260,702</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 22,196	\$ -	\$ 22,196
Due to other funds	95,661	254,406	350,067
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>117,857</u>	<u>254,406</u>	<u>372,263</u>
FUND BALANCES			
Reserved for:			
Encumbrances	28,100	-	28,100
Unreserved:			
Undesignated	105,905	(245,566)	(139,661)
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>134,005</u>	<u>(245,566)</u>	<u>(111,561)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 251,862</u>	<u>\$ 8,840</u>	<u>\$ 260,702</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

	State Grant Fund	Federal Grant Fund	Total Grant Special Revenue Funds
REVENUES			
Intergovernmental revenues	\$ 449,211	\$ -	\$ 449,211
Charges for services	3,415	1,585	5,000
Other revenues	-	11,377	11,377
TOTAL REVENUES	<u>452,626</u>	<u>12,962</u>	<u>465,588</u>
EXPENDITURES			
Current:			
General government	5,229	6,456	11,685
Community development	-	-	-
Public safety	49,654	150,087	199,741
Public works	-	-	-
Capital outlay	61,750	-	61,750
TOTAL EXPENDITURES	<u>116,633</u>	<u>156,543</u>	<u>273,176</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	335,993	(143,581)	192,412
OTHER FINANCING SOURCES (USES)			
Transfers out	(274,467)	(99,776)	(374,243)
TOTAL OTHER SOURCES (USES)	<u>(274,467)</u>	<u>(99,776)</u>	<u>(374,243)</u>
NET CHANGE IN FUND BALANCES	61,526	(243,357)	(181,831)
Fund balances, beginning of year	<u>72,479</u>	<u>(2,209)</u>	<u>70,270</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ 134,005</u>	<u>\$ (245,566)</u>	<u>\$ (111,561)</u>

MAJOR SPECIAL REVENUE FUNDS

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMBINING BALANCE SHEET SCHEDULE
 SUNRISE DOUGLAS (SD) SPECIAL REVENUE FUNDS

JUNE 30, 2006

	SD Program Updates Fund	SD Interim Sewer Fund	SD Library Fund	SD Park Fund	SD Offsite Water Fund
ASSETS					
Cash and investments	\$ 85,405	\$ 981,434	\$ 882,387	\$ 7,134,271	\$ 999,293
Receivables:					
Interest receivable	398	4,573	4,112	33,245	4,655
Due from other					
Governmental agencies	6,697	79,100	52,798	412,302	115,250
TOTAL ASSETS	\$ 92,500	\$ 1,065,107	\$ 939,297	\$ 7,579,818	\$ 1,119,198
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,902	\$ -	\$ -	\$ 126,165	\$ -
TOTAL LIABILITIES	2,902	-	-	126,165	-
FUND BALANCES					
Unreserved:					
Undesignated	89,598	1,065,107	939,297	7,453,653	1,119,198
TOTAL FUND BALANCES	89,598	1,065,107	939,297	7,453,653	1,119,198
TOTAL LIABILITIES AND FUND BALANCES	\$ 92,500	\$ 1,065,107	\$ 939,297	\$ 7,579,818	\$ 1,119,198

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMBINING BALANCE SHEET SCHEDULE
 SUNRISE DOUGLAS (SD) SPECIAL REVENUE FUNDS

JUNE 30, 2006

	SD Traffic Impact Fund	SD Transit Shuttle Fund	SD Admin Fund	Total SD Special Revenue Funds
ASSETS				
Cash and investments	\$ 3,902,781	\$ 108,348	\$ 745,151	\$ 14,839,070
Receivables:				
Interest receivable	18,190	505	3,472	69,150
Due from other				
Governmental agencies	1,183,848	6,406	51,852	1,908,253
TOTAL ASSETS	\$ 5,104,819	\$ 115,259	\$ 800,475	\$ 16,816,473
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 129,067
TOTAL LIABILITIES	-	-	-	129,067
FUND BALANCES				
Unreserved:				
Undesignated	5,104,819	115,259	800,475	16,687,406
TOTAL FUND BALANCES	5,104,819	115,259	800,475	16,687,406
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,104,819	\$ 115,259	\$ 800,475	\$ 16,816,473

