

*In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. See “TAX MATTERS” herein.*

**\$37,180,000**

**CORONA PUBLIC FINANCING AUTHORITY**  
**2006 Lease Revenue Bonds, Series C**  
**(Corporation Yard Expansion Project)**

**Dated: Date of Delivery****Due: September 1 as shown below**

The Bonds are special obligations of the Corona Public Financing Authority (the “Authority”) and are being issued for the purpose of providing funds to (i) finance capital projects for the City of Corona (the “City”); (ii) fund a Reserve Account; (iii) prepay and redeem the Authority’s Outstanding 2000 Lease Revenue Bonds, Series A (Corporation Yard Project); and (iv) pay the costs of issuance of the Bonds. See “FINANCING PLAN” herein.

The Bonds will be issued as fully registered bonds in book-entry form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. Interest on the Bonds will be payable semi-annually on each March 1 and September 1 (each an “Interest Payment Date”), commencing March 1, 2007. Purchasers will not receive certificates representing their interest in the Bonds. Payments of principal and interest on the Bonds will be paid by The Bank of New York Trust Company, N.A., Los Angeles, California, as trustee, to DTC for subsequent disbursement to DTC participants who will remit such payments to the beneficial Owners of the Bonds. Individual purchases will be in principal amounts of \$5,000 or any integral multiple thereof. See “THE BONDS - Book-Entry System” herein.

*The Bonds are subject to optional and mandatory redemption prior to maturity, as described herein.*

The Bonds are special obligations of the Authority secured by Revenues, consisting primarily of Lease Payments to be made by the City pursuant to the Lease Agreement, certain amounts on deposit under the Indenture, and certain investment earnings thereon (all such capitalized terms are defined herein). The City has covenanted in the Lease Agreement to make the Lease Payments for the Leased Premises, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. The City’s obligation to make Lease Payments is subject to abatement in the event of damage or destruction of the Leased Premises or a taking of the Leased Premises (either in whole or in part, temporarily, or in part permanently) by eminent domain proceedings as further described herein. See “SECURITY FOR THE BONDS” herein.

**THE BONDS ARE NOT A DEBT OF THE CITY, MEMBER AGENCIES OF THE AUTHORITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY). THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND ARE NOT SEPARATE OBLIGATIONS OF ANY OF ITS MEMBERS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

Payment of principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



This cover page contains certain information for quick reference only. It is not a summary of this financing. Prospective investors should read the entire Official Statement and all documents to obtain information essential to making an informed decision.

**MATURITY SCHEDULE**  
**Base CUSIP<sup>(1)</sup>: 21969P**  
**\$24,900,000 Serial Bonds**

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP No.<sup>(1)</sup></b>	<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP No.<sup>(1)</sup></b>
2007	895,000	3.750%	3.370%	CK3	2017	1,255,000	3.750%	3.820%	CV9
2008	910,000	3.750	3.420	CL1	2018	1,305,000	3.750	3.900	CW7
2009	945,000	3.500	3.430	CM9	2019	1,355,000	5.000	3.900 <sup>(2)</sup>	CX5
2010	980,000	4.500	3.450	CN7	2020	1,420,000	5.000	3.930 <sup>(2)</sup>	CY3
2011	1,015,000	3.500	3.480	CP2	2021	1,495,000	5.000	3.960 <sup>(2)</sup>	CZ0
2012	1,060,000	3.500	3.510	CQ0	2022	1,570,000	4.125	4.230	DA4
2013	1,095,000	3.500	3.540	CR8	2023	1,635,000	4.150	4.250	DB2
2014	1,135,000	3.625	3.600	CS6	2024	1,700,000	4.200	4.270	DC0
2015	1,170,000	3.625	3.650	CT4	2025	1,770,000	4.200	4.300	DD8
2016	1,220,000	3.600	3.710	CU1	2026	970,000	4.250	4.330	DE6

**\$12,280,000 4.25% Term Bonds Maturing September 1, 2036 – Price 96.716 CUSIP: DF3**

*The Bonds are offered when, as and if issued, subject to the approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and subject to certain other conditions. Certain matters will be passed on for the Authority and the City by Best Best & Krieger LLP as Disclosure Counsel. The Underwriter is represented by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery in book-entry form to DTC in New York, New York, on or about December 20, 2006.*

**UBS Investment Bank**

Dated: December 6, 2006

(1) Copyright 2006, American Bankers Association. CUSIP data herein is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

(2) Yield to optional call date, September 1, 2016

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and any continuing disclosure documents of the City and the Authority are intended to be made available through the City at the address indicated below. The City has undertaken to provide certain continuing disclosure pursuant to a Continuing Disclosure Agreement, as described herein. Copies of the resolutions and other documents relating to the issuance of the Bonds are available upon request, and upon payment to the City of a charge for copying, mailing and handling, from the office of the Director of Finance of the City at 400 South Vicentia Avenue, Corona, California 92882.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City or the Underwriter.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, the Underwriter. This information is not guaranteed as to accuracy and is not to be construed as a representation by the City, the Authority or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

**CORONA PUBLIC FINANCING AUTHORITY**

**and**

**CITY OF CORONA**

***Authority Board***

Eugene Montanez, Chairperson  
Jeff Miller, Vice Chairperson  
Steve Nolan, Member  
Stan Skipworth, Member  
Karen Spiegel, Member

***City Council***

Eugene Montanez, Mayor  
Jeff Miller, Mayor Pro Tem  
Steve Nolan, Councilmember  
Stan Skipworth, Councilmember  
Karen Spiegel, Councilmember

**City Treasurer**

Richard O. Haley

***Authority Staff***

Beth Groves, Executive Director  
Debra Foster, Treasurer  
Victoria J. Wasko, Secretary

***City Staff***

Beth Groves, City Manager  
Debra Foster, Finance Director  
Victoria J. Wasko, City Clerk

**SPECIAL SERVICES**

***Financial Advisor to the City and Authority***

Fieldman, Rolapp & Associates  
Irvine, California

***Bond Counsel and Disclosure Counsel***

Best Best & Krieger LLP  
Riverside, California

***Trustee/Escrow Bank***

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

***Verification Agent***

Grant Thornton LLP  
Minneapolis, Minnesota

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION .....	1	Risk Management .....	30
The Bonds.....	1	Defined Benefit Pension Plan .....	31
The Authority.....	2	Funding Policy .....	31
The City.....	2	Annual Pension Cost.....	32
Municipal Bond Insurance.....	2	Trend Information.....	33
Continuing Disclosure .....	2	Defined Contribution Pension Plan.....	33
Professionals Involved in the Offering .....	2	Post Retirement Health Benefits .....	34
General .....	3	Investment of City Funds.....	35
ESTIMATED SOURCES AND USES OF FUNDS.....	3	City Debt Policy and Procedures .....	37
FINANCING PLAN .....	3	CONSTITUTIONAL AND STATUTORY LIMITATIONS	
The Project.....	3	ON TAXES AND APPROPRIATIONS .....	38
The Refunding Plan .....	5	Article XIII A of the California Constitution.....	38
Leased Premises.....	6	Article XIII B of the State Constitution .....	38
Substitution or Release of Leased Premises.....	6	Article XIII C and XIII D of the State Constitution.....	39
Additional Lease Payments.....	6	Proposition 62 .....	40
THE BONDS .....	7	Future Initiatives.....	40
Description of the Bonds .....	7	Public Utility Property Tax Revenues.....	40
Redemption.....	7	RISK FACTORS.....	41
Debt Service Schedule.....	10	No Tax Pledge .....	41
Book-Entry System.....	10	Appropriation.....	41
SECURITY FOR THE BONDS .....	11	No Limit on Additional Debt.....	41
General .....	11	Abatement.....	41
Covenant to Budget and Appropriate.....	11	Limitation on Enforcement of Remedies; No	
Abatement.....	11	Acceleration .....	42
Action on Default .....	11	Geologic, Topographic and Climatic Conditions.....	42
Lease Payments .....	12	Hazardous Substances.....	43
Miscellaneous Rent.....	12	Impact of State Budget.....	43
Insurance.....	12	Impact of Sales and Use Tax Redirection .....	44
Reserve Account.....	13	Limitations on Remedies Available; Bankruptcy.....	44
MUNICIPAL BOND INSURANCE.....	13	State Law Limitations on Appropriations .....	45
The MBIA Insurance Corporation Insurance Policy.....	13	Change in Law .....	45
MBIA Insurance Corporation .....	14	Loss of Tax Exemption.....	45
Regulation.....	14	Seismic Considerations .....	45
Financial Strength Ratings of MBIA .....	15	Substitution of Property .....	45
MBIA Financial Information.....	15	CONTINUING DISCLOSURE .....	46
Incorporation of Certain Documents by Reference.....	15	LITIGATION.....	46
Debt Service Reserve Fund Surety Bond.....	16	RATINGS .....	46
THE AUTHORITY.....	17	TAX MATTERS.....	46
GENERAL INFORMATION REGARDING THE CITY .....	17	CERTAIN LEGAL MATTERS.....	47
General .....	17	UNDERWRITING.....	48
Population.....	18	MISCELLANEOUS.....	48
Building Activity .....	18		
Employment.....	19	APPENDIX A - SUMMARY OF PRINCIPAL	
FINANCIAL INFORMATION REGARDING THE CITY .....	19	LEGAL DOCUMENTS .....	A-1
Accounting Policies and Financial Reporting .....	20	APPENDIX B - AUDITED FINANCIAL	
Budgetary Process .....	20	STATEMENTS OF THE CITY FOR THE FISCAL YEARS	
General Fund Financial Summary .....	22	ENDED JUNE 30, 2005 AND	
Tax Receipts .....	24	JUNE 30, 2006 .....	B-1
Property Taxes .....	24	APPENDIX C - FORM OF BOND COUNSEL'S	
Major Taxpayers.....	26	OPINION .....	C-1
Taxable Transactions.....	26	APPENDIX D - FORM OF MUNICIPAL BOND	
Direct and Overlapping Bonded Debt.....	26	INSURANCE POLICY.....	D-1
Existing Lease Obligations .....	28	APPENDIX E - FORM OF CONTINUING	
Capital Leases.....	28	DISCLOSURE CERTIFICATE.....	E-1
Lease Payable .....	29	APPENDIX F - BOOK-ENTRY PROVISIONS.....	F-1
Other Long-Term Obligations of City and			
Other Entities.....	29		



## OFFICIAL STATEMENT

**\$37,180,000**

**CORONA PUBLIC FINANCING AUTHORITY  
2006 LEASE REVENUE BONDS, SERIES C  
(CORPORATION YARD EXPANSION PROJECT)**

### INTRODUCTION

This Official Statement, including the cover page and appendices hereto is provided to furnish information regarding the \$37,180,000 principal amount of Corona Public Financing Authority, 2006 Lease Revenue Bonds, Series C (Corporation Yard Expansion Project) (the "Bonds"). The Bonds are being issued by the Corona Public Financing Authority (the "Authority"), a joint exercise of powers authority created by a joint powers agreement between the Redevelopment Agency of the City of Corona (the "Agency") and the City of Corona (the "City").

This Introduction does not purport to be complete, and reference is made to the body of this Official Statement, the Appendices and the documents referred to herein for more complete statements with respect to the matters summarized. Capitalized terms used without definition have the meanings ascribed thereto under "Defined Terms" contained in "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

After the sale date of the Bonds, the City completed its Audited Financial Statements for Fiscal Year ending 2005-06. The completed 2005-06 audit is included with the prior Fiscal Year's audit in APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2006 and the unaudited financial information continued in the Preliminary Official Statement under the caption "FINANCIAL INFORMATION REGARDING THE CITY" has been updated to reflect the audited financial results.

### **The Bonds**

The Bonds will be issued pursuant to an Indenture of Trust, dated as of December 1, 2006 (the "Indenture") by and between the Authority and The Bank of New York Trust Company, N.A., Los Angeles, California, as trustee thereunder (the "Trustee").

Proceeds of the Bonds will be used for the purpose of providing funds to (i) finance capital projects for the City, (ii) fund a Reserve Account, (iii) refund on an advance basis the Authority's Outstanding 2000 Lease Revenue Bonds, Series A (Corporation Yard Project) (the "Series A Bonds"), and (iv) pay the costs of issuance of the Bonds. See "FINANCING PLAN" herein.

The Bonds are special obligations of the Authority secured by revenues, consisting primarily of lease payments (the "Lease Payments") to be made by the City to the Authority pursuant to an Amended and Restated Lease Agreement, dated as of December 1, 2006 (the "Lease Agreement"), by and between the Authority and the City, pursuant to which the Authority will lease certain real property and improvements (the "Leased Premises") to the City, and by other amounts pledged under the Indenture. See "LEASED PREMISES" herein.

The City has covenanted in the Lease Agreement to make the Lease Payments for the Leased Premises as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. The City's obligation to make Lease Payments is subject to abatement in the event of damage or destruction of the Leased Premises or a taking of the Leased Premises (either in whole or in part, temporarily, or in part permanently) by eminent domain proceedings, as further described herein. See "SECURITY FOR THE BONDS" herein.

THE BONDS ARE NOT A DEBT OF THE CITY, THE AGENCY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY). THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND ARE NOT OBLIGATIONS OF THE CITY OR THE AGENCY. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE AGENCY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's right to use and occupancy of the Leased Premises or any portion thereof. See "RISK FACTORS - Abatement" herein. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources as discussed below, would result in all Bond owners receiving less than the full amount of principal of and interest on the Bonds. To the extent proceeds of rental interruption insurance are available or there are moneys in the Reserve Account (as described below), Lease Payments (or a portion thereof) may be made during periods of abatement.

### **The Authority**

The Authority was established pursuant to a joint exercise of powers agreement, dated June 21, 1989, by and between the City and the Agency in accordance with the provisions of California law. The Authority was created for the purpose of providing financing for public capital improvements for the City and the Agency. See "THE AUTHORITY" herein.

### **The City**

The City is located in western Riverside County (the "County"), approximately 45 miles southeast of the City of Los Angeles. The City covers approximately 39 square miles and had a population of approximately 145,000 as of January 1, 2006. Incorporated in 1896, the City operates as a general law city. It has a council-manager form of government, with the five members of the City Council being elected at large, for overlapping four-year terms. See "GENERAL INFORMATION REGARDING THE CITY" and "FINANCIAL INFORMATION REGARDING THE CITY" herein.

### **Municipal Bond Insurance**

Payment of principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation (the "Municipal Bond Insurer") simultaneously with the delivery of the Bonds. See "MUNICIPAL BOND INSURANCE" herein.

### **Continuing Disclosure**

In order to assist the original purchaser and underwriter of the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission, the City will undertake, pursuant to the Lease Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. See "CONTINUING DISCLOSURE" herein.

### **Professionals Involved in the Offering**

Fieldman, Rolapp & Associates, Irvine, California, is the Authority's and the City's financial advisor with respect to the Bonds. The proceedings of the Authority in connection with the issuance of the Bonds are subject to the approval as to their legality of Best Best & Krieger LLP, Riverside, California, Bond Counsel to the Authority. Best Best & Krieger LLP will also serve as Disclosure Counsel to the City and the Authority. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as

counsel to the Underwriter. The Bank of New York Trust Company, N.A., Los Angeles, California, will act as the Trustee under the Indenture and as Escrow Bank under the Escrow Agreement. Financial schedules relating to the refunding of the Series A Bonds will be prepared by Grant Thornton LLP, Minneapolis, Minnesota as Verification Agent.

**General**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All references herein to the Indenture and the Lease Agreement are qualified in their entirety by reference to the Indenture and the Lease Agreement and all references to the Bonds are further qualified by reference to the definitive Bonds and to the terms thereof which are contained in the Indenture.

**ESTIMATED SOURCES AND USES OF FUNDS**

The anticipated sources and uses of funds relating to the Bonds, excluding accrued interest which will be deposited in the Interest Account of the Bond Fund, are summarized below.

<b>Sources</b>	
Principal Amount of Bonds	\$37,180,000.00
Less Original Issue Discount	(120,026.80)
Less Purchaser's Discount	(241,670.00)
Plus Series A Bond Funds	<u>12,621.67</u>
Total Sources	\$36,830,924.87
<b>Uses</b>	
Deposit to Project Fund <sup>(1)</sup>	\$24,844,727.73
Deposit to Costs of Issuance Fund <sup>(2)</sup>	559,455.59
Transfer to Escrow Fund	<u>11,426,741.55</u>
Total Uses	\$36,830,924.87

(1) This amount will be used to finance capital projects for the City.

(2) This amount includes the premium for the Municipal Bond Insurance and Debt Service Reserve Fund Surety Bond.

**FINANCING PLAN**

**The Project**

The Corporation Yard is on an 18.35 acre site and currently houses about 200 City employees. Construction of the Corporation Yard was completed in June 2002, with a formal opening on June 18, 2002.

The Corporation Yard consists of 189,220 square feet of multiple buildings, which include: warehouse buildings, vehicle maintenance buildings, a machine shop building, a police tactical training facility, a four story burn tower fire training facility, hand-gun and rifle shooting ranges, police training facilities; a 59,786 square foot administration building, a compressed natural gas fueling facility, diesel and gasoline fueling island, and storage sheds. The Corporation Yard also provides parking for all maintenance and service vehicles.

The City of Corona is proposing to expand its Corporation Yard with a series of projects that would construct office, operation, maintenance and training facilities on Corporation Way west of Cota

Street. City general government staff and Department of Water and Power staff would vacate their space in the existing administration building at the Corporation Yard (730 Corporation Way) and at City Hall (400 South Vicentia Avenue). Then, the vacant administration building would be remodeled, expanded and converted into a Police Station.

Construction is expected to occur in two distinct phases described below. The Bonds will finance the first phase improvements and the City anticipates that the second phase will be financed through a combination of cash and a subsequent series of bonds to be issued in accordance with the construction schedule for phase two.

The first phase of work is to construct two new buildings approximately 32,000 and 43,000 square feet (sf) in size on the northern portion of the Corporate Yard. These buildings will house approximately 260 employees, from City maintenance staff, Department of Water and Power (DWP) administrative, operations and maintenance staff, and a new Emergency Operations Center. The project also includes the construction of onsite and public improvements associated with development of the site. The existing access to Corporation Way and Cota Street would be used for access to the site. The project will construct a secondary access from the northern most parking area to Rincon Street.

Construction activity for the first phase is expected to begin in November 2006. The City is expected to have constructive use of the buildings by January 2008 and be fully occupied by March 1, 2008.

The conversion of the existing Corporation Yard administrative building into a Police Station will commence during the first phase of work and will be completed in the second phase. The work includes tenant improvements in the existing administration building and the construction of a new jail. Project remodeling would provide for approximately 275 staff members. The existing training rooms are included in both the original and remodeled configurations. Some Police Department administrative staff may be relocated into the vacant DWP administrative offices at the City. The project includes the construction of a bridge over the Oak Avenue Channel to provide secondary and emergency access to Lincoln Avenue using Rincon Road, and onsite private roadways.

Work on the tenant improvements to the existing building for the Police Station would begin in late Fall 2007 as space is vacated. Constructive use of the police station is projected to occur in second half of 2008. The new building construction for the jail and office space and construction of the access to Lincoln Avenue are proposed to start in early 2007 so that completion coincides with the constructive use of the tenant improvements. All tenant improvements, new office space, the new city jail and new access to Lincoln Avenue are projected to be fully complete by December 2008.

The schedule below shows the estimated costs of construction for both phase one and phase two of the improvements to the Corporation yard. The City intends to contribute approximately \$10,620,000 in cash to the construction of the first phase of the Project.

**Corporation Yard Expansion Project  
Construction Costs Estimate**

**Phase One**

<b>Project Component</b>	<b><u>Cost</u></b>
New Buildings	\$13,457,954
Grading/Paving for Parking	1,919,807
Installation/Reconstruction of Site Utilities	2,361,350
Street Improvements/Driveway on Cota	285,653
Police/Ti's and New Jail	4,472,118
Private Roadway and 2 Bridges	4,554,956
Sunkist Substation/Corp Yard 12 kV	<u>1,276,000</u>
<b>Subtotal</b>	<b>\$28,327,838</b>
Contingency <sup>(1)</sup>	\$2,705,183
Soft Costs <sup>(2)</sup>	<u>4,418,154</u>
<b>Subtotal Phase One</b>	<b>\$35,451,175</b>

**Phase Two**

Police/Ti's and New Jail	\$5,844,908
Contingency <sup>(1)</sup>	584,491
Soft Costs <sup>(2)</sup>	<u>836,976</u>
<b>Subtotal Phase Two</b>	<b><u>\$7,266,375</u></b>

**Grand Total Both Phases** **\$42,717,550**

<sup>(1)</sup> Contingency estimated at 10% of construction cost.

<sup>(2)</sup> Fees for architects, engineering, construction management, and legal.

Source: City of Corona.

**The Refunding Plan**

A portion of the proceeds of the Bonds will provide funds to be deposited into an escrow fund (the "Escrow Fund") held by The Bank of New York Trust Company, N.A., Los Angeles, California, as escrow bank ("Escrow Bank") pursuant to an Escrow Deposit and Trust Agreement, by and among the Escrow Bank, the City and the Authority (the "Escrow Agreement"), and used to pay principal and interest due on the Series A Bonds on each March 1 and September 1 through and including September 1, 2008, and on September 1, 2008, to redeem the remaining outstanding Series A Bonds at a price equal to 100% of the principal amount of the Series A Bonds to be redeemed together with accrued interest to the date of such redemption.

The sufficiency of the amounts deposited in the Escrow Fund will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the "Verification Agent"), to be sufficient to pay the principal and interest on each March 1 and September 1 through and including September 1, 2008, and to pay the redemption price of the Series A Bonds upon the optional redemption thereof on September 1, 2008. Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the Series A Bonds will be defeased and all obligations thereunder discharged as of the date of issuance of the Bonds. See "VERIFICATION REPORT."

Certain moneys in the existing funds and accounts relating to the Series A Bonds will also be applied to the redemption. See “- Estimated Sources and Uses of Funds” above. Monies held in the Escrow Fund are not available to pay the principal of or interest on the Bonds.

### **Leased Premises**

The Leased Premises consists of City Hall and the City’s Public Library. City Hall is a three story, 133,240 square foot, steel frame building. The facility houses the City Council Chambers and offices of council members, city administrative offices for: redevelopment and economic development, finance, fire protection, management, parks and recreation, planning, public works, human resources, information technology and building department, water and power and the city clerk’s offices and record keeping. The total cost of the construction of City Hall was \$43,163,666.

Also included in the Leased Premises is the Corona Public Library and its site. The library was originally constructed in 1970 and was reconstructed in 1991. The original building contained approximately 19,700 square feet. The reconstruction project added approximately 42,500 square feet of library and conference space on three floors. There is adjacent public parking for the library. The library is located on Sixth Street about one-half mile east of the City Hall. The City estimates that the replacement value for insurance purposes of the library, not including land, is approximately \$24,763,000.

The Leased Premises currently are the Leased Premises for the Series A Bonds which are currently outstanding in the amount of \$11,120,000 and which will be refunded in their entirety by the issuance of the Bonds. The proceeds of the Series A Bonds were used to construct the corporation yard.

### **Substitution or Release of Leased Premises**

The City has an option under the Lease Agreement to substitute other land, facilities or improvements (the “Substitute Leased Premises”) for the Leased Premises or any portion thereof (the “Former Leased Premises”) or to release a portion of the Leased Premises from the lien of the Lease Agreement. In order to release any portion of the Leased Premises from the lien of the Lease Agreement, the City must certify to the Authority, the Trustee and the Municipal Bond Insurer that the fair rental value of the remaining Leased Premises after removal of a portion thereof is at least equal to the net present value of remaining Lease Payments. As conditions precedent to the substitution of Substitute Leased Premises for a portion of the Leased Premises, the City must certify to the Authority, the Trustee and the Municipal Bond Insurer that the fair rental value of the Substitute Leased Premises is at least equal to the net present value of the remaining Lease Payments and that the Substituted Leased Premises is essential to the governmental functions of the City; that the Substitute Leased Premises serve the public purposes of the City and constitute property which the City is permitted to lease under the laws of the State; and that the estimated useful life of the Substitute Leased Premises at least extends to the date on which the final Lease Payment becomes due and payable. In the event of either a release or substitution, the City must obtain and cause to be filed with the Trustee, the Authority and the Municipal Bond Insurer an opinion of Bond Counsel stating that the substitution or release is permitted under the Lease Agreement and does not cause interest on the Bonds to become includable in gross income of the Bond Owners for federal income tax purposes. See “APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE AGREEMENT - Substitution or Release of Leased Premises” for the other conditions which must be satisfied before the City may substitute other land, facilities or improvements for all or a portion of the Leased Premises or release a portion of the Leased Premises from the lien of the Lease Agreement.

### **Additional Lease Payments**

The City may obligate itself to pay additional amounts of rental for the Leased Premises under the Lease Agreement to fund additional capital projects of the City. Additional rental is permitted so long as

no event of default has occurred under the Lease Agreement and the additional amount of rental will not cause the total rental payments made by the City with respect to the Leased Premises to exceed the fair rental value thereof. Additionally, the City must obtain the consent of the Insurer and cannot pay such additional rental at variable rates. See “Appendix A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT.”

## THE BONDS

### Description of the Bonds

The Bonds will be issued as fully registered bonds in book-entry form and in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated the date of their delivery, will bear interest at the rates per annum and will mature on the dates and in the principal amounts, as set forth on the cover page hereof.

Interest on the Bonds will be payable semi-annually on each March 1 and September 1 (the “Interest Payment Dates”), commencing March 1, 2007. Interest on the Bonds is payable on each Interest Payment Date to the persons shown as the registered Owners of the Bonds on the registration books of the Trustee (the “Registration Books”) as of the fifteenth day of the calendar month preceding the Interest Payment Date (the “Record Date”), payable by check mailed by first class mail to such Owners on the Interest Payment Date. Payment of such interest, at the option of any Owner of at least \$1,000,000 in aggregate principal amount of Bonds, will be transmitted by wire transfer to an account in the United States specified in writing to the Trustee at least five days before the Record Date. Notwithstanding the foregoing, while the Bonds are held in the book-entry system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Bonds, for subsequent disbursement to Participants and beneficial owners. See “Book-Entry System” below.

Interest on the Bonds will be computed on the basis of a 360 day year consisting of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (ii) it is authenticated on or before February 15, 2007, in which event it will bear interest from the date of original delivery of the Bonds. The principal of and premium (if any) on the Bonds are payable at the corporate trust office of the Trustee in Los Angeles, California (the “Office of the Trustee”).

### Redemption

*Sinking Account Redemption.* The Bonds maturing on September 1, 2036 (the “Term Bonds”) are subject to mandatory redemption, in part by lot, from the Sinking Account payments set forth in the following schedule on September 1, 2027 and on September 1 in each year thereafter at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the Term Bonds have been redeemed by Optional Redemption or Special Mandatory Redemption from Insurance or Condemnation Proceeds, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by Sinking Account Redemption by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice filed by the Authority with the Trustee.

Mandatory Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2027	\$1,010,000
2028	1,055,000
2029	1,100,000
2030	1,145,000
2031	1,195,000
2032	1,245,000
2033	1,295,000
2034	1,355,000
2035	1,410,000
2036 (final maturity)	1,470,000

In lieu of such redemption, the Trustee may apply amounts in the Sinking Account to the purchase of Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the Authority prior to the selection of Bonds for redemption, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the Authority.

*Optional Redemption.* The Bonds maturing on or before September 1, 2016, will not be subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2017, will be subject to redemption at the option of the Authority as a whole or in part, on any date on or after September 1, 2016, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption.

*Special Mandatory Redemption from Insurance or Condemnation Proceeds.* The Bonds will also be subject to redemption, as a whole or in part on any date, from Net Proceeds of insurance or condemnation awards, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

*Selection of Bonds for Redemption.* Except for Sinking Account Redemption, whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption from such maturities as will be set forth in a Written Request of the Authority filed with the Trustee, or in the absence of such designation of maturities by the Authority, then on a pro rata basis among maturities and by lot within a maturity in any manner which the Trustee in its sole discretion will deem appropriate and fair, and which will match the schedule of remaining Lease Payments due under the Lease Agreement. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

*Notice of Redemption.* Notice of redemption will be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to one or more of the Information Services. Each notice of redemption will state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal



amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

*Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

*Conditional Notice of Optional Redemption.* The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption may contain a statement that such redemption may be cancelled and annulled if for any reason funds will not or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

*Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

*Transfer of Bonds.* Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of any Bond will not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

*Exchange of Bonds.* Any Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond will not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption. The Trustee will require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

## Debt Service Schedule

The table below sets forth the annual debt service for the Bonds based on the maturity schedule and interest rates set forth on the cover page of this Official Statement.

Year Ending (September 1)	Principal Amount	Sinking Account Payment	Interest	Total Debt Service
2007	\$895,000	-	\$1,069,726.27	\$1,964,726.27
2008	910,000	-	1,500,706.26	2,410,706.26
2009	945,000	-	1,466,581.26	2,411,581.26
2010	980,000	-	1,433,506.26	2,413,506.26
2011	1,015,000	-	1,389,406.26	2,404,406.26
2012	1,060,000	-	1,353,881.26	2,413,881.26
2013	1,095,000	-	1,316,781.26	2,411,781.26
2014	1,135,000	-	1,278,456.26	2,413,456.26
2015	1,170,000	-	1,237,312.50	2,407,312.50
2016	1,220,000	-	1,194,900.02	2,414,900.02
2017	1,255,000	-	1,150,980.02	2,405,980.02
2018	1,305,000	-	1,103,917.52	2,408,917.52
2019	1,355,000	-	1,054,980.02	2,409,980.02
2020	1,420,000	-	987,230.02	2,407,230.02
2021	1,495,000	-	916,230.02	2,411,230.02
2022	1,570,000	-	841,480.02	2,411,480.02
2023	1,635,000	-	776,717.50	2,411,717.50
2024	1,700,000	-	708,865.00	2,408,865.00
2025	1,770,000	-	637,465.00	2,407,465.00
2026	970,000	-	563,125.00	1,533,125.00
2027	-	\$1,010,000	521,900.00	1,531,900.00
2028	-	1,055,000	478,975.00	1,533,975.00
2029	-	1,100,000	434,137.50	1,534,137.50
2030	-	1,145,000	387,387.50	1,532,387.50
2031	-	1,195,000	338,725.00	1,533,725.00
2032	-	1,245,000	287,937.50	1,532,937.50
2033	-	1,295,000	235,025.00	1,530,025.00
2034	-	1,355,000	179,987.50	1,534,987.50
2035	-	1,410,000	122,400.00	1,532,400.00
2036	-	1,470,000	62,475.00	1,532,475.00
TOTAL	\$24,900,000	\$12,280,000	\$25,031,197.73	\$62,211,197.73

## Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – BOOK ENTRY PROVISIONS" herein.

The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or other will distribute payments of principal, interest or premium, if any, with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

## SECURITY FOR THE BONDS

### General

The Bonds are special obligations of the Authority secured by Revenues (defined herein), primarily consisting of Lease Payments to be made by the City pursuant to the Lease Agreement, certain amounts on deposit under the Indenture and certain investment earnings thereon. "Revenues" are defined in the Indenture as: (a) all amounts received by the Authority or the Trustee pursuant to or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Additional Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding any amounts payable under the Lease Agreement for debt service on other obligations of the City; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture

The Authority, pursuant to the Indenture, will assign to the Trustee for the benefit of the Bond Owners substantially all of the Authority's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the City under and pursuant to the Lease Agreement. The City will pay Lease Payments directly to the Trustee, as assignee of the Authority. See "Lease Payments" below.

### Covenant to Budget and Appropriate

The City will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement.

### Abatement

Lease Payments are paid by the City in each rental period for and in consideration of the right to use and occupy the Leased Premises during each such period. Except as otherwise provided in the Lease Agreement, Lease Payments will be abated during any period in which, by reason of damage or destruction, there is substantial interference with the beneficial use and occupancy by the City of the Leased Premises or any portion thereof. The amounts of the Lease Payments under such circumstances may not be less than the amounts of the unpaid Lease Payments, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Premises not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments will be abated such that they represent said fair rental value. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that (a) the proceeds of rental interruption insurance are available to pay Lease Payments or (b) amounts in the Bond Fund established pursuant to the Indenture are available to pay debt service on the Bonds which would be paid from the Lease Payments which would be abated. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE AGREEMENT."

### Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement may exercise any and all remedies available pursuant to law. However, the Trustee may not accelerate the Lease Payments or otherwise declare any Lease Payments not then in

default to be immediately due and payable or terminate the Lease Agreement. The City expressly agrees that in the event of any default it will remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and will reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Premises or, in the event the Authority is unable to re-lease the Leased Premises, then for the full amount of all Lease Payments to the end of the term of the Lease Agreement. See "RISK FACTORS" herein.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE AGREEMENT - Events of Default - Remedies on Default" and "- THE INDENTURE - Events of Default and Remedies."

### **Lease Payments**

For the right to the use and occupancy of the Leased Premises, the Lease Agreement requires the City to make Lease Payments. Lease Payments are due and payable on February 15 and August 15 in each year during the Term of the Lease Agreement.

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AGENCY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE AGENCY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Miscellaneous Rent**

For the right to the use and occupancy of the Leased Premises, the Lease Agreement requires the City to pay, in addition to the Lease Payments, the reasonable expenses of the Authority in connection with the Lease Agreement and the Indenture or in connection with the issuance of the Bonds.

### **Insurance**

The Lease Agreement requires the City to obtain a standard comprehensive general liability insurance policy or policies in protection of the Authority and the City, including their respective members, officers, agents, employees and assigns. Said policy or policies must provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$25,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks.

The Lease Agreement also requires the City to maintain, or cause to be maintained, casualty insurance insuring the facilities on the Leased Premises against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance and all other risks in an amount equal to the lesser of 100% of the replacement cost of the Leased Premises or the aggregate unpaid principal components of the Lease Payments allocable to the Leased Premises. Such insurance may be subject to such deductibles as the City deems prudent.

The Lease Agreement further requires the City to cause to be maintained, throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Leased Premises as a result of any of the hazards covered by the insurance in an amount at

least equal to the maximum Leased Payments allocable to the facilities coming due and payable during any future 24 month period.

The Lease Agreement allows the City to maintain any such insurance as part of or in conjunction with any other insurance coverage carried by the City or, in whole or in part, in the form of self-insurance by the City or through participation by the City in a joint powers agency or other program providing pooled insurance.

The Lease Agreement also requires the City to obtain a CLTA policy of title insurance insuring the City's leasehold estate, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds.

### **Reserve Account**

The Indenture provides for the establishment of a reserve account (the "Reserve Account") in the Bond Fund which is required to be funded initially in an amount equal to the Reserve Requirement as of the date of the delivery of the Bonds which would be \$2,414,900.02. Amounts in the Reserve Account are to be used only to make payments when due on the Bonds to the extent that amounts on deposit in the Interest Account and/or the Principal Account are insufficient therefor. In addition, moneys, if any, on deposit in the Reserve Account will be withdrawn and applied by the Trustee for the final payment on the Bonds.

The Authority has elected to substitute for the amount to be deposited in the Reserve Account a Reserve Account Credit Facility consisting of a Debt Service Reserve Fund Surety Bond to be provided by the Municipal Bond Insurer. The provisions of the Surety Bond are more completely discussed under "MUNICIPAL INSURANCE," herein.

## **MUNICIPAL BOND INSURANCE**

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

*The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix D for a specimen of MBIA's policy (the "Policy"). MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "MUNICIPAL BOND INSURANCE". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.*

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

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

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

### **MBIA Insurance Corporation**

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

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

### **Regulation**

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

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

## **Financial Strength Ratings of MBIA**

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

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

Fitch Ratings rates the financial strength of MBIA "AAA."

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

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

## **MBIA Financial Information**

As of December 31, 2005, MBIA had admitted assets of \$11.0 billion (audited), total liabilities of \$7.2 billion (audited), and total capital and surplus of \$3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2006, MBIA had admitted assets of \$11.5 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$4.4 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 and the consolidated financial statements of MBIA and its subsidiaries as of September 30, 2006 and for the six month periods ended September 30, 2006 and September 30, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

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

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

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

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006 are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington, D.C. (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

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

There can be no assurances that payments made by the insurer representing interest on the Bonds will be excluded from gross income, for federal tax purposes, in the event of non-appropriation by the City.

#### **Debt Service Reserve Fund Surety Bond**

Application has been made to MBIA for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Paying Agent to the Insurer to the effect that insufficient amounts are on deposit in the Bond Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Insurer will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Paying Agent which have not been reimbursed by the Authority. The City and the Insurer will enter into a Financial Guaranty Agreement (the "Agreement"). Pursuant to the Agreement, the Authority is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Paying Agent under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Bond Fund and Reserve Account have been made.



No optional redemption Bonds may be made until the Insurer's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Paying Agent in the Reserve Account and is provided as an alternative to the Authority depositing funds equal to the Reserve Requirement for outstanding Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to \$2,414,900.02 for the Bonds and the premium therefor will be fully paid by the Authority at the time of delivery of the Bonds.

### **THE AUTHORITY**

The Corona Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated June 21, 1989, by and between the City and the Agency in accordance with the provisions of Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "JPA Law"). The Authority was created for the purpose of providing financing for public capital improvements for the City and the Agency through the acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of local obligations within the meaning of the JPA Law. Under the JPA Law, the Authority has the power to issue bonds to pay the costs of any public capital improvement.

### **GENERAL INFORMATION REGARDING THE CITY**

#### **General**

The City is located in Riverside County, approximately 45 miles southeast of the City of Los Angeles. The City covers approximately 39 square miles and had a population of approximately 145,000 as of January 1, 2006.

Incorporated in 1896, the City operates as a general law city. It has a council-manager form of government, with the five members of the City Council being elected at large, for staggered four year terms. The Mayor is appointed by the City Council from among its members.

## Population

During the 1990's, the City was one of the fastest growing cities in the County. The population of the City doubled between 1987 and January 1, 2000. The City is currently the third largest in the County with a population of 144,661 as of January 1, 2006 according to the State Department of Finance. Table 1 below presents the population for the City and the County for the years 1996-97 through 2005-06.

**TABLE 1  
CITY OF CORONA  
Population**

<u>Fiscal Year</u>	<u>City of Corona</u>	<u>Percent Change</u>	<u>County of Riverside</u>	<u>Percent Change</u>
1996-97	105,915	5.1	1,423,187	1.5
1997-98	113,464	7.1	1,467,870	3.1
1998-99	120,273	6.0	1,512,022	3.0
1999-00	124,966	3.9	1,545,387	2.2
2000-01	129,773	3.8	1,590,186	2.9
2001-02	134,765	3.8	1,653,847	4.0
2002-03	138,761	3.0	1,726,321	4.4
2003-04	144,254	4.0	1,807,624	4.7
2004-05	144,992	0.5	1,888,311	4.5
2005-06	144,661	-0.2	1,953,330	3.4

Source: State of California - Department of Finance.

## Building Activity

Building activity in the City for the past five fiscal years is shown in Table 2 below.

**TABLE 2  
CITY OF CORONA  
Total Building Permit Valuation  
(Amounts in Thousands of Dollars)**

<u>Fiscal Year Ending</u>	<u>Single Family Residential Permits</u>	<u>Single Family Residential Valuations</u>	<u>Commercial/Industrial Valuations</u>	<u>Total Valuations</u>
2001	1,147	\$273,621,182	\$88,581,537	\$362,202,719
2002	840	213,304,283	90,639,406	303,943,689
2003	712	180,826,975	129,444,158	310,271,133
2004	540	134,152,421	195,647,024	329,799,445
2005	475	131,701,601	79,408,851	211,110,452
2006	514	145,007,266	106,865,201	251,872,467

Source: City of Corona Building Department

## Employment

The following Table 3 lists the major employers (manufacturing and non-manufacturing) in the City as of June 30, 2006.

**TABLE 3  
CITY OF CORONA**

<u>Employers</u>	<u>Description</u>	<u>Employment</u>
Corona-Norco Unified School District	Education	5,285
Watson Laboratories	Generic Pharmaceutical Manufacturer	1,280
Kaiser Permanente	Management Services	1,242
Corona Regional Medical Center	Medical Services	1,060
City of Corona	City Government	1,018
Dart Container Corporation	Shipping Packaging	850
Fender USA	Guitar Manufacture	800
Doorway Manufacturing	Door Supplier	600
LDI Mechanical	Plumbing/AC Contractor	600
Silvercrest Homes	Merchant Builder	520

Source: City of Corona Economic Development Division

## FINANCIAL INFORMATION REGARDING THE CITY

The following selected financial information provides a limited overview of the City's financial condition. The City has implemented the new reporting requirements of Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments* with a restatement of its report for the fiscal year ended June 30, 1999. Reports for Fiscal Years ended June 30, 2000 and thereafter were issued in conformity with GASB 34. The financial information below has been extracted from the reports for fiscal years ended June 30, 2005 and June 30, 2006. The audited financial statements of the City for the fiscal year ended June 30, 2005 and June 30, 2006, with an unqualified auditor's opinion, are set forth in Appendix B hereto. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2006."

This report includes the Transmittal Letter, Management's Discussion and Analysis, the Government-Wide Financial Statements, the Fund Financial Statements, the Notes to the Financial Statements and Required Supplementary Information. Prior to the preparation of the report, the City commissioned a private asset valuation firm to produce a physical inventory of all City assets, including infrastructure.

The Government-Wide Financial Statements present the financial condition of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as described in the statements regarding interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities - governmental, business-type and fiduciary. The governmental activities statements were prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities statements were prepared using the economic resources measurement focus and

the accrual basis of accounting. The fiduciary activities statements are for agency funds, which only include a balance sheet and do not have a measurement focus. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences resulting from the integrated approach.

### **Accounting Policies and Financial Reporting**

The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting unit in governmental accounting. The operations of the different funds are accounted for with separate sets of self-balancing accounts showing assets, liabilities, fund balance or equity, and revenues and expenses.