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

	SD Program Updates Fund	SD Interim Sewer Fund	SD Library Fund	SD Park Fund	SD Offsite Water Fund
REVENUES					
Licenses, permits and fees	\$ 67,777	\$ 646,126	\$ 529,686	\$ 4,934,051	\$ 752,428
Use of money and property	1,569	18,026	16,207	131,037	18,354
Other revenues	-	-	-	6,027	-
TOTAL REVENUES	<u>69,346</u>	<u>664,152</u>	<u>545,893</u>	<u>5,071,115</u>	<u>770,782</u>
EXPENDITURES					
Current:					
General government	10,902	-	-	36,467	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>10,902</u>	<u>-</u>	<u>-</u>	<u>36,467</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	58,444	664,152	545,893	5,034,648	770,782
OTHER FINANCING SOURCES (USES)					
Transfers out	(10,000)	-	-	-	-
TOTAL OTHER SOURCES (USES)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	48,444	664,152	545,893	5,034,648	770,782
Fund balances, beginning of year	<u>41,154</u>	<u>400,955</u>	<u>393,404</u>	<u>2,419,005</u>	<u>348,416</u>
FUND BALANCES, END OF YEAR	<u>\$ 89,598</u>	<u>\$ 1,065,107</u>	<u>\$ 939,297</u>	<u>\$ 7,453,653</u>	<u>\$ 1,119,198</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

	SD Traffic Impact Fund	SD Transit Shuttle Fund	SD Admin Fund	Total SD Special Revenue Funds
REVENUES				
Licenses, permits and fees	\$ 11,439,422	\$ 65,361	\$ 486,390	\$ 18,921,241
Use of money and property	71,702	1,990	13,686	272,571
Other revenues	17,877	-	-	23,904
TOTAL REVENUES	11,529,001	67,351	500,076	19,217,716
EXPENDITURES				
Current:				
General government	150	-	150	47,669
Capital outlay	13,607,403	-	-	13,607,403
TOTAL EXPENDITURES	13,607,553	-	150	13,655,072
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,078,552)	67,351	499,926	5,562,644
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,005)	-	-	(11,005)
TOTAL OTHER SOURCES (USES)	(1,005)	-	-	(11,005)
NET CHANGE IN FUND BALANCES	(2,079,557)	67,351	499,926	5,551,639
Fund balances, beginning of year	7,184,376	47,908	300,549	11,135,767
FUND BALANCES, END OF YEAR	\$ 5,104,819	\$ 115,259	\$ 800,475	\$ 16,687,406

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMBINING BALANCE SHEET
 TRAFFIC MITIGATION SPECIAL REVENUE FUNDS

JUNE 30, 2006

	Traffic Mitigation Fund	Traffic Mitigation Admin Fund	Total Traffic Mitigation Special Revenue Funds
ASSETS			
Cash and investments	\$ 11,106,334	\$ 186,727	\$ 11,293,061
Receivables:			
Due from other			
governmental agencies	3,418,866	10,682	3,429,548
Interest receivable	52,445	870	53,315
TOTAL ASSETS	\$ 14,577,645	\$ 198,279	\$ 14,775,924
FUND BALANCES			
Unreserved:			
Undesignated	\$ 14,577,645	\$ 198,279	\$ 14,775,924
TOTAL FUND BALANCES	\$ 14,577,645	\$ 198,279	\$ 14,775,924