### **Budgetary Process**

The City Council approves each year's citywide budget, including Utilities, Capital Projects and Debt Service, submitted by the City Manager prior to the beginning of the new fiscal year. The Council conducts a public meeting (workshop) prior to adopting the budget. Supplemental appropriations, where required during the fiscal year, are also approved by the Council. The authority for budgetary control is at the department level. A Department Head may transfer appropriations within the department. The Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriations transfers between funds. An item of *Required Supplementary Information*, pursuant to GASB 34, is a Budgetary Comparison Schedule of the Original Adopted Budget and the Final Budget for the General Fund and all major Special Revenue Funds with explanations of the major changes. That schedule is included in the financial report in Appendix B.

Set forth below is the City's fiscal year 2006-07 Annual Budget which was adopted by the City Council on June 21, 2006, by Resolution No. 2006-07.

**TABLE 4  
CITY OF CORONA  
2006-07 Annual Budget**

**GENERAL OPERATIONS:**

Governmental Operations:

General Fund (includes Build. Maint. and Separations)	\$102,207,599
Capital Improvement Projects	<u>3,267,527</u>
<b>General Fund Subtotal:</b>	<b>\$105,475,126</b>

Special Revenue Funds	\$17,109,381
Capital Improvement Projects	<u>21,196,519</u>
<b>Special Revenue Subtotal:</b>	<b>\$38,305,900</b>

Capital Project Funds	\$4,269,988
Capital Improvement Projects	<u>25,036,264</u>
<b>Capital Projects Subtotal:</b>	<b>\$29,306,252</b>

Proprietary Operations:

Internal Service Funds, or ISF	\$10,499,203
Capital Improvement Projects	<u>895,900</u>
<b>Proprietary Subtotal:</b>	<b>\$11,395,103</b>

Transit Funds	\$1,797,122
Capital Improvement Projects	-
<b>Transit Subtotal:</b>	<u><b>1,797,122</b></u>
<b>Total:</b>	<b>\$186,279,503</b>

Utilities – Proprietary Operations (Including Capital Improvement Projects):

Water Funds	\$50,996,116
Wastewater Funds	28,786,660
Electric Funds	<u>28,315,384</u>
<b>Total:</b>	<b>\$108,098,160</b>

**VARIOUS DEBT SERVICE and MISCELLANEOUS:**

General Obligation, Assessment and Community Facility Districts, Redevelopment, and Other (Reference Other Budgets section)	\$39,851,723
Agency Funds	<u>8,891</u>
<b>Total:</b>	<b>\$39,860,614</b>

<b>Grand Total:</b>	<b>\$334,238,277</b>
---------------------	----------------------

Source: City of Corona – Department of Finance.

## General Fund Financial Summary

Audited financial statements for fiscal years prior to the fiscal year ended June 30, 2006 are available upon request from the Finance Department of the City or on its website.

The information contained in the following Table 5 showing revenues, expenditures and change in fund balances for the General Fund has been derived from the City's audited financial statements for the fiscal years ended June 30, 2002, June 30, 2003, June 30, 2004, June 30, 2005 and June 30, 2006.

Table 6 below contains the City's audited balance sheets for the General Fund for the fiscal years ending on June 30, 2002, June 30, 2003, June 30, 2004, June 30, 2005 and June 30, 2006.

**TABLE 5**  
**CITY OF CORONA**  
**Statement of Revenues, Expenditures And Change in Fund Balances**  
**General Fund**

	<u>2001/2002</u>	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2005/2006</u>
<b>Revenues:</b>					
Property Taxes <sup>(1)</sup>	\$14,031,403	\$15,653,812	\$17,099,672	\$25,940,935	\$31,379,647
Other Taxes	27,732,554	29,994,105	34,923,016	40,815,213	47,243,504
Licenses, Fees and Permits	2,690,897	2,710,101	3,297,865	2,897,798	3,742,038
Fines and Penalties	513,099	554,588	558,000	628,978	703,586
Investment Earnings	2,660,398	1,473,221	2,568,573	1,144,059	1,691,045
Intergovernmental Revenues <sup>(1)</sup>	8,463,759	8,876,182	7,026,898	1,901,506	4,094,576
Current Services	6,453,553	7,278,013	7,552,085	9,337,773	9,847,203
Payments in Lieu of Services	7,688,405	9,171,345	7,723,299	8,330,315	10,897,229
Other Revenues	<u>1,534,912</u>	<u>2,701,696</u>	<u>2,203,476</u>	<u>4,898,868</u>	<u>7,021,651</u>
Total Revenues	71,768,980	78,413,063	82,952,884	95,895,445	116,620,479
<b>Expenditures:</b>					
Current:					
General Government	15,305,977	18,676,126	19,551,469	17,349,235	19,884,691
Public Safety – Fire	12,621,139	14,599,872	16,778,507	17,823,413	19,676,501
Public Safety – Police	23,753,700	28,586,291	31,455,601	33,413,922	35,450,559
Public Works	6,038,138	7,223,574	7,022,170	7,485,400	8,711,865
Parks and Recreation	6,604,485	6,059,522	6,366,112	6,857,258	7,284,504
Library	2,543,118	2,912,097	2,703,584	2,819,210	2,931,794
Capital Outlay	9,806,466	4,856,785	6,043,731	6,796,115	2,364,297
Debt Service:					
Principal Retirement	-	-	89,344	1,352,780	1,391,347
Interest and Fiscal Charges	-	-	40,949	1,082,319	1,919,379
Total Expenditures	<u>76,673,023</u>	<u>82,914,267</u>	<u>90,051,467</u>	<u>94,979,652</u>	<u>99,614,937</u>
Excess Revenues Over (Under) Expenditures	(4,904,043)	(4,501,204)	(7,098,583)	915,793	17,005,542
<b>Other Financial Sources (Uses):</b>					
Proceeds from Long-Term Obligations	-	1,065,000	-	-	-
Transfers In	6,276,217	8,643,406	11,581,526	4,627,828	9,244,638
Transfers Out	<u>(2,845,756)</u>	<u>(2,923,486)</u>	<u>(5,006,724)</u>	<u>(2,123,292)</u>	<u>(5,823,521)</u>
Total Other Financing Sources (Uses)	3,430,461	6,784,920	6,574,802	2,504,536	3,421,117
Excess of Revenues and Other Sources Over (Under) Expenditures	(1,473,582)	2,283,716	(523,781)	3,420,329	20,426,659
<b>Fund Balance – Beginning of Year<sup>(2)</sup></b>	<u>42,000,919</u>	<u>40,527,337</u>	<u>42,811,053</u>	<u>41,863,459</u>	<u>54,823,277</u>
<b>Fund Balance – End of Year</b>	<u>\$40,527,337</u>	<u>\$42,811,053</u>	<u>\$42,287,272</u>	<u>\$45,283,788</u>	<u>\$75,249,936</u>

<sup>(1)</sup> Adjustment in manner of receipt of revenues in FY 2004/05 due to State Budget, see “RISK FACTORS – Impact of Sales and Use Tax Reduction” and “Impact of State Budget.”

<sup>(2)</sup> Beginning of Year Fund Balance for 2004/05 differs from End of Year Fund Balance 2003/04 for prior period adjustment for deferred property tax revenues. Beginning of Year Fund Balance for 2005/06 differs from End of Year Fund Balance for 2004/05 due to prior period adjustment to record an inter-fund loan.

Source: City of Corona – Department of Finance.

**TABLE 6**  
**CITY OF CORONA**  
**Balance Sheet - General Fund**

	<u>2001/2002</u>	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2005/2006</u>
<b>Assets:</b>					
Cash and Investments	\$37,545,819	\$37,737,027	\$36,150,576	\$38,375,951	\$50,320,433
Accounts Receivable, Net	475,677	176,054	468,064	2,125,247	1,986,082
Interest Receivable	472,687	298,293	320,068	246,051	378,162
Due from Other Governmental Agencies	1,903,162	8,627,172	10,285,494	11,058,507	14,130,565
Due from Other Funds	582,774	426,350	1,278,617	657,964	5,689,919
Interfund Advances Receivable	4,272,777	5,880,913	5,787,380	7,488,016	16,888,108
Inventories and Prepayments	193,369	179,297	1,501,386	214,095	281,739
Long Term Installments Receivable	-	574,884	297,932	287,932	287,932
Long Term Capital Lease Receivable <sup>(1)</sup>	-	-	-	172,628,344	172,628,344
<b>Restricted Assets:</b>					
Cash and Investments	-	-	86,200	402,269	70,645
<b>Total Assets</b>	<u>\$51,446,265</u>	<u>\$53,899,990</u>	<u>\$56,165,717</u>	<u>\$233,484,106</u>	<u>\$262,661,929</u>
<b>Liabilities and Fund Balance:</b>					
<b>Liabilities:</b>					
Accounts Payable and Accrued Liabilities	\$5,232,418	\$5,491,870	\$7,644,687	\$6,648,008	\$5,552,611
Deposits	5,301,239	5,540,844	5,951,770	6,305,354	6,335,565
Claims & Judgments Payable	-	-	-	148,030	70,256
Deferred Revenues <sup>(1)</sup>	91,629	56,223	195,788	174,696,657	175,404,017
Compensated Absences Payable	293,642	-	86,200	402,269	49,544
<b>Total Liabilities</b>	<u>\$10,918,928</u>	<u>\$11,088,937</u>	<u>\$13,878,445</u>	<u>\$188,200,318</u>	<u>\$187,411,993</u>
<b>Fund Balance:</b>					
<b>Reserved For:</b>					
Encumbrances	\$2,657,941	\$4,953,674	\$3,596,697	\$1,940,850	\$1,229,071
Loans Receivable	4,272,778	6,455,797	549,408	530,397	503,320
Interfund Advance	-	-	5,787,380	7,488,015	16,888,108
Inventories and Prepayments	193,368	179,297	100,578	214,095	281,740
Debt Service	1,862,335	1,862,335	1,862,335	3,362,335	3,362,335
Unreserved	<u>31,540,915</u>	<u>29,359,950</u>	<u>30,390,874</u>	<u>31,748,096</u>	<u>52,985,362</u>
<b>Total Fund Balance</b>	<u>\$40,527,337</u>	<u>\$42,811,053</u>	<u>\$42,287,272</u>	<u>\$45,283,788</u>	<u>\$75,249,936</u>
<b>Total Liabilities and Fund Balance</b>	<u><b>\$51,446,265</b></u>	<u><b>\$53,899,990</b></u>	<u><b>\$56,165,717</b></u>	<u><b>\$233,484,106</b></u>	<u><b>\$262,661,929</b></u>

<sup>(1)</sup> Represents the principal amount due under the Corona Utility Authority's 2004 Capital Lease of the Water and Wastewater Enterprises. See, "Capital Leases," herein. Prior audits classified these amounts as "Internal Balances" under a separate classification in assets on the "Government Wide" statements and not in the fund statements. Current audit reflects this capital lease payment as a long term receivable in the General Fund with deferred revenue. Long term receivables are not conversion entries under GASB 34.  
Source: City of Corona – Department of Finance.

## Tax Receipts

Taxes received by the City include Property Taxes, Sales Taxes, Franchise Tax, Property Transfer Taxes and Transient Occupancy Taxes. Of such taxes, Property Taxes and Sales Taxes constitute the major sources of revenues. Certain general taxes imposed by the City may be affected by a September 28, 1995, California Supreme Court decision upholding Proposition 62 (the "Guardino Decision") or Proposition 218, which was approved by the California voters at the November 1996 General Election. The City does not currently have tax revenues subject to Prop 62. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Proposition 62" and "Article XIII C and XIII D of the State Constitution."

The following Table 7 sets forth tax revenues received by the City, by source, for Fiscal Years 2001-02 through 2005-06.

**TABLE 7  
CITY OF CORONA  
Tax Revenues By Source**

Fiscal Year	Property Tax	Sales & Use Tax	Prop 172 Sales Tax Allocation	Transient Occupancy Tax	Franchise Tax	Property Transfer Tax	Totals
2002	14,031,403	22,966,156	1,021,603	846,514	2,160,569	791,712	41,763,957
2003	15,653,812	25,219,925	1,099,449	855,549	1,948,533	870,649	45,647,917
2004	17,099,672	29,471,424	1,251,108	914,674	2,172,396	1,113,414	52,022,688
2005	25,940,935	34,502,809	1,446,199	1,088,534	2,320,167	1,457,504	66,756,148
2006	31,379,647	39,915,335	1,662,108	1,365,978	2,515,187	1,784,896	78,623,151

## Property Taxes

Property tax receipts provide a significant tax revenue source for the City, contributing 38% of general fund tax revenues during fiscal year 2004-05 and 40% for fiscal year 2005-06.

*Ad Valorem Property Taxes.* Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll, the taxes on which are a lien on real property sufficient to secure payment of the taxes. Other property is assessed on the "unsecured roll." See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

City property taxes are assessed and collected at the same time and on the same rolls as are County, school and special district property taxes. Assessed valuations are based upon 100% of full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as property owned by churches, colleges, non-profit hospitals and charitable institutions.

State law also exempts \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.



The following Table 8 shows a five-year history of assessed valuations within the City's boundaries, including State-reimbursed exemptions.

**TABLE 8**  
**CITY OF CORONA**  
**Assessed Value and Actual Value of Taxable Property**  
**(Valuations in Thousands of Dollars)**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other	Less: Tax Exempt Property	Total Taxable Assessed Value
2002	5,720,734	740,122	1,197,804	1,277,060	64,803	8,870,917
2003	6,389,708	812,953	1,318,860	1,366,953	117,192	9,771,282
2004	7,013,653	863,630	1,415,667	1,489,990	171,882	10,611,058
2005	8,010,907	1,016,443	1,540,064	1,614,156	119,068	12,062,502
2006	9,128,473	1,166,793	1,688,866	1,747,079	190,746	13,540,465

Source: Riverside County Auditor-Controller/Tax Rates and Assessed Values

The following Table 9 shows secured tax levies and delinquencies for the City during the past five fiscal years.

**TABLE 9**  
**CITY OF CORONA**  
**Secured Tax Levies and Delinquencies**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Amount Collected <sup>(1)</sup>	Percentage of Levy	Delinquent Tax Collections <sup>(2)</sup>	Amount <sup>(3)</sup>	Percentage of Levy
2002	12,115,077	11,482,021	94.77%	409,332	11,891,353	98.15%
2003	13,359,820	12,702,460	95.08%	526,664	13,229,124	99.02%
2004	14,471,613	13,881,154	95.92%	641,531	14,522,685	100.35%
2005	16,430,957	15,697,644	95.54%	552,807	16,250,451	98.90%
2006	18,567,049	17,496,677	94.24%	674,727	18,171,404	97.87%

<sup>(1)</sup> Amount of Total Tax Levy received by end of fiscal year.

<sup>(2)</sup> Delinquent taxes from prior fiscal years.

<sup>(3)</sup> Current Tax Collections plus Delinquent Tax Collections.

Source: City of Corona Finance Department

## Major Taxpayers

The following Table 10 sets forth the major property taxpayers in the City in terms of their 2006-07 secured assessed valuation.

**TABLE 10**  
**CITY OF CORONA**  
**Major Taxpayers**

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Watson Laboratories Inc.	157,924,393	1.16%
Dairy Farmers of America, Inc.	\$ 110,617,355	0.81%
Kaiser Foundation Health Plan	107,233,192	0.79%
Rexco	68,993,848	0.50%
UHS Corona Inc.	37,593,562	0.27%
Princeland Properties Inc.	30,151,989	0.22%
Corona Energy Partners Limited	23,366,522	0.17%
YNS Shopping Plaza	21,675,000	0.16%
Corona Springs	21,009,209	0.15%
Provident Group Crown Pointe	19,465,370	0.14%
Total	\$ 598,330,440	4.37%

Source: Riverside County Assessor.

## Taxable Transactions

A four-year history of taxable sales transactions for the County and the City are shown in the following Table 11.

**TABLE 11**  
**CITY OF CORONA**  
**History of Taxable Sales Transactions**  
**(Amounts in Thousands of Dollars)**

<u>Year</u>	<u>City of Corona</u>	<u>County of Riverside</u>
2001	\$2,055,770	\$18,231,555
2002	2,186,753	19,498,994
2003	2,454,467	21,709,135
2004	2,911,471	25,237,148

Source: City of Corona Finance Department and State of California - State Board of Equalization

## Direct and Overlapping Bonded Debt

Contained within the City's boundaries are numerous overlapping agencies providing public services. These agencies may have issued outstanding bonds in the form of general obligation, special assessment, special tax and lease revenue bonds. Direct debt constitutes debt directly issued by the City while overlapping debt constitutes debt issued by different agencies within the same tax code areas. The Direct and Overlapping Bonded Debt Statement of the City as of June 30, 2006 (except as noted in footnotes to the statement) is shown below:

**TABLE 12**  
**CITY OF CORONA**  
**Direct and Overlapping Debt**

2005-06 Assessed Valuation: \$13,069,037,746  
 Redevelopment Incremental Valuation: 1,305,158,241  
 Adjusted Assessed Valuation: \$11,763,879,505

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>	<u>% Applicable</u>	<u>Debt 6/30/06</u>
Metropolitan Water District	0.804%	\$ 3,132,103
Riverside City Community College District	23.791	15,924,770
Alvord Unified School District	15.218	7,251,377
Corona-Norco Unified School District	64.102	34,928,937
Corona-Norco Unified School District Community Facilities District No. 6	100.	2,435,000
Corona-Norco Unified School District Community Facilities District No. 7	100.	715,000
Corona-Norco Unified School District Community Facilities District No. 88-1	90.618	3,515,978
Corona-Norco Unified School District Community Facilities District No. 97-1	100.	1,420,000
Corona-Norco Unified School District Community Facilities District No. 99-1	100.	3,260,000
Corona-Norco Unified School District Community Facilities District No. 99-2, Improvement Areas	100.	6,765,000
Corona-Norco Unified School District Community Facilities District No. 00-1	100.	2,645,000
Corona-Norco Unified School District Community Facilities District No. 01-1, Improvement Areas A & B	100.	10,865,000
Corona-Norco Unified School District Community Facilities District No. 01-2, Improvement Area B	100.	3,720,000
<b>City of Corona</b>	<b>100.</b>	<b>3,935,000</b>
City of Corona Community Facilities District No. 86-1	100.	2,410,000
City of Corona Community Facilities District No. 86-2	100.	17,910,000
City of Corona Community Facilities District No. 89-1	100.	29,190,000
City of Corona Community Facilities District No. 90-1	100.	45,775,000
City of Corona Community Facilities District No. 97-2	100.	16,885,000
City of Corona Community Facilities District No. 2000-1	100.	7,725,000
City of Corona Community Facilities District No. 2000-2	100.	3,540,000
City of Corona Community Facilities District No. 2002-1	100.	22,475,000
City of Corona Community Facilities District No. 2003-2	100.	6,135,000
California Statement Communities Development Authority Community Facilities District No. 2002-1	100.	4,374,803
City of Corona 1915 Act Bonds	100.	9,230,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 266,162,968</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	9.535%	\$ 60,120,613
Riverside County Pension Obligations	9.535	37,839,171
Riverside County Board of Education Certificates of Participation	9.535	1,071,734
Alvord Unified School District Certificates of Participation	15.219	3,673,106
Corona-Norco Unified School District General Fund Obligations	64.102	53,451,453
<b>City of Corona General Fund Obligations</b>	<b>100.</b>	<b>56,530,000</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 212,686,077</b>
Less: Riverside County self-supporting obligations		1,868,011
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 210,818,066</b>
 GROSS COMBINED TOTAL DEBT		
NET COMBINED TOTAL DEBT		\$ 478,849,045 <sup>(1)</sup>
		\$ 476,981,034

<sup>(1)</sup> 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:

**Direct Debt (\$3,935,000)**.....0.03%  
 Total Direct and Overlapping Tax and Assessment Debt.....2.04%

Ratios to Adjusted Valuation:

**Combined Direct Debt (\$60,465,000)**.....0.51%  
 Gross Combined Total Debt.....4.07%  
 Net Combined Total Debt.....4.05%

STATE SCHOOL BUILDING AND REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics, Inc.

## Existing Lease Obligations

On January 23, 1997 the City sold the City of Corona 1997 Refunding Certificates of Participation (Wastewater Treatment Facilities Project) in the aggregate principal amount of \$7,010,000. These certificates evidence a proportionate interest of the owners thereof in lease payments which the City makes pursuant to a lease agreement with the Corona Public Improvement Corporation regarding the City's Wastewater Treatment Plan No. 2. The total annual amounts of the remaining lease payments under this lease range from \$560,100 in 2007 to a high of \$563,085 in 2014. The final lease payment will be made on July 15, 2016.

On October 10, 2000, the Authority issued its 2000 Lease Revenue Bonds Series A in the amount of \$13,000,000 to pay a portion of the costs of the design, construction and acquisition of the City's Corporation yard. The outstanding bonds bear interest from 4.5% to 5.30% and are due annually ranging from the \$340,000 to \$760,000 through 2022 with term bonds in the amount of \$2,525,000 due on September 1, 2025. The bonds are payable from annual lease payments of the City for use and occupancy of the Corporation Yard. Proceeds of the Bonds will be used to pay and redeem the Series A Bonds. See, "THE FINANCING PLAN – The Refunding Plan," above.

On May 30, 2001, the Authority issued its 2001 Lease Revenue Refunding Revenue Bonds, Series A in the aggregate principal amount of \$9,810,000 for the purpose of refunding the Authority's 1993 Public Improvement Refunding Revenue Bonds. These Bonds are secured by lease payments which the City makes pursuant to a lease agreement with the Authority. The annual lease payments range from \$1,013,668 in 2007 to a high of \$1,016,358 in 2010. The final lease payment is due on September 1, 2014.

On August 22, 2002, the Authority delivered its Lease Revenue Bonds, Series B (2002 City Hall Project) in the aggregate principal amount of \$35,000,000 for the purpose of financing a portion of the costs of constructing a new City Hall. These bonds are secured by annual lease payments pursuant to a lease agreement with the Authority. The annual lease payments are not more than \$2,435,536 in each year and the term of the lease ends in 2027.

The City has covenanted to take the necessary action to include the lease payments under these leases in its annual budgets and to make the necessary annual appropriations for the lease payments which have the same priority as the City's covenant to include the Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. Accordingly, if sources of funding were to become inadequate to pay the full amount of the City's lease payments, the City would not be obligated to give any priority to the payment of the Lease Payments and it could elect to pay only a portion of the Lease Payments. See "SECURITY FOR THE BONDS - Action on Default" for the remedies that are available to the Trustee upon the occurrence of an event of default.

## Capital Leases

Capital Lease Obligations. The Corona Utility Authority entered into capital leases with the City to lease the City's water and wastewater facilities. The term of the leases are 55 years at which time the Corona Utility Authority will own the capital assets of the water and wastewater facilities.

The capital assets of the water and wastewater facilities were recorded at the City's historical cost, net of accumulated depreciation, and related debt has also been recorded resulting in a lease payable for an amount equal to the net assets recorded on the City's financial statements. Lease payments are made quarterly for an amount equal to 8% of water and wastewater's utility service charges. The City raised the Lease Payment from 5% to 8% in May of 2005.

The following Internal Balances – Capital Leases were outstanding at June 30, 2006:

Capital Leases – Water Facility	\$ 106,819,662
Capital Leases – Wastewater Facility	<u>65,808,682</u>
Total Internal Balances – Capital Leases	\$ 172,628,344

2005 Transactions. In 2005, the following related party transactions were recorded by the City and the Authority:

Capital Lease Payments	
Water Fund	\$ 1,334,866
Wastewater Fund	<u>668,938</u>
Total to the City	\$ 2,003,804

2006 Transactions. In 2006, the following related party transactions were recorded by the City and the Authority:

Capital Lease Payments	
Water Fund	\$ 2,667,841
Wastewater Fund	<u>1,589,603</u>
Total to the City	\$ 4,257,444

Capital Lease Receivable. In 2002, the City established the Corona Utility Authority as a joint powers authority pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council. The outstanding receivable at June 30, 2006 was \$172,628,344.

### **Lease Payable**

The City entered into a lease purchase agreement for \$1,065,000 with a funding date of November 22, 2002 for the purpose of purchasing a helicopter and related equipment for use by the City. The helicopter has been recorded as a fixed asset at its purchase price. The lease/purchase is payable over a ten year period at a rate of 3.845% interest in equal installments of \$130,293 per year through the year 2012.

### **Other Long-Term Obligations of City and Other Entities**

The City has several sub-agencies and enterprise or special funds which have issued bonds or other debt instruments to fund capital improvements. Such entities include the Utility Authority, the Authority and the City's Redevelopment Agency. For a complete discussion of all long-term obligations of the City, please see Appendix B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2006.

The following table summarizes long-term obligation transactions of the City, Redevelopment Agency, Authority and Utility Authority for the year ended June 30, 2006:

	Balance July 1, 2005	Incurred or Issued	Satisfied or Matured	Balance June 30, 2006	Amounts Due Within One Year	Amounts Due in More than One Year
<b>Governmental Activities:</b>						
Loans Payable	\$1,907,264	\$-	\$422,474	\$1,484,790	\$422,425	\$1,062,365
Long Term Agmt Payable	1,300,834	-	185,834	1,115,000	185,834	929,166
Lease Payable	882,876	-	96,347	786,526	100,052	686,477
G.O. Bonds Payable	3,635,000	-	1,100,000	2,535,000	610,000	1,925,000
Redevelopment Bonds Payable	45,485,000	-	2,730,000	42,755,000	1,735,000	41,020,000
Lease Revenue Bonds Payable	53,940,000	-	1,965,000	51,975,000	2,025,000	49,950,000
Special Assessment District Bonds	<u>3,255,000</u>	<u>-</u>	<u>325,000</u>	<u>2,930,000</u>	<u>295,000</u>	<u>2,635,000</u>
<b>Total Government Activities</b>	<u>\$110,405,974</u>	<u>\$ -</u>	<u>\$6,824,655</u>	<u>\$103,581,319</u>	<u>\$5,373,311</u>	<u>\$98,208,008</u>
<b>Business-Type Activities:</b>						
Installment Agreement Payable	\$432,320	\$-	\$135,883	\$296,437	\$148,236	\$148,201
Contracts Payable	716,572	-	-	716,572	-	716,572
Term Loan Payable	35,185,577	9,264,393	1,021,269	43,428,701	2,143,878	41,284,823
Water Revenue Bonds	32,690,000	-	795,000	31,895,000	825,000	31,070,000
Capital Leases	172,628,344	-	-	172,628,344	-	172,628,344
Certificates of Participation	<u>101,760,000</u>	<u>-</u>	<u>450,000</u>	<u>101,310,000</u>	<u>720,000</u>	<u>100,590,000</u>
<b>Total Business-Type Activities</b>	<u>\$343,412,813</u>	<u>\$9,264,393</u>	<u>\$2,402,152</u>	<u>\$350,275,054</u>	<u>\$3,837,114</u>	<u>\$346,437,940</u>

## Risk Management

**Workers' Compensation Insurance.** The City's self-insured retention is \$1,000,000 with purchased excess insurance for claims over that amount up to policy limits. Departments are charged a percentage of the total estimated insurance, claims expense and premiums based on payroll cost. The estimated liability for pending and incurred but not reported claims at June 30, 2006 has been included in the Claims Payable amount as of June 30, 2006. Claims Payable is incorporated in the financial statements as Claims and Judgments Payable in Internal Service Funds and is based on history and actuarial studies.

The following reconciles Claims and Judgments Payable for the Workers' Compensation Self-Insurance Fund for the five years ended June 30, 2006:

Fiscal Year Ended <u>June 30</u>	Claims Payable <u>July 1</u>	Claims and Changes in <u>Estimates</u>	<u>Claims Paid</u>	Claims Payable <u>June 30</u>
2002	7,810,502	3,300,814	(2,242,800)	8,868,516
2003	8,868,516	3,282,282	(2,371,043)	9,779,755
2004	9,779,755	3,524,800	(2,735,530)	10,569,025
2005	10,569,025	5,276,673	(3,724,233)	12,121,465
2006	12,121,465	5,498,813	(3,434,421)	14,185,857

**Liability Insurance.** The City's self-insured retention is \$750,000 with an excess policy insuring claims over \$750,000 up to a limit of \$10,000,000. A third party administrator administers claims. The estimated liability for pending and incurred but not reported claims at June 30, 2006, has been incorporated in the financial statements as Claims and Judgments Payable in Liability Risk Internal Service Fund and are based on history and actuarial studies.

Property Losses (excluding earthquake). The City's property losses are covered by insurance policies for covered value of \$174,983,049 with deductibles of \$100,000. The estimated liability for pending and incurred but not reported claims at June 30, 2006 has been incorporated in the financial statements as Claims and Judgments Payable in the Liability Risk Internal Service Fund and area based on history only.

The following reconciles Claims and Judgments Payable for the Liability Risk Internal Service Fund, including property losses, for the five years ended June 30, 2006:

Fiscal Year Ended <u>June 30</u>	Claims Payable <u>July 1</u>	Claims and Changes in <u>Estimates</u>	<u>Claims Paid</u>	Claims Payable <u>June 30</u>
2002	2,782,266	320,948	(393,682)	2,709,532
2003	2,709,532	(1,188,934)	(225,815)	1,294,784
2004	1,294,784	1,290,549	(969,047)	1,616,286
2005	1,616,286	2,387,015	(1,772,269)	2,231,032
2006	2,231,032	3,375,206	(2,612,457)	2,993,781

The total liability amounts to \$14,185,857 for Workers' Compensation and \$2,993,781 for Liability. Of these amounts, \$2,157,743 and \$39,012 are the amounts due in one year or less, respectively. Claims are paid by the separate internal service funds for each liability.

#### **Defined Benefit Pension Plan**

The City's defined benefit pension plans (the Miscellaneous Plan, the Safety Police Plan and the Safety Fire Plan) provide retirement, disability and death benefits to plan members and beneficiaries. These Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer system that acts as a common investment and administrative agent for cities in the state of California. The benefit provisions are established by state statutes within the Public Employees' Retirement Law. The City adopts its benefit provisions through contract with CalPERS and approves them through Council Resolutions and specific agreements with City Labor Groups. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P. Street, Sacramento, California 95814.

The City's payroll for employees covered by the System for the year ended June 30, 2005 was \$20,051,700 for safety members (which represents 38.8% of covered payroll) and \$31,630,400 for miscellaneous members (which represents 61.2% of covered payroll), a total covered payroll of \$51,682,100. The total City payroll for the fiscal year was \$63,956,994. The City's payroll for employees covered by the System for the year ended June 30, 2006 was \$21,747,426 for safety members (which represents 40.4% of covered payroll) and \$32,016,778 for miscellaneous members (which represents 59.6% of covered payroll), a total covered payroll of \$53,764,204. The total City payroll for the fiscal year was \$67,774,020. All full-time City employees are eligible to participate in PERS. Benefits vest after five years of service. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit payable monthly for life, in an amount equal to a percent of their highest annual salary for each year of service credit.

#### **Funding Policy**

Active plan members in PERS are required to contribute a percent of their annual covered salary, as identified in the table below. The City pays the contributions required of all miscellaneous employees hired before January 1, 1999 and for all police safety employees hired before January 1, 2000. The employees hired after those dates pay a portion of the required member contribution totaling 3% and 4%,

respectively, while the City pays the remaining 5% of the members contribution. Fire safety members make their employee payments on their own behalf regardless of hire date. The total rates are set by statute and therefore normally remain unchanged from year to year. However, the City underwent a contract amendment with the miscellaneous members effective July 1, 2004, which changed the required member contribution from 7% to 8%.

<u>Category</u>	<u>Member Rates as a Percent of Wages</u>	<u>2004-05 Amount Paid</u>	<u>2005-06 Amount Paid</u>
Local Miscellaneous Members	8%	\$2,530,432	\$2,561,3421
Local Police Safety Members	9%	<u>1,111,570</u>	<u>1,182,117</u>
Total Paid on Behalf of the Employee		3,642,002	\$4,745,459
Local Fire Safety Members	9%	<u>693,083</u>	<u>775,152</u>
Total Member Portion Paid		\$4,335,085	\$4,518,611

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefit for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-05 was 11.574% for miscellaneous employees, 26.522% for the police safety group and 31.503% for the fire safety group. The required employer contribution rate for fiscal year 2005-06 was 15.492% for miscellaneous employees, 26.024% for police employees, and 29.501% for fire employees. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS.

#### **Annual Pension Cost**

For fiscal year 2004-05, the City's annual pension cost was \$5,877,120, but the amount the City actually contributed was \$8,824,335 due to the unfunded liability. For Fiscal Year 2005-06 the annual pension cost was \$6,284,115, but the amount the City contributed was \$10,754,459 due to unfunded liability. The required contribution for fiscal year 2004-05 was determined as part of the June 30, 2002 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The required contribution for Fiscal Year 2005-06 was determined as part of the June 30, 2003 actuarial valuation using entry age actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumption included (a) an investment rate of return of 7.75% (net of administrative expenses), (b) projected salary increases of 3.75% to 14.20%, and in Fiscal Year ending 2006 from 3.25% to 14.45% depending on age, service and type of employment for the miscellaneous employees (for the Safety Police Plan and the Safety Fire Plan, salary increases range from 4.27% to 11.59% and in Fiscal Year ending in 2006 3.25% to 13.15%). Both (a) and (b) include an inflation component of 3.50% (3.00% for Fiscal Year 2006) and a payroll growth factor of 3.75% (3.25% for Fiscal 2006) for all three groups, but do not include any post retirement benefit increases. As of June 30, 2005, the unfunded liability to the plan was \$30,535,108 for miscellaneous employees, \$13,430,502 for police and \$10,163,966 for fire. The expected unfunded liability for June 30, 2006, as reported by PERS is \$30,743,098 for miscellaneous employees, \$12,999,239 for police employees and \$9,730,494 for fire employees. The actuarial value of PERS assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a fifteen year period. The City's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of payroll on a closed basis. The amortization period varies between the three different plans of the City. For the 2004-05 fiscal year the average remaining amortization periods were: Miscellaneous, 22 years; Police, 13 years; Fire, 15 years. The average remaining amortization periods for the 2005-06 fiscal year were: Miscellaneous, 18 years; Police, 13 years; Fire, 17 years.



For 2004-05 the annual rate components were as follows:

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>
Normal Cost Rate	9.42%	17.66%	15.90%
Unfunded Liability Rate	<u>2.15%</u>	<u>13.84%</u>	<u>10.63%</u>
Total	11.57%	31.50%	25.52%

The amounts required under the preceding categories for 2004-05 were as follows:

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Normal Cost	\$2,588,366	\$1,368,982	\$1,919,772	\$5,877,120
Unfunded Liability	<u>590,850</u>	<u>1,073,247</u>	<u>1,283,118</u>	<u>2,947,215</u>
Total City Portion Paid	\$3,179,216	\$2,442,229	\$3,202,890	\$8,824,335

For 2005-06 the annual rate components were as follows:

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>
Normal Cost Rate	9.57%	15.33%	15.05%
Unfunded Liability Rate	<u>5.92%</u>	<u>14.17%</u>	<u>10.98%</u>
Total	15.49%	29.50%	26.02%

The amounts required under the preceding categories for 2005-06 were as follows:

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Normal Cost	\$3,181,164	\$1,219,774	\$1,883,177	\$6,284,115
Unfunded Liability	<u>1,969,070</u>	<u>1,127,095</u>	<u>1,374,179</u>	<u>4,470,344</u>
Total City Portion Paid	\$5,150,234	\$2,346,869	\$3,257,356	\$10,754,459

### Trend Information

Three years of trend information regarding annual pension costs, including costs paid on behalf of the employees, is summarized as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$5,080,468	100%	\$0
6/30/2004	4,748,394	100%	0
6/30/2005	5,877,120	100%	0
6/30/2006	6,284,115	100%	0

### Defined Contribution Pension Plan

The City provides pension benefits for all of its part-time seasonal and temporary employees through the City's Deferred Compensation Plan, which is a defined contribution plan. The plan is administered by National Deferred Compensation. The purpose of the plan is to provide part-time, seasonal and temporary employees with a retirement plan as mandated by and in compliance with the Federal Omnibus Reconciliation Act of 1990. Per Department of Treasury regulations, the City has established this substitute retirement plan under section 457 of the Internal Revenue Code of 1986, as amended. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus

investment earnings. Employees are required to participate from the date of employment. The City requires the employee to contribute 6.2% of the 7.5% required by the Federal Government. The City's contribution for each employee and interest allocated to the employee's account are fully vested immediately. During the 2005 Fiscal Year, the City contributed \$23,807 on hourly salaries of \$1,831,308 with the employees contributing \$113,541. During the 2006 Fiscal Year the City contributed \$24,564 on hourly salaries of \$1,889,538 with the employees contributing \$117,151.

### **Post Retirement Health Benefits**

In addition to the pension benefits described above, the City provides post-employment health care benefits, in accordance with the health care regulations of the Public Employees Retirement System ("PERS"), to employees who retire from the City on or after attaining age 50 with at least five years of service. Currently, 304 retirees meet those eligibility requirements. Employees are categorized in two tiers. Tier I employees are miscellaneous employees prior to 1999 and police and safety employees employed prior to 2000. Tier I employees will have the full health care premium paid for life. Tier II employees are miscellaneous employees hired in 1999 and after and police and safety employees hired in 2000 and after. Tier II employees have a predetermined premium paid in a dollar amount that is the minimum required by PERS. Expenditures for post-employment health care benefits are recognized on a pay-as-you-go basis. During the 2005 Fiscal Year, expenditures of \$2,373,463 were recognized for post-employment health care. During the 2006 Fiscal Year, expenditures of \$2,514,067 were recognized for post employment health care.

The City also provides life insurance for employees who retire from active work who are 50 years of age and have a minimum of five years of service. The amount of life insurance provided is \$50,000 until the age of 70. For Fiscal Year 2004-05, 210 retirees are involved in this insurance plan with a cost for the fiscal year ending June 30, 2005 of \$20,702. Expenditures for post-employment life insurance are funded on a pay-as-you-go basis. Currently, 220 retirees are involved in this insurance plan with a cost for the fiscal year ending June 30, 2006 of \$23,430.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the income statement. GASB 45 also established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. These disclosure requirements will be effective for the City's Fiscal Year ending June 30, 2008.

GASB 45 may result in an increase in the annual expense recognized by the City for post-retirement health care benefits. The City expects to retain the services of an actuary in Fiscal Year 2007-08 to determine the extent of the City's OPEB liability. The amount of the liability and the increase in the annual expense to be recognized, if any, has not yet been determined by the City.

## **Investment of City Funds**

State law limits the types of investments in which local agencies, including cities, may invest their funds. Pursuant to State law, the chief fiscal officer of each local agency must annually provide to the legislative body a statement of investment policy, which the legislative body of the local agency must consider at a public meeting. The City's investment policy adopted June 21, 2006 limits the investment of the City's funds to the following investments:

**Allowable Investments  
City of Corona Limits**

<b>Instrument</b>	<b>Diversification</b>	<b>Term</b>	<b>Quality</b>
Bankers Acceptances	May not exceed 20% of portfolio	Not to exceed 180 days	Eligible for purchase by the Federal Reserve System
Bonds issued by the City, including bonds payable solely out of revenue from a revenue producing property owned, controlled or operated by the City	Not authorized		
Bonds, Notes or other evidence of indebtedness of any local agency within this state, or state warrants, or Treasury Notes or Bonds of this state	Not authorized		
Commercial Paper	Not to exceed 15% of portfolio  May not represent more than 10% of issuer's outstanding paper	Not to exceed 180 days	"A1/P1" rating for issuer's commercial paper; "A2/A" or higher rating on long-term debt  US domiciled corporations with assets greater than \$500 million
Discount Notes or Notes issued by agencies of the Federal Government	May not exceed 75% of portfolio	Not to exceed 5 years	
Diversified Management Companies, as defined by Section 53601(k) of the Government Code	Not to exceed 10% of portfolio	N/A	Highest ranking by not less than 2 of the 3 largest rating services  Have an SEC registered investment advisor with more than 5 years of experience and assets under management greater than \$500 million
Financial Futures and Financial Option Contracts	Not authorized		
Medium-term Notes issued by corporations	Not to exceed 25% of portfolio	Not to exceed 5 years	"A2/A" or better ranking by nationally recognized rating service  US domiciled corporations or US licensed depository
Mortgage-backed securities (Corporate issued)	Not authorized		
Negotiable Certificates of Deposit issued by a nationally or state chartered bank, a federal association, or a state licenses branch of a foreign owned bank (insured by the federal government)	Not to exceed 20% of portfolio  May not exceed shareholder's equity of issuing bank or net worth of issuing S&L or Federal Association	Not to exceed 3 years	Bank or Savings & Loan with "A1/P1" or better short term debt rating and "A2/A" or better long-term debt rating
Repurchase Agreements	Not to exceed 10% of portfolio	Not to exceed 14 days	Collateral of 102% or greater with securities permitted in the Policy
Reverse Repurchase Agreements	Not authorized		
State of California Local Agency Investment Fund (LAIF) or other Local Government Investment Pools established by public entities	Limit set by LAIF	N/A	Instruments consistent with State Code
United States Treasury Notes, Bonds, Bills or other certificates of indebtedness backed by the US Government	No limit	Not to exceed 5 years	
Zero Coupon Bonds	Not authorized		

The requirements of the City's policy regarding these investments are either the same as or more restrictive than the requirements of State law. The City has elected not to permit other types of investments which are permitted by State law.

Bond proceeds and other funds held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness or obligations under a lease, installment sale, or other agreement of a local agency, such as the Lease Agreement, may be invested in accordance with the statutory provisions governing the issuance of the bonds, indebtedness or lease or installment sale or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the authorizing ordinance, resolution, indenture or agreement of the local agency. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Defined Terms - Permitted Investments" for the investments which are authorized for funds in the Project Fund and the Reserve Account.

### **City Debt Policy and Procedures**

Pursuant to the City's Debt Policy and Procedures adopted June 21, 2006, the City will consider the use of debt financing only for one-time improvement projects which are identified in the City's Five-Year Capital Improvement Program. This program is intended to identify a full range of capital needs, provide for the ranking of the importance of such needs and identify all funding sources that are available to cover the costs of the projects. It is intended to provide the City Council with data needed to make informed judgments concerning the possibility of issuing debt. The City will consider the use of debt financing for its capital improvement projects only when the project's useful life will exceed the term of the financing and when the projected revenues or funding sources will be sufficient to service the long-term debt.

Pursuant to its Debt Policy, the City uses the following criteria to evaluate long-term financing:

- (1) Revenues available for debt service are deemed to be sufficient and reliable so that long-term financing can be marketed with investment grade credit ratings;
- (2) The project securing the financing is of the type that will support an investment grade credit rating;
- (3) Market conditions present favorable interest rates and demand for City financing;
- (4) The project is mandated by State and/or federal requirements and current resources are insufficient or unavailable;
- (5) The project is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable; and
- (6) The life of the project or asset to be financed is ten years or longer and exceeds the financing term.

The Debt Policy provides that the City will keep outstanding debt within the limits prescribed by State law and at levels consistent with creditworthiness objectives.

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

### Article XIII A of the California Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978; (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See “Litigation Relating to Two Percent Limitation” below. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

### Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on

the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

For Fiscal Year 2005-06 the City's appropriations limit was \$291,463,613, and its actual appropriations in Fiscal Year 2004-05 were approximately \$73,214,964. The City's appropriations limit for Fiscal Year 2006-07 is \$313,463,992. The City is subject to and is operating in conformity with Article XIII B.

#### **Article XIII C and XIII D of the State Constitution**

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIII D, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay Lease Payments under the Lease Agreement could be adversely affected.

### **Proposition 62**

On November 4, 1986, California voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of such local agency's voters, and new or higher special taxes to be approved by two-thirds of both such local agency's governing body and such local agency's voters; (b) requires the inclusion of specific information in all local ordinances and resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) requires local agencies to stop collecting any new or higher tax adopted after August 1, 1985, unless approved by a majority of the voters voting in an election on the issue of imposition of the tax by November 4, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995, in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. As a result, the annual revenues of any local government or district as shown in the general fund budget may have to be reduced in any year to the extent that they rely on the proceeds of any general tax adopted after May 1, 1985 which has not been approved by majority vote of the electorate.

### **Future Initiatives**

Article XIII A, Article XIII B, XIII C, XIII D and Proposition 62 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

### **Public Utility Property Tax Revenues**

Pursuant to State law, the assessed value attributable to regulated public utility property that is assessed by the State Board of Equalization (designated "unitary property" and "nonunitary property") is allocated by county. Within each county the assessed value of such property is assigned to a countywide tax rate area. If sufficient, the property tax revenue derived from the assessed value assigned to the countywide tax rate area is allocated among the taxing jurisdictions (*i.e.*, the county, cities, special districts, etc.) in the county so that each taxing jurisdiction will receive an amount of property tax revenue equal to 102% of the amount of the aggregate property tax revenue it received from all such property in the prior fiscal year. However, if the amount of property tax revenue available for allocation in the current fiscal year is insufficient to make such an allocation to each taxing jurisdiction, the amount of revenue to be allocated to each taxing jurisdiction is prorated based on a statutory formula. Accordingly, the City's allocated share of public utility property tax revenues could remain static or be reduced in any fiscal year. The City cannot predict when or if its allocated share of such revenues will be so limited or reduced.



## RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Bonds. However, such factors do not purport to be an exhaustive discussion of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

### No Tax Pledge

The obligation of the City to pay the Lease Payments does not constitute an obligation of the City or the State for which the City or the State has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments does not constitute a debt or indebtedness of the City, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

### Appropriation

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement, so long as the Leased Premises are available for its use and possession, to pay Lease Payments from any source of legally available funds (subject to certain exceptions) and has covenanted in the Lease Agreement that, for so long as the Leased Premises are available for its use, it will make the necessary annual appropriations within its budget for all Lease Payments.

However, the City may incur obligations payable from general revenues which have a priority over the Lease Payments, and the Lease Agreement does not prohibit the City from incurring additional obligations payable from general revenues on a parity with the Lease Payments. See financial statements included in APPENDIX C hereto.

In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Lease Payments and other payments due under the Lease Agreement, except from amounts on deposit in the Lease Payment Fund. The City's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the City to pay Lease Payments when due (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein).

### No Limit on Additional Debt

The City has the ability to enter into other obligations which may constitute additional charges against its general revenues, and has previously issued certificates of participation similarly payable from its general fund.

### Abatement

***Abatement As a Result of Damage or Destruction.*** The amount of the Lease Payments relating to structures on the Leased Premises will be abated during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy of the structures on the Leased Premises by the City.

The amount of the abatement will be determined by the City so that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Premises not

damaged or destroyed. The failure to make such payments of principal and interest would not under such circumstances constitute a default under the Trust Agreement, the Lease Agreement or the Certificates.

The abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of damage or destruction, the Lease Agreement will continue in full force and effect and, in the Lease Agreement, the City waives any right to terminate the Lease Agreement by virtue of any such damage or destruction.

There will be no abatement of Lease Payments as a result of damage or destruction in the event and to the extent that the net proceeds of rental interruption insurance are available to pay lease payments (see “ – Insurance” below”) and to the extent that amounts in the Reserve Fund are available.

***Eminent Domain.*** If all of the Leased Premises are taken permanently under the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Premises are taken permanently, or if all of the Leased Premises or any part thereof is taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, but in no event will the resulting Lease Payments be less than the amount required for the payment of the principal and interest with respect to outstanding Certificates as the same become due and payable.

#### **Limitation on Enforcement of Remedies; No Acceleration**

The enforcement of any remedies provided in the Lease Agreement and Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement provides that the Trustee may take possession of the Leased Premises and lease it if there is a default by the City, and the Lease Agreement provides that the Trustee may have such rights of access to the Leased Premises as may be necessary to exercise any remedies, portions of such Leased Premises may not be easily recoverable and could be of little value to others. Furthermore, depending upon whether the Leased Premises are considered to serve an essential governmental function (as is likely to be the case with respect to City Hall and the Public Library), it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. See “THE PROJECT AND THE LEASED PREMISES” herein.

IN THE EVENT OF A DEFAULT UNDER THE LEASE AGREEMENT, THERE IS NO AVAILABLE REMEDY OF ACCELERATION OF THE TOTAL LEASE PAYMENTS DUE OVER THE TERM OF THE LEASE AGREEMENT. THE CITY WILL ONLY BE LIABLE FOR LEASE PAYMENTS ON AN ANNUAL BASIS AS THEY COME DUE, AND THE TRUSTEE WOULD BE REQUIRED TO SEEK SEPARATE JUDGMENTS FOR THE LEASE PAYMENTS AS THEY COME DUE. IN ADDITION, ANY SUCH SUIT FOR MONEY DAMAGES COULD BE SUBJECT TO LIMITATIONS ON LEGAL REMEDIES AGAINST PUBLIC AGENCIES IN CALIFORNIA, INCLUDING A LIMITATION ON ENFORCEMENT OF JUDGMENTS AGAINST FUNDS NEEDED TO SERVE THE PUBLIC WELFARE AND INTEREST AND A LIMITATION ON ENFORCEMENT OF JUDGMENTS AGAINST FUNDS OF A FISCAL YEAR OTHER THAN THE FISCAL YEAR IN WHICH THE LEASE PAYMENTS WERE DUE.

#### **Geologic, Topographic and Climatic Conditions**

The value of the Leased Premises, and the financial stability of the City, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes),

topographic conditions (such as earth movements and floods), climatic conditions (such as droughts) and fires.

The area encompassed by the City, like that in much of California, may be subject to unpredictable seismic activity. The City is located within an alluvial plain and liquefaction area. There are no special study zones within the City. Although the City believes that no active or inactive fault lines pass through the City, if there were to be an occurrence of severe seismic activity in the City, there could be an abatement or adverse impact on the City's ability to pay the Lease Payments. The City is not obligated to maintain earthquake insurance with respect to the Leased Premises.

### **Hazardous Substances**

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay debt service with respect to the Certificates.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has any thing to do with creating or handling the hazardous substance.

The effect, therefore, should the Leased Premises or any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction in the value of the Leased Premises could adversely impact the fair rental value of the Leased Premises and potentially result in abatement of the Lease Payments. In addition, reduction in the value of property in the City as a whole could reduce property tax revenues received by the City and deposited in the general fund, which could significantly and adversely affect the ability of the City to make Lease Payments.

### **Impact of State Budget**

The State of California is likely to face significant budget issues for the foreseeable future. In connection with its approval of former budgets, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting each agency's tax increment, net of amounts due to other taxing agencies, to school districts ("ERAF" shifts).

The Governor signed the 2004-05 State Budget on July 31, 2004. As part of the State Budget, the Governor and the Legislature also agreed to place a constitutional amendment on the November 2004 ballot (the "Proposition 1A"), and Proposition 1A was adopted by the State's voters. The 2004-05 State Budget imposes an ERAF shift equal to \$1.3 billion in each of fiscal year 2004-05 and fiscal year 2005-06 on cities, counties, special districts and redevelopment agencies of which the City's share was approximately \$1,781,365 and the City's Redevelopment Agency was \$1,149,177.65 in each fiscal year, but Proposition 1A prohibits (subject to certain limited "emergency" circumstances) any further transfers of non-education local government property taxes for the benefit of the State.

The 2006-2007 State Budget does not include a shift of local property taxes. However, the City cannot predict whether the State Legislature will enact legislation impacting future revenues available to the City for payment of Lease Payments. See "FINANCIAL INFORMATION REGARDING THE CITY."

Information about the State budget and State spending is available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State of California official statements for its various debt obligations, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). All of such websites are provided for general informational purposes only and the material on such sites is in no way incorporated into this Official Statement.

### **Impact of Sales and Use Tax Redirection**

As described in "FINANCIAL INFORMATION REGARDING THE CITY," the State will temporarily redirect local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its "economic recovery" bonds; the State will increase local governments' share of local property tax by a corresponding amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues to pay Lease Payments. First, there may be a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and use taxes it otherwise would have received on a monthly basis.

Second, it is possible that the fees charged by the County for property tax administration, which are subtracted from property tax revenue collected by the County before it is allocated to the City, could increase as a result of the various tasks required of the County by the redirection. In addition, the State Board of Equalization administration fee is likely to increase as a percentage of local sales and use tax received by the City unless the State Board of Equalization reduces its fee, which it is unlikely to do because the cost of collecting the sales and use taxes on a per-transaction basis will not go down.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make Lease Payments, the City may not know the exact amount of revenue available to pay Lease Payments

### **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

The opinions of counsel, including Bond Counsel, delivered in connection with the execution and delivery of the Certificates will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

In addition, failure by large property owners to pay property taxes when due may have an adverse impact on revenues available to pay Lease Payments.

### **State Law Limitations on Appropriations**

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Lease Payments may be affected if the City should exceed its appropriations limit. State aid to a local agency counts against the appropriation limit of cities in the State. The City has an established appropriations limit for fiscal year 2006-2007 of \$313,463,992. The City does not anticipate exceeding its appropriations limit. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIII B of the State Constitution” herein.

### **Change in Law**

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, in a manner that could result in a reduction of the City’s revenues and therefore a reduction of the funds legally available to the City to make Lease Payments. See, for example, “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII C and Article XIII D of the State Constitution.”

### **Loss of Tax Exemption**

As discussed under the heading “TAX MATTERS,” the interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds, as a result of acts or omissions of the Authority or the City in violation of their covenants in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Bonds would not be subject to a special redemption and would remain outstanding until maturity or until prepaid under the redemption provisions contained in the Indenture.

### **Seismic Considerations**

The areas in and surrounding the City, like most areas of California, may be subject to unpredictable seismic activity. An occurrence of severe seismic activity in the area of the City could result in substantial damage to and interference with the City’s right to use and occupy all or a portion of the Leased Premises, which could result in Lease Payments being subject to abatement. See “Abatement” above. The City does not carry earthquake insurance on the Leased Premises and does not contemplate acquiring such coverage.

The Elsinore-Whittier Fault system crosses portions of the City and an Alquist-Priolo Special Studies Zone has been designated along this fault system.

### **Substitution of Property**

The Lease Agreement provides that, upon the satisfaction of the other conditions specified therein, the City may substitute other public facilities or real property for all or any portion of the Leased Premises. The Lease Agreement requires that any project which will comprise the Leased Premises after such a substitution must have a useful life and fair rental value at least equal to the useful life and fair rental value of the Leased Premises at the time of substitution. Such a replacement could have an adverse impact on the security for the Bonds, particularly if an event requiring abatement of Lease Payments were to occur subsequent to such substitution.

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the City as of the end of each fiscal year by the following March 1, commencing with the report for the 2006-07 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. This Official Statement, together with the 2005-06 audited financial statement of the City, shall constitute the first Annual Report. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the original purchaser and underwriter of the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. The City has never failed to comply in all material respects with any previous undertakings pursuant to that Rule to provide annual reports or notices of material events.

## LITIGATION

There is no litigation pending or, to the Authority's or the City's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indenture or the Lease Agreement, or any proceedings of the Authority or the City with respect thereto. In the opinion of the City and its counsel, there are no lawsuits or claims pending against the Authority or the City which will materially affect the Authority's or the City's finances so as to impair the ability to pay the Lease Payments and principal of and interest on the Bonds when due.

## RATINGS

Standard & Poor's has assigned its municipal bond rating of "AAA" to the Bonds with the understanding that upon delivery of the Bonds, the Policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Municipal Bond Insurer. In addition, S&P has assigned its municipal bond rating of "A+" to the Bonds notwithstanding the delivery of the Municipal Bond Insurance Policy. Such ratings reflect only the views of Standard & Poor's and an explanation of the significance of such ratings may be obtained only from them at: Standard & Poor's, 55 Water Street, New York, New York 10021. There is no assurance that the credit ratings given to the Bonds will be maintained for any period of time or that such ratings may not be lowered or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings reflect only the views of such ratings agencies and an explanation of the significance of such ratings may be obtained from such rating agencies.

## TAX MATTERS

The delivery of the Bonds is subject to delivery of the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel to the Authority ("Bond Counsel"), to the effect that interest with respect to the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the Owners thereof pursuant to Section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California that interest payable on the Bonds is exempt from personal income taxes of the State of California. A form of Bond Counsel's

anticipated opinion is included as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

Interest on all tax-exempt obligations, including the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a financial asset securitization investment trust, a real estate investment trust (REIT), or a real estate mortgage investment conduit (REMIC). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Lease Agreement by the City subsequent to the issuance of the Bonds. The Lease Agreement contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest with respect to the Bonds to be includable in the gross income of the Owners thereof from the date of the delivery of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS or the State of California. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the IRS is likely to treat the City as the "taxpayer," and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest with respect to the Bonds, the City may have different or conflicting interests from the Owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

#### CERTAIN LEGAL MATTERS

Best Best & Krieger LLP, Riverside, California, Bond Counsel, will render an opinion with respect to the validity of the Bonds. Best Best & Krieger LLP, Riverside, California, as City Attorney and as counsel to the Authority will be opining as to the validity of the Lease Agreement and as to certain

other matters for the City and Authority. A copy of the form of such approving opinion is attached hereto as APPENDIX C. Payment of the fees and expenses of Bond Counsel is contingent upon the delivery of the Bonds. Certain legal matters will be passed upon for the Authority and the City by Best Best & Krieger LLP as Disclosure Counsel. Certain matters will be passed upon for the Underwriter by Stradling, Yocca, Carlson & Rauth, Newport Beach, California.

#### UNDERWRITING

The Bonds are being purchased by UBS Securities LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$36,818,303.20 (after net original issue discount in the amount of \$120,026.80 and the Underwriter's discount in the amount of \$241,670.00).

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

#### MISCELLANEOUS

All summaries of the Indenture, the Lease Agreement and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.



The execution and delivery of this Official Statement has been duly authorized by the Authority and the City.

CORONA PUBLIC FINANCE AUTHORITY

By:     /s/ Beth Groves      
          Executive Director

CITY OF CORONA

By:     /s/ Beth Groves      
          City Manager

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following are brief summaries of selected provisions of the Indenture of Trust, and the Amended and Restated Lease Agreement not otherwise summarized or discussed in the body of the Official Statement. These summaries are not definitive. Reference is made to the actual documents (copies of which are available from the Authority) for the complete terms thereof.*

### DEFINITIONS

The following terms have the following meanings in the Indenture of Trust notwithstanding that any such terms may be defined elsewhere in the Official Statement. All capitalized terms used but not otherwise defined in the summary of the Indenture of Trust shall have the meanings assigned to such terms in the Amended and Restated Lease Agreement or Escrow Deposit and Trust Agreement summarized below.

“Authority” means the Corona Public Financing Authority, a joint powers authority duly organized and existing under the laws of the State.

“Authorized Representative” means: (a) with respect to the Authority, its Chairperson, Vice Chairperson, Executive Director, Treasurer or Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chairperson or Vice Chairperson, Executive Director or Treasurer and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, Vice-Mayor, City Manager, City Clerk, Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Mayor, Vice-Mayor, City Manager or Finance Director and filed with the Authority and the Trustee.

“Bond Counsel” means (a) Best Best & Krieger LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year shall commence on the Closing Date and extend to and include September 1, 2007.

“Book-Entry Depository” means DTC or any successor as Book-Entry Depository for the Bonds, appointed pursuant to the Indenture.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

“City” means the City of Corona, a municipal corporation organized under the laws of the State.

“Closing Date” means December 20, 2006, being the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority, initial fees and expenses of the Trustee and its counsel, Insurance Policy premium, title insurance premiums, appraisal fees, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“County” means the County of Riverside.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Serial Bonds coming due and payable by their terms in such period; (b) the minimum principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such period; and (c) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agent” means The Bank of New York Trust Company, N.A. as Escrow Agent under the Escrow Agreement.

“Escrow Agreement” means that certain Escrow Deposit and Trust Agreement by and among the City, the Authority and the Escrow Agent, and dated as of December 1, 2006.

“Events of Default” means any of the events specified in the Indenture.

“Fair Market Value” means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code; (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code; or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

“Federal Securities” means:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America;

(b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and

(c) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody’s or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraphs (a) or (b) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in the paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Financial Guaranty Agreement” means that certain Financial Guaranty Agreement by and between the Authority and the Insurer relating to the Bonds.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Indenture” means the Indenture of Trust, dated as of December 1, 2006, by and between the Authority and Union Bank of California, N.A., as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10004; Moody’s Investors Service “Municipal and Government,” 5250 77 Centre Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bonds Dept.; Standard & Poor’s Corporation “Called Bond Record,” 65 Broadway, 16th Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Insurance Policy” means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

“Insurer” means MBIA Insurance Corporation, as the issuer of a municipal bond insurance policy on the Bonds.

“Interest Account” means the account by that name established in the Bond Fund pursuant to the Indenture.

“Interest Payment Date” means each March 1 and September 1 commencing March 1, 2007.

“Lease Agreement” means that certain Amended and Restated Lease Agreement, dated as of December 1, 2006, by and between the Authority, as lessor and the City, as lessee.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Proceeds” means all amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Premises, or the proceeds of any taking of the Leased Premises or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Office” means with respect to the Trustee, the corporate trust office of the Trustee at 700 South Flower Street, Suite 500, Los Angeles, California 90017, Attention: Corporate Trust Department, or at such other or additional offices as may be specified in writing to the Authority and the City, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Original Purchaser” means UBS Securities, LLC, as the original purchasers of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) described in the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner”, whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Farmers Home Administration (FmHA)  
Certificates of beneficial ownership
- b. Federal Housing Administration Debentures (FHA)
- c. General Services Administration  
Participation certificates
- d. Government National Mortgage Association (GNMA or "Ginnie Mae")  
GNMA - guaranteed mortgage-backed bonds  
GHMA - guaranteed pass-through obligations (participation certificates)  
(not acceptable for certain cash-flow sensitive issues.)
- e. U.S. Maritime Administration  
Guaranteed Title XI financing
- f. U.S. Department of Housing and Urban Development (HUD)  
Project Notes  
Local Authority Bonds

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Federal Home Loan Bank System  
Senior debt obligations (Consolidated debt obligations)
- b. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mae")  
Participation Certificates (Mortgage-backed securities)  
Senior debt obligations
- c. Federal National Mortgage Association (FNMA or "Fannie Mae") Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal).
- d. Student Loan Marketing Association (SLMA or "Sallie Mae")  
Senior debt obligations
- e. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.
- f. Farm Credit System  
Consolidated systemwide bonds and notes

4. Money market funds registered under the Federal Investment Company of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAAm, or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provided investment advisor, or other management services.

5. Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. CD's must have a one year or less maturity. Such certificates must be issued by commercial banks,

savings and loan associations or mutual savings banks whose term obligations are rated “A-1” or better by S&P and “Prime-1” by Moody’s which may include the Trustee and its affiliates.

The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

7. Investment agreements acceptable to the Insurer.

8. Commercial paper rated at the time of purchase “Prime-1” by Moody’s and “A-1+” or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in the highest long-term rating categories assigned by such agencies unless such obligations are issued by the State, in which case such obligations are rated in one of the two highest long-term rating categories of S&P and Moody’s.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1+” or better by S&P.

11. Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

- a. Repos must be between the municipal entity and a dealer bank or securities firm.
  - (i) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor’s Ratings Group and Moody’, or
  - (ii) Banks rated “A” or above by Standard & Poor’s Ratings Group and Moody’s Investor Services.



- b. The written repo contract must include the following:
- (i) Securities which are acceptable for transfer are:
    - (A) Direct U.S. governments.
    - (B) Federal agencies backed by the full faith and credit of the U.S. Government (and FNMA & FHLMC).
  - (ii) The term of the repo maybe up to 30 years.
  - (iii) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
  - (iv) The trustee has perfected first priority security interest in the collateral.
  - (v) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repo or reverse repo.
  - (vi) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the trustee to liquidate collateral.
  - (vii) Valuation of Collateral
    - (A) The securities must be valued weekly, marked-to-market at a current market price plus interest.
    - (B) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
- c. Legal opinion which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

12. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy the condition.

13. State of California Local Agency Investment Fund (LAIF).

14. Any other investment approved in writing by the Insurer.

“Principal Account” means the account by that name established in the Bond Fund pursuant to the Indenture.

“Project” means the public capital improvements described in Exhibit B of the Indenture as such description may be amended from time to time.

“Project Costs” means all costs of payment of, or reimbursement for, acquisition, construction and financing of the Project, including but not limited to, architect and engineering fees, construction contractor payments, costs of feasibility and other reports, inspection costs, permit fees, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee, legal fees and charges, financial and other professional consultant fees in connection with the foregoing.

“Project Fund” means the Project Fund established pursuant to the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Registration Books” means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

“Representation Letter” means the letter of representations from the Authority to, or other instrument or agreement of the Authority with, a Book-Entry Depository in which the Authority, among other things, makes certain representations to such Depository with respect to the Bonds, the payment thereof and delivery of notices with respect thereto.

“Reserve Account” means the account by that name in the Bond Fund established pursuant to the Indenture.

“Reserve Account Credit Facility” means any policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with money on deposit in the Reserve Account, if any, provide an aggregate amount equal to the Reserve Requirement, so long as (a) the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility is rated in the highest rating category by S&P and Moody’s and A.M. Best & Company (but only if such credit facility is rated by A.M. Best & Company) and (b) so long as the Insurance Policy remains in effect, the Insurer has consented to the provider and structure of such policy of insurance, surety bond, letter of credit or other comparable credit facility.

“Reserve Requirement” means, as of the date of calculation, an amount equal to the lesser of (a) the maximum amount of annual Debt Service coming due and payable in the current or any future Bond Year; (b) 125% of average annual Debt Service on the Bonds; or (c) ten percent (10%) of initial outstanding principal amount of the Bonds.

“Revenues” means: (a) all amounts received by the Authority or the Trustee pursuant to or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Additional Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding any amounts payable under Section 8.3(e) of the Lease Agreement; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture.

“S&P” means Standard & Poor’s Rating Services, a division of the McGraw Hill Companies, Inc., its successors and assigns.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or

such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Serial Bonds” means the Bonds maturing on September 1 in each of the years 2007 through 2026, inclusively.

“Series A Bonds” means the \$13,000,000 original principal amount Corona Public Financing Authority 2000 Lease Revenue Bonds, Series A.

“Sinking Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized pursuant to the Indenture.

“Tax Code” means the Internal Revenue Code of 1986, as amended.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103 and 141 through 150, inclusive, of the Tax Code.

“Term Bonds” means the Bonds maturing on September 1, 2036.

“Trustee” means The Bank of New York Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in the Indenture.

“2000 Indenture” means that certain Indenture of Trust dated as of October 1, 2000, by and between the Authority and the trustee, and relating to the Series A Bonds.

“2000 Lease Agreement” means that certain Lease Agreement dated as of October 1, 2000, between the City and the Authority.

“Undertaking to Provide Continuing Disclosure” means, as applicable, that certain Certificate of the Authority or the City, as applicable, by that name and dated as of the Closing Date.

“Written Certificate”, “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## INDENTURE OF TRUST

### **Funds and Accounts**

*Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the Authority in a form acceptable to the Trustee stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On March 1, 2007, or upon the earlier Written Request of the Authority, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Project Fund.

*Project Fund.* The Trustee shall establish, maintain and hold in trust a separate fund to be known as the “Project Fund”. Except as otherwise provided in the Indenture, moneys in the Project Fund shall be used solely for the acquisition and construction by the Authority of a portion of the Project. The remaining funds will be provided from lawfully available funds of the City. The Trustee shall disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the Authority or the City, for payment of Project Costs as specified in the Agency Agreement) upon receipt by the Trustee of a Written Requisition of the Authority or the City which: (a) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the Project Fund and has not previously been disbursed by the Trustee from amounts in the Project Fund, (v) that all conditions precedent set forth in the Lease Supplement with respect to such disbursement have been satisfied, and (vi) that the amount of such disbursement is for a Project Cost and (b) specifies in reasonable detail the nature of the obligation. Each such Written Request of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon the filing with the Trustee and Insurer of a Written Certificate of the Authority stating that the Project has been completed or that all Written Requisitions intended to be filed by the Authority have been filed, the Trustee shall withdraw all amounts then on deposit in the Project Fund and transfer such amounts to the Bond Fund. Any funds deposited into the Bond Fund shall cause a corresponding proportionate credit to Lease Payments due from the City.

Notwithstanding the foregoing provisions of the above paragraph, upon the occurrence and continuation of an Event of Default under and as defined in the Indenture, the Trustee shall immediately withdraw all amounts then on deposit in the Project Fund and apply such amounts in accordance with the provisions of the Indenture.

### **Revenues; Funds and Accounts; Payment of Principal and Interest**

#### *Pledge and Assignment; Bond Fund.*

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Lease Agreement (other than the rights of the Authority under Sections 4.8,

7.3 and 8.3 thereof). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease Agreement.

(c) Subject to Section 5.09 of the Indenture, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease Agreement to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such Funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

*Allocation of Revenues.* On or before each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date.

(c) The Trustee shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to the Indenture.

(d) The Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

*Application of Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

*Application of Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

*Application of Sinking Account.* All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to the Indenture.

Application of Reserve Account.

(a) Generally. All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying principal of or interest on the Bonds, including the principal amount of any Term Bonds subject to mandatory Sinking Account redemption pursuant to the Indenture, when due and payable to the extent that moneys deposited in the Interest Account, Principal Account or Sinking Account are not sufficient for such purpose, and (ii) making the final payments of principal of and interest on the Bonds. Should the Reserve Fund Surety Bond be in place, as described in the Indenture hereof, then the Trustee shall make demand for payment at least three (3) days prior to an Interest Payment Date pursuant to the Financial Guaranty Agreement. On the date on which all Bonds shall be retired under the Indenture or provision made therefor pursuant to Article X, all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the City as a refund of overpaid Additional Lease Payments.

If, on any date, moneys on deposit in the Reserve Account, together with amounts then on deposit in the Bond Fund, are sufficient to pay all Outstanding Bonds, including all principal thereof and interest thereon, at the Written Request of the Authority the Trustee shall transfer all amounts then on deposit in the Reserve Account, together with such amounts in the Bond Fund, to the Redemption Fund to be applied to the redemption of the Bonds in accordance with the provisions of the Indenture. Any amounts remaining in the Reserve Account upon payment in full of all Outstanding Bonds, shall be withdrawn by the Trustee and paid to the City as a refund of overpaid Lease Payments. Any amounts on deposit in the Reserve Account at any time in excess of the Reserve Requirement shall be transferred to the Bond Fund. Nothing in this paragraph is intended or shall be construed to authorize or require the Trustee to draw amounts under the Reserve Account Credit Facility for the uses described in this paragraph.

(b) Reserve Account Credit Facility. The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys and/or a Reserve Account Credit Facility which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of a Reserve Account Credit Facility, the Trustee shall transfer moneys then on hand in the Reserve Account in excess of the Reserve Requirement (after giving effect to the Reserve Account Credit Facility) to the Authority to be applied for any lawful purpose. In the event any such Reserve Account Credit Facility is so acquired, the Trustee shall draw on it in accordance with its terms when and if moneys are needed pursuant to the provisions of subsection (a). In the event that there are deposited into the Reserve Fund both cash and a Reserve Account Credit Facility, then the Trustee shall first draw upon the cash and second draw upon the Reserve Account Credit Facility.

The Authority shall notify the Rating Agencies upon the deposit with the Trustee of a Reserve Account Credit Facility. Such Reserve Account Credit Facility shall have a term commensurate with the final maturity of the Bonds. Upon a down-grade of the Reserve Account Facility Provider or other termination of the Reserve Account Credit Facility, the Authority shall substitute the Reserve Account Credit Facility with cash in the amount of the Reserve Requirement or a Substitute Reserve Account Credit Facility meeting the criteria established under the Indenture.

Upon the deposit of Revenues in the Reserve Fund pursuant to the Indenture, moneys deposited into the Reserve Account shall first be used to replenish any draw on the Reserve Account Credit Facility and second to replenish any cash drawn from the Reserve Account until the amount therein is equal to the Reserve Requirement. Upon receipt of Revenues immediately following any delinquent payment of Lease Payments pursuant to the Lease Agreement with respect to which moneys have been advanced upon a draw on the Reserve Account Credit Facility, such Revenues, plus accrued interest at the rate set forth in the Financial Guaranty Agreement, must be paid by the Trustee to the Insurer for such draw.

Notwithstanding any other provisions of the Indenture, any amounts invested in Permitted Investments in the Reserve Account shall (a) be valued at fair market value and marked to market twice

per year and (b) not have a maturity outstanding beyond five years unless such investment is redeemable at par for payment of debt service on the Bonds.

*Application of Redemption Fund.* When required, the Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of on the Bonds to be redeemed pursuant to the Indenture; provided, however, that at any time prior to giving notice of redemption of any such Bonds, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the Authority received prior to the selection of Bonds for redemption, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

*Insurance and Condemnation Fund.*

(a) Establishment of Fund. Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Leased Premises, the Trustee shall establish and maintain a separate Insurance and Condemnation Fund, to be held and applied as set forth in the Indenture.

(b) Application of Insurance Proceeds. Any proceeds of insurance against accident to or destruction of the Facilities collected by the City in the event of any such accident or destruction shall be applied in accordance with the Lease Agreement. The City shall cause any such proceeds to be paid to the Trustee for deposit in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Facilities, then such proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds pursuant to the Indenture; provided, however, that such redemption will occur only if the fair rental value of the remaining portion of the Leased Premises is sufficient to allow the City to continue to make Lease Payments in amounts sufficient to pay debt service on the Bonds that remain Outstanding after such redemption. Notwithstanding the foregoing sentence, however, in the event of damage or destruction of the Facilities in full, the proceeds of such insurance shall be used by the City to rebuild or replace the Facilities if such proceeds are not sufficient, together with other available funds then held by the Trustee, to redeem all of the Outstanding Bonds. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Facilities by the City, upon receipt of Written Requisitions of the City as agent for the Authority (i) stating with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; (ii) specifying in reasonable detail the nature of the obligation; and (iii) accompanied by a bill or a statement of account for such obligation. The Trustee may conclusively rely on any such Written Requisitions. Any balance of the proceeds remaining after such work has been completed as certified by the City as agent for the Authority shall be paid to the City.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Premises shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the proceeds therefrom shall be applied in accordance with the Lease Agreement. The City shall cause any such proceeds to be paid to the Trustee for deposit in the Insurance and Condemnation Fund, to be applied and disbursed by the Trustee as follows:

(i) If the City has not given written notice to the Trustee, within forty-five (45) days following the date on which such proceeds are deposited with the Trustee, of its determination that such proceeds are needed for the replacement of the Leased Premises or such portion thereof,

the Trustee shall transfer such proceeds to the Redemption Fund to be applied towards the redemption of the Bonds pursuant to the Indenture.

(ii) If the City has given written notice to the Trustee, within forty-five (45) days following the date on which such proceeds are deposited with the Trustee, of its determination that such proceeds are needed for replacement of the Leased Premises or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority in the form and containing the provisions set forth in the Indenture and upon which the Trustee may conclusively rely.

*Investments.* All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority pursuant to a Written Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which Written Request shall certify that the investments constitute Permitted Investments). In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (4) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established pursuant to the Indenture shall be deposited in the Bond Fund, except that interest or gain derived from the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it pursuant to the Indenture. The Trustee, or an affiliate, may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture. Permitted Investments that are registered securities shall be registered in the name of the Trustee.

The Authority covenants that all investments of amounts deposited in any fund or account created-by or pursuant to the Indenture, or otherwise containing proceeds of the Bonds, shall be acquired and disposed of at the Fair Market Value thereof.

The Authority (and the City by its execution of the Lease Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Authority and or the City the right to receive brokerage confirmations of security transactions as they occur, the Authority and the City specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority and the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee.

*Valuation and Disposition of Investments.* For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued at the Fair Market Value thereof; provided, however, that investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at their present value (within the meaning of Section 148 of the Tax Code), consisting generally of the cost thereof. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the (i) investment directions of the Authority and (ii) its normal practices in the purchase, sale and determining the value of Permitted Investments.

*Payment Procedure Pursuant to the Insurance Policy.* As long as the Insurance Policy shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:



(a) In the event that on the second Business Day, and again on the Business Day, prior to the payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on the second following or following, as the case may be, Business Day, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(b) If the deficiency is made up in whole or in part prior to the payment date, the Trustee shall so notify the Insurer or its designee.

(c) In addition, if the Trustee has notice that any Owner has been required to disgorge payments of principal or interest on the Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

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

(i) if and to the extent that there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (A) execute and deliver to U.S. Bank Trust National Association, or its successor under the Insurance Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the Insurer as agent for the Owners in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer; (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Insurance Policy payment from the Insurance Trustee with respect to claims for interest so assigned; and (C) disburse the same to such Owners; and

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

(e) Payments with respect to claims for interest on and principal of the Bonds disbursed by the Trustee from the proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the subsection or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee agree for the benefit of the Insurer that:

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

(ii) they will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Indenture and the Bonds, but only from the sources and in the

manner provided therein for the payment of principal of and interest on the Bonds to the Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(g) In connection with the issuance of additional bonds, the Authority shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional bonds.

(h) Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

(i) The Insurer shall receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto.

(j) The Insurer shall receive copies of all notices required to be delivered to the Owners and, on an annual basis, copies of the City's audited financial statements and annual budget.

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

(l) The Authority agrees not to use the Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Insurer's consent; provided, however, such prohibition on the use of the Insurer's name shall not relate to the use of the Insurer's standard approved form of disclosure in public documents issued in connection with the current bonds to be issued in accordance with the terms of the Insurer's commitment; and provided further such prohibition shall not apply to the use of the Insurer's name in order to comply with public notice, public meeting, or public reporting requirements.

(m) The Authority shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior written consent of the Insurer.

### **Particular Covenants**

*Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

*Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to the limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Lease Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the City and the Insurer, during business hours, upon reasonable notice, and under reasonable circumstances. The Trustee shall deliver a monthly account of the funds and accounts under the Indenture to the Authority, provided that the Trustee shall not be obligated to deliver any accounting of any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Additional Obligations. The Authority may issue additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part pursuant to the Indenture, for the purpose of financing any construction of a new city hall or for any other municipal purpose, so long as no Event of Default under the Indenture has occurred and is continuing and provided that certain conditions of the Lease Agreement have been satisfied.

Tax Covenants.

(a) Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America pursuant to Section 148(f) of the Tax Code, at the times and in the manner required pursuant to the Tax Code. The Authority shall pay or cause to be paid when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required pursuant to the Tax Code, such payments to be made from amounts provided by the City for such purpose pursuant to the Lease Agreement. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six (6) years following the retirement of the Bonds, records of the determinations made pursuant to the Indenture. The Trustee shall have no duty to monitor the compliance by the Authority with any of the covenants contained in the Indenture.

Lease Agreement and Lease Supplement. The Trustee shall promptly collect all amounts due from the City pursuant to the Lease Agreement and Lease Supplement. Subject to the provisions of Article VIII of the Indenture, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease Agreement and Lease Supplement.

Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming the rights and benefits provided in the Indenture to the Bond Owners and to the Insurer.

Leased Premises. If an event of abatement occurs pursuant to the Lease Agreement, the City shall use its best efforts to the extent permissible under the laws of the State of California to make all lease payments in excess of the amount of rental interruption insurance, if necessary, in order to ensure the reconstruction, repair, restoration, modification or improvement of the Leased Premises.

## **Events Of Default And Remedies**

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or by the Insurer; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default under the Indenture if the Authority shall

commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Lease Agreement.

Notwithstanding any other provision under the Indenture, the Trustee shall immediately notify the Insurer at any time there are insufficient moneys to make payments of principal and interest as required and immediately upon the occurrence of any Event of Default under the Indenture.

*No Acceleration Upon Event of Default.* If any Event of Default shall occur there shall not be any right on the part of the Trustee, the Insurer or the Bondholders to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately.

*Application of Revenues and Other Funds After Default.* Notwithstanding anything to the contrary contained in the Indenture, if an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First. To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second. To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

*Trustee to Represent Bond Owners.* The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, with the prior written consent of the Insurer the Trustee in its discretion may, and upon the written request of the Insurer or (with the prior written consent of the Insurer) upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to

protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture or any other law. Upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Notwithstanding any other provision of the Indenture in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Insurance Policy.

*Bond Owners' Direction of Proceedings.* Anything in the Indenture to the contrary notwithstanding, with the prior written consent of Insurer the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

*Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Lease Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted pursuant to the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Lease Agreement or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

*Absolute Obligation of Authority.* Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates

of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets pledged in the Indenture therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

*Termination of Proceedings.* In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee, the Insurer and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee, the Insurer and the Bond Owners shall continue as though no such proceedings had been taken.

*Remedies Not Exclusive.* No remedy in the Indenture conferred upon or reserved to the Trustee, to the Insurer or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

*No Waiver of Default.* No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee, to the Insurer or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

*Rights of the Insurer.* Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted under the Indenture to the Bond Owners, or to the Trustee for the benefit of the Bond Owners, including but not limited to the right to approve all waivers of any Events of Default. The rights granted to the Insurer under the Indenture shall be deemed terminated and shall not be exercisable by the Insurer during any period during which the Insurer shall be in default under the Insurance Policy.

## **Modification Or Amendment**

### *Amendments Permitted.*

(a) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consents of the Insurer and the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the prior written consent of the Insurer but without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority in the Indenture;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Tax Code; or

(v) to facilitate the issuance of additional bonds of the Authority secured by Lease Payments of the City pursuant to the Lease Agreement, with the written consent of the Insurer.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by the Indenture which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

*Effect of Supplemental Indenture.* Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee, the Insurer and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

*Endorsement of Bonds; Preparation of New Bonds.* Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for



the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

Amendment of Particular Bonds. The provisions of the indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

### **Defeasance**

Discharge of Indenture. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, all of such Bonds.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

Notwithstanding the foregoing provisions of the Indenture, in the event that the principal of and interest and redemption premium (if any) on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy or the Reserve Account Credit Facility shall have been drawn upon, the obligations of the Authority, the Trustee and the City with respect to the Bonds shall continue in full force and effect and the Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of

such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

*Deposit of Money or Securities with Trustee.* Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date; or

(b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

*Unclaimed Funds.* Notwithstanding any provisions of the Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of such Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when such Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the City) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

## LEASE AGREEMENT

### Lease; Term Of The Lease Agreement; Rental Payments

#### *Lease by Authority and Lease Bank to City.*

(a) In consideration of the payment of a lease payment of \$37,180,000 by the Authority less the Underwriters' Bond discount, the payment of Costs of Issuance, and in consideration of the execution of the Lease Agreement by the City, and other good and valuable consideration, the City shall lease to the Authority, and the Authority shall lease from the City, the Leased Premises for the Term of the Lease Agreement, plus one week following the end of the Term of the Lease Agreement.

(b) The Authority shall lease the Leased Premises to the City, and the City shall lease the Leased Premises from the Authority, upon the terms and conditions set forth in the Lease Agreement.

(c) The City shall take possession of the Leased Premises on the Closing Date.

(d) The Lease Agreement amends and restates the 2000 Lease Agreement in all respects pursuant to the Indenture to provide that the sole provision outstanding with respect to the 2000 Lease Agreement is the City's obligation to pay Lease Payments (as defined in the 2000 Lease Agreement) on each respective Lease Payment date until payment in full on August 15, 2008, with respect to the 2000 Lease Agreement which obligation shall be payable solely from the Escrow Agreement.

*Term of Lease Agreement.* The Term of the Lease Agreement shall commence on the Closing Date and shall end on September 1, 2036, unless such term is extended as provided for in the Lease Agreement or unless Lease Payments have been paid or prepaid in full or provision shall have been made for such payment pursuant to the Lease Agreement. If on September 1, 2036, the Indenture shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, or if the Insurer has made any Lease Payment during any period of abatement, then the Term of the Lease Agreement shall be extended until the earlier of September 1, 2046, or the date the Indenture shall be discharged by its terms. If prior to September 1, 2046, the Indenture shall be discharged by its terms and any amounts then owed to the Trustee and the Insurer have been paid in full, the Term of the Lease Agreement shall thereupon end.