CITY OF RANCHO CORDOVA, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2006

	Traffic Mitigation Fund	Traffic Mitigation Admin Fund	Total Traffic Mitigation Special Revenue Funds
REVENUES			
Licenses, permits and fees	\$ 6,776,021	\$ 129,067	\$ 6,905,088
Use of money and property	206,730	3,430	210,160
Charges for services	575,225	-	575,225
Other revenues	3,093,168	-	3,093,168
TOTAL REVENUES	<u>10,651,144</u>	<u>132,497</u>	<u>10,783,641</u>
EXPENDITURES			
Current:			
General government	21	3,521	3,542
Public works	66,208	7,730	73,938
TOTAL EXPENDITURES	<u>66,229</u>	<u>11,251</u>	<u>77,480</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,584,915	121,246	10,706,161
OTHER FINANCING SOURCES (USES)			
Transfers out	(269,000)	(10,000)	(279,000)
TOTAL OTHER SOURCES (USES)	<u>(269,000)</u>	<u>(10,000)</u>	<u>(279,000)</u>
NET CHANGE IN FUND BALANCES	10,315,915	111,246	10,427,161
Fund balances, beginning of year	<u>4,261,730</u>	<u>87,033</u>	<u>4,348,763</u>
FUND BALANCES, END OF YEAR	<u>\$ 14,577,645</u>	<u>\$ 198,279</u>	<u>\$ 14,775,924</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. 2003-1 Special Tax Bonds Series 2003 and 2005 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.

MONTELENA 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 LANDSCAPE COMMUNITY FACILITIES DISTRICT – to account for the maintenance of the landscaped corridors in medians and natural open spaces.

CAP VILLAGE LANDSCAPE COMMUNITY FACILITIES DISTRICT – to account for the maintenance of the landscaped corridors in medians and natural open spaces.

CITY OF RANCHO CORDOVA, CALIFORNIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS

JUNE 30, 2006

	CFD 2003-1 Fund	CFD 2004-1 Fund	CFD 2005-1 Fund	Montelena CFD Fund
ASSETS				
Cash and investments	\$ 6,218,209	\$ 1,940,780	\$ 74,668	\$ 100,000
Receivables:				
Interest receivable	28,974	9,043	348	-
Due from other				
Governmental agencies	86,520	30,389	-	-
Restricted cash with fiscal agent	11,003,288	-	-	-
TOTAL ASSETS	<u>\$ 17,336,991</u>	<u>\$ 1,980,212</u>	<u>\$ 75,016</u>	<u>\$ 100,000</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,036	\$ 32,844	\$ 15,899	\$ -
Deposits - other	-	-	-	100,000
Due to assessment holders	17,335,955	1,947,368	59,117	-
TOTAL LIABILITIES	<u>\$ 17,336,991</u>	<u>\$ 1,980,212</u>	<u>\$ 75,016</u>	<u>\$ 100,000</u>

CITY OF RANCHO CORDOVA, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

JUNE 30, 2006

	City Landscape CFD Fund	Cap Village Landscape CFD Fund	Total Agency Funds
ASSETS			
Cash and investments	\$ -	\$ 10,646	\$ 8,344,303
Receivables:			
Interest receivable	-	50	38,415
Due from other			
Governmental agencies	-	-	116,909
Restricted cash with fiscal agent	-	-	11,003,288
	<u>-</u>	<u>-</u>	<u>11,003,288</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 10,696</u>	<u>\$ 19,502,915</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,841	\$ -	\$ 52,620
Deposits - other	-	-	100,000
Due to assessment holders	(2,841)	10,696	19,350,295
	<u>-</u>	<u>10,696</u>	<u>19,350,295</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 10,696</u>	<u>\$ 19,502,915</u>

CITY OF RANCHO CORDOVA
 Net Assets by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 25,944	\$ 329,107	\$ 8,357,941
Restricted	2,321,085	30,963,342	40,513,083
Unrestricted	<u>4,804,309</u>	<u>861,598</u>	<u>6,501,698</u>
Total governmental activities net assets	<u>\$ 7,151,338</u>	<u>\$ 32,154,047</u>	<u>\$ 55,372,722</u>