#### *Lease Payments; Security Deposit.*

(a) Obligation to Pay. In consideration of the lease and lease back by the Authority of the Leased Premises and in consideration of the issuance of the Bonds by the Authority for the purpose of constructing and acquiring the Project, and subject to the provisions of the Lease Agreement, the City agrees to pay to the Authority, its successors and assigns, as rental for the use and occupancy of the Leased Premises during each Fiscal Year, the Lease Payments (denominated into components of principal and interest) for the Leased Premises in the respective amounts specified in Exhibit B hereto, to be due and payable on the fifteenth day prior to each respective Lease Payment Date specified in Exhibit B hereto. Any amount held in the Bond Fund (but not including any amounts on deposit in the Reserve Fund), the Interest Account, the Sinking Account or the Principal Account (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Section 4.5) on any Lease Payment Date shall be credited towards the Lease Payment then due and payable. The Lease Payments coming due and payable in any Fiscal Year shall be for the use of the Leased Premises for such Fiscal Year.

(b) Effect of Prepayment. In the event that the City prepays all Lease Payments in full pursuant to the Lease Agreement, the City's obligations under the Lease Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to pay Lease Payments under the Lease Agreement. In the event that the City prepays the Lease Payments in part but not in whole pursuant to the Lease Agreement the Authority shall provide, or cause to be provided, to the Trustee and the City a

revised schedule of Lease Payments due after such partial prepayment, which revised schedule of Lease Payments shall be sufficient to provide for the scheduled payment of remaining principal of and interest on the Bonds, and which schedule shall represent an adjustment to the schedule of Lease Payments set forth in Exhibit B hereto after taking into account said partial prepayment.

(c) Rate on Overdue Payments. In the event the City should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum equal to the actual interest rate on the Bonds. Such interest, if received, shall be deposited in the Bond Fund or in the event that any draw has been made on the Reserve Account Credit Facility, then interest shall accrue on such delinquent amount at the rate stated in the Financial Guaranty Agreement.

(d) Fair Rental Value. The Lease Payments and Miscellaneous Rent coming due and payable under the Lease Agreement in each Fiscal Year shall constitute the total rental for the Leased Premises for each Fiscal Year and shall be paid by the City in each Fiscal Year for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Premises during such Fiscal Year. The parties hereto have agreed and determined that the net present value of such Lease Payments and the annual payment of Miscellaneous Rent for the Leased Premises do not exceed the fair rental value of the Leased Premises. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Leased Premises and the benefits therefrom which will accrue to the City and the general public.

(e) Source of Payments; Budget and Appropriation. The Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of Section 6.1. The City covenants to take such action as may be necessary to include all Lease Payments and Miscellaneous Rent due in a Fiscal Year under the Lease Agreement in each of its budgets for such Fiscal Year during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and Miscellaneous Rent. The covenants on the part of the City contained in the Lease Agreement shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

The City and the Authority understand and intend that the obligation of the City to pay Lease Payments, Miscellaneous Rent, and other payments under the Lease Agreement constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained in the Lease Agreement constitute a pledge of the general tax revenues, funds or moneys of the City. Lease Payments and Miscellaneous Rent due under the Lease Agreement shall be payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments, Miscellaneous Rent, or other payments due under the Lease Agreement as consideration for use of the Leased Premises during the Fiscal Year for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. The Lease Agreement shall not create an immediate indebtedness for any aggregate payments which may become due under the Lease. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Lease Payments or any other payments due under the Lease, the Bonds or the interest thereon.

(f) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners

of the Bonds, and the City assents to such assignment. The Authority directs the City, and the City agrees, to pay all of the Lease Payments to the Trustee at its Office.

(g) Security Deposit. Notwithstanding any other provision of the Lease Agreement, the City may on any date secure the payment of the Lease Payments in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts, is either (i) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the related Lease Payment schedule set forth in Exhibit B of the Lease Agreement, or (ii) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due thereunder or on any optional prepayment date pursuant to the Lease Agreement, as the City shall instruct at the time of said deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of the Lease Agreement. In connection with the making of any such security deposit, the Authority shall take, and shall cause the Trustee to take, any actions necessary to remove the appropriate portions of the Leased Premises from the lien of the Lease Agreement.

(h) Delinquent Lease Payments. Any delinquent Lease Payment shall be made to the Trustee for application as set forth in the Indenture.

Optional Prepayment. The City shall have the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of \$5,000, on any date on or after August 15, 2016, by paying a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with a prepayment premium equal to the premium (if any) required to be paid on the corresponding redemption of the Bonds pursuant to Section 4.01(b) of the Indenture and together with accrued interest to the prepayment date. Such prepayment price (except the interest portion thereof, which shall be deposited into the Interest Account) shall be deposited by the Trustee in the Redemption Fund to be applied to the optional redemption of Bonds pursuant to Section 4.01(b) of the Indenture. The City shall give the Trustee written notice of its intention to exercise its option not less than fifteen (15) days in advance of the date of exercise. Notwithstanding any such prepayment, as long as any Bonds remain Outstanding or any Miscellaneous Rent payments remain unpaid, the City shall not be relieved of its obligations under the Lease as to such Bonds or such Miscellaneous Rent.

Miscellaneous Rent. In addition to the Lease Payments, the City shall pay when due the following items of Miscellaneous Rent:

- (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Premises as and when the same become due and payable;
- (b) all reasonable compensation and indemnification to the Trustee pursuant to the Indenture for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture;
- (c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Indenture; and
- (d) the reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease Agreement or the Indenture, or in connection with the issuance of the Bonds, including but not limited to amounts payable pursuant to the lease Agreement, any compensation, indemnification, and reimbursement accrued thereon pursuant to the Financial Guaranty Agreement due to the Insurer and including, but not limited to, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Bonds, the

Indenture or any of the other documents contemplated under the Lease Agreement or the Indenture, or otherwise incurred in connection with the administration of the Lease Agreement.

*Substitution or Release of Leased Premises.* The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement, to substitute other land, facilities or improvements (the "Substitute Leased Premises") for the Leased Premises or any portion thereof (the "Released Premises") from the lien of the Lease Agreement, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution or release:

(a) The City shall provide written notification of such substitution or release to the Insurer and Rating Agencies, which notice shall contain the certification that all conditions set forth in Section 4.9 of the Lease Agreement are met with respect to such substitution or release, and the Insurer shall have consented to such substitution or release in writing.

(b) The City shall take all actions and shall execute all documents required to subject the Substitute Leased Premises to the terms and provisions of the Lease Agreement, including the filing with the Authority, the Insurer and the Trustee an amended Exhibit A which adds thereto a description of the Substitute Leased Premises and deletes therefrom the description of the Released Premises or the Released Premises, as applicable.

(c) (i) In the case of a substitution, the City shall determine and (by MAI appraisal or other method acceptable to the Insurer) certify in writing to the Authority, the Insurer and the Trustee that the fair rental value of the Substitute Leased Premises is at least equal to the net present value of remaining Leased Payments and that the Substitute Leased Premises are essential to the governmental functions of the City.

(ii) In the case of a release, the City shall determine (by MAI appraisal or other method acceptable to the Insurer) and certify in writing to the Authority, the Insurer and the Trustee that the value of the remaining Leased Premises after removal of the Released Premises is at least equal to the net present value of remaining Leased Payments.

(d) In the case of a substitution, the City shall certify in writing to the Authority, the Insurer and the Trustee that the Substitute Leased Premises are essential to the governmental functions of the City and constitute property which the City is permitted to lease under the laws of the State.

(e) In the case of a substitution, the City shall certify in writing to the Authority, the Insurer and the Trustee that the estimated useful life of the Substitute Leased Premises at least extends to the date on which the final Lease Payment becomes due and payable under the Lease Agreement.

(f) In the case of a substitution, the City shall obtain a ALTA policy of title insurance meeting the requirements of Section 5.6 with respect to any real property portion of the Substitute Leased Premises.

(g) In the case of a substitution, the substitution of the Substitute Leased Premises shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement.

(h) The City shall obtain and cause to be filed with the Trustee, the Insurer and the Authority an opinion of Bond Counsel stating that such substitution or release is permitted under the Lease Agreement and does not cause interest on the Bonds to become includable in the gross income of the Bond Owners for federal income tax purposes.

From and after the date on which all of the foregoing conditions precedent to such substitution or release are satisfied, the Term of the Lease Agreement shall cease with respect to the Released Premises or Released Premises, as applicable, and shall be continued with respect to the Substitute Leased Premises and the remaining Leased Premises and all references in the Lease Agreement to the Released Premises shall apply with full force and effect to the Substitute Leased Premises. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution or release.

## **Maintenance; Taxes; Insurance; Use Limitations; And Other Matters**

*Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Leased Premises and Facilities, all improvement, repair and maintenance of the Leased Premises and Facilities shall be the responsibility of the City and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Premises and Facilities which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Premises and Facilities resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments, the Authority agrees to provide only the Leased Premises and Facilities. The City waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the City under the terms of the Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Premises or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Leased Premises and Facilities will be materially endangered or the Leased Premises and Facilities or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

*Modification of Leased Premises.* The City shall, at its own expense, have the right to make additions, modifications and improvements to the Leased Premises and Facilities. All additions, modifications and improvements to the Leased Premises and Facilities shall thereafter comprise part of the Leased Premises and Facilities and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Premises and Facilities or cause the Leased Premises and Facilities to be used for purposes other than those authorized under the provisions of State and federal law and the County Lease, and shall not otherwise violate the terms of the County Lease; and the City shall file with the Trustee and the Authority a Certificate stating that, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, the Leased Premises and Facilities shall be of a value which is not substantially less than the value of the Leased Premises and Facilities immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Premises and Facilities for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to the Lease Agreement; provided that if any such lien is established and the City shall first notify or cause to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Premises and Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

*Public Liability and Property Damage Insurance.* The City shall maintain or cause to be maintained throughout the Term of the Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard comprehensive general insurance policy or policies in protection of the Authority, City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$25,000) of damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy or policies in the amount of \$3,000,000 (subject to a deductible clause of not to exceed \$25,000) covering all such risks. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and with the prior written consent of the Insurer may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease Agreement, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. In the case of the City's self-insurance of public liability and workers' compensation, the City may maintain a self-insured retention, and pay up to \$500,000 of each liability claim and up to \$300,000 of each worker's compensation claim, so long as the provisions of the Lease Agreement have been met. The proceeds of such liability insurance shall be applied by the City toward extinguishment or satisfaction of the liability with respect to which paid.

*Casualty Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, insurance against loss or damage to any Facilities by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, if required, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the City's risk manager. Such insurance shall be in an amount at least equal to the lesser of (a) one hundred percent (100%) of the replacement cost of the Facilities; or (b) the aggregate unpaid principal components of the Lease Payments allocable to the Facilities. Such insurance may be subject to such deductibles as the City shall deem prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement.

Each policy of insurance to be maintained by the City pursuant to the lease Agreement shall (a) provide for the full payment of insurance proceeds up to the applicable dollar limit in connection with damage to the Leased Premises and Facilities and shall, under no circumstances, be contingent upon the degree of damage sustained at other facilities owned or leased by the City; and (b) explicitly waive any co-insurance penalty.

*Rental Interruption Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any Facilities on the Leased Premises, as a result of any of the hazards covered by the insurance required by the Lease Agreement, in an amount at least equal to the maximum Lease Payments allocable to the Facilities coming due and payable during any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Bond Fund, and shall be applied for the uses and purposes set forth in the Indenture.



Recordation Hereof; Title Insurance. On or before the Closing Date the City shall, at its expense, (a) cause the Lease Agreement, or a memorandum hereof in form and substance approved by Bond Counsel, to be recorded in the office of the Riverside County Recorder; and (b) obtain a CLTA policy of title insurance insuring the Authority's leasehold estate and the City's sub-leasehold estate under the Lease Agreement, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under said policy shall be deposited with the Trustee in the Redemption Fund and shall be applied to the redemption of the Bonds pursuant to the Indenture.

Net Proceeds of Insurance; Form of Policies.

(a) Each policy of insurance maintained pursuant to the lease Agreement shall name the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee and shall name the Authority, the City, the Insurer and the Trustee as insureds. The City shall annually provide copies of all such policies of insurance to the Insurer (Attention: Insured Portfolio Management Department). The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency or amount of any insurance or self-insurance required under the Lease Agreement and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The City shall cause to be delivered to the Insurer and to the Trustee annually, no later than May 1 in each year, a certificate stating that all of the insurance policies required by the Lease Agreement are in full force and effect and identifying whether any such insurance is then maintained in the form of self-insurance.

(b) In the event that any insurance maintained pursuant to the Lease Agreement shall be provided in the form of self-insurance, the City shall file with the Insurer and the Trustee annually, within ninety (90) days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the City, the City shall not be obligated to make any payment with respect to any insured event except from such reserves. The Trustee shall not be responsible for the sufficiency or adequacy of any insurance required under the Lease Agreement and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(c) If the City shall fail to perform any of its obligations under the Lease Agreement, the Authority or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as soon as possible, with interest at the rate payable by the Authority on the Bonds from the date of the advance to the date of repayment.

(d) The City shall annually certify in writing to the Trustee and Insurer that all insurance policies required to be maintained under the Lease are in full force and effect and the City will provide the Insurer with copies of such policies upon request.

**Damage, Destruction And Eminent Domain; Use Of Net Proceeds**

Application of Net Proceeds.

(a) Deposit in Insurance and Condemnation Fund. Pursuant to Section 5.08 of the Indenture, the Trustee shall deposit the Net Proceeds of any insurance required by Section 5.4 of the Lease Agreement and the proceeds of the title insurance required by Section 5.6 hereof in the Insurance and

Condemnation Fund promptly upon receipt thereof. The City and/or the Authority shall transfer to the Trustee any other Net Proceeds received by the City and/or Authority in the event of any taking by eminent domain or condemnation with respect to the Leased Premises, for deposit in the Insurance and Condemnation Fund.

(b) Disbursement for Replacement or Repair of the Leased Premises. Upon receipt of the certification described in paragraph (1) below and the requisition described in paragraph (2) below, the Trustee is required by the Indenture to disburse moneys in the Insurance and Condemnation Fund to the person, firm or corporation named in the requisition as provided in Section 5.08 of the Indenture.

(1) Certification. An Authorized Representative of the City must provide to the Authority and the Trustee a certificate stating that:

(i) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the City for such purpose, are sufficient to repair or replace the Leased Premises to a use which will have an annual fair rental value not less than the maximum annual Lease Payments and Miscellaneous Rent through the term of the Lease (assuming that the Miscellaneous Rent due in the future will equal the Miscellaneous Rent paid prior to such date) due under the Lease Agreement, and

(ii) Timely Completion. In the event that damage, destruction, title defect or taking results in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds as described in Section 5.5 of the Lease Agreement, together with other legally available funds, will be available to pay in full all Lease Payments coming due during such period.

(2) Requisition. An Authorized Representative of the City must state with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after such replacement or repair has been completed shall be disbursed as provided in Section 5.08 of the Indenture.

The certification required by (1) hereof may be waived in writing by the Certificate Insurer.

(c) Disbursement for Prepayment. If an Authorized Representative of the City notifies the Trustee in writing of the City's determination that the certification provided in Section 6.1(b)(1) of the Lease Agreement cannot be made or replacement or repair of any portion of the Leased Premises is not economically feasible or in the best interest of the City to repair or replace the Leased Premises, then the City shall deposit with the Trustee an amount which when combined with the Net Proceeds will prepay enough Lease Payments and result in a corresponding prepayment of such that the fair rental value of the remaining portion of the Leased Premises is sufficient to provide for payment of the Leased Payments remaining under the Lease Agreement and that Bonds which remain Outstanding under the Indenture correspond to the remaining Lease Payments, after such Net Proceeds and such deposit by the City are applied to redeem Bonds and under the Indenture. The Trustee is required by the Indenture to promptly transfer the Net Proceeds in respect of such portion to the Redemption Fund as provided in Section 5.08 of the Indenture and apply them to the prepayment of Lease Payments as provided in Section 4.5 of the Lease Agreement which shall cause the redemption of the Bonds as provided in Section 401(c) of the Indenture.

Abatement of Lease Payments in the Event of Damage or Destruction. The Lease Payments allocable to the Leased Premises shall be abated during any period in which by reason of damage or destruction (other than by eminent domain which is provided for in the Lease Agreement) there is substantial interference with the use and occupancy of the Leased Premises or any portion thereof. The amounts of the Lease Payments under such circumstances may not be less than the amounts of the unpaid Lease Payments, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Premises not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the Authority waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there may be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance, are available to pay Lease Payments; or (b) amounts in the Bond Fund are available to pay Debt Service payable from Lease Payments which would otherwise be abated.

### **Assignment, Subleasing And Amendment**

Assignment by the Authority. The Authority's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under the Lease Agreement, have been pledged and assigned to the Trustee for the benefit of the Owners of the Bonds pursuant to the Indenture, to which pledge and assignment the City thereby consents. The assignment of the Lease Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting under the Lease Agreement shall be subject to the provisions of the Indenture.

Assignment and Subleasing by the City. The Lease Agreement may not be assigned by the City. The City may sublease the Leased Premises and Facilities or any portion thereof, but only with the written consent of the County pursuant to the County Lease, the Authority and the Insurer and subject to all of the following conditions:

- (a) the Lease Agreement and the obligation of the City to make Lease Payments under the Lease Agreement shall remain obligations of the City;
- (b) the City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;
- (c) no such sublease by the City shall cause the Leased Premises and Facilities to be used for a purpose other than as may be authorized under the provisions of the laws of the State; and
- (d) the City shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, stating that such sublease is permitted by the Lease Agreement and the Indenture, and will not cause the interest on the Bonds to become included in gross income for federal income tax purposes.

Amendment Hereof. The Authority and the City may at any time amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of the Insurer and of a majority in aggregate principal amount of the Outstanding Bonds, or (b) with the prior written consent of the Insurer but without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

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

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

(iii) to amend any provision thereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;

(iv) to amend the description of the Leased Premises set forth in Exhibit A to the lease Agreement to add property acquired by the City and the Authority from proceeds on deposit in the Project Fund or to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release pursuant to the Lease Agreement; or

(v) to obligate the City to pay additional amounts of rental under the Lease Agreement for the use and occupancy of the Leased Premises and Facilities, provided that (A) no Event of Default has occurred and is continuing under the Lease, (B) such additional amounts of rental do not cause the total rental payments made by the City under the Lease Agreement exceed the fair rental value of the Leased Premises and Facilities, as set forth in a certificate of a City Representative filed with the Trustee and the Authority, (C) the City shall have obtained and filed with the Trustee and the Authority a Written Certificate of an Authorized Representative of the City showing that the fair rental value of the Leased Premises and Facilities is not less than the sum of the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, (D) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other improvements which are authorized pursuant to the laws of the State, (E) the Insurer has consented, in writing, and (F) such additional rental is not at variable rates.

*City's Termination or Breach of County Lease.* In the event that the County or City Terminates the County Library Services Agreement, or in the event of a breach of the County Lease by the City, the City agrees that it will either purchase the County Parcel pursuant to the County Lease, or substitute the Leased Premises under the Lease Agreement with Substitute Leased Premises pursuant to the Lease Agreement.

### **Events Of Default; Remedies**

*Events of Default Defined.* The following shall be "Events of Default" under the Lease Agreement:

(a) Failure by the City to pay any Lease Payment required to be paid thereunder at the time specified therein.

(b) Failure by the City to make any Miscellaneous Rent payment required thereunder and the continuation of such failure for a period of thirty (30) days.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, the Insurer or the Trustee; provided, however, that if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if the City shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith shall cure such failure in a reasonable period of time.

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the

City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of applicable federal bankruptcy law, or under any similar acts which may hereafter be enacted.

*Remedies on Default.* Whenever any Event of Default referred to in the Lease Agreement shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything to the contrary therein or in the Indenture, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable or to terminate the Lease Agreement or to cause the leasehold interest of the Authority or the subleasehold interest of the City in the City Parcels and County Parcel to be sold, assigned or otherwise alienated. Additionally, any exercise of remedies under the Lease Agreement shall be limited by the provisions of the County Lease and the Leased Premises and Facilities shall be used solely for public library purposes, unless the provisions of the Lease Agreement have been exercised by the City. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights of entry and re-entry upon the Leased Premises and Facilities, subject to the provisions of the County Lease. In the event of such default and notwithstanding any re-entry by the Authority, the City shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained, and in any event such rent and damages shall be payable to the Authority at the time and in the manner as therein provided, to wit:

(a) The City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Premises and Facilities, or, in the event the Authority is unable to relet the Leased Premises and Facilities, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as provided for in the Lease Agreement for the payment of Lease Payments under the Lease Agreement, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Premises and Facilities or the exercise of any other remedy by the Authority.

(b) The City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Premises and Facilities in the event of default by the City in the performance of any covenants in contained in the Lease Agreement to be performed by the City and to remove all personal property whatsoever situated upon the Leased Premises and Facilities to place such property in storage or other suitable place in the County of Riverside, for the account of and at the expense of the City, and the City exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Premises and Facilities and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement.

(c) The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Premises and Facilities as provided in the lease Agreement and all claims for damages that may result from the destruction of or injury to the Leased Premises and Facilities and all claims for damages to or loss of any property belonging to the City that may be in or upon the Leased Premises and Facilities.

(d) The City agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Leased Premises and Facilities in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting

such releasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

(e) The City further waives the right to any rental obtained by the Authority in excess of the Lease Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Premises and Facilities.

*No Remedy Exclusive.* No remedy in the Lease Agreement conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall, except as therein expressly provided to the contrary, be in addition to every other remedy given under the Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the in the Lease Agreement it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

*Agreement to Pay Attorneys' Fees and Expenses.* In the event either party to the Lease Agreement should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party therein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

*No Additional Waiver Implied by One Waiver.* In the event any agreement contained in the Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder.

*Trustee and Bondholder to Exercise Rights.* Such rights and remedies as are given to the Authority under the Lease Agreement have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee, the Insurer and the Owners of the Bonds as provided in the Indenture.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE CITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2006**

[THIS PAGE INTENTIONALLY LEFT BLANK]



# CITY OF CORONA, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005



Prepared by the Finance Department

### CITY OF CORONA

Comprehensive Annual Financial Report  
Year Ended June 30, 2005

#### Table of Contents

	Page
<b>INTRODUCTORY SECTION</b>	
Table of Contents .....	i
Letter of Transmittal .....	iv
GFOA Certificate of Achievement .....	ix
Organization Chart and Corporate Values .....	x
Elected and Administrative Officers .....	x
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	1
Management's Discussion and Analysis (Required Supplementary Information) .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	18
Statement of Activities and Changes in Net Assets .....	20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	24
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets .....	26
Statement of Revenues, Expenditures and Changes in Fund Balances .....	28
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets .....	30
Proprietary Funds:	
Statement of Net Assets .....	32
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	34
Statement of Cash Flows .....	36
Fiduciary Funds:	
Agency Funds – Statement of Fiduciary Net Assets .....	43
Notes to Basic Financial Statements .....	45

i

### CITY OF CORONA

Comprehensive Annual Financial Report  
Year Ended June 30, 2005

#### Table of Contents

FINANCIAL SECTION, Continued	
Required Supplementary Information:	
Budgetary Information .....	93
Comparison Schedule for the General Fund .....	96
Modified Approach for Reporting Infrastructure .....	98
Pension Trend Data .....	100
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet .....	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	108
Internal Service Funds:	
Combining Statement of Net Assets .....	114
Combining Statement of Revenues, Expenses, and Changes in Net Assets .....	115
Combining Statement of Cash Flows .....	116
Fiduciary Funds:	
Agency Funds – Combining Statement of Changes in Assets and Liabilities .....	119
Governmental Funds by Fund Type:	
General Fund:	
Balance Sheet .....	124
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	125
Schedule of Expenditures by Department – Budgetary Level of Control – Budget and Actual Comparison .....	126
Special Revenue Funds:	
Combining Balance Sheet .....	128
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	130
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	132
Debt Service Funds:	
Combining Balance Sheet .....	140
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	141
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	142
Capital Projects Funds:	
Combining Balance Sheet .....	146
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	148

ii

### CITY OF CORONA

Comprehensive Annual Financial Report  
Year Ended June 30, 2005

#### Table of Contents

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	150
Other Grant Special Revenue Funds:	
Combining Balance Sheet .....	154
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	156
<b>STATISTICAL SECTION</b>	
Financial Trends	
Net Assets .....	161
Changes in Net Assets .....	162
Fund Balances – Governmental Funds .....	164
Changes in Fund Balances – Governmental Funds .....	165
Revenue Capacity	
Revenue Base Information .....	166
Direct and Overlapping Rate Information .....	168
Principal Revenues Payers .....	170
Property Tax Levies and Collections .....	172
Debt Capacity	
Ratios of Total Debt Outstanding .....	174
Ratios of General Bonded Debt Outstanding .....	177
Legal Debt Margin .....	178
Direct and Overlapping Debt Outstanding .....	181
Pledged-Revenue Bond Coverage .....	182
Demographic and Economic Information	
Demographic and Economic Statistics .....	187
Principal Employers .....	188
Operating Information	
Government Employees .....	189
Operating Indicators .....	190
Capital Assets Indicators .....	191

iii



October 14, 2005

Honorable Mayor, City Council, and Citizens of the City of Corona, California

The City of Corona covenants for certain debt issues, to submit an annual continuing disclosure to the bond holder of which the City's Comprehensive Annual Financial Report (CAFR) is a required part.

Management assumes responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles and includes all properly classified funds and account groups of the primary government and all component units required to be included in the financial reporting entity.

Teaman, Ramirez & Smith, Inc., Certified Public Accountants, have issued an unqualified opinion on the City of Corona's financial statements for the year ended June 30, 2005.

Management's discussion and analysis (MD&A) beginning on page 3 of this report, provides financial highlights, an overview and analysis of the financial statements, budgetary highlights, and economic factors affecting future budgets.

Profile of the City

The City of Corona is located approximately 46 miles southeast of Los Angeles in western Riverside County. The community is ideally situated at the base of the mountainous Cleveland National Forest on an alluvial plain leading down, or north to the Santa Ana River.

iv

to the area. The Agency participated in a joint effort to renovate a 70 unit apartment complex, as well as helping to develop low and very low-income senior housing.

Long Term Financial Planning

The City's continued control over expenditure growth has been and will continue to be a key factor in maintaining the City's strong financial position. The City Council has wisely taken advantage of the past years' financial prosperity to secure the future stability of the City.

Relevant Financial Policies

Corona follows the General Fund Expenditure Control Budget, or ECB, guidelines as outlined in the budget resolution. The 2004-05 fiscal year budget was the eleventh year that the budget was prepared in accordance with the ECB policies adopted by the City Council for the General Fund.

For fiscal year 2004-05 the amounts saved by the departments totaled \$1,522,434. The prior year carryover is \$1,266,154 giving the departments a total of \$2,788,588 in reserves.

Major Initiatives

In 2004, prior to the fiscal year 2004-05, California voters approved a \$15 billion bond measure to refinance existing state debt and by their action approved the "triple flip" provision. Under the triple flip measure as of July 1, 2004, one-fourth percent of the Bradley-Burns sales and use tax revenue due to local agencies was suspended.

The State and local governments came to another agreement for an additional revenue swap. In this agreement, the Vehicle License Fee, or VLF will be permanently reduced 2% to .85% of the vehicle fair value assessment, and the State backfill of this revenue is suspended.

vi

and each is elected to a four-year term of office. The Mayor is appointed annually by and from the City Council.

The City of Corona was incorporated in 1896 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: Public Safety (Police and Fire), Highways and Streets, Electric, Public Library, Parks, Public Improvements, Planning and Zoning, Public Transportation (Dial-A-Ride and Corona Cruiser programs) and General Administrative Services.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Each year, a proposed budget is submitted to the City Council and a public meeting is conducted to obtain taxpayer comments.

Local Economy

Major industries within the City include manufacturers of pharmaceuticals, musical instruments, food products, paper, and construction products. Manufacturers represent 73.8% of expanding firms versus 53.1% for the region. In the previous 10 years, construction and manufacturing constituted 54% of the City's job growth.

Retail sales tax is a principal revenue source for the City. Taxable retail sales have nearly tripled since 1990, growing by \$2.21 billion to over \$3 billion in 2004. In 2003, retail sales growth of 10.3% far exceeded the state's increase of 4.6%.

Taxable assessed valuation on property located in Corona has increased in the past five years by 73% to \$12 billion. The growth in sales and property tax revenue to the City has provided sufficient revenues to offset increased services and facilities for the growing population.

The Redevelopment Agency is responsible for the revitalization of North Main Street which began in 2000 and is completed through Phase III. Phase IV began in fiscal year 2004/05. The revitalization started with a streetscape design and has attracted public and private investment

v

years of revenue, and then the full amount will be repaid. This loss of VLF revenue was experienced in fiscal year 2004-05.

Another significant external change during the fiscal year 2004-05 was the passage of Proposition 1A, protection of local Government Revenues, during the November 2004 General Election. Proposition 1A restricts the State's ability to take local government shares of property tax, sales tax and vehicle license in-lieu fee revenues to pay for State programs.

- A separate urgency bill must be passed by 2/3 vote of the legislature;
The legislature must pass a law to fully repay the loan with interest within three years;
New loans are prohibited until prior loans have been repaid;
No more than two loans may occur during a ten year period;
The loan is capped at 8% of local government property tax amount.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada awarded the fifteenth consecutive Certificate of Achievement for Excellence in Financial Reporting to the City of Corona for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2004.

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

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire Finance Department especially Finance Manager Pat Mosser and Accounting Supervisor Theresa Dailey. Staff members have our sincere appreciation for their contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Respectfully submitted,

BETH GROVES
City Manager

DEBRA A. FOSTER
Finance Director

vii

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
**City of Corona,**  
 California

For its Comprehensive Annual  
 Financial Report  
 for the Fiscal Year Ended  
 June 30, 2004

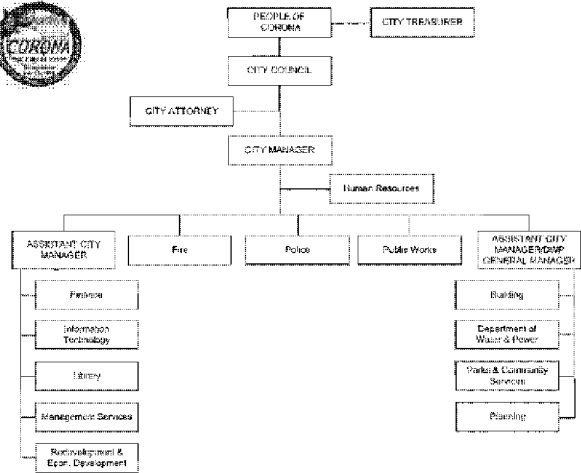
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



*Nancy J. Glick*  
 President

*Jeffrey R. Egan*  
 Executive Director

## CITY OF CORONA City Organizational Chart and Corporate Values



### Corona's Corporate Values

As City of Corona Employees, we are proud of our organization and the community we serve. Therefore we,

- Provide exceptional, responsive service.
- Deliver high quality results.
- Recognize the financial value of our activities.
- Display innovation in problem solving.
- Work as a motivated team to get the job done.
- Take the initiative with decisive action.
- Foster communication.
- Promote outstanding professionalism, technical and people skills.
- Encourage balance in our lives.
- Act with integrity in all we do.



### Independent Auditor's Report

The Honorable Mayor and City Council  
 City of Corona, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Corona, California, as of and for the year ended June 30, 2005, 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 of Corona's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Corona, California, as of June 30, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2005 on our consideration of the City of Corona's internal control over financial reporting and on our basis of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Teaman Ramirez & Smith*

October 13, 2005

- BOARD OF SUPERVISORS**
- DARRELL TALBERT ..... Mayor
  - KAREN S. SPIEGEL ..... Mayor Pro Tem
  - JEFF MILLER ..... Councilmember
  - EUGENE MONTANEZ ..... Councilmember
  - STEVE NOLAN ..... Councilmember
  - RICHARD O. HALEY ..... City Treasurer

- ADMINISTRATIVE PERSONNEL**
- BETH GROVES ..... City Manager
  - GREG IRVINE ..... Assistant City Manager
  - BRADLEY ROBBINS ..... Assistant City Manager/ DWP General Manager
  - RICHARD O. GONZALES ..... Police Chief
  - DEBRA A. FOSTER ..... Finance Director
  - LAURIE LO FRANCO ..... Human Resource Director
  - HOWARD CURTIS ..... Library Director
  - SCOTT WHYTE ..... Redevelopment & Economic Development  
 Interim Deputy Director
  - PEGGY TEMPLE ..... Planning Director
  - VICTORIA WASKO ..... City Clerk
  - MARK WILLS ..... Director of Parks, Recreation & Community Services
  - MICHAEL WARREN ..... Fire Chief
  - AMAD QATTAN ..... Director of Public Works
  - KEITH CLARKE ..... Building Official
  - BEST, BEST & KRIEGER ..... City Attorney



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2005

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

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$773.8 million. Of this amount, \$279 million may be used to meet the City's ongoing obligations to citizens and creditors.
The City's total net assets increased by \$ 27 million, primarily due to the completion of projects and acquisition of assets from developers.
As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$116.3 million, a decrease of \$ 1 million in comparison to the prior year.
Approximately 27% of the combined fund balances, \$31.7 million, is considered unreserved and is available for spending at the City's discretion.
At the end of the current fiscal year, unreserved fund balance for the general fund was \$31.7 million, or 33% of total general fund expenditures.
The City's total debt increased by \$40.5 million during the current fiscal year. The increase is due to issuance of a Certificates of Participation for \$29 million for completion of the Department of Water & Power's (DWP) Cogeneration Facility and other utility related capital projects. DWP received proceeds of \$18 million from a State Revolving Fund loan for the Recycled Water project. The City expended \$5.7 million in normally scheduled principal reductions on debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Corona and its component units using the integrated approach as prescribed by GASB Statement No. 34.

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the



CITY OF CORONA

Management's Discussion and Analysis, continued
Year Ended June 30, 2005

accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we distinguish the City's functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The activities of these two distinctions are as follows:

Governmental activities—Most of the City's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Redevelopment, Parks, Recreation and Community Services and the Library. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities—The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water system, Wastewater system, Electric and Transit Services activities are reported in this category.

Fund Financial Statements

The Fund Financial Statements include statements for each of the three categories of activities - governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which report a balance sheet, a statement of changes in assets and liabilities and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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 readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation schedule following each Governmental Fund financial statement.

CITY OF CORONA

Management's Discussion and Analysis, continued
Year Ended June 30, 2005

Proprietary funds - When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities - such as the City's self-insurance and fleet operations and equipment replacement funds. The internal service funds are reported with governmental activities in the government-wide financial statements.

Fiduciary funds - The City is the trustee, or fiduciary, for certain funds held on behalf of the Corona-Norco Unified School District. Other activities reported in this category include the receipt of special taxes and assessments used to pay principal and interest on related bonded debt that has no direct City liability, as well as receipt and disbursement of capital project proceeds related to these bonds and collections from the Parking and Business Improvement Area remitted to the Parking Authority to pay for parking lot maintenance. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Combining Statement of Changes in Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements.

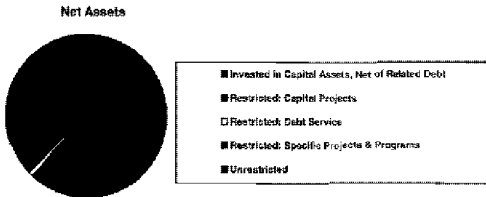
Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees, budgetary comparison schedules for the general fund and each major special revenue fund, and schedules and disclosure of the modified approach for reporting the City's infrastructure.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2006

**GOVERNMENT- WIDE FINANCIAL ANALYSIS**



As noted earlier, the net assets for the City as a whole increased 5.2% from \$735.9 million at June 30, 2004 to \$773.8 million at June 30, 2005. The largest portion of the City's net assets (52%) reflects the investment in capital assets such as land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to the citizens of the City of Corona; therefore, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (2.2%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$279 million) may be used to meet the City's ongoing obligations to citizens and creditors.

Consistent with the prior fiscal year, as of the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for both the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

**CITY OF CORONA'S NET ASSETS**

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 181.5	\$ 176.4	\$ 110.9	\$ 67.1	\$ 292.4	\$ 263.5
Internal balances	172.6	172.6	(172.6)	(172.6)	-	-
Capital assets	528.4	511.3	332.2	302.7	860.6	814.0
Total assets	882.5	860.3	270.5	217.2	1,153.0	1,077.5
Long-term liabilities	117.5	124.3	198.7	144.6	306.2	268.9
Other liabilities	53.2	51.2	19.8	21.6	73.0	72.7
Total liabilities	170.7	175.5	208.5	166.1	379.2	341.6
Net Assets:						
Invested in capital assets, net of related debt	456.2	395.8	21.8	14.7	478.0	410.5
Restricted	16.1	23.2	0.7	26.4	16.8	49.6
Unrestricted	289.5	286.8	39.5	10.0	279.0	278.5
Total Net Assets	\$ 711.8	\$ 684.8	\$ 62.0	\$ 51.1	\$ 773.8	\$ 735.9

The City's net assets increased \$37.9 million over the prior fiscal year. Total revenues increased 6.9% and total expenses decreased 2.3%. General revenues reflect an overall increase of \$17.4 million, while Program Revenues decreased by \$2.9 million. Revenue from grants and contributions decreased 12% over the prior year for a total of \$6.7 million. Tax revenue increased 22% or \$14.8 million and payments received in lieu of services increased \$8 million over prior year.

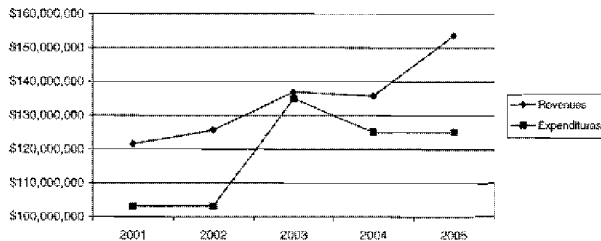
**GOVERNMENTAL ACTIVITIES**

The City's net assets from governmental activities increased \$27 million. The cost of all governmental activities this year was \$125.2 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$74.1 million because some of the cost was paid by those who directly benefited from the programs (\$29.2 million), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$12.1 million), and capital grants and contributions (\$9.7 million). One program, Public Works, shows a net revenue of \$1.1 million at year end which is the result of a timing difference in the completion of capital projects as well as the City's intentional building up of certain developer impact fees for upcoming capital improvement projects. Overall, the City's governmental program revenues were \$51.1 million. The City paid for the remaining "public benefit" portion of governmental activities with \$61.7 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

**CITY OF CORONA**

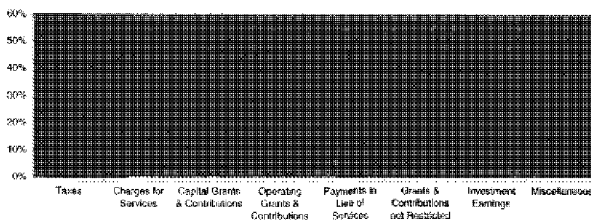
Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

**Revenues and Expenditures  
Governmental Funds**



Total resources available during the year to finance governmental operations were \$636.8 million consisting of Net Assets at July 1, 2004 of \$683.4 million, program revenues of \$51 million and General Revenues of \$102.4 million. Total Governmental Activities during the year were \$125.2 million; thus, Net Assets increased by \$28.4 million to \$711.8 million.

**Governmental Funds  
Revenue Sources**



The City's programs for governmental activities include General Government, Fire, Police, Public Works, Redevelopment, Parks and Community Services and Library. The programs for the business type activities include the water and wastewater utilities, the electric utility and transit services. A comparison of each program's revenues and expense (in millions) for the

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

current year and prior year is presented below.

**CITY OF CORONA CHANGES IN NET ASSETS**

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for services	\$ 29.2	\$ 26.0	\$ 56.8	\$ 52.4	\$ 86.0	\$ 85.4
Operating grants and contributions	12.1	12.2	1.3	1.2	13.4	13.4
Capital grants and contributions	9.7	11.3	17.7	15.6	27.4	27.1
General revenues:						
Taxes:						
Property taxes	42.3	33.1	-	-	42.3	33.1
Sales & Use Tax	34.5	28.5	-	-	34.5	28.5
Other taxes	4.8	4.2	-	-	4.8	4.2
Grants and contributions not restricted to specific programs	1.1	6.5	-	-	1.1	6.5
Payments in lieu of services	3.0	8.2	-	-	3.0	8.2
Investment earnings	2.2	3.7	1.3	1.8	3.5	5.0
General Revenues	8.5	6.5	0.5	0.5	9.0	9.6
Loss on sale of Land Held for Reuse	-	(0.2)	-	-	-	(0.2)
Total revenues	103.4	135.0	77.1	80.7	130.5	215.7
Expenses:						
General government	11.2	17.0	-	-	11.2	17.0
Public safety - Fire	17.2	16.1	-	-	17.2	16.1
Public safety - Police	26.1	30.2	-	-	26.1	30.2
Public Works	25.4	26.5	-	-	25.4	26.5
Redevelopment	18.8	14.9	-	-	18.8	14.9
Parks and Community Services	12.1	12.3	-	-	12.1	12.3
Library	3.1	3.0	-	-	3.1	3.0
Interest on long term debt	10.1	4.8	-	-	10.1	4.8
Water	-	-	38.1	34.6	38.1	34.6
Wastewater	-	-	16.8	15.5	16.8	15.5
Electric	-	-	12.9	20.1	12.9	20.1
Transit Services	-	-	1.6	1.5	1.6	1.5
Total expenses	125.0	125.1	67.5	72.0	102.5	107.1
Increases in net assets before transfers	28.4	5.3	9.6	8.7	28.0	18.6
Transfers:						
Received (decrease) in net assets	78.4	6.9	9.6	6.7	58.0	15.9
Net assets 7/1	633.4	679.5	52.4	43.7	735.8	717.2
Net assets 6/30	\$ 711.8	\$ 684.8	\$ 62.0	\$ 52.4	\$ 773.8	\$ 735.9

General Government decreased expenses \$5.8 million, while Interest expense increased \$5.3 million due to interest expense on the new facilities. Staff reductions, realignments and budget reduction measures contributed to the decrease in general government expenses.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

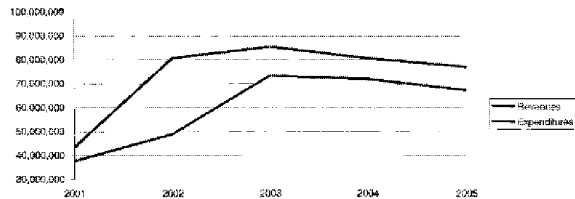
**BUSINESS-TYPE ACTIVITIES**

The City's net assets from business-type activities increased \$9.6 million. Invested in capital assets, net of related debt increased \$67.5 million due to ongoing capital projects such as the cogeneration facility, the recycled water project, electric Greenfield projects and expansion & improvement to the utility systems.

The cost of all Proprietary (Business Type) activities this year was \$67.4 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems was \$56.3 million, operating grants and contributions were \$ 1.2 million and capital grants and contributions were \$17.7 million. Investment earnings were \$1.3.

Total resources available during the year to finance Proprietary fund (Business Type) Activities were \$129.5 million consisting of Net Assets at July 1, 2004 of \$52.4 million, program revenues of \$75.3 million, general revenues of \$1.8 million. Total Proprietary fund (Business Type) Activities during the year were \$67.3 million; thus Net Assets were increased by \$9.6 million to \$62 million.

**Revenues and Expenditures  
Business-Type Activities**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The fund balance of \$45.2 million at year-end for the City's General fund is an overall increase of \$ 3.4 million from last year. Expenditures increased overall by \$5 million primarily in the area of Public Safety - Police \$2 million, Public Safety - Fire \$1.1 million and debt service of \$1.1; however general government expenses decreased \$2.2 million. Revenues had an increase of \$13 million, primarily attributable to increased property and sales tax revenue of \$14.8 million. Current services increased \$1.8 million and payments in lieu of services increased \$0.6 million. Investments Earnings decreased \$1.4 million from the prior year reflecting the decline in interest rates. Net transfers in from other funds decreased by \$ 4 million.

The Development Special Revenue funds show an increase in fund balance of \$2.1 million from the prior year. Revenues decreased \$ 5 million from lower fees applied for during the year, which reflects slowing building activity within the City. Expenditures increased \$ 2 million. Net transfers out to other funds were \$1.7 million lower than the prior year.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

The Redevelopment Special Revenue fund had an overall increase in fund balance of \$1.1 million due an increase in transfers in which represents low/moderate income property tax increment received during the year. The tax increment increase is due to rising assessed valuation on property located in the redevelopment project areas.

The Redevelopment Debt Service fund shows a decrease of \$2.1 million in fund balance. While property tax increment revenue increased by \$1.4 million, pass-through payments increased during this year.

The Redevelopment Capital Projects fund had an increase in fund balance of \$3.4 million, the result of less projects activity during the year.

**DEBT ADMINISTRATION**

Debt considered a liability of governmental activities decreased in FY 2004-05 by \$4.7 million which is the normal amortization of existing debt. Correspondingly, per capita debt outstanding decreased from \$787 to \$738 per capita compared to the prior fiscal year due to lower outstanding debt and an increase in the population. Refer to the Notes to Basic Financial Statements for detail regarding debt.

Debt of the business-type activities increased by \$45.2 million in FY 2004-05 due to issuance of Certificates of Participation for \$28 million to complete of the Department of Water & Power's (DWP) Cogeneration Facility and other utility related capital projects. DWP received proceeds of \$16 million from a State Revolving Fund loan for the Recycled Water project. The City expended \$5.7 million in normally scheduled principal reductions on debt.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

A schedule of outstanding debt is presented below (in millions).

	Balance July 1, 2004	Incurred or Issued	Satisfied or Matured	Balance June 30, 2005
<b>Governmental Activities:</b>				
Loans Payable	\$ 2.3	\$ -	\$ 0.4	\$ 1.9
Long Term Agreement Payable		1.3		1.3
Lease Payable	1.0		0.1	0.9
General Obligation Bonds Payable	4.0		0.3	3.7
Redevelopment Bonds Payable	48.0	36.9	39.4	45.5
Lease Revenue Bonds Payable	56.8		1.9	53.9
Special Assessment District Bonds	4.0		0.8	3.2
<b>Total Governmental Activities</b>	<b>\$ 115.1</b>	<b>\$ 38.2</b>	<b>\$ 42.9</b>	<b>\$ 110.4</b>
<b>Business-Type Activities:</b>				
Contracts Payable	\$ 0.7	\$ -	\$ -	\$ 0.7
Installment Agreement Payable		0.4		0.4
Lease Payable	172.6			172.6
Term Loan Payable	18.2	18.0	1.0	35.2
Water Revenue Bonds	33.5		0.8	32.7
Certificates of Participation	73.2	29.0	0.4	101.8
<b>Total Business-Type Activities</b>	<b>\$ 298.2</b>	<b>\$ 47.4</b>	<b>\$ 2.2</b>	<b>\$ 343.4</b>

**CASH MANAGEMENT**

To obtain flexibility in cash management, the City employs a pooled cash system (Reference Note 2 in the Notes to the Basic Financial Statements). Under the pooled cash concept, the City invests the cash of all funds with maturities planned to coincide with cash needs. Idle cash is invested in certain eligible securities as constrained by law and further limited by the City's Investment Policy. The goals of the City's Investment Policy are safety, liquidity and yield.

**CAPITAL ASSETS**

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. At June 30, 2005, net capital assets of the governmental activities totaled \$528.4 million and the net capital assets of the business-type activities totaled \$332.2 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to the Notes to Basic Financial Statements for detail regarding capital assets.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its paving system (streets). Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale, and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City Policy is to achieve an average rating of 70 for all streets. The average rating for the City's streets as of June 30, 2005 was 71, which is higher than the City's policy level. The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance for the fiscal year ended June 30, 2005 was \$3.6 million. Actual expenditures were \$3.6 million, with the remaining budget carried forward as continuing appropriations. These expenditures delayed deterioration, however the overall condition of the streets was not improved through these maintenance expenditures. The City has determined that the amount of annual expenditures required to maintain the City's streets at the average PCI rating 70 through the year 2014 is a minimum of \$9.7 million per year. The following table presents summary information on the City's infrastructure assets (in millions).

Description	Original Cost	Accumulated Depreciation	Book Value
<b>Capital Assets - Governmental Activities:</b>			
Land	\$ 57.8	\$ -	\$ 57.8
Buildings and improvements	116.4	(57.2)	59.2
Equipment, Vehicles, Machinery	23.9	(13.0)	10.9
Construction in Progress	58.4		58.4
Infrastructure	408.4	(67.3)	342.1
<b>Total</b>	<b>\$ 665.9</b>	<b>\$ (137.5)</b>	<b>\$ 528.4</b>
<b>Capital Assets - Business-Type Activities:</b>			
Land	\$ 2.5	\$ -	\$ 2.5
Buildings and Improvements	84.9	(19.5)	65.4
Equipment, Vehicles, Machinery	40.8	(15.3)	25.0
Construction in Progress	105.5		105.5
Infrastructure	159.0	(35.2)	123.8
<b>Total</b>	<b>\$ 402.7</b>	<b>\$ (70.0)</b>	<b>\$ 332.2</b>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Comparing the FY 2004-05 original (or Adopted) General Fund budget amount of \$92.9 million to the final budget amount of \$106.1 million shows a net increase of \$13.2 million.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

Included in this figure is \$2.8 million in prior fiscal year Capital Improvement Projects approved for carryover into fiscal year 2003-04, as well as \$3.6 million in committed purchase orders from the prior year. The resulting beginning budget balance was \$99.3 million.

Original Budget	+ Cont. Appropriations	+ Encumbrances	= Beg. Balance	+ Supplemental Changes	= Final Budget
\$92,921,024	+ \$2,837,713	+ \$3,584,491	= \$99,343,228	+ \$6,716,225	= \$106,059,453

Comparing the beginning budget of \$99.3 million to the final budget of \$106.1 million indicates the General Fund had supplemental budgetary appropriations totaling \$6.7 million for the 2004-05 fiscal year.

These supplemental appropriations include \$1.3 million of ECB budget savings that were approved for various departmental projects and \$3.5 million for the City Hall facility capital project. Additional increases of \$1.9 million were approved throughout the year for public safety items, health cost increases and labor agreements.

Final Budget	- Expenditure Actuals	= Variance (over) under
\$106,059,453	- \$94,979,552	= \$11,089,901

The General Fund final budget amount of \$106.1 million compared to the June 30, 2005 expenditure actuals of \$95.0 million represents a variance of \$11.1 million.

This variance is comprised from the following: \$5.4 million from capital outlay, \$1.1 million from public safety and \$4.6 million from the general government activities.

Of the \$5.4 million, major capital projects such as the Civic Center Painting, Computer Master Plan/Upgrade, Police Secure Parking Facility, The Corona Mall Improvements, Library Facility Maintenance and Replacement Needs, and Tehachapi, Promenade and Griffin Park Improvements that will require continuing appropriations into the next budget year, as these projects were not completed by June 30, 2005.

Savings in personnel costs from position vacancies, saving from professional and contractual support, and interest used to pay on a facility debt service payment, completed the saving variances in the remaining activities.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Corona is no different than many other California cities having to address recent economic changes. Anticipated future cost increases for health, worker's compensation, and retirement benefits, combined with the State's unprecedented fiscal crisis, has made providing a balanced budget a challenge.

The key assumptions in the General fund revenue forecast for fiscal year 2005-06 are:

1. Property Tax revenues will increase by 7.7% due to an estimated rise in assessed valuation and general growth.
2. Sales Tax revenues will increase by 10.0% as a result of anticipated growth in the retail base.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

be used at city parks, landscaped medians, and golf courses, thereby reducing local and imported water needs.

**Housing Enforcement Officer.** The Building Department operating budget includes funding for a new Housing Enforcement Officer position. This position will assist in assuring code compliance in the aging residential areas of the City, enhancing safety for those citizens.

**Transportation.** Transportation issues remain at the forefront in our growing community. In the budget, \$3 million of voter approved Measure A funds is being used for major and local pavement rehabilitation of our City streets. Additionally, the City was recently awarded a \$1 million grant from the Riverside County Transportation Commission for Railroad Street pavement rehabilitation. This project, along with the Magnolia Avenue and I-15 Corridor project, will be presented to the City Council during the next fiscal year. Expected is \$6.4 million of federal and \$5.9 million of Regional Western Riverside - Transportation Uniform Mitigation Fee funding support for the Magnolia Avenue and I-15 Freeway Interchange. This project will improve traffic flow in the area.

**Facility Development.** The City celebrated the grand opening of the new City Hall on May 21, 2005. This three story facility provides services for citizens in one location. The previous facility, the Civic Center, will be undergoing painting and facility repairs in anticipation of re-use opportunities.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Office of Finance at 400 South Viencia, Corona, California, 92682, phone 951-279-3500 or e-mail [finance@ci.corona.ca.us](mailto:finance@ci.corona.ca.us).

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2005

3. The 13.4% decrease in Licenses, Fees, and Permits is due to the anticipated reduction and leveling off of permit related activities.
4. Investment Earnings will increase by 11.1% primarily from other interest income and increased interest rates.
5. Intergovernmental Revenues will decrease 21.0% primarily due to one-time reimbursements not anticipated in FY 2005-06.
6. Miscellaneous revenues will increase 16.2% due to an estimated increase in miscellaneous rental/lease income.
7. Payments in lieu of services will increase 10.1%, which represents estimates for cost allocation of overhead charges.
8. Approximately 400 new housing units will be constructed.
9. State subventions will be based on a population of 142,522.

The City of Corona has worked hard to meet these fiscal challenges, reducing ongoing costs to keep the budget aligned. Positions that were previously vacant and unfilled were permanently eliminated in the budget for this fiscal year. This effort, combined with realignment of staff positions resulted in General Fund savings of approximately \$3.7 million, as prepared in the original proposed budget. These General Fund savings allowed the City to address other service needs in the budget process that otherwise would not be funded. In addition, Corona is fortunate to be located in the Inland Empire where economic growth has out-paced the State average for the last year. This growth has helped the City maintain its focus and determination to provide support for our priorities.

**Public Safety.** No sworn public safety positions have been projected to be eliminated with any anticipated budget reductions. The adopted budget includes an additional two Detectives and one Police Officer position. The Fire Department operating budget includes the conversion of six Firefighter Apprentices to full-time regular Firefighter positions. All of the positions will assist the two departments in maintaining their commitment to a low response time to emergency calls.

**Recreational.** The City has continued its commitment of providing parks for its citizens. Clearwater Sports Field was completed in September 2004, Buena Vista Park is scheduled to be completed in July 2005, and Chase Park and Rirapau Park are currently in the construction phase. This adopted budget addresses recurring maintenance issues for these new and upcoming parks. Additional recurring funding to operate and maintain North Main Street Median and Streetscape Project, and the Auburndale Community Center are also addressed.

**Library.** The Corona Public Library continues to provide various programming elements that appeal to the vast and diverse interests of our community. Funding is available for the City to maintain the Library business hours and services in Fiscal Year 2005-06.

**Local Economy.** Over the last several years, office development has been a major commitment for the City. With over 1,500,000 square feet of office space in various stages of development, it will attract and create new jobs within the City of Corona. The Economic Development and Redevelopment programs in this budget remain focused on job creation, improved housing for low and moderate income families, increased retail opportunities, and revitalization of the Downtown Sixth Street area.

**Recycled Water System Project.** The Citywide Recycled Water System, which began last year, is underway with expected completion in September 2005. The system will have three reservoirs, pump stations, and 80 miles of pipeline. This system will allow reclaimed water to

**Government-Wide Financial Statements**

**Statement of Net Assets**  
 Year Ended 2005

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		Parking Authority
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 128,721,677	\$ 33,460,710	\$ 162,182,387	
Accounts Receivable, Net	2,984,822	8,644,478	11,629,300	
Interest Receivable	861,446	665,336	1,526,782	
Due from Other Governments and Agencies	14,049,472	2,061,029	16,110,501	
Leases Receivable	13,935,601	-	13,935,601	
Prepayments and Prepayments	303,729	1,365,479	1,669,208	
Due from the Public	4,841,510	-	4,841,510	
<b>Noncurrent Assets:</b>				
Land and Improvements	12,092,001	23,257,795	35,349,796	
Time Deposits	177,312,776	92,522,207	269,834,983	
<b>Noncurrent Liabilities:</b>				
Internal Debt - Capital Lease	172,428,344	(172,428,344)	-	
Long-Term Payables	3,942,932	207,000,000	210,942,932	
Deferred Payables	-	7,284,417	7,284,417	
<b>Capital Assets:</b>				
Land, mineral rights, infrastructure and GP	279,200,621	117,281,607	396,482,228	
Depreciable buildings, property, equipment and infrastructure, net	285,219,287	254,461,439	539,680,726	
Total Capital Assets	564,419,908	371,743,046	936,162,954	
<b>Total Assets</b>	<b>\$ 812,323,685</b>	<b>\$ 718,449,751</b>	<b>\$ 1,530,773,436</b>	
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	16,511,800	17,771,400	34,283,200	
Claims and Judgments Payable	2,620,334	-	2,620,334	
Deposits	4,941,673	-	4,941,673	
Due to Other Governmental Agencies	6	-	6	
Agreements Payable	2,329,749	-	2,329,749	
Interest Payable	1,988,029	-	1,988,029	
Unearned Revenue	14,912,768	1,059,203	15,971,971	
Comprehensive Annuities Payable	5,743,013	347,202	6,090,215	
Long-Term Debt - Due Within One Year	3,025,045	24,174,332	27,199,377	
Liabilities Payable from Restricted Assets	4,341,060	2,427,462	6,768,522	
Total Current Liabilities	83,189,322	20,679,604	103,868,926	
<b>Noncurrent Liabilities:</b>				
Long-Term Debt - Due in More Than One Year	194,477,928	196,973,614	391,451,542	
Claims and Judgments Payable	1,688,450	-	1,688,450	
Liabilities and Revenue	20,203,200	24,030,205	44,233,405	
Compensated Absence Payable	1,270,863	277,736	1,548,599	
Total Noncurrent Liabilities	197,637,041	197,281,555	394,918,596	
<b>Total Liabilities</b>	<b>\$ 380,826,363</b>	<b>\$ 207,961,159</b>	<b>\$ 588,787,522</b>	
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	495,622,313	31,807,957	527,430,270	
Restricted for				
Capital Projects	198,639	-	198,639	
Debt Service	2,192,228	-	2,192,228	
Special Projects and Programs	2,728,288	674,925	3,403,213	
Total Restricted Net Assets	11,377,229	674,925	12,052,154	
Unrestricted	228,463,879	38,538,879	267,002,758	
<b>Total Net Assets</b>	<b>\$ 711,801,825</b>	<b>\$ 62,024,144</b>	<b>\$ 773,825,969</b>	



See Accompanying Notes to Statements

**Statement of Activities and Changes in Net Assets**  
 Year Ended June 30, 2005

Functions/Programs	EXPENSES	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 11,169,540	\$ 1,129,140	\$ -	\$ 55,072	\$ 1,184,212
Public Safety - Fire	1,212,884	3,197,378	997,256	601,685	4,710,379
Public Safety - Police	32,165,210	2,387,347	1,191,257	19,797,010	4,211,514
Public Works (Male '88)	28,460,528	16,124,587	7,862,795	2,429,751	28,579,183
Redevelopment	13,825,131	107	1,353,113	1,223,089	2,658,660
Parks and Community Services	12,091,432	3,805,492	224,379	4,732,871	10,812,174
Literary	3,111,261	324,561	256,124	209,386	861,071
Interest & Fiscal Charges	10,175,977	-	-	-	-
<b>Total Governmental Activities</b>	<b>125,201,594</b>	<b>29,269,360</b>	<b>12,113,704</b>	<b>9,765,128</b>	<b>51,357,152</b>
<b>Business-Type Activities:</b>					
Water	50,673,601	29,601,229	29,000	11,694,680	42,795,909
Wastewater	16,876,257	13,897,603	6,044,021	19,941,024	19,941,024
Electric	12,895,875	13,657,645	-	-	13,657,645
Tram Services	1,615,008	234,805	1,230,261	25,262	1,490,626
<b>Total Business-Type Activities</b>	<b>82,070,741</b>	<b>53,328,282</b>	<b>1,259,281</b>	<b>17,964,362</b>	<b>75,290,024</b>
<b>Total Primary Government</b>	<b>\$ 207,272,335</b>	<b>\$ 82,597,642</b>	<b>\$ 13,373,085</b>	<b>\$ 27,729,490</b>	<b>\$ 126,662,546</b>
<b>Component Unit:</b>					
Parking Authority	\$ 141,937	-	-	-	\$ 141,937
<b>General Revenues:</b>					
Taxes					
Property Taxes					42,349,908
Rates and Use Tax					34,902,809
Other Taxes					4,688,205
Total Taxes					81,940,922
Grants and Contributions not Restricted to Specific Programs					1,112,056
Payments in Lieu of Services					6,368,347
Investment Earnings					2,222,272
General Revenues					8,452,254
Transfers					(25,229)
<b>Total General Revenues and Transfers</b>					108,468,322
<b>Change in Net Assets</b>					<b>28,371,325</b>
<b>Net Assets - Beginning of Year,</b>					
<b>As Restated (Note 3)</b>					<b>\$ 845,429,461</b>
<b>Net Assets - End of Year</b>					<b>\$ 873,800,786</b>

See Accompanying Notes to Basic Financial Statements

**Statement of Activities and Changes in Net Assets**  
 Year Ended June 30, 2005

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ (10,037,128)	\$ -	\$ (10,037,128)	\$ (143,637)
Public Safety - Fire	(11,657,754)	-	(11,657,754)	-
Public Safety - Police	(27,128,753)	-	(27,128,753)	-
Public Works (Male '88)	1,127,654	-	1,127,654	-
Redevelopment	(11,268,462)	-	(11,268,462)	-
Parks and Community Services	(1,759,258)	-	(1,759,258)	-
Literary	(2,341,209)	-	(2,341,209)	-
Interest & Fiscal Charges	(10,175,977)	-	(10,175,977)	-
<b>Total Governmental Activities</b>	<b>(74,114,741)</b>	<b>-</b>	<b>(74,114,741)</b>	<b>(143,637)</b>
<b>Business-Type Activities:</b>				
Water	4,692,300	4,692,300	9,384,600	-
Wastewater	2,056,287	2,056,287	4,112,574	-
Electric	212,169	212,169	424,338	-
Tram Services	(124,374)	(124,374)	-	-
<b>Total Business-Type Activities</b>	<b>7,845,490</b>	<b>7,845,490</b>	<b>15,690,980</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(66,269,251)</b>	<b>7,845,490</b>	<b>(58,423,761)</b>	<b>(143,637)</b>
<b>Component Unit:</b>				
Parking Authority	-	-	-	141,937
<b>General Revenues:</b>				
Taxes				
Property Taxes				42,349,908
Rates and Use Tax				34,902,809
Other Taxes				4,688,205
Total Taxes				81,940,922
Grants and Contributions not Restricted to Specific Programs				1,112,056
Payments in Lieu of Services				6,368,347
Investment Earnings				2,222,272
General Revenues				8,452,254
Transfers				(25,229)
<b>Total General Revenues and Transfers</b>				108,468,322
<b>Change in Net Assets</b>				<b>(58,423,761)</b>
<b>Net Assets - Beginning of Year,</b>				
<b>As Restated (Note 3)</b>				<b>\$ 845,429,461</b>
<b>Net Assets - End of Year</b>				<b>\$ 787,005,700</b>





**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	General Fund	Development Special Revenue	Redevelopment Special Revenue
<b>Assets:</b>			
Cash and Investments	\$ 38,578,961	\$ 23,441,235	\$ 3,758,613
Accounts Receivable, Net	2,125,247		
Inventory Receivable	246,051	151,210	23,662
Due from Other Governmental Agencies	11,050,567		
Due from Other Funds	657,934		
Long-term Receivable	287,352	2,092,801	
Interfund Advances Receivable	7,488,015		
Long-term Capital Lease Receivable	172,628,344		
Loans Receivable			11,885,429
Investments and Prepayments	214,096		
Land Held for Resale			3,490,437
Restricted Assets:			
Cash and Investments	402,269		
<b>Total Assets</b>	<b>\$ 233,484,106</b>	<b>\$ 26,942,406</b>	<b>\$ 19,138,141</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 6,648,018	\$ 829,355	\$ 37,160
Deposits	6,895,504		
Claims and Judgments	148,030		
Long-Term Obligations			
Due to Other Governmental Agencies			
Due to Other Funds			
Agreements Payable		2,059,851	11,835,493
Deferred Revenues	174,892,667		
Unearned Revenues			
Compensated Absences Payable			
Interfund Advances Payable			2,784,750
Liabilities Payable from Restricted Assets	402,269		
<b>Total Liabilities</b>	<b>182,205,518</b>	<b>2,872,184</b>	<b>14,557,343</b>
<b>Fund Balances:</b>			
<b>Proprietary:</b>			
Entitlements	1,940,890	1,006,463	21,115
Loans Receivable	930,587		347,936
Investments & Prepayments	214,096		
Debt Service	3,882,336		
Land Held for Resale			3,490,437
Low and Moderate Income Housing			
Interfund Advances	7,488,015	22,162,729	805,269
Specific Project and Programs			
Unassigned, reported as:			
General Fund	31,748,096		
Special Revenue Funds			
<b>Total Fund Balances</b>	<b>45,284,728</b>	<b>23,129,212</b>	<b>4,777,758</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 233,436,105</b>	<b>\$ 26,942,406</b>	<b>\$ 19,135,141</b>

See Accompanying Notes to Basic Financial Statements

Redevelopment Debt Service	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 8,840,429	\$ 12,761,937	\$ 19,349,663	\$ 104,658,426
44,914	80,958	592,203	2,641,469
222,911		231,228	778,148
		2,785,145	11,248,078
		1,503	899,197
		3,295,000	9,842,793
			7,488,016
	1,296,726	779,746	15,883,601
	1,444,706		214,086
			4,844,142
1,441,967		10,841,555	12,985,251
<b>\$ 6,282,721</b>	<b>\$ 16,584,332</b>	<b>\$ 37,770,692</b>	<b>\$ 640,359,779</b>
\$ 16,320	\$ 53,324	\$ 2,116,663	\$ 9,667,160
		4,218	8,329,673
			149,620
4		560,107	4
	2,325,740		2,259,748
		3,745,125	189,676,136
	600,000	778,746	1,278,746
4,348,296		356,200	7,488,016
		3,639,720	1,241,589
<b>4,354,592</b>	<b>2,878,072</b>	<b>11,296,020</b>	<b>224,015,569</b>
		155,620	3,870,458
		759,728	1,675,319
3,928,151		7,582,761	214,096
	1,444,706		18,273,277
			4,844,142
			-
	16,308,319	18,310,227	7,488,016
			51,751,539
		(819,465)	31,748,096
			1619,485
<b>3,928,151</b>	<b>17,768,256</b>	<b>26,479,883</b>	<b>116,745,190</b>
<b>\$ 8,292,721</b>	<b>\$ 18,864,352</b>	<b>\$ 37,770,653</b>	<b>\$ 340,359,779</b>

**Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets June 30, 2005**

<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 118,345,180</b>
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	528,417,353
Deferred revenues reported in Governmental Funds Balance Sheet includes loans receivable, capital lease and franchise fees. The balance was deferred because funds were not available to pay for current period expenditures.	178,802,268
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(1,684,968)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets.	9,321,978
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	
Compensated Absences	(7,014,521)
Long-term Debt	(110,405,874)
<b>Net Assets of Governmental Activities</b>	<b>\$ 711,801,326</b>

See Accompanying Notes to Basic Financial Statements



**Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2005**

	General Fund	Development/ Special Revenue	Redevelopment Special Revenue
<b>Revenues:</b>			
Property Taxes	\$ 25,940,935	\$ -	\$ -
Other Taxes	40,315,210	-	-
Licenses, Fees and Permits	2,897,798	7,269,621	-
Fines and Penalties	328,970	-	-
Special Assessments	-	-	-
Investment Earnings	1,164,068	416,867	45,190
Intergovernmental Revenues	1,901,506	-	-
Utility Services	9,337,723	-	21,720
Payments in Lieu of Services	8,330,375	635,200	-
Grants and Donations	-	-	-
Miscellaneous Revenues	4,058,068	32,384	658,058
<b>Total Revenues</b>	<b>68,888,445</b>	<b>8,484,482</b>	<b>724,559</b>
<b>Expenditures:</b>			
Current:			
General Government	17,249,259	1,923,225	-
Public Safety - Fire	12,825,449	125,033	-
Public Safety - Police	33,413,532	9,089	-
Public Works	7,485,400	479,288	-
Parks and Community Services	5,857,255	159,871	-
Recreation	-	-	3,160,828
Library	2,810,210	337,172	-
Capital Outlay	5,750,115	2,827,287	160,000
Debt Service	-	-	-
Personal Retirement	1,352,780	540,060	-
Interest and Fiscal Charges	1,082,515	360,485	121,520
<b>Total Expenditures</b>	<b>84,975,622</b>	<b>5,874,513</b>	<b>3,382,769</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>816,783</b>	<b>2,614,969</b>	<b>(2,661,209)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Long-Term Obligations	-	-	1,300,824
Principal Retirement	-	-	-
Bond Premium	-	-	-
Transfers In	4,627,828	884,978	3,152,486
Transfers Out	(2,123,209)	(1,108,887)	(652,011)
<b>Total Other Financing Sources (Uses)</b>	<b>2,504,619</b>	<b>(483,909)</b>	<b>3,798,299</b>
<b>Net Change in Fund Balances</b>	<b>3,420,329</b>	<b>2,081,060</b>	<b>1,136,527</b>
<b>Fund Balance - Beginning of Year, As Restated (Note 3d)</b>	<b>41,888,438</b>	<b>21,078,152</b>	<b>3,638,789</b>
<b>Fund Balances - End of Year</b>	<b>\$ 45,288,785</b>	<b>\$ 23,170,212</b>	<b>\$ 4,777,796</b>

See Accompanying Notes to Basic Financial Statements

Redevelopment Debt Service	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 15,643,754	\$ -	\$ 785,221	\$ 42,348,910
-	-	773,529	40,815,211
-	-	879,029	18,071,745
-	-	5,923,681	1,808,004
225,876	179,851	765,173	9,923,091
-	-	10,025,787	2,775,118
-	-	5,159,183	11,927,285
-	-	74,829	15,918,879
-	-	133,535	9,125,515
2,358,201	440,287	-	74,829
18,267,890	620,138	26,436,770	180,481,714
-	-	3,504	12,407,239
-	-	539,518	17,947,422
4,483,083	605	13,216,548	36,816,820
-	-	3,244,589	21,272,214
-	-	484,544	16,443,214
-	-	111,179	9,112,135
-	294,348	9,628,649	3,288,099
-	-	-	16,846,407
1,240,000	-	1,499,817	4,723,507
5,718,023	-	2,213,219	12,459,822
12,422,076	2,166,076	31,536,229	155,425,313
5,638,754	(1,544,888)	(9,037,439)	58,400
36,910,000	-	-	36,210,354
(58,248,040)	-	-	(58,248,040)
759,896	-	-	786,636
697,017	5,000,000	2,191,508	10,343,821
(9,132,459)	-	(4,033,359)	(15,141,030)
(8,000,757)	5,000,000	(1,947,300)	981,356
(2,166,000)	3,455,112	(6,885,289)	1,064,756
8,093,134	9,229,168	33,045,252	115,229,434
\$ 3,828,131	\$ 12,700,289	\$ 26,475,993	\$ 119,345,180

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets Year Ended June 30, 2005**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,054,760</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	28,352,093
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(6,002,816)
Some revenues will not be collected for several months after the City's fiscal year end, they are not considered available revenues and are listed in the governmental funds deferred revenues section of the City's 2005 amounts this year:	
Franchise Fees	516,922
Current Services	770,900
Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds. This amount represents the change from the prior year.	66,819
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets. This amount represents bond proceeds.	(36,210,854)
The amount represents long-term debt repayments.	47,936,597
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from the prior year:	327,560
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities.	1,204,483
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 28,371,626</b>

See Accompanying Notes to Basic Financial Statements.

**Proprietary Fund Financial Statements**

**Water Fund** - This fund is used to account for the operation of the City's water utility, a self supporting activity which renders services on a user charge basis to residents and businesses located in the City.

**Wastewater Fund** - This fund is used to account for the operation of the City's Wastewater System on a user charge basis to residents and businesses located in the City.

**Electric Fund** - This fund is used to account for the operation of the City's electric utility, a self supporting activity which renders services on a user charge basis to businesses located in the City.

**Transit Services Fund** - This fund is used to account for the operations of the City's transportation system for a fixed route and demand response service (Corona Cruiser and Dial-A-Ride) which, along with farebox revenues, receives grants from the Transportation Development Act (TDA).

**Internal Service Funds** - This fund is used to provide goods and services by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

**Nonmajor Other Funds - Public Financing Authority Fund** - This fund is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations of the component unit.

**Public Improvement Corporation Fund** - This fund is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations of the component unit.

**Statement of Net Assets  
Proprietary Funds  
June 30, 2005**

	Corona Utility Authority		
	Water	Wastewater	Electric
<b>Assets:</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 19,166,325	\$ 26,463,270	\$ 7,704,584
Accounts Receivable, Net	5,735,136	1,425,879	1,476,519
Interest Receivable	316,646	182,743	45,356
Due from Other Governmental Agencies	2,615,862	1,363	
Inventories and Prepayments	566,439	3,384	25,000
<b>Restricted Assets:</b>			
Cash and Investments	1,810,824		15,165,716
<b>Total Current Assets</b>	<b>26,911,662</b>	<b>28,132,048</b>	<b>24,422,375</b>
<b>Noncurrent Assets</b>			
Intergovernmental Receivable	473,575		6,113,583
Long-term Receivable	29,009,060		
Intangible Assets			664,417
<b>Capital Assets:</b>			
Land, wastewater rights & construction in progress	49,219,120	4,370,786	63,653,578
Depreciable buildings, property, equipment and infrastructure, net	136,633,600	77,253,716	960,382
<b>Total Noncurrent Assets</b>	<b>165,931,604</b>	<b>81,624,502</b>	<b>71,224,325</b>
<b>Total Assets</b>	<b>232,843,266</b>	<b>109,756,550</b>	<b>95,646,700</b>
<b>Liabilities:</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	7,313,595	1,227,506	3,323,706
Claims and Judgments Payable			594,678
Deferred Revenues	1,269,210		1,659,268
Compensated Absences Payable	587,046	801,554	51,103
Long-term Debt - Due Within One Year	1,963,236	1,326,449	2,413,885
Liabilities Payable from Restricted Assets	1,610,628		516,279
<b>Total Current Liabilities</b>	<b>11,863,381</b>	<b>2,049,511</b>	<b>4,920,627</b>
<b>Noncurrent Liabilities</b>			
Intergovernmental Payable	26,066,060		6,687,826
Deferred Revenues	255,776		29,000,000
Compensated Absences Payable	164,176,181	86,927,347	89,855,000
Long-term Debt - Due More Than One Year			272,738
Claims and Judgments Payable			349,559,126
<b>Total Noncurrent Liabilities</b>	<b>164,432,347</b>	<b>86,927,347</b>	<b>89,855,000</b>
<b>Total Liabilities</b>	<b>176,295,728</b>	<b>89,076,858</b>	<b>94,775,627</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	19,572,712		1,671,669
Restricted	19,338,405	19,627,591	64,602
Unrestricted			77,908,431
<b>Total Net Assets</b>	<b>\$ 38,911,117</b>	<b>\$ 19,655,191</b>	<b>\$ 1,744,662</b>

See Accompanying Notes to Basic Financial Statements.

	Transit Services	Nonmajor Other	Totals	Governmental Activities Internal Service Funds
	\$ 60,022	\$ -	\$ 53,493,792	\$ 23,638,049
	7,344	164,046	6,674,675	23,376
	228,190		622,235	150,289
			2,745,022	
			564,645	149,614
	<b>300,076</b>	<b>7,166,319</b>	<b>24,233,725</b>	<b>23,679,327</b>
	<b>504,277</b>	<b>7,260,365</b>	<b>50,385,517</b>	<b>23,679,327</b>
			6,587,625	
			23,000,000	
			272,738	
			349,559,126	
	<b>1,132,368</b>	<b>-</b>	<b>314,372,853</b>	<b>11,933,439</b>
	<b>1,132,472</b>	<b>-</b>	<b>319,377,402</b>	<b>11,933,439</b>
	<b>1,839,746</b>	<b>7,260,365</b>	<b>449,712,916</b>	<b>23,679,327</b>
			6,687,826	
			29,000,000	
			89,855,000	
			272,738	
			349,559,126	
	<b>16,863</b>	<b>6,597,025</b>	<b>327,656,592</b>	<b>11,933,439</b>
	<b>822,077</b>	<b>6,887,025</b>	<b>387,678,278</b>	<b>14,857,349</b>
			21,536,957	
			673,250	
	<b>85,736</b>	<b>132,043</b>	<b>36,623,301</b>	<b>6,321,978</b>
	<b>\$ 1,273,672</b>	<b>\$ 672,540</b>	<b>\$ 62,024,144</b>	<b>\$ 6,321,978</b>

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2005**

	Corona Utility Authority	
	Water	Wastewater
<b>Operating Revenues:</b>		
Utility Service Charges	\$ 26,774,710	\$ 12,378,761
Intergovernmental Revenues		
Fees and Permits	1,031,009	36,676
Fines and Penalties	687,665	2,602
Other Revenues	587,891	475,000
<b>Total Operating Revenues</b>	<b>29,061,220</b>	<b>13,891,039</b>
<b>Operating Expenses:</b>		
Personnel Services	8,775,007	5,075,488
Contractual	2,574,745	731,323
Materials and Supplies	13,205,169	4,021,117
Utilities	4,821,120	2,197,756
Depreciation	4,066,912	2,464,877
Claims Expense		
<b>Total Operating Expenses</b>	<b>33,356,021</b>	<b>14,991,070</b>
Operating Income (Loss)	(4,294,801)	(1,099,467)
<b>Non-Operating Revenues (Expenses):</b>		
Miscellaneous Income	240,386	493,849
Investment Earnings		
Interest Expense	(2,713,569)	(1,274,355)
<b>Total Non-Operating Revenues</b>	<b>(2,473,183)</b>	<b>(780,506)</b>
Income (Loss) before Contributions and Transfers	(6,767,984)	(1,891,912)
Operating Grants and Contributions	20,000	
Capital Grants and Contributions	11,684,669	6,044,621
Transfers In	3,874,831	3,648,462
Transfers Out	(3,285,231)	(3,771,733)
<b>Change in Net Assets</b>	<b>5,220,664</b>	<b>3,945,748</b>
<b>Total Net Assets - Beginning of Year, As Restated (Note 34)</b>	<b>33,791,624</b>	<b>15,316,143</b>
<b>Total Net Assets - End of Year</b>	<b>\$ 39,012,288</b>	<b>\$ 19,261,891</b>

See Accompanying Notes to Basic Financial Statements

	Electric	Transit Services	Nonmajor Other	Totals	Governmental
					Activities Internal Service Funds
	\$ 12,623,110	\$ -	\$ 14,847	\$ 62,276,096	\$ -
	3,483			14,847	
	20,759			1,071,214	
	440,405	218,846		700,343	10,048,711
	13,067,845	254,695		56,281,351	13,048,711
	1,541,737	158,577		16,300,309	1,247,854
	3,318,621	1,117,607		5,749,254	672,988
	1,898,154	43,187		10,467,947	2,117,377
	105,820	164,996		15,217,464	676,399
					4,263,390
	12,623,587	1,916,020		62,507,959	6,650,657
	440,978	(1,380,307)		(8,218,563)	597,844
	482,406			442,406	
	293,107	8,763	284,126	1,294,758	438,883
	(231,569)		(310,000)	(4,832,655)	
	604,815	0,783	(226,982)	(5,081,823)	438,686
	548,568	(1,375,544)	(226,852)	(5,387,803)	1,438,633
		1,230,281		1,230,281	
		28,652		17,754,362	
	11,139,131		3,434	13,362,546	1,844,500
	(11,277,887)	(8,439)		(18,330,325)	(2,075,553)
	814,882	(121,110)	(223,245)	9,645,946	1,204,483
	448,561	1,369,182	885,783	52,398,188	8,117,455
	\$ 1,261,823	\$ 1,278,972	\$ 872,549	\$ 62,554,141	\$ 10,321,978

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2005**

	Corona Utility Authority		
	Water	Wastewater	Electric
<b>Cash Flow from Operating Activities:</b>			
Cash Received (Paid) from Customers/Other Funds	\$ 26,419,283	\$ 13,814,029	\$ 14,843,114
Cash Payments to Suppliers of Goods and Services	(18,645,834)	(7,400,324)	(15,165,136)
Cash Payments to Employees for Services	(6,170,581)	(5,033,249)	(1,340,697)
Cash Received (Paid) for Current Claims			
Increase (Decrease) in Long-term Claims			
Other Receipts			441,297
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(338,342)</b>	<b>1,687,462</b>	<b>(1,272,356)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants and Contributions	20,000		
Internal Activity - Proceeds from Interfund Loans	5,370,503	1,339,342	539,876
Internal Activity - Payments to Interfund Loans		(828,832)	(5,831,817)
Transfers Received	3,874,831	3,648,462	11,139,131
Transfers Paid	(3,285,231)	(3,771,733)	(11,277,887)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>5,374,665</b>	<b>440,399</b>	<b>(6,432,038)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital Grants and Contributions	8,736,693	2,845,581	
Acquisition and Contribution to Capital Assets	(20,985,405)	(1,839,360)	(21,559,494)
Retirement of Long-term Debt - Payments	(922,503)	(1,260,933)	
Proceeds from Capital Debt	10,415,069		29,592,405
Interest payments of Long-term debt	(2,713,569)	(1,274,365)	(231,859)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(3,949,992)</b>	<b>(1,657,243)</b>	<b>7,726,222</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Sample Asset			(684,417)
Interest on Investments	179,134	535,696	241,604
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>179,134</b>	<b>535,696</b>	<b>(442,813)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,167,265</b>	<b>346,304</b>	<b>723,017</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>19,399,744</b>	<b>26,199,345</b>	<b>22,148,263</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 21,567,009</b>	<b>\$ 26,545,649</b>	<b>\$ 22,871,280</b>

See Accompanying Notes to Basic Financial Statements

	Transit Services	Nonmajor Other	Totals	Governmental
				Activities Internal Service Funds
	\$ 271,988	\$ -	\$ 65,046,310	\$ 9,854,303
	(1,410,773)		(42,832,289)	(2,089,407)
	(111,003)		(15,216,350)	(1,789,276)
				4,132,534
	46,244		465,541	194,052
	(1,211,644)		(1,718,786)	3,155,820
	1,230,281		1,230,281	
			6,798,987	
		(316,310)	(8,798,986)	
		3,434	13,362,546	1,844,500
	(8,439)		(18,330,325)	(2,075,553)
	1,230,732	(335,078)	1,218,502	(332,058)
	28,652		11,211,709	
	(28,652)		(2,191,473)	
				(2,191,473)
				42,517,593
		(510,822)	(4,832,655)	
		618,870	2,472,785	
	7,517	277,843	1,230,800	467,601
	7,517	277,843	855,408	487,600
	16,758	(597,930)	2,688,361	3,391,679
	949,848	7,724,242	74,093,464	20,254,379
	\$ 265,566	\$ 7,155,313	\$ 77,697,445	\$ 23,058,042

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2005**

	Corona Utility Authority		
	Water	Wastewater	Electric
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) by Operating Activities:</b>			
Operating Income (Loss)	\$ (4,256,091)	\$ (1,893,467)	\$ 443,978
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,080,812	2,464,877	103,629
Inventories adjustments	157,405	1,862	
Write off of Capital Assets	3,411	(1)	
Changes in Assets and Liabilities:			
Accounts Receivable	(1,139,655)	(335,531)	2,246,508
Due from Other Governmental Agencies	(1,505,882)	1,952	
Inventories and Prepayments	113,680	32,724	30,968
Accounts Payable and Accrued Liabilities	2,134,852	(50,434)	(4,024,365)
Claims and Judgments Payable			
Deferred Revenues	(2,220)		
Compensated Absences Payable	65,416	28,339	1,130
Net Cash Provided by (Used for) Operating Activities	\$ (130,342)	\$ (1,652,432)	\$ (1,202,354)
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Contributions of capital assets from developers	\$ 2,914,739	\$ 3,199,150	

See Accompanying Notes to These Financial Statements



Transit Services	Nonmajor Other	Totals	Governmental Activities
			Internal Service Fund
\$ (1,380,707)	\$ -	\$ (6,326,557)	\$ 967,844
154,365		8,016,783	
		156,457	
		3,410	
(5,523)		688,057	(250)
87,263		(1,470,692)	(16,038)
		247,312	6,308
(381)		(1,821,348)	2,167,302
(194,320)		(119,695)	
24,674		117,459	
\$ (1,214,344)	\$ -	\$ (3,718,788)	\$ 3,155,020

**Fiduciary Fund Financial Statements**

**Parking Authority Trust Fund** - This fund is used to account for collections from PSIA (Parking and Business Improvement Area) remitted to the Parking Authority to pay for parking lot maintenance.