CITY OF RANCHO CORDOVA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Expenses	Fiscal Year		
	2004	2005	2006
Governmental activities:			
General government	\$ 3,143,679	\$ 5,159,815	\$ 17,939,297
Public Safety	8,978,634	12,935,511	13,446,239
Community Development	2,285,042	4,055,329	6,812,844
Public Works	1,503,252	2,782,143	2,630,097
Interest and fiscal charges	-	60,676	881,467
Total governmental activities expenses	15,910,607	24,993,474	41,709,944
Program Revenues			
Governmental activities:			
Charges for Services	2,326,721	25,932,561	26,142,639
Operating grants and contributions	21,442	2,378,060	3,322,801
Capital grants and contributions	-	39,142	1,803,132
Total governmental activities program revenues	2,348,163	28,349,763	31,268,572
Net (expense)/revenue	(13,562,444)	3,356,289	(10,441,372)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property	132,796	717,685	7,739,207
Sales and use	9,427,805	9,603,899	10,418,318
Utility users	1,338,854	1,389,613	1,721,736
Gas	1,219,435	1,340,863	
Transient occupancy	2,257,596	2,494,012	2,581,424
Other	1,606,250	138,817	982,636
Franchise fees	538,311	794,876	
Vehicle licence fees	3,863,040	4,606,840	4,518,669
Use of money and property	16,056	187,954	1,950,149
Miscellaneous	313,639	245,978	3,747,908
Total governmental activities	20,713,782	21,520,537	33,660,047
Change in Net Assets			
Governmental activities	\$ 7,151,338	\$ 24,876,826	\$ 23,218,675
Net assets, beginning of year (as restated for FY 2005)	-	7,277,221	32,154,047
Net Assets, end of year	\$ 7,151,338	\$ 32,154,047	\$ 55,372,722

CITY OF RANCHO CORDOVA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year *		
	2004	2005	2006
General Fund			
Reserved	\$ 2,155,607	\$ 4,213,346	\$ 2,723,441
Unreserved	4,712,242	7,730,782	12,680,244
Total General Fund	6,867,849	11,944,128	15,403,685
 All Other Governmental Funds			
Reserved	-	-	10,072,454
Unreserved, reported in:			
Special Revenue Funds	2,225,410	21,607,914	41,121,009
Capital Projects Funds	-	(38,922)	(9,465,478)
Total All Other Governmental Funds	\$ 2,225,410	\$ 21,568,992	\$ 41,727,985

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

CITY OF RANCHO CORDOVA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year *		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues			
Taxes and assessments	\$ 14,626,557	\$ 15,270,080	\$ 27,961,990
Licenses, fees and permits	1,838,107	23,045,059	35,670,026
Fines and forfeitures	36,041	388,859	464,745
Intergovernmental	5,108,526	8,499,891	5,011,087
Use of money and property	16,055	204,677	1,950,149
Charges for services	1,185,736	2,459,677	3,526,782
Miscellaneous	<u>47,922</u>	<u>205,057</u>	<u>3,747,908</u>
Total revenues	<u>\$ 22,858,944</u>	<u>\$ 50,073,300</u>	<u>\$ 78,332,687</u>
Expenditures			
General government	\$ 3,082,683	\$ 5,097,357	\$ 16,041,144
Public safety	8,978,634	12,916,961	13,446,239
Community development	2,285,042	4,051,342	6,812,844
Public works	1,503,252	2,782,143	2,630,097
Debt service:			
Principal retirement		423,012	1,143,012
Interest and fiscal charges		628,765	1,157,641
Capital outlay	<u>31,133</u>	<u>13,061,880</u>	<u>28,223,470</u>
Total Expenditures	<u>\$ 15,880,744</u>	<u>\$ 38,961,460</u>	<u>\$ 69,454,447</u>
Excess of revenues over (under) expenditures	\$ 6,978,200	\$ 11,111,840	\$ 8,878,240
Other financing sources (uses)			
Transfers in		719,634	3,921,921
Transfers out		(719,634)	(3,921,921)
Proceeds from long term debt	<u>2,115,059</u>	<u>21,217,448</u>	<u>6,705,000</u>
Total other financing sources (uses)	<u>2,115,059</u>	<u>21,217,448</u>	<u>6,705,000</u>
Net change in fund balances	<u>\$ 9,093,259</u>	<u>\$ 32,329,288</u>	<u>\$ 15,583,240</u>
Debt Services as a percentage of non-capital expenditures	-	4.2%	5.9%