**Assessment Districts and Community Facilities Projects Fund** - This fund is used to account for receipts of special assessments and taxes that will be used to pay principal and interest on the bonds.

**CNUSD Trust Fund** - This fund is used to account for the portion of Redevelopment property tax increment that is allocated for the Corona Norco Unified School District per Redevelopment agreements.



**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	Agency Funds
<b>Assets:</b>	
Cash and Investments	\$ 1,895,056
Accounts Receivable, Net	
Interest Receivable	297,772
Due from Other Governmental Agencies	559,542
Restricted Assets	
Cash and Investments	91,503,057
<b>Total Assets</b>	<b>\$ 14,603,807</b>
<b>Liabilities:</b>	
Accounts Payable and Accrued Liabilities	\$ 11,204
Deposits	670,215
Due to Other Governmental Agencies	195,618
Liabilities Payable from Restricted Assets	5,808
Due to Beneficiaries	33,719,301
<b>Total Liabilities</b>	<b>\$ 39,660,867</b>

See Accompanying Notes to Basic Financial Statements



**CITY OF CORONA**  
Index to Notes to the Basic Financial Statements  
Year Ended June 30, 2005

Note	Page No.
1. Summary of Significant Accounting Policies.....	47
2. Cash and Investments .....	55
3. Interfund Transactions .....	80
4. Risk Management .....	64
5. Long-Term Receivable/Deferred Revenues .....	65
6. Capital Assets .....	66
7. Compensated Absences .....	68
8. Agreements Payable .....	69
9. Long-term Obligations .....	69
10. Loans Payable .....	69
11. Long Term Agreement Payable .....	69
12. Lease Payable .....	70
13. General Obligation Bonds .....	70
14. Redevelopment Tax Allocation Bonds.....	71
15. Lease Revenue Bonds.....	73
16. Special Assessment District Bonds (Indirect City Liability) .....	74
17. Instalment Agreement Payable .....	75
18. Contracts Payable.....	76
19. Term Loans Payable .....	76
20. Long-Term Instalment Payable .....	77
21. Certificates of Participation .....	77
22. Internal Balances – Capital Leases .....	80
23. Special Assessment District Bonds (No City Liability) .....	82
24. Community Facilities District Bonds (No City Liability) .....	82

**CITY OF CORONA**

Index to Notes to the Basic Financial Statements  
Year Ended June 30, 2005

Note	Page No.
25. Bond Requirements	83
26. Credit Agreements	83
27. Classification of Net Assets	84
28. Deficit Fund Balances	85
29. Defined Benefit Pension Plan	86
30. Pension Plan (Defined Contribution)	88
31. Post-employment Health Care Benefits	88
32. Commitments and Contingencies	89
33. Conduit Debt Obligations	89
34. Prior Period Adjustments	90
35. Subsequent Event	91
36. Net Revenue and Changes in Net Assets	92

**CITY OF CORONA**

Notes to the Basic Financial Statements (continued)  
June 30, 2005

Governmental Activities in the financial statements. Funds related to debt issued for proprietary activities are included in the Business-type Activities.

The **Corona Utility Authority** is a joint powers authority which was established on February 6, 2002 pursuant to a Joint Exercise of Powers Agreement between the City of Corona and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council. The funds of the Utility Authority have been included in the Business-type Activities in the financial statements.

**Discretely Presented Component Units**

The **Corona Parking Authority** was established on April 4, 1986, pursuant to the provisions of the Parking and Business Improvement Area Law of 1965 for the purpose of establishing a parking and business improvement area in the downtown shopping district. The Parking Authority is a discretely presented component unit in the financial statements. The City adopted a resolution on February 18, 2006 to disestablish the Parking and Business Improvement Area effective May 7, 2005. The disestablishment was due to the establishment of the Corona Mall Business Improvement District (BID) on December 14, 2004, pursuant to the Streets and Highway Codes section 36060.

**B. Basis of Accounting/Measurement Focus**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government - Wide Financial Statements**

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances

**CITY OF CORONA**

Notes to the Basic Financial Statements  
June 30, 2005

**1) Summary of Significant Accounting Policies**

**A. Description of the Reporting Entity**

The City of Corona was incorporated in 1896 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: Public Safety (Police and Fire), Streets and Highways, Water, Wastewater, Electric, Public Library, Parks, Public Improvements, Planning and Zoning, Public Transportation (Transit Services) and General Administrative Services.

The accompanying comprehensive annual financial report includes the financial activities of the City of Corona, the primary government, and its component units, which are the Redevelopment Agency of the City of Corona, the Corona Public Financing Authority, the Corona Public Improvement Corporation, the Corona Parking Authority and the Corona Utility Authority. Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the Agency, the Authorities and the Corporation and, as such, these entities are presented on a blended basis. The City Council members appoint the governing board of the Parking Authority, therefore it is discretely presented. Separate financial statements are produced for the component units of the City and may be obtained from the City's Finance Administration office.

**Blended Component Units**

The **Redevelopment Agency of the City of Corona** was established August 5, 1964, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law" and on November 11, 1975, the City Council became the governing board. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City. City staff provides management assistance to the Agency. The funds of the Agency have been included in the Governmental Activities in the financial statements.

The **Corona Public Financing Authority** is a joint powers authority organized under Section 6500 et seq. of the California Government Code on June 21, 1989, between the City and the Agency for the purpose of acting as a vehicle for various financing activities of the City and the Agency. The Authority's Board of Directors is the Corona City Council. The funds of the Authority have been included in the Governmental Activities in the financial statements. Funds related to debt issued for proprietary activities are included in the Business-type Activities.

The **Corona Public Improvement Corporation** was organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code) on April 7, 1986 for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation's Board of Trustees is the Corona City Council. The funds of the Corporation have been included in the

**CITY OF CORONA**

Notes to the Basic Financial Statements (continued)  
June 30, 2005

between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

The City of Corona reports the following major governmental funds:

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Development fund is used to account for park dedication fees, dwelling development fees and other development impact fees received. The money is used to offset the burden resulting from new developments.

The Redevelopment Special Revenue fund is used to account for the Redevelopment Agency's low-mod housing activities.

The Redevelopment Debt Service fund accounts for tax increment revenue and other miscellaneous revenue as well as payments of principal and interest on Redevelopment Agency debt.

The Redevelopment Capital Projects fund accounts for transactions related to proceeds from bonds and other resources and their use to perform redevelopment related activities within specific redevelopment project areas.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available

to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due; however, the City has adopted a 12 month recognition period for Sales Tax and Grant revenues. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**Proprietary Fund Financial Statements**

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

The City of Corona reports the following major proprietary fund types:

The Corona Utility Authority funds account for the operation of the water and wastewater systems. The two utilities are owned by the Corona Utility Authority, a blended component unit of the City. The City operates both the water and wastewater systems pursuant to separate management agreements.

The Electric fund is used to account for the operation of the City's electric utility system, a self supporting activity which renders services on a user charge basis to businesses located in the City.

The Transit Services fund accounts for the operations of the City's transportation system for a fixed route and demand response service (Corona Cruiser and Dial-A-Ride) which, along with fare box revenues, receives grants from the Transportation Development Act (TDA).

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Fiduciary Fund Financial Statements**

Fiduciary Fund Financial Statements include a Statement of Net Assets and Combining Statement of Changes in Assets and Liabilities. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities)

**D. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

**E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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 expendable available financial resources.

Proprietary fund receivables are shown net of an allowance for uncollectible accounts. Utility customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

Property taxes are assessed, collected and allocated by Riverside County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1st installment, February 1, 2nd installment
Delinquent Dates	December 11, 1st installment, April 11, 2nd installment

The City accrues as receivable all property taxes received during the first ninety (90) days of the new fiscal year. Taxes are considered paid due on the above delinquent dates, at which time the applicable property is subject to lien, and penalties and interest are assessed.

The County of Riverside collects an administration fee from the City and the Redevelopment Agency for its services. The City receives a percentage of the basic 1% ad valorem tax rate allowed on property within the City of Corona. Property tax rates for the City's general obligation debt are set by the City Council based on assessed valuations and debt service requirements. The assessed valuation is at "full cash value."

**G. Inventories, Prepaid Items and Land Held for Resale**

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The

and do not involve measurement of results of operations. The Agency funds are accounted for on the accrual basis of accounting.

**Fiduciary funds account for:**

1. Resources legally held in trust for the Corona-Norco Unified School District pursuant to a tax-sharing agreement with the Redevelopment Agency.
2. Receipt of special taxes and assessments used to pay principal and interest on related bonds with no direct City liability, as well as receipt and disbursement of capital project bond proceeds related to bonds that the City has no direct liability.
3. Collections from the Parking and Business Improvement Area (PBIA) remitted to the Parking Authority to pay for parking lot maintenance.

Additionally, the City reports the following funds:

Internal service funds account for risk management and fleet and equipment management services provided to other departments or agencies of the City on a cost reimbursement basis.

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**C. Cash, Cash Equivalents and Investments**

**1. Cash Management**

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

**2. Investments Valuation**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**3. State Investment Pool**

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Note and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Note and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

cost is recorded as an expense as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Land held for resale is valued at the lower of cost or estimated net realizable value and is recorded in the capital project funds.

**H. Use of Restricted/Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

**I. Capital Assets**

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. The City has chosen the Modified Approach for reporting the streets subsystem of infrastructure capital assets. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	20-60 years
Improvements	20-60 years
Equipment	5-60 years
Infrastructure	25-65 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2004-05 Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system, water purification and distribution system, sewer collection and treatment system, park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its streets, concrete and asphalt pavements. The City commissioned a physical assessment of the streets condition in April 2005. This condition assessment will be performed every 3 years. Each homogeneous segment of City owned street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street. The following conditions were defined: excellent condition is assigned to segments with a scale rating between 86 and 100, very good condition is assigned to segments with a scale rating between 71 and 85, good condition is assigned to segments with a rating between 56 and 70, fair condition is assigned to segments with a rating



between 41 and 55, poor condition is assigned to segments with a scale rating between 26 and 40, very poor segments have a range of 11 to 25 and failed condition is assigned to segments with a scale rating between 0 and 10. The City's policy relative to maintaining the street assets is to achieve an average rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 1999 and has completed an inferral update for June 30, 2005. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

**J. Risk Management**

The City administers self-insurance programs for workers' compensation and liability losses. These self-funding activities are accounted for in Internal Service Funds. Excess insurance is purchased to protect the City from losses above the self-insured retention. An independent firm performed an actuarial valuation study for June 30, 2004 for the Workers' Compensation and June 30, 2003 for the Liability Risk Insurance Funds. At no time during the past five years have insurance claims exceeded insurance coverage.

**K. Compensated Absences Payable**

Under certain circumstances and according to negotiated labor agreements, employees of the City are allowed to accumulate annual leave. This amount is accrued in the government-wide and proprietary fund statements.

**L. Short-Term Debt**

The City has no short term debt transactions to report for the fiscal year.

**M. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as costs of issuance, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- Banker's Acceptances
- Non-negotiable certificates of deposit
- Repurchase Agreements
- California Local Agency Investment Fund (State Pool)
- Corporate medium-term notes
- Mortgage-backed securities
- Diversified Management Companies, as defined by Section 23701(m) of the Revenue Taxation Code

in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income in all funds and component units:

Realized gain/loss on matured investments	\$ -
Unrealized loss in changes in fair value of investments	(1,251,167)
Interest Income	5,754,712
Total investment income	<u>\$ 4,503,545</u>

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen.

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

**N. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**O. Implementation of New GASB Pronouncements**

In 2005, the City implemented new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 47, Accounting for Termination Benefits

**2) Cash and Investments**

The City of Corona maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The City apportions interest earnings to all funds based on their monthly cash balances.

**A. Cash Deposits**

The carrying amounts of the City's cash deposits were \$6,367,859 at June 30, 2005. Bank balances before reconciling items were \$9,697,447 at that date, the total amount of which was collateralized or insured with securities held by pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of the pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments were authorized:

- Securities issued by the U.S. Treasury
- Securities issued and fully guaranteed as to payment by an agency of the U.S. Government

**C. Summary of Cash and Investments**

The following is a summary of pooled cash and investments at June 30, 2005:

	Government-Wide Statement of Net Assets			Fiduciary Fund Financial Statements	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 126,324,877	\$ 53,453,710	\$ 181,778,587	\$ 1,983,056	\$ 183,841,623
Restricted Cash and Investments	\$ 12,985,291	\$ 24,233,735	\$ 36,919,125	\$ 31,903,057	\$ 68,822,183
<b>Total Cash and Investments</b>					<b>\$ 252,763,808</b>

At June 30, 2005, the City had the following deposits and investments:

	Credit Quality Ratings*	Fair Value
<b>City Treasury:</b>		
Deposits	Not Rated	\$ 8,367,669
Total Deposits		8,367,669
<b>Investments:</b>		
Medium Term Notes	AAA	2,043,340
Medium Term Notes	AA-	1,005,530
Medium Term Notes	A+	1,016,450
Medium Term Notes	A	-
Total Medium Term Notes		4,065,360
Local Agency Investment Funds	Not Rated	72,116,079
Securities of U.S. Government Agencies		182,425
FFCB	AAA	19,857,230
FHLB	AAA	40,840,265
FHLMC	AAA	13,418,365
FNMA	AAA	14,360,670
SLMA	AAA	1,010,310
U.S. Treasury	Not Rated	10,823,260
Total Securities of U.S. Government Agencies		100,910,100
Local Agency Investment Funds	Not Rated	72,116,079
Total Investments		177,273,984
Total City Treasury		183,941,623
<b>Restricted Cash and Investments:</b>		
Cash & Investments with Fiscal Agents	Not Rated	63,215,354
PUC Public Purpose	Not Rated	104,762
Grant Funds	Not Rated	766,022
Retention & Escrow Accounts	Not Rated	4,737,045
Total restricted cash and investments		68,822,183
<b>Total cash and investments</b>		<b>\$ 252,463,806</b>

\* The City's credit ratings at June 30, 2005 were as follows:  
-Standard & Poor's A+  
-Moody's Investor Service A1

**E. Investments in Local Agency Investment Funds**

The City's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2005, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

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

**Asset-Backed Securities**, the bulk of which are mortgage-backed securities, enable 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.

As of June 30, 2005, the City had \$72,116,079 invested in LAIF. The City valued its investments in LAIF as of June 30, 2004, by multiplying its account balance with LAIF of \$72,278,883 by a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of .997747553.

**3) Interfund Transactions**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year.

The following is a summary of current interfund balances as of June 30, 2005.

Receivable Fund	Amount	Payable Fund	Amount
<b>Major Funds:</b>			
General	\$ 657,694		\$ -
<b>Non-Major Funds:</b>			
Gas Tax	1,503	Measure A	1,503
		Other Grants Capital Projects	657,694
Total	\$ 659,197		\$ 659,197

**D. Risk Disclosures**

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities not to exceed five years at time of purchase. At June 30, 2005, the City Treasury had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less Than 1	1 to 2	2 to 3	3 to 4	4 to 5
FFCB	\$ 10,857,230	\$ 2,895,820	\$ 9,428,705	\$ 1,001,260	\$ 3,481,565	\$ 1,005,380
FHLB	40,840,265	4,965,640	11,456,275	5,915,640	11,520,520	3,001,660
FHLMC	13,418,365	8,458,435		2,977,430	1,982,500	
FNMA	14,360,670	7,819,060	1,373,760	1,968,760	2,959,070	
SLMA	1,010,310	1,010,310				
US Treasury	10,823,260	5,962,950	4,960,330			
LAIF	72,116,079	72,116,079				
Diversified Investment	182,425	182,425				
General Electric	2,043,340		2,043,340			
Household International	1,005,530	1,005,530				
Morgan Stanley	1,016,450	1,016,450				
Total	\$ 177,273,984	\$ 105,502,238	\$ 29,643,410	\$ 16,863,080	\$ 19,963,365	\$ 4,991,270

**Credit Risk.** State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs, including ratings Standard & Poor's, Fitch Ratings, and Moody's Investors Service. At June 30, 2005, the City's credit risks, expressed on a percentage basis are as follows:

Investment Type	Moody's Rating	S & P Rating	% of Investment
FFCB	Aa3	AAA	11.19%
FHLB	Aa3	AAA	23.02%
FHLMC	Aa3	AAA	7.52%
FNMA	Aa3	AAA	8.32%
SLMA	Aa3	AAA	0.57%
US T-Notes	Aa3	AAA	6.16%
LAIF	Not Rated	Not Rated	40.74%
Diversified Investment	Not Rated	Not Rated	0.10%
General Electric	Aaa	AAA	1.15%
Household International	Aaa	AAA	0.57%
Morgan Stanley	Aa1	A+	0.57%
Total			100.00%

**B. Long-term Interfund Advances**

At June 30, 2005, the funds below have made advances that were not expected to be repaid in one year or less.

Receivable Fund	Amount	Payable Fund	Amount
<b>Major Funds:</b>			
General	\$ 7,488,016	Redevelopment Debt Service	\$ 4,349,266
		Redevelopment Special Revenue	2,784,750
<b>Non-Major Funds:</b>			
		Special Revenue Funds:	
		Airport	355,000
<b>Enterprise Funds:</b>			
Electric	6,115,950	Enterprise Funds:	
Water	473,875	Non-Major Other	6,587,325
Total	\$ 14,075,841	Total	\$ 14,075,841

The Redevelopment Debt Service and Special Revenue Fund advances are from the General fund and are composed of various operating advances for the Redevelopment Agency's different project areas. The advances have different terms and interest rates and are expected to be repaid with tax increment revenue.

The Airport Fund advance is being repaid over a 27-year period with annual payments of \$15,000, expected to be repaid by 2025.

The Corona Public Financing Authority (CPFA) payable represents reserves from the Electric Utility and the Water Utility related to the 2003 Certificates of Participation. The reserve will be paid during the final years of the bond term.

**C. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund. Less often, a residual equity transfer may be made to open or close a fund.

In the governmental fund financial statements, total transfers in were \$36,550,912 as follows:

This space left intentionally blank

	Transfers In:						Subtotal
	General Fund	Development Special Revenue	Special Revenue	Debt Service	Capital Projects	Non-Major Governmental	
Transfers Out:							
General Fund	\$ 1,114,965	\$ -	\$ -	\$ -	\$ -	\$ 121,922	\$ 1,245,567
Development Special Revenue		464,078				430,989	1,108,887
Redevelopment Special Revenue				687,017			687,017
Redevelopment Debt Service			3,182,459		5,000,000		8,182,459
Non-Major Governmental		2,850,849				1,812,239	5,913,688
Water	1,147						1,147
Wastewater							
Electric	130,704						130,704
Other Proprietary						3,499	3,499
Internal Service	1,076,593						1,076,593
<b>Total Transfers In</b>	<b>\$ 4,057,028</b>	<b>\$ 654,878</b>	<b>\$ 3,182,459</b>	<b>\$ 687,017</b>	<b>\$ 5,000,000</b>	<b>\$ 2,195,569</b>	<b>\$ 16,549,861</b>

Schedule continued on next page.

This space left intentionally blank

	Transfers In:					Internal Service	Total Transfers In
	Water	Wastewater	Electric	Transit	Other Proprietary		
Transfers Out:							
General Fund	\$ 37,892	\$ -	\$ -	\$ -	\$ -	\$ 844,503	\$ 2,123,250
Development Special Revenue							1,108,887
Redevelopment Special Revenue							687,017
Redevelopment Debt Service							8,182,459
Non-Major Governmental	426,291						4,030,369
Water			3,324,651				3,285,231
Wastewater	426,291	2,100,000	1,545,452				3,771,733
Electric	3,264,037	1,516,452	6,305,595		3,434		11,272,882
Other Proprietary							3,499
Internal Service						1,000,000	2,076,553
<b>Total Transfers In</b>	<b>\$ 3,874,531</b>	<b>\$ 3,645,452</b>	<b>\$ 11,139,131</b>	<b>\$ -</b>	<b>\$ 3,434</b>	<b>\$ 1,844,503</b>	<b>\$ 36,850,912</b>

**D. Internal Balances -- Capital Lease Receivable**

In 2002, the City of Corona (City) established the Corona Utility Authority (Authority) as a joint powers authority pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council. The outstanding receivable at June 30, 2005 was \$172,628,344.

Refer to Note 22 for the future minimum lease payments required under the capital leases and the net present value of the future lease payments.

**4) Risk Management**

**Workers' Compensation Insurance:** The City's self-insured retention is \$1,000,000 with purchased excess insurance for claims over that amount up to policy limits. Departments are charged a percentage of the total estimated insurance, claims expense and premiums based on payroll cost. The estimated liability for pending and incurred but not reported claims at June 30, 2005 has been included in the Claims Payable amount as of June 30, 2005. Claims Payable is incorporated in the financial statements as Claims and Judgments Payable in Internal Service Funds and is based on history and actuarial studies.

The following reconciles Claims and Judgments Payable for the Workers' Compensation Self-Insurance fund for the five years ended June 30, 2005:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2001	\$ 7,800,382	\$ 1,080,429	\$ (1,070,309)	\$ 7,810,502
2002	7,810,502	3,300,814	(2,242,800)	8,868,516
2003	8,868,516	3,282,282	(2,371,043)	9,779,755
2004	9,779,755	3,524,800	(2,735,530)	10,569,025
2005	10,569,025	5,276,073	(3,724,233)	12,121,465

**Liability Insurance:** The City's self-insured retention is \$750,000 with an excess policy insuring claims over \$750,000 up to a limit of \$10,000,000. A third party administrator administers claims. The estimated liability for pending and incurred but not reported claims at June 30, 2005, has been incorporated in the financial statements as Claims and Judgments Payable in Internal Service Funds and are based on history and actuarial studies.

**Property Losses (excluding earthquake):** The City's property losses are covered by insurance policies for covered value of \$174,963,049 with deductibles of \$100,000. The estimated liability for pending and incurred but not reported claims at June 30, 2005 has been incorporated in the financial statements as Claims and Judgments Payable in the Liability Risk Internal Service Fund and are based on history only.

The following reconciles Claims and Judgments Payable for the Liability Risk Self-Insurance fund, including property losses, for the five years ended June 30, 2005:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2001	\$ 2,350,366	\$ 877,087	\$ (385,157)	\$ 2,782,296
2002	2,782,296	320,848	(395,892)	2,707,252
2003	2,707,252	(1,168,834)	(235,814)	1,298,604
2004	1,294,784	1,280,549	(686,047)	1,889,286
2005	1,616,266	2,387,015	(1,772,269)	2,231,032

The total liabilities amount to \$12,121,465 for Workers' Compensation and \$2,231,032 for Liability. Of these amounts, \$2,140,894 and \$373,104 are the amounts due in one year or less, respectively. Claims are paid by the separate internal service funds for each liability.

**5) Long-Term Receivables/Deferred Revenue/Unearned Revenue**

Receivables on the balance sheet as of June 30, 2005 are presented by specific description so as not to be aggregated. The significant receivable balances in the governmental funds which are not expected to be collected within one year are identified as: 1) the General fund Long-Term Receivable represents reimbursement fees to be paid by developers for the Temescal Canyon Communications Tower, 2) Development funds report Long-Term Receivable for future developer impact fees for the Temescal Public Safety Facility, 3) Redevelopment Special Revenue funds report Loans Receivable for low-mod housing programs that have varying terms and re-payment provisions, 4) Redevelopment Capital Projects funds report Loans Receivable for various agreements with developers with long-term repayment provisions, and 5) Long-Term Assessments Receivable represent future assessments to be received for the payment of Assessment District debt which is considered to be a possible liability of the City in the case of default. Recognition of the revenues from these assessments has been deferred until both measurable and available. Once received, the monies will be used to meet the annual debt service requirements on related bonds.

The development funds deferred revenues represent developer impact fees related to the Temescal Public Safety Facility. The deferred revenues in debt service funds represent future assessments to be received for the payment of Assessment District debt and other lease revenue to be used to meet the related debt obligation. These deferred revenues are not reported in the government-wide statements.

The unearned revenues shown in the government-wide statements for Governmental activities in the general and redevelopment funds represent various loans and agreements from certain special revenue and capital project funds. Business-Type activities unearned revenues represent claims that have been approved by state agencies for Transit Services, but not spent in the current period, customer prepayments of utility billings, and a long term agreement between Metropolitan Water District of Southern California, Western Municipal Water District and the City of Corona which utilizes the City's desalter plant to treat groundwater in conjunction with imported water as a means of increasing the potable water available to Corona customers.

6) Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the "modified approach" as defined by GASB Statement No. 34 for infrastructure reporting for its pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "modified approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on infrastructure assets.

Description	Infrastructure Assets		
	Historical Cost	Accumulated Depreciation	Net Cost
<b>Governmental Activities:</b>			
<b>Modified Approach:</b>			
Street Pavement System	\$ 163,014,005	\$ -	\$ 163,014,005
<b>Basic Approach:</b>			
Drinking	72,847,652	(22,123,875)	50,723,776
Sidewalks	79,749,232	(23,712,189)	56,037,043
Signs and Lights	31,616,634	(6,614,007)	25,002,627
Storm Drains	61,221,676	(14,062,871)	47,158,805
Fluoroplastics	1,092,320	(173,804)	918,516
Subtotal Basic Approach	246,429,394	(67,287,547)	179,141,847
<b>Total Governmental Activities</b>	<b>\$ 409,443,399</b>	<b>\$ (67,287,547)</b>	<b>\$ 342,155,852</b>
<b>Business-Type Activities:</b>			
<b>Basic Approach:</b>			
Fluoroplastics	\$ 235,951	\$ (36,823)	\$ 199,128
Water	118,800,120	(25,860,740)	92,939,379
Wastewater	42,928,943	(9,290,252)	33,638,691
<b>Total Business-Type Activities</b>	<b>\$ 159,965,014</b>	<b>\$ (35,207,815)</b>	<b>\$ 124,757,199</b>

66

Capital Assets of the City for the year ended June 30, 2005, consisted of the following:

	Balance July 1, 2004	Increases	Decreases	Inventory Adjustments	Balance June 30, 2005
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 56,896,838	\$ 1,011,470	\$ -	\$ 9,865	\$ 57,918,173
Streets	155,712,564	-	-	3,391,307	163,116,005
Construction in Progress	48,679,284	18,126,281	(7,243,711)	(1,863,215)	68,708,645
<b>Total capital assets not being depreciated</b>	<b>261,296,686</b>	<b>20,147,751</b>	<b>(7,243,711)</b>	<b>1,768,897</b>	<b>275,969,629</b>
Capital assets being depreciated:					
Buildings and Improvements	109,985,398	6,433,182	-	(?)	116,418,580
Machinery and Equipment	22,475,405	2,118,782	(882,217)	-	23,711,969
Infrastructure	349,771,396	8,589,825	-	-	358,361,221
<b>Total capital assets being depreciated</b>	<b>582,232,199</b>	<b>15,141,789</b>	<b>(882,217)</b>	<b>(?)</b>	<b>597,092,772</b>
<b>Less accumulated depreciation for:</b>					
Buildings and Improvements	(53,908,046)	(5,452,086)	-	-	(59,360,132)
Machinery and Equipment	(11,881,507)	(1,781,789)	952,896	-	(12,709,399)
Infrastructure	(53,483,653)	(2,545,060)	-	-	(56,028,713)
<b>Total accumulated depreciation</b>	<b>(119,273,206)</b>	<b>(9,778,935)</b>	<b>952,896</b>	<b>-</b>	<b>(128,099,245)</b>
<b>Total capital assets being depreciated, net</b>	<b>462,958,993</b>	<b>5,362,854</b>	<b>(139,941)</b>	<b>(?)</b>	<b>469,993,527</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 814,255,139</b>	<b>\$ 25,510,605</b>	<b>\$ (7,299,600)</b>	<b>\$ (1,703,805)</b>	<b>\$ 830,462,344</b>
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,019,333	\$ 446,121	\$ -	\$ -	\$ 2,465,454
Waterpower Rights	9,150,000	-	-	-	9,150,000
Construction in Progress	61,081,658	47,074,859	(3,952,651)	1,320,469	105,524,325
<b>Total capital assets not being depreciated</b>	<b>72,250,991</b>	<b>47,520,980</b>	<b>(3,952,651)</b>	<b>1,320,469</b>	<b>117,139,789</b>
Capital assets being depreciated:					
Buildings and Improvements	34,985,212	401,900	(250,000)	-	35,137,112
Machinery and Equipment	37,417,000	3,432,514	(45,500)	1,872	40,835,886
Infrastructure	152,032,460	7,823,154	-	-	159,855,614
<b>Total capital assets being depreciated</b>	<b>324,434,672</b>	<b>11,657,568</b>	<b>(295,500)</b>	<b>1,872</b>	<b>336,290,154</b>
<b>Less accumulated depreciation for:</b>					
Buildings and Improvements	(17,738,351)	(1,629,021)	13,533	-	(19,353,839)
Machinery and Equipment	(13,527,055)	(2,889,781)	42,269	-	(16,374,567)
Infrastructure	(29,677,255)	(2,930,381)	-	-	(32,607,636)
<b>Total accumulated depreciation</b>	<b>(60,942,661)</b>	<b>(7,449,179)</b>	<b>56,801</b>	<b>-</b>	<b>(68,335,039)</b>
<b>Total capital assets being depreciated, net</b>	<b>263,492,011</b>	<b>10,208,389</b>	<b>(238,697)</b>	<b>1,872</b>	<b>267,954,115</b>
<b>Business-type activity capital assets, net</b>	<b>\$ 139,732,880</b>	<b>\$ 47,999,369</b>	<b>\$ (4,232,800)</b>	<b>\$ (1,868,384)</b>	<b>\$ 181,631,165</b>
<b>Total Capital Assets</b>	<b>\$ 954,008,019</b>	<b>\$ 73,510,000</b>	<b>\$ (11,532,400)</b>	<b>\$ (3,572,189)</b>	<b>\$ 1,012,413,535</b>

67

The proprietary funds capitalized \$2,985,328 in interest costs, of which \$607,332 related to the Water Fund and \$2,377,996 was recorded in the Electric Fund.

For the year ended June 30, 2005, depreciation expense on capital assets was charged to the governmental functions as follows:

General Government	\$ 1,080,448
Public Safety - Fire	449,213
Public Safety - Police	817,408
Public Works	4,172,040
Community Development	153,125
Parks & Recreation	2,360,405
Library	40,175
<b>Total Depreciation Expense</b>	<b>\$ 9,062,915</b>

Construction Commitments

The City has active construction projects as of June 30, 2005. These projects include street construction in areas of newly developed housing, pavement rehabilitation, construction of a new City Hall building, various water and wastewater upgrades and replacements, and the construction of an electric cogeneration facility. At year end, the City's commitments for construction totaled \$157,249,438.

7) Compensated Absences

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of this debt, amounting to \$1,270,903 for governmental activities and \$272,739 for business-type activities at June 30, 2005, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds. The total amount outstanding at June 30, 2005 was \$7,014,521 for governmental activities and \$1,220,042 for business-type activities.

	Balance			Amounts		Amounts	
	July 1, 2004	Incurred	Satisfied	June 30, 2005	Due Within One Year	Due in More than One Year	
<b>Governmental Activities</b>							
Compensated Absences	\$ 7,083,349	\$ 4,464,068	\$ 5,622,985	\$ 7,014,521	\$ 5,745,818	\$ 1,270,903	
<b>Business-Type Activities</b>							
Compensated Absences	\$ 1,102,653	\$ 1,095,859	\$ 977,630	\$ 1,220,042	\$ 847,305	\$ 272,739	

68

8) Agreements Payable

Through the Redevelopment Agency, the City has entered into agreements with developers for purposes of economic development. There are two agreements currently outstanding with differing terms and conditions. The obligation for payment is based on the increase in taxes generated by improvements to the property. The combined total payable at June 30, 2005 is \$2,325,748.

9) Long-Term Obligations

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2005:

	Balance July 1, 2004	Incurred or Issued	Satisfied or Matured	Balance June 30, 2005	Amounts Due Within One Year	Amounts Due in More than One Year
<b>Governmental Activities:</b>						
Loans Payable	\$ 2,308,051	\$ -	\$ 400,817	\$ 1,907,234	\$ 395,265	\$ 1,511,969
Long Term Agreement Payable	-	1,200,834	-	1,200,834	165,834	1,115,000
Lease Payable	975,658	-	92,703	882,955	96,947	786,008
General Obligation Bonds Payable	3,965,000	-	320,600	3,644,400	3,355,000	3,300,000
Redevelopment Bonds Payable	48,639,000	36,910,000	39,455,000	46,094,000	2,730,000	42,765,000
Lease Revenue Bonds Payable	66,840,000	1,000,000	1,000,000	66,840,000	1,585,000	31,975,000
Special Assessment District Bonds	4,025,000	-	770,000	3,255,000	290,000	2,965,000
<b>Total Governmental Activities</b>	<b>\$ 116,133,759</b>	<b>\$ 38,210,834</b>	<b>\$ 42,298,517</b>	<b>\$ 112,046,076</b>	<b>\$ 6,308,046</b>	<b>\$ 104,407,928</b>
<b>Business-Type Activities:</b>						
Installment Agreement Payable	\$ -	\$ 444,073	\$ 12,353	\$ 431,720	\$ 148,236	\$ 283,484
Contracts Payable	715,572	-	-	715,572	-	715,572
Term Loan Payable	18,103,558	17,984,248	922,656	35,165,150	1,020,445	34,144,705
Water Revenue Bonds	33,455,000	-	765,000	32,690,000	715,000	31,975,000
Capital Leases	172,628,344	-	-	172,628,344	-	172,628,344
Certificates of Participation	79,175,000	29,020,000	435,000	108,760,000	450,000	108,310,000
<b>Total Business-Type Activities</b>	<b>\$ 296,186,962</b>	<b>\$ 47,448,319</b>	<b>\$ 2,265,008</b>	<b>\$ 343,412,813</b>	<b>\$ 2,413,681</b>	<b>\$ 210,999,128</b>

10) Loans Payable

The Loans Payable amount is a loan made to the City from the Riverside County Transportation Commission of future Measure A Revenues for the Smith, Maple, and Lincoln Bridges projects. The Measure A advances outstanding at June 30, 2005 total \$1,907,284 and bear blended interest of 5.81% payable in monthly installments through June, 2009.

11) Long Term Agreement Payable

Pursuant to the Cooperation Agreement dated February 13, 1965 between the Riverside County Flood Control and Water Conservation District and the Redevelopment Agency of the City of Corona, the Agency recorded an obligation in the amount of \$1,244,689 in fiscal year 2003-04. During the current fiscal year, the Agency and the District executed a

69

Settlement and Release Agreement. The Agency's unpaid obligation coupled with accrued interest was determined to be \$1,300,834. The Settlement and Release Agreement will allow the Agency to pay its obligation with interest over seven years. As a result, the obligation recorded in the previous fiscal year was eliminated during the current fiscal year due to the fact that this became a long-term obligation.

12) Lease Payable

The City entered into a lease purchase agreement for \$1,065,000 with a funding date of November 22, 2002 for the purpose of purchasing a helicopter and related equipment for use by the City, primarily the Police Department. The helicopter has been recorded as a fixed asset at its purchase price. The lease/purchase is payable over a ten year period at a rate of 3.845% interest in equal installments of \$130,293 per year through the year 2012.

The City's obligation under the lease, as represented by the present value of the minimum future lease payments as of June 30, 2005 is recorded as a long-term obligation in the general fund.

At June 30, 2005, the future minimum lease payments required under the capital lease and the net present value of the future lease payments is as follows:

Fiscal Year Ending	Lease Payment
2005	\$ 130,294
2006	130,294
2007	130,294
2008	130,294
2009	130,294
2010-2013	390,679
Total minimum Lease Payments	1,042,349
Less: Amount representing interest	(159,473)
Present Value of Future Minimum Lease Payments	\$ 882,876

13) General Obligation Bonds

These bonds are secured by the City's taxing power. General obligation bonds outstanding at June 30, 2005 are summarized as follows:

\$7,225,000 1995 Refunding Bonds \$3,835,000

On December 20, 1995, the City issued \$7,225,000 in 1995 General Obligation Refunding Bonds for the purposes of providing funds to advance refund the series 1985A Corona General Obligation Bonds issued in the aggregate principal amount of \$7,390,000. The Series 1985A bonds were issued for the acquisition and improvement of land for the City's Public Library. The outstanding bonds bear interest from 4.65% to 5.1% and are due in annual installments ranging from \$335,000 to \$400,000 through July 1, 2009 with term bonds of \$1,805,000 due on July 1, 2013. The bonds are payable from ad valorem taxes

complex of approximately 180 units by the Southern California Housing Development Corporation and certain other activities for the provision of low and moderate income housing within the Project Area. The bonds were issued for sale to the Corona Public Financing Authority pursuant to the Marks-Ross Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 2 of Title 1 (commencing with Section 6584) of the California Government Code (the "GPA Law"). The bonds purchased by the Authority were resold concurrently to the Underwriter. The outstanding bonds bear interest from 5.20% to 5.625% and are due in annual installments ranging from \$280,000 to \$385,000 through September 1, 2011, with term bonds of \$2,255,000 due September 1, 2016, and \$2,965,000 due September 1, 2021. The bonds are payable from pledged revenues of the Housing Set-Aside funds of the Redevelopment Agency. The annual debt service requirements for the 1996 Redevelopment Tax Allocation Bond are as follows:

Fiscal Year Ending	Principal	Interest	Total
2006	\$ 280,000	\$ 405,751	\$ 685,751
2007	295,000	390,801	685,801
2008	315,000	374,941	689,941
2009	330,000	358,171	688,171
2010	345,000	340,449	685,449
2011-2015	2,030,000	1,381,946	3,421,946
2016-2020	2,855,000	748,844	3,404,844
2021-2023	1,285,000	73,266	1,358,266
Totals	\$ 7,535,000	\$ 4,085,169	\$ 11,620,169

The \$39,910,000 of Redevelopment Project Area "A" 2004 Tax Allocation and Refunding Bonds bear interest from 2.0% to 5.0% and are due in annual installments ranging from \$1,410,000 to \$2,795,000. The bonds are payable from tax increment revenues of the Agency received from the project area and other funds and accounts pledged under the indenture. The bond issue will reduce debt service payments for the Agency by \$7,015,420 with an economic gain of \$3,226,023 or 6.233% as a percent of refunded bonds. The annual debt service requirements for the 2004 Redevelopment Tax Allocation Bond are as follows:

Fiscal Year Ending	Principal	Interest	Total
2006	\$ 1,410,000	\$ 1,567,275	\$ 2,977,275
2007	1,440,000	1,479,775	2,919,775
2008	1,470,000	1,447,837	2,917,837
2009	1,505,000	1,404,963	2,909,963
2010	1,555,000	1,351,413	2,906,413
2011-2015	6,620,000	5,893,056	12,513,056
2016-2020	10,605,000	3,612,219	14,417,219
2021-2024	10,405,000	1,072,125	11,477,125
Totals	\$ 39,910,000	\$ 18,087,683	\$ 57,997,683

levied against all taxable real property in the City (with the exception of certain classes of personal property).

Fiscal Year Ending	1995 Refunding Bonds		
	Principal	Interest	Total
2006	\$ 335,000	\$ 174,284	\$ 509,284
2007	350,000	158,105	508,105
2008	365,000	140,580	505,580
2009	380,000	121,965	501,965
2010	400,000	102,255	502,255
2011-2014	1,905,000	189,539	1,994,539
Totals	\$ 3,635,000	\$ 886,782	\$ 4,521,782

14) Redevelopment Tax Allocation Bonds

These bonds are special obligations of the Corona Redevelopment Agency and are payable from specific pledged revenues. The following Tax Allocation Bonds were outstanding at June 30, 2005:

\$47,050,000 Redevelopment Agency, 1994 Project Area "A" Tax Allocation and Refunding Bonds	\$ 1,040,000
\$ 9,355,000 Redevelopment Agency, 1996 Project Area "A" Set-Aside Tax Allocation Bonds	7,535,000
\$38,910,000 Redevelopment Agency, 2004 Project Area "A" Tax Allocation and Refunding Bonds	38,910,000
<b>Total Redevelopment Tax Allocation Bonds</b>	<b>\$ 45,485,000</b>

The \$47,050,000 of Redevelopment Project Area "A" 1994 Tax Allocation and Refunding Bonds were issued to finance certain public facilities in furtherance of the Agency's Redevelopment Plan and to refund the Agency's outstanding indebtedness. On July 28, 2004, the Redevelopment Agency issued the 2004 Tax Allocation Refunding Bonds to refund a portion of the 1994 Tax Allocation and Refunding Bonds. The remaining bonds bear interest of 7.5% due in an annual installment of \$1,040,000 due September 1, 2005. The bonds are payable from amounts on deposit in the Reserve Account.

Fiscal Year Ending	1994 Tax Allocation Bonds		
	Principal	Interest	Total
2005	\$ 1,040,000	\$ 39,000	\$ 1,079,000

On October 15, 1996, the Corona Redevelopment Agency issued \$9,355,000 of Redevelopment Project Area "A" Housing Set-Aside Tax Allocation Bonds to provide funds for a portion of the costs of reconstruction and rehabilitation of an apartment

15) Lease Revenue Bonds

The following lease revenue bonds were outstanding at June 30, 2005:

\$13,000,000 Corona Public Financing Authority 2000 Lease Revenue Bonds Series A (reported as a liability of the City)	\$ 11,815,000
\$ 9,810,000 Corona Public Financing Authority 2001 Lease Refunding Revenue Bonds, Series A (reported as a liability of the City)	8,060,000
\$38,000,000 Corona Public Financing Authority 2002 Lease Revenue Bonds, Series B (reported as a liability of the City)	34,065,000
<b>Total Lease Revenue Bonds</b>	<b>\$ 53,940,000</b>

The Corona Public Financing Authority 2000 Lease Revenue Bonds Series A were issued on October 10, 2000 in the amount of \$13,000,000 to pay a portion of the costs of the design, construction and acquisition of the City's Corporation Yard. The outstanding bonds bear interest from 4.5% to 5.30% and are due in annual installments ranging from \$340,000 to \$760,000 through 2022 with term bonds in the amount of \$2,528,000 due on September 1, 2025. The bonds are payable from the revenues expected to be received by the Authority from the City as lease payments for the acquired improvements.

Fiscal Year Ending	2000 Lease Revenue Bonds		
	Principal	Interest	Total
2006	\$ 340,000	\$ 586,143	\$ 926,143
2007	355,000	570,505	925,505
2008	370,000	554,193	924,193
2009	380,000	537,093	927,093
2010	405,000	519,265	924,265
2011-2015	2,826,000	2,891,671	4,617,671
2016-2020	2,940,000	1,643,828	4,583,828
2021-2025	3,805,000	784,148	4,589,148
2026	835,000	23,674	858,674
Totals	\$ 11,815,000	\$ 7,490,161	\$ 19,305,161

The Corona Public Financing Authority 2001 Lease Refunding Revenue Bonds, Series A were issued on May 10, 2001 in the amount of \$9,810,000 to refund the Corona Public Financing Authority 1993 Public Improvement Refunding Bonds originally issued in the aggregate principal amount of \$21,295,000. The outstanding bonds bear interest from 4.00% to 4.75% and are due in annual installments ranging from \$670,000 to \$970,000 through September 1, 2014. The bonds are payable pursuant to a lease agreement with the City.

2001 Lease Revenue Bonds			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ 870,000	\$ 334,868	\$ 1,004,868
2007	695,000	307,568	1,002,568
2008	720,000	279,288	999,288
2009	750,000	249,493	999,493
2010	780,000	217,736	997,736
2011-2015	4,445,000	531,068	4,976,068
<b>Totals</b>	<b>\$ 8,060,000</b>	<b>\$ 1,920,001</b>	<b>\$ 9,980,001</b>

The Corona Public Financing Authority 2002 Lease Revenue Bonds Series B were issued on September 1, 2002 in the amount of \$35,000,000 to pay the costs of the design, construction and acquisition of the City Hall facility. The outstanding bonds bear interest from 2.000% to 5.375% and are due in annual installments ranging from \$955,000 to \$1,930,000 through 2023 with term bonds in the amount of \$8,675,000 due on September 1, 2027. The bonds are payable from the revenues expected to be received by the Authority from the City as lease payments for the acquired improvements.

2002 Lease Revenue Bonds			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ 955,000	\$ 1,469,396	\$ 2,424,396
2007	975,000	1,445,161	2,420,161
2008	1,005,000	1,415,481	2,420,481
2009	1,035,000	1,384,881	2,419,881
2010	1,065,000	1,353,381	2,418,381
2010-2014	5,870,000	6,198,324	12,068,324
2015-2019	7,275,000	4,704,078	11,979,078
2020-2024	9,230,000	2,714,830	11,944,830
2025-2028	6,855,000	464,143	7,319,143
<b>Totals</b>	<b>\$ 34,065,000</b>	<b>\$ 21,157,355</b>	<b>\$ 55,222,355</b>

16) Special Assessment District Bonds (Indirect City Liability)

The payment of each bond is secured by valid assessment liens upon certain property in each district and is not a direct liability of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur and the City may, from time to time, when due and delinquent, advance available funds to pay the amount of any succeeding installment of the principal and the interest on the bonds. Therefore, the bonds are recorded as liabilities in the accompanying financial statements pursuant to GASB Statement No. 6.

installed at 219 West Grand Boulevard in for a total of \$444,673. The City will make 36 equal payments of \$12,352 through May 2006. The amount outstanding at June 30, 2005 was \$432,320.

18) Contracts Payable

Contracts Payable arise from the acquisition of certain water and wastewater facilities and represent amounts due to Western Municipal Water District payable from future water and wastewater connection fees associated with the acquired facilities. Future connections are provided as needed in the area and as such cannot be scheduled. When connection fees are received the amounts attributable to the cost of physical connection are recognized as revenue and any additional amounts are credited to the contributed capital account. The amount outstanding at June 30, 2005 was \$716,572.

19) Term Loans Payable

The following Term Loans Payable were outstanding at June 30, 2005:

State Revolving Fund Loan Contract No. 6-807-5850-0	\$ 17,215,153
State Revolving Fund Loan Contract No. C-06-4602-110	17,970,424
<b>Total Term Loans Payable</b>	<b>\$ 35,185,577</b>

On September 17, 1996, and February 20, 1997, the City and the State Water Resources Control Board of the State of California entered into a State Revolving Fund Loan Contract No. 6-807-5850-0 for a total of \$22,244,222 for purposes of expansion of the Wastewater Treatment Plant No. 1. The loan is payable over a period of 20 years at the rate of 2.8% interest in equal installments of \$1,503,293 through the year 2018. The amount outstanding at June 30, 2005 was \$17,215,153.

Term Loan Payable State Revolving Fund Loan 6-807-5850-0			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ 1,021,269	\$ 482,024	\$ 1,503,293
2007	1,049,864	453,429	1,503,293
2008	1,079,260	424,033	1,503,293
2009	1,108,480	393,813	1,503,293
2010	1,140,545	362,748	1,503,293
2011-2015	6,200,879	1,318,446	7,519,325
2016-2018	5,614,716	368,456	6,013,172
	<b>\$ 17,215,153</b>	<b>\$ 5,830,949</b>	<b>\$ 21,046,102</b>

On June 10, 2003, the City and the State Water Resources Control Board of the State of California entered into a State Revolving Fund Loan Contract No. C-05-4602-110 for a maximum amount of \$29,940,000 for construction of facilities at the Wastewater Treatment Plant No. 1. These facilities will provide recycled water to existing and potential users within the City. The loan is payable over a period of 20 years at the rate of 2.5%

The following Assessment District Bonds were outstanding at June 30, 2005:

\$3,630,086 Assessment District No. 89-1 Improvement Bonds	\$ 1,560,000
\$3,000,000 Assessment District No. 90-1 Improvement Bonds	1,635,000
<b>Total Special Assessment District Bonds (Indirect City Liability)</b>	<b>\$ 3,255,000</b>

\$3,630,086 Assessment District No. 89-1 Improvement Bonds were issued to finance construction and acquisition of improvements in the Railroad Street Industrial Area. The outstanding bonds bear interest of 7.40% to 7.60% and mature in remaining annual installments of \$185,000 to \$270,000 through September 2, 2011.

\$3,000,000 Assessment District No. 90-1 Improvement Bonds were issued to finance construction and acquisition of improvements within Tract 22909. The outstanding bonds bear interest of 3.0% and mature in remaining annual installments of \$105,000 to \$220,000 through September 2, 2015.

The annual debt service requirements by year for Assessment District Bonds are as follows:

A.D. 89-1			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ 185,000	\$ 110,920	\$ 295,920
2007	195,000	96,511	291,511
2008	205,000	81,580	286,580
2009	220,000	65,568	285,568
2010	235,000	48,391	283,391
2011-2015	520,000	40,280	560,280
<b>Totals</b>	<b>\$ 1,560,000</b>	<b>\$ 442,830</b>	<b>\$ 2,002,830</b>

A.D. 90-1			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ 105,000	\$ 131,400	\$ 236,400
2007	110,000	122,200	232,200
2008	115,000	113,800	228,800
2009	125,000	104,200	229,200
2010	140,000	93,800	233,800
2011-2015	890,000	274,400	1,164,400
2015	220,000	8,800	228,800
<b>Totals</b>	<b>\$ 1,695,000</b>	<b>\$ 949,000</b>	<b>\$ 2,544,000</b>

17) Installment Agreement Payable

On June 28, 2005, the City of Corona entered into an agreement with Southern California Edison to make monthly installments for a delayed billing for electrical services to a meter

interest in equal annual installments commencing on the date that is one year after completion of construction. The amount received as of June 30, 2005 was \$17,970,424.

20) Water Revenue Bonds

The \$36,690,000 Corona Public Financing Authority 1998 Water Revenue Bonds were issued to finance the cost of certain improvements to the City's water system, consisting of the construction of a ground water desalting system and to refinance the outstanding 1994 Water System Improvement Project Certificates of Participation. The bonds bear interest from 3.80% to 4.75% and are due in annual installments ranging from \$795,000 to \$1,100,000 through 2013 with term bonds in the amount of \$6,305,000, 7,560,000 and \$10,025,000 due on September 1, 2018, 2023 and 2028, respectively. The bonds are considered a liability of the water fund. Corresponding long-term receivable and deferred revenue has been eliminated for the Corona Public Financing Authority.

1998 Water Revenue Bonds			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ 785,000	\$ 1,453,203	\$ 2,238,203
2007	825,000	1,462,010	2,287,010
2008	855,000	1,423,823	2,278,823
2009	890,000	1,393,473	2,283,473
2010	925,000	1,363,308	2,288,308
2011-2015	5,285,000	6,121,397	11,386,397
2016-2020	6,605,000	4,738,195	11,343,195
2021-2025	8,330,000	2,973,263	11,303,263
2026-2029	8,200,000	601,563	8,801,563
<b>Totals</b>	<b>\$ 32,690,000</b>	<b>\$ 21,788,710</b>	<b>\$ 54,478,710</b>

21) Certificates of Participation

The certificates of participation are special obligations of the issuer and are payable from specific pledged revenues of the issuing agency. The certificates are not payable from any other revenues or assets of the City. Neither the faith and credit nor the taxing power of the City of Corona, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the certificates.

As of June 30, 2005, the balances outstanding were:

\$ 7,010,000 Corona Public Improvement Corporation	
1997 Sunkist Wastewater Treatment Facilities Refunding Bonds	\$ 4,855,000
\$68,030,000 Corona Public Financing Authority	
2003 Clearwater Cogeneration / Recycled Water Projects	67,885,000
\$29,020,000 Corona Public Financing Authority	
2005 Clearwater Cogeneration	29,020,000
<b>Total Certificates of Participation</b>	<b>\$ 101,765,000</b>

On January 21, 1997, the Corona Public Improvement Corporation issued \$7,010,000 in 1997 Refunding Certificates of Participation for the purpose of refunding the remaining \$6,425,000 of the 1988 Sunkist Wastewater Treatment Facilities Certificates of Participation and to pay the costs incurred in connection with the issuance, sale, and delivery of the bonds as well as to establish a reserve fund. The original certificates were issued to finance the acquisition, construction and installation of certain improvements to the City's Wastewater Treatment Plant No. 2 (Sunkist Plant). The new bonds bear interest rates from 4.7% to 5.5% and are due in annual installments ranging from \$300,000 to \$530,000 through August 1, 2016. The certificates are payable pursuant to a lease agreement (Corona Public Improvement Corporation to the Wastewater Utility) from revenues of the Wastewater Capacity fund and as such have been shown as long-term obligations (Long-Term Installments Payable) of the Wastewater Utility and eliminated from the General Long-Term Debt of the City. A corresponding long-term obligation and deferred revenue has been eliminated for the Corona Public Improvement Corporation.

1997 Refunding Certificates of Participation			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ 300,000	\$ 247,270	\$ 547,270
2007	315,000	232,660	547,660
2008	335,000	216,803	551,803
2009	350,000	199,895	549,895
2010	370,000	181,750	551,750
2011-2015	2,150,000	539,531	2,738,531
2016-2017	1,035,000	57,613	1,092,613
<b>Totals</b>	<b>\$ 4,865,000</b>	<b>\$ 1,724,652</b>	<b>\$ 6,579,652</b>

On May 20, 2003, the Corona Public Financing Authority issued \$68,030,000 in 2003 Certificates of Participation for the purpose of financing the acquisition, construction and installation of the Clearwater Cogeneration and Biosolids Project (the "Cogeneration Project"), to finance a portion of the Recycled Water Project and to pay the costs incurred in connection with the issuance, sale and delivery of the bonds as well as to establish a capitalized interest fund and a reserve fund. The bonds bear interest from 1.50% to 5.00% due in installments of \$150,000 to \$3,065,000 through September 1, 2023 with term bonds of \$17,780,000 due September 1, 2025 and \$12,930,000 due September 1, 2031.

The City purchased the Cogeneration Project from the Corona Public Financing Authority pursuant to an Installment Purchase agreement for a principal amount of \$60,875,000 which is recorded in the City of Corona's Electric Fund. The City will pay purchase payments to the Corona Public Financing Authority from revenues pursuant to two separate Power Sales Agreements between the City and the Corona Utility Authority, and as such have been shown as long-term obligations (Certificates of Participation) of the City's Electric Fund and eliminated from the General Long-Term Debt of the City. A corresponding long-term obligation and deferred revenue has also been eliminated from the Corona Public Financing Authority.

The City purchased the Recycled Water Project from the Corona Public Financing Authority pursuant to an Installment Purchase agreement for a principal amount of \$7,155,000. The City will pay purchase payments to the Corona Public Financing

2005 Certificates of Participation			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ -	\$ 937,281	\$ 937,281
2007	255,000	1,274,285	1,529,285
2008	560,000	1,262,060	1,822,060
2009	575,000	1,245,036	1,820,036
2010	590,000	1,227,580	1,817,580
2011-2015	3,255,000	5,839,386	9,094,386
2016-2020	3,875,000	5,191,323	9,066,323
2021-2025	4,720,000	4,313,548	9,033,548
2026-2030	5,910,000	3,087,750	8,997,750
2031-2035	7,540,000	1,414,500	8,954,500
2036	1,740,000	43,500	1,783,500
<b>Totals</b>	<b>\$ 29,020,000</b>	<b>\$ 25,836,230</b>	<b>\$ 54,856,230</b>

22) Internal Balances - Capital Leases

A. Related Parties

In 2002, the City of Corona (City) established the Corona Utility Authority (Authority) as a joint powers authority pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council.

B. Capital Lease Obligations

The Authority entered into capital leases with the City to lease the City's water and wastewater facilities. The term of the leases are 55 years at which time the Authority will own the capital assets of the water and wastewater facilities.

The capital assets of the water and wastewater facilities were recorded at the City's historical cost, net of accumulated depreciation, and related debt has also been recorded resulting in a lease payable for an amount equal to the net assets recorded on the City's financial statements. Lease payments are made quarterly for an amount equal to 5% of water and wastewater's utility service charges.

The following Internal Balances - Capital Leases were outstanding at June 30, 2005:

Capital Leases - Water Facility	\$ 106,819,662
Capital Leases - Wastewater Facility	65,803,582
<b>Total Internal Balances - Capital Leases</b>	<b>\$ 172,623,244</b>

Authority pursuant to a Recycled Water Project Lease Agreement (City of Corona to the Corona Utility Authority). The Corona Utility Authority will make payments to the City from net revenues of the recycled water system and as such have been shown as long-term obligations (Certificates of Participation) of the Water Utility and eliminated from the General Long-Term Debt of the City. A corresponding long-term obligation and deferred revenue has been eliminated from the Corona Public Financing Authority.

2005 Certificates of Participation			
Fiscal Year Ending	Principal	Interest	Total
2006	\$ 150,000	\$ 3,205,838	\$ 3,355,838
2007	150,000	3,203,213	3,353,213
2008	1,550,000	3,186,213	4,736,213
2009	1,575,000	3,127,244	4,702,244
2010	1,050,000	3,066,650	4,116,650
2011-2015	9,275,000	14,301,638	23,576,638
2016-2020	11,450,000	12,006,750	23,456,750
2021-2025	14,810,000	6,767,000	21,577,000
2026-2030	16,645,000	4,629,125	21,274,125
2031-2032	8,530,000	447,000	8,977,000
<b>Totals</b>	<b>\$ 67,885,000</b>	<b>\$ 55,952,871</b>	<b>\$ 123,837,871</b>

The Corona Public Financing Authority issued \$29,020,000 in 2005 Certificates of Participation for the purpose of financing the remaining costs associated with the acquisition, construction and installation of the Cogeneration Project and the Electric Distribution Facilities Project. The bonds bear interest from 3.00% to 5.00% due in installments of \$255,000 to \$605,000 through September 1, 2021 with term bonds of \$2,945,000 due September 1, 2024, \$5,910,000 due September 1, 2026 and \$3,260,000 due September 1, 2036.

Approximately \$8.9 million of the proceeds of the Certificates will finance the remaining amounts needed to complete the Cogeneration Project. The City will purchase such remaining facilities of the Cogeneration Project from the Financing Authority pursuant to an Installment Purchase Agreement. Pursuant to the Installment Purchase Agreement, the City will pay Purchase Payments to the Financing Authority.

Approximately \$15 million of the proceeds of the Certificates will finance the acquisition, construction and installation of the electric distribution facilities necessary to supply power to all Greenfield developments within the City. The City will purchase such electric distribution facilities from the Financing Authority pursuant to an Installment Purchase Agreement. On May 7, 2005, the City announced that it would no longer pursue its plan to acquire Southern California Edison's distribution facilities within the City and terminated the eminent domain proceedings. Approximately \$3.1 million of the proceeds of the Certificates reimbursed the City for certain costs incurred in connection with such terminated eminent domain proceedings.

C. Capital Lease Payments

At June 30, 2005, the future minimum lease payments required under the capital leases and the net present value of the future lease payments were as follows:

Water Facility	
Fiscal Year Ending	Lease Payment
2006	\$ 1,366,237
2007	1,402,443
2008	1,437,504
2009	1,473,442
2010	1,510,278
2011-2015	8,136,930
2016-2020	9,206,246
2021-2025	10,418,023
2026-2030	11,754,773
2031-2035	13,333,390
2036-2040	15,085,507
2041-2045	17,067,867
2046-2060	19,310,725
2061-2065	21,849,312
2066	111,522,443
Total minimum Lease Payments	241,304,170
Less: Amount Representing Interest	(136,084,608)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 106,819,662</b>

Wastewater Facility

Fiscal Year Ending	Lease Payment
2006	\$ 856,862
2007	702,803
2008	720,373
2009	736,382
2010	756,842
2011-2015	4,077,665
2016-2020	4,613,504
2021-2025	5,218,756
2026-2030	5,905,676
2031-2035	6,681,730
2036-2040	7,559,763
2041-2045	8,553,178
2046-2060	9,677,137
2061-2065	10,948,752
2066	68,165,375
Total minimum Lease Payments	135,006,658
Less: Amount Representing Interest	(69,197,958)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 65,808,682</b>

**D. 2005 Transactions**

In 2005, the following related party transactions were recorded by the City and the Authority.

Capital Lease Payments:	
Water Fund	\$ 1,334,866
Wastewater Fund	895,939
Total to the City	<u>\$ 2,003,804</u>

**23) Special Assessment District Bonds (No City Liability)**

The payment of these bonds is secured by valid assessment liens upon certain lands in each district and is not a direct liability of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur. Neither the faith and credit nor taxing power of the City of Corona is pledged to the payment of the bonds. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay those delinquencies out of any other available funds. The City acts solely as an agent for those paying the assessments and the bondholders.

As of June 30, 2005 the balance outstanding was:

\$3,482,630 Assessment District No. 82-2 Improvement Bonds	\$	540,000
\$ 866,000 Assessment District No. 85-1 Improvement Bonds		845,000
\$1,624,200 Assessment District No. 96-1 1998 A Improvement Bonds		1,240,000
\$ 665,000 Assessment District No. 96-1 1997 A Improvement Bonds		548,000
\$1,606,000 Assessment District No. 96-1 1997 B Improvement Bonds		1,360,000
\$2,857,100 Assessment District No. 96-1 1998 A Improvement Bonds		2,370,000
Total Special Assessment District Bonds (No City Liability)	<u>\$</u>	<u>6,903,000</u>

**24) Community Facilities District Bonds (No City Liability)**

These bonds are authorized pursuant to the Melio-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District and by the City Council. Neither the faith and credit nor taxing power of the City is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders.

The following Irrevocable Letters of Credit are outstanding as of June 30, 2005:

Payee	Issue Date	Renewal Date	Amount
Southern California Edison	12/26/2002	12/26/2005	\$ 21,225
Southern California Edison	10/15/2003	10/15/2005	176,693
Southern California Edison	4/12/2004	4/12/2006	106,433
Southern California Edison	10/21/2004	10/21/2005	297,000
Total Irrevocable Letters of Credit			<u>\$ 601,251</u>

**27) Classification of Net Assets**

In the Government-Wide Financial Statements, net assets are classified in the following categories:

- Invested in Capital Assets, Net of Related Debt** - This category groups all capital assets, including infrastructure, 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 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. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.
- Unrestricted Net Assets** - This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2005, reservations of fund balance are described below:

- Reserved for Encumbrances** - These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received.
- Reserved for Loans Receivable** - These reserves were established to reflect the non-current portion of other loans and other receivables so that they will not be considered as current available funds.
- Reserved for Inventories and Prepayments** - These reserves were established to reflect non-current resources so that they will not be considered as current available funds.
- Reserved for Debt Service** - These reserves were established to provide for future debt service.
- Reserved for Land Held for Resale** - This reserve was established to reflect non-current resources so they will not be considered as current available funds.

Following is a list of the Community Facilities District Bonds currently active:

\$12,775,000 Community Facilities District 86-1 Refunding and Improvement Bonds	\$	3,520,000
\$22,590,000 Community Facilities District 88-2 Refunding and Improvement Bonds		18,785,000
\$62,845,000 Community Facilities District 90-1 Refunding Bonds		47,860,000
\$19,505,000 Community Facilities District 97-2 Special Tax Bonds		17,425,000
\$ 6,485,000 Community Facilities District 2000-1, Series A Special Tax Bonds		6,275,000
\$1,610,000 Community Facilities District 2000-1, Series B Special Tax Bonds		1,590,000
\$20,295,000 Refunding Community Facilities District 89-1, Series A District-Wide Local Obligation Bonds		17,165,000
\$15,715,000 Refunding Community Facilities District 89-1, Series A-1 Improvement Area Local Obligation Bonds		12,925,000
\$3,875,000 Community Facilities District 2001-2 Special Tax Bonds		3,600,000
\$9,415,000 Community Facilities District 2002-4 Special Tax Bonds		9,415,000
\$6,136,000 Community Facilities District 2003-2 Special Tax Bonds		6,135,000
Total Community Facilities District Bonds (No City Liability)	<u>\$</u>	<u>144,685,000</u>

**25) Bond Requirements**

At June 30, 2005, management believes the City and its component units are in compliance with all covenants of the various debt indentures.

**26) Credit Agreements**

The City has entered into letter of credit agreements with Citizens Business Bank. The Irrevocable Letters of Credit have been issued in favor of Southern California Edison to comply with various Interconnection Facilities Agreements that the Corona Department of Water & Power has entered into in order to provide electric distribution. The Irrevocable Letters of Credit have expiration dates, however they are automatically extended without amendment annually. The Irrevocable Letters of Credit are to remain in effect until all payment obligations under the terms of the Interconnection Facilities Agreements have been satisfied.

- Reserved for Low and Moderate Income Housing** - This designation represents 20% of tax increment revenues generated by the Redevelopment Project Area to increase and improve the supply of low and moderate income housing.
- Reserved for Interfund Advances** - These reserves were established to reflect the non-current portion of advances so that they will not be considered as current available funds.
- Reserved for Specific Projects and Programs** - These reserves represent specific projects and programs for which the City has made a commitment towards completion through adoption of the City Budget and Five-Year Capital Improvement Plan.

Unreserved fund balances in the Fund Financial Statements are designated by Management as follows:

General Fund		
Continuing Appropriations	\$	2,342,859
Miscellaneous		2,173,377
Development Agreements		2,338,066
ECR Reserve		2,798,598
Budget Balancing Reserve		11,105,184
Designated for Contingencies		11,000,000
Total General Fund	<u>\$</u>	<u>31,748,099</u>

**28) Deficit Fund Balances**

Certain funds in Special Revenue and Capital Project had deficit fund balances at June 30, 2005. These deficits will be financed through future revenues of the funds.

Fund	Deficit Balance
<b>Special Revenue Funds</b>	
Airport	\$ (356,351)
Residential Refuse	(179,027)
Total Deficit Special Revenue Funds	<u>(535,378)</u>
<b>Capital Project Funds</b>	
HUD Grants	(112)
Planned Local Drainage	(18,998)
Total Deficit Capital Project Funds	<u>(19,090)</u>
<b>Total Deficit Fund Balances</b>	<u>\$ (554,458)</u>



29) Defined Benefit Pension Plan

A. Plan Description

The City's defined benefit pension plan (the Miscellaneous Plan, the Safety Police Plan and the Safety Fire Plan) provide retirement, disability and death benefits to plan members and beneficiaries. These Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer system that acts as a common investment and administrative agent for cities in the state of California. The benefit provisions are established by state statutes within the Public Employees' Retirement Law. The City adopts its benefit provisions through contract with CalPERS and approves them through Council Resolutions and specific agreements with City labor groups. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

The City's payroll for employees covered by the System for the year ended June 30, 2005 was \$20,051,700 for safety members (which represents 38.8% of covered payroll) and \$31,630,400 for miscellaneous members (which represents 61.2% of covered payroll), a total covered payroll of \$51,682,100. The total City payroll for the fiscal year was \$63,956,994. All full-time City employees are eligible to participate in PERS. Benefits vest after five years of service. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a percent of their highest annual salary for each year of service credit.

B. Funding Policy

Active plan members in PERS are required to contribute a percent of their annual covered salary, as identified in the table below. The City pays the contributions required of all miscellaneous employees hired before January 1, 1999 and for all police safety employees hired before January 1, 2000. The employees hired after those dates pay a portion of the required member contribution totaling 3% and 4%, respectively, while the City pays the remaining 5% and 6% of the member's contribution, respectively. Fire safety members make their employee payments on their own behalf regardless of hire date. The rates are set by statute and therefore normally remain unchanged from year to year. However, the City underwent a contract amendment with the miscellaneous members effective July 1, 2004, which changed the required member contribution from 7% to 8%.

Category	Member Rates as a Percent of Wages	2004-05 Amount Paid
Local Miscellaneous Members	8%	\$ 2,530,432
Local Police Safety Members	9%	1,111,570
<b>Total Paid on Behalf of the Employee</b>		<b>3,642,002</b>
Local Fire Safety Members	9%	693,063
<b>Total Member Portion Paid</b>		<b>\$ 4,335,065</b>

86

D. Trend Information

Three years of trend information regarding annual pension costs, including costs paid on behalf of the employees, is summarized as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2003	\$ 5,060,466	100%	80
6/30/2004	4,748,394	100%	0
6/30/2005	5,877,120	100%	0

30) Pension Plan (Defined Contribution)

The City provides pension benefits for all of its PST employees through the City's Deferred Compensation Plan for Part-time, Seasonal and Temporary Employees, which is a defined contribution plan. The plan is administered by National Deferred Compensation. The purpose of the plan is to provide part-time, seasonal and temporary employees with a retirement plan as mandated by and in compliance with the Federal Omnibus Reconciliation Act of 1990. Per Department of Treasury regulations, the City has established this substitute retirement plan under section 457 of the Internal Revenue Code of 1986, as amended. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate from the date of employment. The City requires the employee to contribute 6.2% of the 7.5% required by the Federal Government. The City's contribution for each employee and interest allocated to the employee's account are fully vested immediately. During the past year, the City contributed \$23,807 on hourly salaries of \$1,831,306 with the employees contributing \$113,541.

31) Post-employment Health Care Benefits

In addition to the pension benefits described above, the City provides postemployment health care benefits, in accordance with the health care regulations of the Public Employees Retirement System, to all employees who retire from the City on or after attaining age 50 with at least five years of service. Currently, 304 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$2,373,463 were recognized for postemployment health care.

The City also provides life insurance for employees who retire from active work who are 60 years of age and have a minimum of five years of service. The amount of life insurance provided is \$50,000 until the age of 70. Currently, 210 retirees are involved in this insurance plan with a cost for the fiscal year ending June 30, 2005 of \$20,702. Expenditures for post employment life insurance are funded on a pay-as-you-go basis.

86

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefit for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2004-05 was 11.574% for miscellaneous employees, 28.522% for the police safety group and 31.503% for the fire safety group. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS.

C. Annual Pension Cost

For fiscal year 2004-05, the City's annual pension cost was \$5,877,120, but the amount the City actually contributed was \$8,824,335 due to the unfunded liability. The required contribution for fiscal year 2004-05 was determined as part of the June 30, 2002 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) an investment rate of return of 6.25% (net of administrative expenses), (b) projected salary increases of 3.75% to 14.20% depending on age, service and type of employment for the miscellaneous employees (for the Safety Police Plan and the Safety Fire Plan, salary increases range from 4.27% to 11.50%). Both (a) and (b) include an inflation component of 3.50% and a payroll growth factor of 3.75% for all three groups, but do not include any post retirement benefit increases. The actuarial value of PERS assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over three year period. The City's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of payroll on a closed basis. The amortization period varies between the three different plans of the City. For the 2004-05 fiscal year the average remaining amortization periods were: Miscellaneous, 22 years; Police, 13 years; Fire, 15 years.

For 2004-05 the annual rate components were as follows:

	Miscellaneous	Fire	Police
Normal Cost Rate	9.42%	17.58%	15.90%
Unfunded Liability Rate	2.15%	13.84%	10.63%
<b>Total</b>	<b>11.57%</b>	<b>31.50%</b>	<b>26.52%</b>

The amounts required under the preceding categories for 2004-05 were as follows:

	Miscellaneous	Fire	Police	Total
Normal Cost	\$ 2,589,366	\$ 1,368,982	\$ 1,919,772	\$ 5,877,120
Unfunded Liability	590,850	1,073,247	1,283,118	2,947,215
<b>Total City Portion Paid</b>	<b>\$ 3,179,216</b>	<b>\$ 2,442,229</b>	<b>\$ 3,202,890</b>	<b>\$ 8,824,335</b>

87

32) Commitments and Contingencies

The City has entered into several operating lease agreements in the conduct of its day-to-day operations to provide for facilities and/or services. None of these operating leases are considered to be significant commitments.

As of June 30, 2005, the Redevelopment Agency had entered into various owner participation and development and disposition agreements with businesses and property owners within the Agency's project areas. These agreements provide for various incentives, including land subsidies, sales tax rebates and debt forgiveness to specific projects based on revenues generated by those projects.

The City is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions when finally adjudicated will not have material adverse effect on the financial position of the City.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or refunded to the taxpayers through revised tax rates or revised fee schedules. For the fiscal year ended June 30, 2005, the City's appropriations limit totals \$286,592,015 and the City's appropriations subject to limitation are \$64,260,050.

On November 5, 1996, California voters passed Proposition 218 which requires, in general, that any new implementation, increase or extension of taxes, fees, and charges be put to a vote of the public. The City has held two special elections for property owners in special districts asking for a proportional increase in the annual assessment for landscape maintenance on publicly owned medians and easements. All the elections were defeated. As a result, services in those districts continue to be provided at a level equal to the assessments prior to the elections.

On September 28, 1995, the California Supreme Court reversed a Court of Appeals decision which reinstated provisions of Proposition 52 which was a 1986 voter initiative that required all general taxes to be approved by simple majority vote of the electorate. The Supreme Court provided very little detail on a number of issues surrounding their decision but the only possible exposure, if any, to the decision for the City would be its transient occupancy tax which was increased by 2% in 1989. It remains unclear what, if any, liability the City may have.

As of June 30, 2005, in the opinion of City Administration, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

33) Conduit Debt Obligations

Not included in the accompanying financial statements are various conduit debt obligations issued under the name of the City and/or the Redevelopment Agency. The Bonds are not secured by or payable from revenues or assets of the City or

89

Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Corona Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal of and interest on the Bonds nor is the City or the Agency in any manner obligated to make any appropriations for payments on these bonds. At June 30, 2005, the aggregate principal amount of Conduit Debt Obligations outstanding totaled \$66,945,543.

34) Prior Period Adjustments

At June 30, 2005, the City of Corona reclassified certain information to correct transactions recorded incorrectly in prior years.

<b>Deferred Revenue:</b>	
Defer certain grant revenues	\$ (295,203)
Reduce Government-Wide Deferred Assessment Revenue	2,485,000
Defer property tax revenues	(457,673)
<b>Net prior period adjustments to Deferred Revenue</b>	<b>\$ 1,732,124</b>

**Capital Assets:**

Record and reclassify DWP sewer lines and land purchases	\$ 2,173,104
Record capitalized interest	3,714,831
Reduce Government-Wide Land	(1,857,277)
Reduce Construction in Progress	(4,589,910)
<b>Net prior period adjustments to Capital Assets</b>	<b>\$ (539,252)</b>

**Loan Payable:**

Increase loan payable for accrued interest	\$ (13,819)
Increase in Agreement Payable	(1,309,534)
<b>Net prior period adjustments to Loan Payable</b>	<b>\$ (1,314,653)</b>

For the Government-Wide Financial Statements, the following restatement amounts were reported as of June 30, 2005:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<b>Net Assets:</b>		
As previously reported	\$ 684,835,568	\$ 51,113,995
Prior Period Adjustments	(1,406,167)	1,274,203
<b>As restated</b>	<b>\$ 683,429,401</b>	<b>\$ 52,388,198</b>

36) Net Revenue and Changes in Net Assets

The governmental activities for the Public Works program reflect net revenue of \$1,127,654 on the Statement of Activities and Changes in Net Assets. This is due to the timing of the completion of capital projects funded in the program as well as the City's intentional building up of certain developer impact fees for upcoming capital improvement projects.

For the Funds Financial Statements, the following restatement amounts were reported as of June 30, 2005:

	<u>Governmental Funds</u>		
	<u>Major Funds</u>		<u>Non-Major Funds</u>
	<u>General Fund</u>	<u>Redevelopment Special Revenue</u>	<u>Other Governmental Funds</u>
<b>Fund Balances/Net Assets:</b>			
As previously reported	\$ 42,287,272	\$ 4,840,103	\$ 33,674,508
Prior Period Adjustments	(425,813)	(1,309,534)	(369,255)
<b>As restated</b>	<b>\$ 41,861,459</b>	<b>\$ 3,530,569</b>	<b>\$ 33,305,253</b>

	<u>Proprietary Funds</u>		
	<u>Major Funds</u>		
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Electric Fund</u>
<b>Fund Balances/Net Assets:</b>			
As previously reported	\$ 32,176,895	\$ 15,013,140	\$ 1,628,990
Prior Period Adjustments	1,554,529	502,093	(1,182,325)
<b>As restated</b>	<b>\$ 33,731,424</b>	<b>\$ 15,515,143</b>	<b>\$ 446,665</b>

35) Subsequent Event

The City's Railroad Street Rehabilitation grant application was approved and appropriated for 2004/05 fiscal year by the California Department of Transportation (CALTRANS) on September 1, 2005 in the amount of \$1,011,429. The City Council approved an appropriation on October 19, 2006. The project involves resurfacing the area from Auto Center Drive to West Grand Boulevard; and on Auto Center Drive from State route 91 to Railroad Street. The total estimated cost of the project is \$1,490,000. The remaining unfunded amount will be financed through the Major Pavement Rehabilitation Capital Project available in Fiscal Year 2006/06.

The California Department of Transportation (CALTRANS) awarded and appropriated in their 2004/05 fiscal year a federal aid grant to the City in the amount of \$671,000 on September 13, 2005. The City Council approved an appropriation on October 19, 2005. The City is to enhance roadway capacity along Lincoln Avenue from Sixth Street to Pomona Road; and to provide turning lanes and signal modification from Pomona Road to the State Route 91 on/off ramps. The total estimated cost of the project is \$2,013,000.

BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on four expenditure categories; personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature or known as *recurring costs*. Capital improvement projects are asset acquisitions, facilities, systems, and infrastructure improvements typically over \$50,000, and/or those items "outside" of the normal operational budget. These are known as *one-time costs*.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue, Debt Service and Capital Projects funds. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated. Corona follows the General Fund Expenditure Control Budget, or ECB, guidelines as outlined in the budget resolution.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Manager's Office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations before preparing the document that is proposed to the City Council. The City Council reviews the Proposed Budget through a series of committees and workshops and the final adoption of the budget is scheduled for the second City Council meeting in June.

**Budgets and Budgetary Accounting**

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Before the beginning of the fiscal year the City Manager submits to the City Council a proposed budget for the year commencing July 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is subsequently adopted through passage of a resolution and is not included herein but is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all unencumbered budgeted amounts lapse at year-end, except in the General Fund

**CITY OF CORONA**  
Required Supplementary Information  
June 30, 2005

- where an expenditure control budget policy allows departments to carryover unexpended amounts into the next fiscal year.
- Continuing Appropriations are re-budgeted by the City Council as part of the adoption of subsequent year's budgets.
  - Legally adopted budget appropriations are set for the General, Special Revenue, Debt Service and Capital Projects Funds.
  - The legal level of budgetary control is at the department level. A Department Head may transfer appropriations within the department. Expenditures may exceed appropriations at this level to the extent that departmental owned revenues are sufficient to offset the excess. Expenditures in excess of departmental owned revenues must be approved by the City Council. The City Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriation transfers between funds.
  - Budgets for General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

The 2004-05 fiscal year budget was the eleventh year that the budget was prepared in accordance with the ECB policies adopted by the City Council for the General Fund. Departments are given increased flexibility and incentives for meeting their goals as well as being assigned greater accountability for their performance in carrying out their mission. According to the ECB policies, the departments are allowed to carry over certain unspent portions of their individual departmental budgets to be used in future years.

A comparison of the original budget to the final follows:

**General Fund**

Aside from prior year continuing appropriations of \$2.8 million for capital projects and \$3.6 million in committed purchase orders that were carried forward, there were \$6.7 million in supplemental appropriations for the General Fund. These supplemental appropriations included \$1.3 million of ECB savings that were approved for various departmental needs. Additionally, there were increases of \$3.5 million for the City Hall Facility capital project, and \$1.9 million for public safety items, health costs increase and labor agreements.

**Development Special Revenue Funds**

Continuing appropriations of \$8.3 million and \$2.0 million in committed purchase orders were carried forward from the prior year for various capital projects.

**Redevelopment Special Revenue Fund**

An increase in the final budget resulted from a carryover of \$2.3 million continuing appropriations from the prior year for various capital projects.

**ECB Reserves**

For fiscal year 2004-05 the amounts saved by the departments totaled \$1,522,434. The prior year carryover is \$1,266,154 giving the departments a total of \$2,788,588 in reserves. This is designated in the General Fund Balance under the title of Unreserved Fund Balance. Further details are in the Notes to the Basic Financial Statements under Note 27, ECB Reserve. The following presents a list of savings by department.