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

CITY OF RANCHO CORDOVA
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (Unaudited)

Fiscal Year *	Property Tax (1)	Sales Tax	Franchise Tax	Utility Users Tax	Transient Occup. Tax	Property Transfer Tax	Other	Total
2003-04	\$ 132,796	\$ 9,427,805	\$ 538,311	\$ 1,338,854	\$ 2,257,596	\$ 278,694	\$ 855,501	\$ 14,829,557
2004-05	258,352	9,603,899	794,876	1,389,613	2,494,012	459,334	66,994	15,067,080
2005-06	<u>12,257,876</u>	<u>10,418,318</u>	<u>981,518</u>	<u>1,721,736</u>	<u>2,581,424</u>	<u>776,568</u>	<u>206,068</u>	<u>28,943,508</u>
TOTAL	<u>\$ 12,649,024</u>	<u>\$ 29,450,022</u>	<u>\$ 2,314,705</u>	<u>\$ 4,450,203</u>	<u>\$ 7,333,032</u>	<u>\$ 1,514,596</u>	<u>\$ 1,128,563</u>	<u>\$ 58,840,145</u>

Includes the General Fund and Special Revenue Funds.

(1) The 2003-04 and 2004-05 CAFR's netted the Revenue Neutrality payments against the Property Tax Revenues. The 2005/06 CAFR reports the Property Tax Revenues on a gross basis to provide improved comparability.

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

Source: Annual financial reports

CITY OF RANCHO CORDOVA
 Assessed and Estimated Value of Property
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year *	Secured Property	Public Utility	Unsecured Property	Less: Exemptions	Assessed Valuation	Full Market Value	Total Direct Tax Rate
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	**
2005-06	4,676,731,067	55,495	359,892,084	60,702,885	4,975,975,761	5,036,678,646	**

* 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 12 .

** The Total Direct Tax Rate was not available.

Numbers above represent estimates provided by the County.

Source: Sacramento County Auditor-Controller

CITY OF RANCHO CORDOVA
Property Tax Rates
Direct and Overlapping Governments
(Unaudited)

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	Sac Regional County Sanitation	Folsom Cordova CFD #1	Folsom Cordova CFD #2
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%
2005-06	1.0000%	0.0000%	0.1131%	0.0032%	0.0055%	5.3100%	

* 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
Principal Taxpayers
As of June 30, 2006
(Unaudited)

Taxpayer	Land Use	2006 Assessed Valuation		Percentage of Total Assessed Valuation *	2004 Assessed Valuation		Percentage of Total Assessed Valuation *
Lennar Renaissance Inc	Residential Development	\$ 73,578,658	1	1.48%			
Altair Holding Company	Office Building	70,486,411	2	1.42%	\$ 61,929,830	2	1.73%
Hines VAF Capital Center LP	Office Building	69,500,000	3	1.40%			
Prospect Green Partners	Office Building	57,957,929	4	1.16%	72,278,299	1	2.02%
Franklin Resources Inc	Office Building	55,973,824	5	1.12%	47,931,162	4	1.34%
Sunridge Park, LLC	Residential Land	52,750,328	6	1.06%			
Elliott Homes Inc	Residential Development	50,006,973	7	1.00%			
Salvatore A. Rubino Decl. of Trust	Office Building	38,845,776	8	0.78%	37,386,099	5	1.04%
McKesson Corporation	Office Building	38,816,120	9	0.78%			
Wasatch Pool Holdings LLC	Apartments	36,732,572	10	0.74%	34,916,838	7	0.97%
JB Management LP	Commercial	36,420,206		0.73%	25,973,468	10	0.72%
GMAC Model Home Finance, Inc.	Residential Properties	36,401,500		0.73%			
Cordova LLC	Office Building	32,300,000		0.65%	33,442,539	8	0.93%
Kaiser Foundation Hospitals	Medical Buildings	32,229,431		0.65%			
Lexington Lion Rancho Cordova LP	Office Building	31,800,000		0.64%			
JTS Communities	Residential Development	28,314,529		0.57%			
Verzl LLC/Verz2 LLC	Office Building	28,188,210		0.57%			
Metcalf Family Living Trust	Office Building	25,621,899		0.51%			
WDCI, Inc.	Office Building	23,311,530		0.47%			
RCTC SSS LLC et.al	Shopping Center	23,125,781		0.46%			
Trizechahn TBI Sacramento I LLC	Office Building	-		-	54,215,453	3	1.51%
Evergreen & Zinfandel	Office Building	-		-	36,664,670	6	1.02%
Elliott Whiterock LLC	Industrial	-		-	28,424,850	9	0.79%
		<u>\$ 842,361,677</u>			<u>\$ 433,163,208</u>		

* 2004 - 2005 Total Assessed Value - \$4,975,975,761

Source: California Municipal Statistics, Inc.

CITY OF RANCHO CORDOVA
Property Tax Levies and Collections
(Unaudited)

Fiscal Year*	Total Current Tax Levy	Total Current Collections	Percentage of Levy Collected	Delinquent Tax Receivables (1)
2003-04	\$ 4,690,024	\$ 4,690,024	100.00%	\$ -
2004-05	6,888,514	6,888,514	100.00%	-
2005-06	7,656,003	7,656,003	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 money. 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
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year*	Notes	Certificates of Participation	Total Primary Government	Percentage of Personal Income	Per Capita
2003-04	\$ 2,115,059	-	2,115,059	0.13%	39
2004-05	1,692,047	20,565,000	22,257,047	1.28%	404
2005-06	1,269,035	26,550,000	27,819,035	1.54%	494

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data

CITY OF RANCHO CORDOVA
 Computation of Direct and Overlapping Debt
 (Unaudited)

2005-06 Assessed Valuation:	\$ 5,036,678,646
Redevelopment Incremental Valuation:	<u>86,273,159</u>
Adjusted Assessed Valuation:	\$ 4,950,405,487

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>6/30/06</u>	<u>%</u> <u>Applicable (1)</u>	<u>City's share of</u> <u>Debt 6/30/06</u>
Los Rios Community College District	\$ 90,035,000	4.12%	\$ 3,712,143
Folsom-Cordova Unified School District Facilities Improvement District No. 1	51,891,054	78.75%	40,862,648
Sacramento Unified School District	338,095,000	3.56%	12,029,420
San Juan Unified School District	40,553,713	0.08%	180,415
Sacramento Regional County Sanitation District	3,210,000	4.74%	152,250
Elk Grove Unified School District Facilities Improvement District No. 1	147,361,452	1.38%	2,027,694
City of Rancho Cordova Community Facilities District No. 2003-1	23,415,000	100.00%	23,415,000
Sac Area Flood Control District Operation & Maintenance Assessment District	4,570,000	6.41%	<u>292,754</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>82,672,324</u>

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Sacramento County General Fund Obligations	\$ 380,207,923	4.88%	\$ 18,546,542
Sacramento County Pension Obligations	954,721,975	4.88%	46,571,338
Sacramento County Office of Education Certificates of Participation	12,790,000	4.88%	623,896
Los Rios Community College District Certificates of Participation	7,055,000	4.12%	290,878
Folsom-Cordova Unified School District Certificates of Participation	7,845,000	30.84%	2,419,398
Sacramento Unified School District Certificates of Participation	9,260,000	3.56%	3,296,487
Sacramento Unified School District Pension Obligations	5,115,000	3.56%	181,992
San Juan Unified School District General Fund Obligations	10,220,000	0.08%	7,665
City of Rancho Cordova	26,550,000	100.00%	26,550,000
Sacramento Metropolitan Fire District Pension Obligations	68,772,975	10.87%	<u>7,475,043</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>105,963,239</u>

COMBINED TOTAL DEBT

\$ 188,635,563 (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Ratios to 2005-06 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt	1.64%
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Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$26,550,000)	0.54%
Combined Total Debt	3.81%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06

\$ -

Source: California Municipal Statistics, Inc.

CITY OF RANCHO CORDOVA
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (unaudited)

	Fiscal Year *		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 387,526,715	\$ 661,897,885	\$ 705,000,000
Total net debt applicable to limit	-	-	-
Legal debt margin	387,526,715	661,897,885	705,000,000
Total net debt applicable to the limit as a percentage of debt limit	n.a.	n.a.	n.a.

Legal Debt Margin Calculation for Fiscal Year 2006	
Assessed Value	4,700,000,000
Add back: exempt real property	
<i>Total assessed value</i>	4,700,000,000
Debt limit (15% of total assessed value)	705,000,000
Debt applicable to limit	
General Obligation Bonds Outstanding	-
Less: Amounts available for repayment	-
Total Debt Applicable to Limitation	-
Authorized Legal Debt Margin	<u>\$ 705,000,000</u>

CITY OF RANCHO CORDOVA
Demographic Statistics
(Unaudited)

Fiscal Year*	Population	County (1)	Per Capita Income Sacramento Metro Area (1)	Median Age (1)	Unemployment Rate County (1)
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%
2005-06	56,355	1,385,607	31,987	33.7	4.8%

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

(1) Source: Sacramento Regional Research Institute

CITY OF RANCHO CORDOVA
 Ten Largest Area Employers
 Current Year and Nine Years Ago
 (Unaudited)

<u>Employer</u>	<u>2006</u>		<u>2004</u>	
	<u>Number of Employees (1)</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees (2)</u>	<u>Percentage of Total City Employment</u>
Pacific Building Products	3200	n.a.	534	n.a.
GenCorp, Inc. (Aerojet)	3101	n.a.	1387	n.a.
NEC Solutions America	1200	n.a.		n.a.
Delta Dental	1000	n.a.	1500	n.a.
Vision Service Plan	1000	n.a.		n.a.
Cedar Valley Concrete	650	n.a.	926	n.a.
Catholic Healthcare West	600	n.a.		n.a.
Managed Care Systems	600	n.a.		n.a.
EDS Corporation	500	n.a.	675	n.a.
Franklin Templeton Investments	500	n.a.		n.a.
Motion Control Engineering		n.a.	360	n.a.
Wal-Mart		n.a.	329	n.a.
Volcano Therapeutics		n.a.	309	n.a.
Sunworld Landscape		n.a.	300	n.a.
Automotive Importing		n.a.	191	n.a.

(1) Source: InfoUSA and Claritas, Inc. - note that Aerojet is outside the City limits but within the City's sphere of influence

(2) Source: Sacramento County Auditor-Controller

CITY OF RANCHO CORDOVA
Miscellaneous Statistics
(Unaudited)

Date of Inc\	July 1, 2003
Form of Government	General Law
Number of Employees	
Full-time	36
Part-time	7
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	14
Park acreage	312
Swimming pools	2
Tennis courts	24
Community centers	3
Senior centers	1
Ball and soccer fields	16
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