**CITY OF CORONA**  
Required Supplementary Information  
June 30, 2005

Department	Prior Year		Total ECB Savings Carryover
	FY 2004-05	Carryover	
City Council	\$ 4,183	\$ 5,782	\$ 9,925
Management Services	11,298	61,172	72,470
City Clerk	9,673	6,143	17,316
City Treasurer	48	6,291	6,249
Human Resources	6,282	47,023	53,305
Information Technology	24,404	46,298	70,702
General Government		293,288	293,288
Finance	83,606	74,628	158,234
Planning	154,256	154,180	298,446
Building			
Fire	362,025	107,443	469,468
Police	521,778	136,944	680,722
Public Works	78,660	327,352	405,322
Library	261,181	10,000	271,181
Parks and Community Services	24,781	26,680	50,481
<b>Total</b>	<b>\$ 1,522,434</b>	<b>\$ 1,266,154</b>	<b>\$ 2,788,588</b>

**CITY OF CORONA**  
Required Supplementary Information (continued)  
June 30, 2005

**Budgetary Comparison Schedule, General Fund**  
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
	\$	\$		
<b>Fund Balance, July 1</b>	\$ 42,287,272	\$ 42,287,272	\$ 41,653,459	\$ (633,813)
<b>Resources (Inflows):</b>				
Property Taxes	17,678,496	28,928,916	26,940,986	(687,530)
Other Taxes	36,518,720	38,079,501	40,815,243	1,855,712
Licenses, Fees, and Permits	2,417,784	2,664,109	2,897,798	233,689
Fines and Penalties	419,942	509,382	628,878	119,596
Investment Earnings	783,476	1,175,300	1,144,059	(31,471)
Intergovernmental Revenue	8,704,175	1,825,407	1,801,020	(24,387)
Current Services	5,624,484	1,969,911	8,697,311	737,402
Other Revenues	1,436,345	3,896,409	5,703,458	2,041,089
Payments in Lieu of Services	8,295,004	7,594,890	8,153,147	109,257
Transfers from other Funds	7,718,325	7,718,325	4,627,628	(3,090,697)
Amount available for appropriation	\$ 90,167,702	\$ 99,231,275	\$ 100,523,273	\$ 1,291,994
<b>Changes to appropriations (outflows):</b>				
General Governmental				
City Council	\$ 190,760	\$ 153,730	\$ 145,403	\$ 8,327
Management Services	2,667,167	1,106,290	1,465,400	(350,158)
City Treasurer	16,718	16,817	16,781	36
Human Resources	569,891	742,036	729,473	12,563
Information Technology		1,585,704	1,056,282	487,442
Finance	2,845,142	2,882,195	2,967,455	165,244
Community Development				
Building	2,235,649	2,525,576	2,256,399	68,404
Planning	1,832,653	1,830,017	1,810,045	32,572
Redevelopment	3,061,316	3,069,990	2,573,340	1,428,650
Public Safety				
Fire	16,036,321	16,215,907	17,833,413	391,904
Police	33,037,382	34,116,988	33,413,522	703,066
Public Works				
Engineering	3,723,027	3,909,829	1,841,815	2,068,014
Services	3,898,157	3,445,452	6,640,585	(2,198,103)
Culture and Recreation				
Library	2,998,023	2,798,210	2,819,210	(31,000)
Parks	6,830,840	6,800,662	6,667,268	133,334
Non-Departmental				
General Government	9,047,572	9,633,303	7,220,163	2,413,140
Capital Outlay	1,733,167	12,223,379	6,799,115	5,424,264
Transfers to other Funds	1,493,407	1,493,407	2,123,292	(629,885)
Total charges to appropriations	\$ 44,414,431	\$ 107,562,860	\$ 77,102,944	\$ 10,459,916
Excess of resources over (under) charges to appropriations	(4,246,729)	(3,231,481)	3,420,329	11,751,810
<b>Fund Balance, June 30</b>	<b>\$ 38,040,543</b>	<b>\$ 33,565,791</b>	<b>\$ 45,263,799</b>	<b>\$ 11,327,987</b>

**CITY OF CORONA**  
Required Supplementary Information (continued)  
June 30, 2005

**Budgetary Comparison Schedule, Development Special Revenue Fund**  
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
	\$	\$		
<b>Fund Balance, July 1</b>	\$ 21,678,162	\$ 21,678,162	\$ 21,079,162	\$ -
<b>Resources (Inflows):</b>				
Licenses, Fees and Permits	4,671,010	4,671,010	7,280,021	2,629,011
Investment Earnings	143,190	143,190	418,967	275,777
Other Revenues	360	360	30,394	32,034
Payments in Lieu of Services	456,000	456,000	835,200	379,200
Transfers from other Funds	-	-	654,978	654,978
Amount available for appropriation	\$ 5,170,560	\$ 5,170,560	\$ 9,139,460	\$ 3,968,900
<b>Charges to appropriations (outflows):</b>				
General Government	\$ -	\$ -	\$ 1,023,225	\$ (1,023,225)
Public Works	141,717	141,717	470,266	(328,549)
Parks and Community Services	-	-	150,971	(150,971)
Fire	1,957	1,957	124,069	(122,052)
Police	-	-	6,089	(6,089)
Library	-	-	337,110	(337,110)
Capital Outlay	6,263,586	17,545,443	3,827,783	13,717,660
Transfers to other Funds	585,238	585,238	1,108,887	(523,648)
Total charges to appropriations	7,012,480	18,274,355	7,048,400	11,225,955
Excess of Resources over (under) charges to appropriations	(1,841,920)	(13,103,795)	2,091,060	15,134,855
<b>Fund Balance, June 30</b>	<b>\$ 19,237,232</b>	<b>\$ 7,975,357</b>	<b>\$ 23,170,212</b>	<b>\$ 15,134,855</b>

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2005

**Budgetary Comparison Schedule, Redevelopment Special Revenue Fund  
Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Fund Balance, July 1</b>	\$ 4,940,103	\$ 4,940,103	\$ 4,940,103	\$ -
<b>Resources (inflows):</b>				
Investment Earnings	65,328	65,328	45,193	(20,135)
Current Services			21,720	21,720
Other Revenues	333,030	333,030	669,086	325,086
Transfers from Other Funds	2,872,314	2,872,314	3,162,469	289,856
Amount available for appropriation	\$ 3,270,842	\$ 3,270,842	\$ 3,907,468	\$ 636,626
<b>Charges to appropriations (outflows):</b>				
Redevelopment	\$ 2,417,114	\$ 4,368,985	\$ 3,260,838	\$ 1,108,047
Debt Service:				
Interest and Fiscal Charges	-	122,927	121,800	1,107
Transfers to Other Funds	709,270	709,270	887,017	22,253
Total charges to appropriations	3,126,414	5,201,032	4,069,775	1,131,307
Excess of Resources over (under)				
Charges to Appropriations	144,528	(1,930,140)	(165,307)	1,785,833
Fund Balance, June 30	\$ 6,094,931	\$ 3,009,993	\$ 4,777,799	\$ 1,787,833

**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system, water purification and distribution system, wastewater collection and treatment system, park and recreation lands and improvement system, storm water conveyance system, and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the 'Modified Approach' as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2005

- (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In April 2005, the City commissioned a study to update the physical condition assessment of the streets. The prior assessment study was completed in November 2004. The streets, primarily concrete and asphalt pavements were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City owned streets are classified based on lane use, access and traffic utilization into the following four classifications: arterial/major, secondary, collector and local. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined:

Condition	Rating
Excellent	86-100
Very Good	71-85
Good	66-70
Fair	41-65
Poor	28-40
Very Poor	14-25
Distressed	0-13

The City Policy is to achieve an average rating of 70 for all streets, which is a good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2005, the City's street system was rated at a PCI index of 71 on the average with the detail condition as follows:

Condition	% of Streets
Excellent to Good	79%
Fair	7%
Poor to Distressed	14%

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$3,605,499 on street maintenance for the fiscal year ended June 30, 2005. These expenditures delayed deterioration however the overall condition of the streets was not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required maintaining the City's streets at the average PCI rating of 70 through the year 2010 is a minimum of \$9,700,000. A schedule of the estimated annual amount required to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below.

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2005

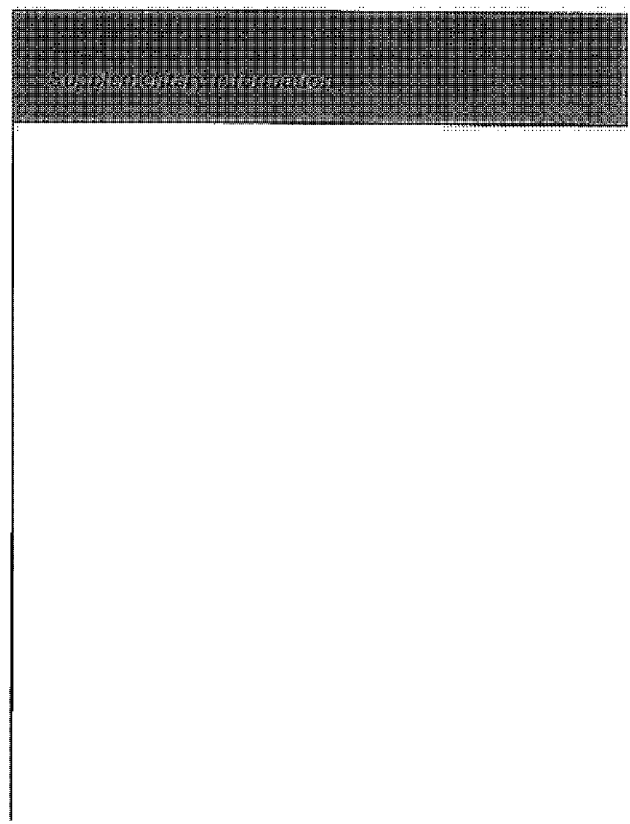
Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Rating
2000-01	3,500,000	4,993,256	74
2001-02	3,500,000	4,542,355	74
2002-03	3,500,000	5,993,617	73
2003-04	3,500,000	5,326,688	71
2004-05	3,500,000	3,605,489	71

The City also has an on-going street rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System (PMS). As of June 30, 2005, approximately 21% of the City's streets were rated below the average standard of 70. This represents a decrease over the prior year when the City had 17% of its streets rated below 70. The City will continue to rehabilitate these segments of the streets. Total deficiencies identified in the PMS amounted to approximately \$65,300,000 for all streets, with \$43,700,000 in deficiencies on street segments rated below the PCI of 70.

**PENSION TREND DATA**

A schedule of funding progress for the year ended June 30, 2005 including the past three actuarial valuations is presented below

	Actuarial Valuation Date	Actual Asset Value	Entry Age Actuarial Accrued Liability	Underfunded (Overfunded)		Funded Ratio	Covered Payroll	Actual Liability as Percentage of Covered Payroll
				Actuarial Accrued Liability	Underfunded (Overfunded)			
<b>Miscellaneous</b>	06/30/02	84,793,276	77,721,311	(7,071,967)	106.1%	24,586,437	-28.75%	
<b>Employees Group</b>	06/30/03	87,170,628	105,034,472	17,863,844	83.0%	30,202,943	59.15%	
	06/30/04	94,372,442	114,672,033	20,299,591	82.3%	31,103,806	65.26%	
<b>Police Safety</b>	06/30/02	49,926,660	59,753,020	9,826,360	83.6%	18,813,509	50.87%	
<b>Employees Group</b>	06/30/03	52,785,103	64,422,503	11,637,400	81.9%	11,371,786	102.34%	
	06/30/04	58,349,169	70,526,257	12,179,088	82.7%	12,146,747	100.27%	
<b>Fire Safety</b>	06/30/02	48,001,364	57,676,077	9,074,713	84.3%	6,941,723	130.73%	
<b>Employees Group</b>	06/30/03	50,743,983	60,992,913	10,248,930	85.2%	7,227,397	141.81%	
	06/30/04	53,571,289	64,241,139	10,669,869	83.4%	9,101,198	117.24%	





102

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Special Revenue			
	Traffic Safety	Gas Tax	Miscell A	Tip Redistrib
<b>Assets:</b>				
Cash and Investments	\$ 12,488	\$ 2,283,122	\$ 7,540,177	\$ 190,971
Accounts Receivable, Net				
Interest Receivable		14,305	47,975	1,209
Due from Other Governmental Agencies	77,011	245,325	1,501,193	41,750
Due from Other Funds		1,589		
Long-Term Receivable				
Jointly Receivable				
Restricted Assets				
Gift and Bequests				
<b>Total Assets</b>	<b>\$ 159,499</b>	<b>\$ 2,860,883</b>	<b>\$ 8,715,325</b>	<b>\$ 781,510</b>
<b>Liabilities and Fund Balances:</b>				
Liabilities				
Accounts Payable and Accrued Liabilities	\$	\$ 106,000	\$ 260,000	\$ 4,200
Due to Other Funds			1,300	
Deferred Revenues				
Unearned Revenue				
Unfunded Advances Payable				
Intuitus Payable from Restricted Assets				
<b>Total Liabilities</b>		<b>106,000</b>	<b>261,300</b>	<b>4,200</b>
Fund Balances				
Reserved for Contingencies		91,738	418,498	
Debt Service				
Special Projects and Programs	128,459	2,070,115	6,046,436	229,414
Unreserved, reported in Special Revenue Funds				
<b>Total Fund Balances (Deficit)</b>	<b>128,459</b>	<b>2,161,853</b>	<b>6,401,632</b>	<b>229,414</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 128,459</b>	<b>\$ 2,860,883</b>	<b>\$ 8,715,325</b>	<b>\$ 781,510</b>

104

**Non-Major Governmental Funds**

103

	Special Revenue					
	Airport	Asset Forfeiture	Residential Refuse	Special Tax Districts	Other Grants	Library Endowments
	\$ 11,203	\$ 193,620	\$ 252,715	\$ 7,119,504	\$ 292,028	\$ 74,893
	160	1,173	512,942	161		
			2,040	36,103	2,818	
			44,700	369,700		
	14,013		70,345	318,544	193,792	
	<b>\$ 23,405</b>	<b>\$ 194,793</b>	<b>\$ 832,514</b>	<b>\$ 7,829,012</b>	<b>\$ 456,798</b>	<b>\$ 74,893</b>
	\$ 9,924	\$ 6,255	\$ 992,504	\$ 293,677	\$ 49,377	\$
	2,810			1,409		
	14,013	2,201	70,349		190,702	
	282,000					
	<b>381,750</b>	<b>8,456</b>	<b>1,065,357</b>	<b>427,722</b>	<b>234,102</b>	<b>\$</b>
	2,112		12,468	121,913	4,021	
		81,252		304,708		
				2,095,799	216,105	74,893
	<b>(854,463)</b>		<b>(151,452)</b>			
	<b>(856,351)</b>	<b>81,252</b>	<b>(119,027)</b>	<b>7,461,320</b>	<b>232,126</b>	<b>74,893</b>
	<b>\$ 25,405</b>	<b>\$ 194,806</b>	<b>\$ 865,845</b>	<b>\$ 7,829,012</b>	<b>\$ 456,798</b>	<b>\$ 74,893</b>

Continued Page 1 of 2

105

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Debt Service		
	General Obligation	Assessment Districts	Public Financing Authority
<b>Assets:</b>			
Cash and Investments	\$ 617,077	\$ 708,745	\$ -
Accounts Receivable, Net			
Interest Receivable	3,620	4,810	103,104
Due from (to) Other Governmental Agencies	66,161	26,202	-
Loans to Agencies		3,756,000	
Loans Receivable			
Prepaid Expenses			
Capital Assets	693,444	158,457	5,387,936
<b>Total Assets</b>	<b>\$ 1,387,302</b>	<b>\$ 4,154,320</b>	<b>\$ 5,491,136</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -
Deposits			
Due to Other Funds			
Deferred Revenues	48,528	3,245,000	
Unearned Revenue			
Refund Advances Payable			
Liabilities Payable from Restricted Assets			
<b>Total Liabilities</b>	<b>48,528</b>	<b>3,250,000</b>	<b>-</b>
<b>Fund Balances:</b>			
Reserves for Contingencies			
Debt Service	1,269,150	293,220	5,490,173
Special Projects and Programs			
Unassigned, Reported in Special Revenue Funds			
<b>Total Fund Balances (Deficit)</b>	<b>1,269,150</b>	<b>296,220</b>	<b>5,490,173</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,322,587</b>	<b>\$ 4,154,320</b>	<b>\$ 5,490,173</b>

	Capital Projects				
	HU2 Grants	Financial Local Drainage	Other Grants	Public Facilities Projects	Total Other Governmental Funds
<b>Assets:</b>					
Cash and Investments	\$ -	\$ -	\$ 1,210	\$ -	\$ 15,381,111
Accounts Receivable, Net					516,203
Interest Receivable			819	2,119	2,755,155
Due from (to) Other Governmental Agencies	254,628	285,640	252,054	-	1,368
Loans to Agencies					3,255,000
Loans Receivable					778,745
Prepaid Expenses	378,740				-
Capital Assets			152,240	3,811,076	16,841,255
<b>Total Assets</b>	<b>\$ 1,032,096</b>	<b>\$ 285,640</b>	<b>\$ 424,342</b>	<b>\$ 3,823,195</b>	<b>\$ 32,770,624</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable and Accrued Liabilities	\$ 177,738	\$ 14,440	\$ 73,684	\$ 1,148	\$ 2,110,086
Deposits					42,719
Due to Other Funds					850,330
Deferred Revenues	77,014	290,260	187,215	102,547	3,745,126
Unearned Revenue					778,745
Refund Advances Payable	778,746				319,040
Liabilities Payable from Restricted Assets					3,638,720
<b>Total Liabilities</b>	<b>1,005,428</b>	<b>304,800</b>	<b>420,842</b>	<b>3,711,631</b>	<b>11,250,670</b>
<b>Fund Balances:</b>					
Reserves for Contingencies			42,087	48,086	746,480
Debt Service					1,882,701
Special Projects and Programs				70,080	18,370,227
Unassigned, Reported in Special Revenue Funds					619,235
<b>Total Fund Balances (Deficit)</b>	<b>(6,328)</b>	<b>(18,000)</b>	<b>141,281</b>	<b>822,188</b>	<b>26,479,883</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,022,297</b>	<b>\$ 285,640</b>	<b>\$ 424,342</b>	<b>\$ 3,833,197</b>	<b>\$ 32,770,624</b>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue			
	Traffic Safety	Gas	Massena A	Trip Reduction
<b>Revenues:</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes				
Licenses, Fees and Penalties				
Fines, Penalties and Forfeitures	628,912			
Special Assessments				
Investment Earnings	9,541	40,912	140,240	3,780
Intergovernmental Revenues		2,382,758	4,780,734	167,099
Grants				
Gifts and Donations		2,423	1,025	1,095
Miscellaneous Revenues				
<b>Total Revenues</b>	<b>638,453</b>	<b>2,394,110</b>	<b>4,921,214</b>	<b>174,244</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government		2,420	6,284	
Police				
Public Works		1,118,458	2,106,166	122,504
Parks and Community Services				
Recreation				
Library				
Capital Outlay		165,820	267,026	
Debt Service				
Principal Retirement			409,817	
Interest and Fiscal Charges			117,214	
<b>Total Expenditures</b>	<b>-</b>	<b>1,447,699</b>	<b>2,893,471</b>	<b>122,134</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>638,453</b>	<b>1,286,411</b>	<b>2,027,743</b>	<b>46,110</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In				
Transfers Out	(652,573)	(1,224,357)	-	(2,059)
<b>Total Other Financing Sources (Uses)</b>	<b>(652,573)</b>	<b>(1,224,357)</b>	<b>-</b>	<b>(2,059)</b>
<b>Net Change in Fund Balances</b>	<b>(18,620)</b>	<b>62,054</b>	<b>2,027,743</b>	<b>44,051</b>
<b>Fund Balances - Beginning of Year, As Restated (Note 34)</b>	<b>157,550</b>	<b>2,389,540</b>	<b>6,403,173</b>	<b>162,393</b>
<b>Fund Balances - End of Year</b>	<b>\$ 138,930</b>	<b>\$ 2,451,594</b>	<b>\$ 8,430,916</b>	<b>\$ 206,444</b>

	Special Revenue				
	Airport	Asset Forfeiture	Residential Refuse	Special Tax Districts	Other Grants Library Entitlements
<b>Revenues:</b>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes					
Licenses, Fees and Penalties					
Fines, Penalties and Forfeitures	168,805	86,114			
Special Assessments					
Investment Earnings				8,908,007	
Intergovernmental Revenues	64	4,304	8,720	1,057,917	84
Grants	41,728		46,508	-	205,798
Gifts and Donations			6,948,507	11,885	237,011
Miscellaneous Revenues					
<b>Total Revenues</b>	<b>210,605</b>	<b>90,418</b>	<b>5,863,735</b>	<b>10,025,717</b>	<b>242,897</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government				3,834	
Police					
Public Works		134,842	8,861,021	2,758,615	361,218
Parks and Community Services					
Recreation					
Library					
Capital Outlay	19,110			304,971	111,719
Debt Service					
Principal Retirement					
Interest and Fiscal Charges					
<b>Total Expenditures</b>	<b>19,110</b>	<b>134,842</b>	<b>8,861,021</b>	<b>3,147,420</b>	<b>473,937</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>191,495</b>	<b>(44,424)</b>	<b>(997,286)</b>	<b>6,878,297</b>	<b>(231,040)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In					
Transfers Out	24,054		1,944	348,231	
<b>Total Other Financing Sources (Uses)</b>	<b>24,054</b>	<b>-</b>	<b>1,944</b>	<b>348,231</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>167,441</b>	<b>(44,424)</b>	<b>(995,342)</b>	<b>7,226,528</b>	<b>(231,040)</b>
<b>Fund Balances - Beginning of Year, As Restated (Note 34)</b>	<b>140,100</b>	<b>261,086</b>	<b>20,320</b>	<b>9,752,238</b>	<b>169,591</b>
<b>Fund Balances - End of Year</b>	<b>\$ 307,541</b>	<b>\$ 216,662</b>	<b>\$ 19,378</b>	<b>\$ 7,078,766</b>	<b>\$ (62,449)</b>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Debt Service		
	General Obligation	Assessment Districts	Public Financing Authority
<b>Revenues:</b>			
Property Taxes	\$ 785,221	\$ -	\$ -
Other Taxes	214,332	-	-
Licenses, Fees and Permits	-	-	-
Fees, Penalties and Fines/UVS	-	-	-
Special Assessments	18,554	538,054	292,980
Investment Earnings	-	10,014	-
Intergovernmental Revenues	-	-	-
Current Services	-	-	-
Gifts and Donations	-	-	-
Other Revenues	-	-	-
<b>Total Revenues</b>	<b>789,175</b>	<b>548,038</b>	<b>292,980</b>
<b>Expenditures:</b>			
Current:			
Planning	-	-	-
Police	-	-	-
Public Works	-	-	-
Parks and Community Services	-	-	-
Recreation	-	-	-
Library	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	320,990	770,500	1,219,297
Interest and Fiscal Charges	-	-	-
Total Expenditures	534,332	1,436,419	1,219,297
Excess of Revenues Over (Under) Expenditures	240,543	(871,381)	164,289
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
<b>Net Change in Fund Balances</b>	<b>240,543</b>	<b>(871,381)</b>	<b>164,289</b>
	1,089,816	1,770,701	8,924,736
<b>Fund Balance - End of Year</b>	<b>\$ 1,289,169</b>	<b>\$ 686,320</b>	<b>\$ 8,460,178</b>



	Capital Projects				Total Other Governmental Funds
	HUD Grants	Planned Local Drainage	Other Grants	Public Facilities Projects	
	\$ -	\$ -	\$ -	\$ -	\$ 788,221
		625,024			773,928
	(4,482)	106	1,081	106,671	879,026
	1,278,857		706,911		6,273,204
					754,173
					16,025,782
					6,169,103
					74,920
					170,930
	22,045	1,090	56		
	1,298,520	626,159	707,968	108,571	26,498,770
	104,246	3,492			120,648
			32,958		529,516
	344,393	577,840			12,210,546
	91,389				3,424,589
	483,244				485,241
	235,155		652,960	5,210,101	9,168,659
					1,496,517
					2,218,219
	1,295,632	581,132	715,918	6,210,191	31,838,238
	(112)	29,827	(8,820)	(8,918,920)	(8,937,659)
			21,610		2,181,569
			(26,948)		(4,039,389)
			(1,483)		(1,617,800)
			(16,703)		(5,665,269)
	(112)	28,627	(16,703)	(8,188,186)	
					32,265,572
			12,003	8,365,307	
					25,479,983
	\$ (112)	\$ (18,968)	\$ 1,800	\$ 122,106	\$

**Internal Services Funds**

**Equipment Pool Fund** - This fund was established by Chapter 12, Title 3 of the Municipal Code as provided by Section 53736 of the Government Code. The fund receives the unencumbered surplus funds from the Fleet Operations Fund.

**Fleet Operations Fund** - This fund is used to account for Motor Pool rental as the equipment is used. At year end, the surplus rent is transferred to the Equipment Pool to pay for equipment replacement.

**Workers' Compensation Self-Insurance Fund** - This fund was established on December 1, 1974 at which time the City became self-insured. Claims and administrative expenses are charged to this fund. Reserves are held by this fund to buffer the impact of unknown but potential losses.

**Liability Risk Self-Insurance Fund** - This fund is used to account for expenditures in payment of claims, administrator's expense (including legal fees) and to establish reserves against future claims.

**Combining Statement of Net Assets  
All Internal Service Funds  
Year Ended June 30, 2005**

	Equipment Pool	Fleet Operations	Self-Insurance		Totals
			Workers' Compensation	Liability Risk	
<b>Assets:</b>					
Current Assets:					
Cash and Investments	\$ 4,710,175	\$ 4,527,515	\$ 12,092,113	\$ 2,349,444	\$ 23,658,049
Accounts Receivable, Net		6,596		16,779	23,375
Interest Receivable	29,924	28,763	76,576	14,528	159,289
Inventories and Prepayments		149,814			149,814
Total Current Assets	4,740,099	4,712,288	12,145,799	2,381,151	23,978,337
Liabilities:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	81,874	175,745	24,324	22,730	304,676
Claims and Judgments Payable		176	2,140,094	370,104	2,614,174
Total Current Liabilities	81,874	175,924	2,164,318	395,934	2,818,050
Noncurrent Liabilities:					
Claims and Judgments Payable			9,850,571	1,897,928	11,826,499
Total Noncurrent Liabilities			9,850,571	1,897,928	11,826,499
Total Liabilities	81,874	175,924	12,145,789	2,253,762	14,657,349
Net Assets:					
Unrestricted	4,658,225	4,536,364		127,389	9,321,978
Total Net Assets	\$ 4,658,225	\$ 4,536,364	\$ -	\$ 127,389	\$ 9,321,978

**Combining Statement of Revenues, Expenses, and Changes in Net Assets  
All Internal Service Funds  
Year Ended June 30, 2005**

	Equipment Pool	Fleet Operations	Self-Insurance		Totals
			Workers' Compensation	Liability Risk	
<b>Operating Revenues:</b>					
Internal Service Charges	\$ -	\$ 5,230,416	\$ 3,724,233	\$ 900,000	\$ 9,854,649
Other	110,167	70,716		7,162	187,985
Total Operating Revenues	110,167	5,307,132	3,724,233	907,162	10,048,711
<b>Operating Expenses:</b>					
Personnel Services		932,508	160,962	134,337	1,247,807
Contractual	144,661	434,163	75,977	20,789	675,590
Material and Supplies	1,057,417	291,636	167,172	631,505	2,177,729
Utilities	1,800	652,656		1,859	664,215
Claims Expense			3,309,194	933,736	4,203,960
Total Operating Expenses	1,213,293	2,341,072	3,724,234	1,772,228	9,000,867
Operating Income (Loss)	(1,103,100)	2,966,060	(1)	(865,108)	887,814
<b>Non-Operating Revenues:</b>					
Investment Earnings	85,173	90,061	227,677	25,740	438,581
Total Non-Operating Revenues	85,173	90,061	227,677	25,740	438,581
Income (Loss) Before Transfers	(1,007,933)	3,056,151	227,676	(859,368)	1,436,551
Transfers In	1,729,791	27,419	73,054	14,229	1,844,503
Transfers Out	(463,959)	(1,142,721)	(404,191)	(69,646)	(2,070,557)
Net Income (Loss)	257,833	1,940,849	(103,421)	(690,778)	1,204,483
Net Assets - Beginning of Year	4,405,362	2,695,515	103,421	1,018,167	8,111,431
Net Assets - End of Year	\$ 4,658,225	\$ 4,536,364	\$ -	\$ 127,389	\$ 9,321,978

**Combining Statement of Cash Flows  
All Internal Service Funds  
Year Ended June 30, 2005**

	Equipment Pool	Fleet Operations	Self-Insurance		Totals
			Workers' Compensation	Liability Risk	
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers/Other Funds	\$ 1,210,808	\$ 2,229,520	\$ 3,726,233	\$ 900,349	\$ 8,066,910
Cash Payments to Suppliers of Goods and Services	(1,210,808)	(1,215,241)	(285,492)	(134,437)	(2,825,978)
Cash Payments to Employees for Services		(879,548)	(590,962)	(495,711)	(1,966,221)
Cash Received (Payments) of Claims Claims		176	(2,262,291)	(907,719)	(2,102,814)
Interest (Dividends) on Long-Term Claims			1,839,507	301,866	2,098,226
Other Receipts (Payments)	110,167	70,716		7,162	187,985
Net Cash Provided by (Used for) Operating Activities	(1,103,100)	2,966,060	(1)	(865,090)	887,814
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers Received	1,729,791	27,419	73,054	14,229	1,844,503
Transfers Paid	(463,959)	(1,142,721)	(404,191)	(69,646)	(2,070,557)
Net Cash Provided by (Used for) Noncapital Financing Activities	1,265,766	(1,115,302)	(331,137)	(55,417)	(232,056)
<b>Cash Flows from Investing Activities:</b>					
Interest on Investments	104,185	84,730	244,959	34,140	467,900
Net Cash Provided by Investing Activities	104,185	84,730	244,959	34,140	467,900
Net Increase (Decrease) in Cash and Cash Equivalents	257,833	1,940,849	(103,421)	(690,778)	1,204,483
Cash and Cash Equivalents - Beginning of Year	4,440,228	2,585,515	103,421	1,018,421	8,111,625
Cash and Cash Equivalents - End of Year	\$ 4,710,175	\$ 4,527,315	\$ 12,268,113	\$ 2,349,444	\$ 23,855,043

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities:**

Operating Income (Loss)	\$(1,103,100)	\$ 2,966,060	\$(1)	\$(865,108)	\$ 887,814
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Accounts Receivable		(6,596)		5,740	(256)
Inventories and Prepayments		(16,058)			(16,058)
Accounts Payable and Accrued Liabilities	2,697	23,174	(3,397)	(21,576)	8,904
Claims and Judgments Payable		176	1,650,440	614,746	2,185,462
Net Cash Provided (Used) by Operating Activities	\$(1,100,433)	\$ 2,972,676	\$ 1,548,012	\$(265,090)	\$ 3,155,820

**Combining Statement of Changes in Assets and Liabilities**

*Fiduciary Funds represent Agency Funds, which are custodial in nature and do not involve measurement of results of operations.*





**Fiduciary Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2005**

	Agency Funds			Balance June 30, 2005
	Balance June 30, 2004	Additions	Deductions	
<b>Assets</b>				
Cash and Investments	\$ 2,156,506	\$ 15,742,143	\$ 16,035,618	\$ 1,863,036
Accounts Receivable, Net	19,853	121,835	141,798	-
Interest Receivable	238,546	663,554	634,428	267,772
Due from other Governmental Agencies	637,854	871,284	838,886	580,942
Restricted Assets:				
Cash and Investments	23,066,257	48,432,445	41,527,453	31,903,067
<b>Total Assets</b>	<b>\$ 27,060,648</b>	<b>\$ 68,531,342</b>	<b>\$ 58,979,103</b>	<b>\$ 34,893,827</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 194,843	1,591,970	1,675,609	\$ 11,204
Deposits	858,175	145,920	338,500	870,571
Due to Other Governmental Agencies	289,768	299,835	680,764	169,811
Liabilities Payable from Restricted Assets		5,808		5,807
Due to Bondholders	29,673,842	17,945,330	9,996,871	33,718,307
<b>Total Liabilities</b>	<b>\$ 27,050,648</b>	<b>\$ 20,961,813</b>	<b>\$ 12,488,734</b>	<b>\$ 34,600,805</b>

See Accompanying Note to Basic Financial Statements



**Combining Statement of Changes in**  
**Governmental Activities by Fund Type**



The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Balance Sheet  
General Fund  
June 30, 2006**

	Total
<b>Assets:</b>	
Cash and Investments	\$ 38,376,951
Accounts Receivable, Net	2,129,847
Interest Receivable	246,051
Due from Other Governmental Agencies	11,038,207
Due from Other Funds	857,854
Interfund Advances Receivable	7,498,019
Inventories and Prepayments	214,056
Long Term Investments Receivable	287,932
Long Term Capital Lease Receivable	172,628,344
Restricted Assets:	
Cash and Investments	409,286
<b>Total Assets</b>	<b>\$ 232,484,106</b>
<b>Liabilities and Fund Balance:</b>	
<b>Liabilities:</b>	
Accounts Payable and Accrued Liabilities	\$ 6,946,068
Deposits	6,306,364
Claims & Judgments Payable	146,030
Deferred Revenues	114,896,967
Liabilities Payable from Restricted Assets	429,269
<b>Total Liabilities</b>	<b>188,726,738</b>
<b>Fund Balance:</b>	
Reserved for:	
Encumbrances	1,940,550
Vouchers Receivable	530,397
Interfund Advances	7,498,019
Inventories and Prepayments	214,056
Debt Service	3,382,325
Unreserved	31,748,928
<b>Total Fund Balance</b>	<b>45,263,788</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 232,484,106</b>

**Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
General Fund  
Year Ended June 30, 2006**

	Budget	Actual	Variance
<b>Revenues:</b>			
Property Taxes	\$ 26,808,515	\$ 26,843,998	\$ (862,990)
Other Taxes	38,919,801	40,815,213	1,895,412
Licenses, Fees and Permits	2,564,109	2,857,290	293,181
Fines and Penalties	860,282	628,878	231,404
Investment Earnings	1,176,590	1,144,069	32,521
Intergovernmental Revenues	1,065,407	1,021,505	43,902
Current Services	1,999,911	3,331,773	1,331,862
Payments in Lieu of Sandoz	7,984,880	8,300,116	315,236
Miscellaneous Revenues	3,685,456	4,326,689	641,233
<b>Total Revenues</b>	<b>81,512,050</b>	<b>86,816,445</b>	<b>5,304,395</b>
<b>Expenditures:</b>			
General:			
General Government	24,379,096	17,346,286	7,032,810
Public Safety - Fire	18,215,907	17,825,413	390,494
Public Safety - Police	34,116,888	33,413,927	702,961
Public Works	7,356,281	7,488,406	(132,125)
Parks and Community Services	6,990,922	6,867,066	123,856
Library	2,738,210	2,819,240	(81,030)
Capital Outlay	12,223,379	8,798,115	3,425,264
Debt Service:			
Principal Retirement		1,352,700	(1,352,700)
Interest and Fiscal Charges		1,062,319	(1,062,319)
<b>Total Expenditures</b>	<b>136,029,453</b>	<b>84,479,652</b>	<b>51,549,801</b>
Excess Revenues Over (Under) Expenditures	(14,517,403)	2,336,793	16,854,196
<b>Other Financial Sources (Uses):</b>			
Transfers In		4,627,828	4,627,828
Transfers Out		(2,123,292)	(2,123,292)
<b>Total Other Financial Sources (Uses)</b>		<b>2,504,536</b>	<b>2,504,536</b>
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ (14,556,402)	<b>3,420,329</b>	<b>\$ 17,977,132</b>
<b>Fund Balance - Beginning of Year, As Restated (Note 3A)</b>		<b>41,897,493</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 45,263,788</b>	

**Schedule of Expenditures by Department  
Budgetary Level of Control-Budget and Actual Comparison  
General Fund  
Year Ended June 30, 2005**

	Budget	Actual	Variance
<b>General Government:</b>			
City Council	\$ 153,730	\$ 145,423	\$ 8,327
City Manager	1,105,290	1,425,498	(320,116)
City Treasurer	16,817	16,781	36
Human Resources	747,056	723,473	23,583
Information Technology	1,580,704	1,609,363	(43,443)
Police/Management	3,959,950	2,871,340	1,028,560
Development Services-Planning	1,968,017	1,610,043	325,072
Development Services-Building	2,323,370	2,238,186	88,404
Finance	2,882,738	2,997,405	(119,241)
Non-Departmental	9,633,323	4,780,364	4,444,235
<b>Total General Government</b>	<b>24,271,959</b>	<b>17,324,223</b>	<b>7,035,735</b>
<b>Public Safety:</b>			
Fire	18,219,007	17,023,113	1,195,897
Police	34,176,968	31,913,252	2,263,322
Animal Control	-	1,601,959	(1,601,296)
<b>Total Public Safety</b>	<b>52,395,975</b>	<b>51,237,325</b>	<b>1,068,650</b>
<b>Public Works:</b>			
Administration	-	630,311	(630,311)
Engineering	3,008,825	1,841,615	1,167,210
Planning, Inspection and Miscellaneous	3,640,450	4,188,972	(2,658,488)
Building Safety, Drainage and Street Maintenance	-	3,820,462	(3,820,462)
<b>Total Public Works</b>	<b>7,309,275</b>	<b>7,480,150</b>	<b>(170,875)</b>
<b>Parks and Community Services</b>	<b>6,660,852</b>	<b>6,957,256</b>	<b>(133,333)</b>
<b>Library</b>	<b>2,788,210</b>	<b>2,819,210</b>	<b>(31,000)</b>
<b>Capital Outlay</b>	<b>12,220,378</b>	<b>6,796,115</b>	<b>5,422,263</b>
<b>Debt Services:</b>			
Principal Retirement	-	1,352,790	(1,352,790)
Interest and Fiscal Charges	-	1,082,319	(1,082,319)
<b>Total Debt Service</b>	<b>-</b>	<b>2,435,098</b>	<b>(2,435,098)</b>
<b>Total General Fund Expenditures</b>	<b>\$ 106,060,483</b>	<b>\$ 94,973,652</b>	<b>\$ 11,086,801</b>

**Traffic Safety Fund** - This fund is used to account for fines resulting from violations of the California Vehicle Code as required by provisions of the Vehicle Code Section 42200.

**Gas Tax Fund** - This fund is used to account for receipts and expenditures of money apportioned under Street and Highway Code Section 2105, 2106, 2107 and 2107.6 of the State

**Measure A Fund** - This fund is used to account for money generated by a half percent sales tax approved by the voters in 1989. This money is used to maintain and construct local streets and roads.

**Trip Reduction Fund** - This fund is used to account for allocations made by AB2766 known as the Clean Air Act. The money is used to provide means and incentives for ridesharing in order to reduce traffic and air pollution.

**Airport Fund** - This fund is used to account for all airport revenues, expenditures and reimbursements to the General Fund for airport costs.

**Asset Forfeiture Fund** - This fund is used to account for asset seizures and forfeitures resulting from police investigations and court decisions.

**Residential Refuse Fund** - This fund is used to account for residential refuse billings, abandoned vehicle abatement, collections and payments to contractors.

**Development Fund** - This fund is used to account for park dedication fees, dwelling development fees and other development fees received. The money is used to offset the burden resulting from new developments.

**Special Tax Districts Fund** - This fund is used to account for revenues derived from annual assessments which are used to pay the cost incurred by the City for landscape maintenance, street light maintenance, and the City's Business Improvement District.

**Rodevelopment Fund** - This fund is used to account for tax increment monies that are set aside to provide housing assistance to low and moderate income families in Corona and miscellaneous developer agreements related to sales tax generated in a specific project area.

**Other Grants Fund** - This fund is used to account for receipts and expenditures of money received from various governmental grants.

**Parking Authority Fund** - This fund is used to account for the operating revenues of the Authority. This fund has been transferred from Special Revenue to a discretely presented component unit.

**Library Endowment Fund** - This fund is used to account for receipts and expenditures of money received from various library endowments.

**Combining Balance Sheet  
All Special Revenue Funds  
June 30, 2005**

Assets:	Traffic Safety	Gas Tax	Measure A	Trip Reduction	Airport	Asset Forfeiture
Cash and Investments	\$ 82,488	\$ 2,243,182	\$ 7,860,177	\$ 110,571	\$ 11,232	\$ 190,626
Accounts Receivable, Net						
Interest Receivable		14,969	47,973	1,200	103	1,176
Due from Other						
Governmental Agencies	77,011	241,326	1,107,161	41,730		
Due from Other Funds		1,593				
Loans Receivable						
Long Term Installments Receivable						
Land Held for Sale						
Restricted Assets:						
Cash and Investments					16,219	
<b>Total Assets</b>	<b>\$ 139,499</b>	<b>\$ 2,640,090</b>	<b>\$ 8,715,338</b>	<b>\$ 233,310</b>	<b>\$ 29,451</b>	<b>\$ 191,302</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ -	\$ 139,909	\$ 252,000	\$ 4,986	\$ 9,624	\$ 6,253
Deposits					2,819	
Due to Other Funds			1,003			
Deferred Payments					14,613	2,291
Interest Accrued Payable					305,660	
Liabilities Payable from Restricted Assets						
<b>Total Liabilities</b>	<b>-</b>	<b>139,909</b>	<b>253,003</b>	<b>4,986</b>	<b>361,716</b>	<b>(10,434)</b>
<b>Fund Balances:</b>						
Retained for Encumbrances		61,739	419,364		2,112	
Loans Receivable						
Land Held for Sale						
Low and Moderate Income Housing						
Debt Service						
Specific Projects and Programs	139,499	2,370,133	8,042,428	229,424		181,362
Unreserved					(358,463)	
<b>Total Fund Balances (Deficit) and Fund Balances</b>	<b>\$ 139,499</b>	<b>\$ 2,640,090</b>	<b>\$ 8,715,338</b>	<b>\$ 233,310</b>	<b>\$ 25,403</b>	<b>\$ 191,908</b>

Residential Refuse	Development	Special Tax District	Rodevelopment	Other Grants	Library Endowment	Totals
\$ 230,715	\$ 23,841,235	\$ 7,139,804	\$ 3,728,813	\$ 252,628	\$ 71,893	\$ 46,865,898
516,042		161				516,203
2,049	181,319	68,163	23,662	2,674		291,334
44,700		390,730				1,878,589
			11,000,429			11,863,429
	2,000,801					2,993,931
			3,495,437			3,495,437
<b>70,348</b>	<b>2,369,961</b>	<b>390,544</b>	<b>11,011,858</b>	<b>255,302</b>	<b>71,893</b>	<b>19,823,837</b>
<b>\$ 863,845</b>	<b>\$ 26,392,668</b>	<b>\$ 7,889,042</b>	<b>\$ 10,135,141</b>	<b>\$ 458,206</b>	<b>\$ 74,803</b>	<b>\$ 68,456,060</b>
<b>\$ 692,524</b>	<b>\$ 322,370</b>	<b>\$ 929,887</b>	<b>\$ 37,102</b>	<b>\$ 49,777</b>	<b>\$ -</b>	<b>\$ 2,710,192</b>
		1,400				1,400
						1,503
70,348	2,369,961		11,035,493	193,792		13,872,596
			2,784,750			3,135,743
		32,435				32,435
<b>1,062,672</b>	<b>2,822,194</b>	<b>427,722</b>	<b>14,257,319</b>	<b>334,168</b>	<b>-</b>	<b>19,792,107</b>
12,465	1,006,425	121,213	21,115	4,021		1,675,242
			387,930			387,930
			3,469,437			3,469,437
						354,109
		901,100				901,100
	22,143,220	7,065,294	909,306	216,168	74,803	41,864,184
<b>(191,462)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(648,956)</b>
<b>(178,024)</b>	<b>23,470,212</b>	<b>7,461,200</b>	<b>4,777,736</b>	<b>272,129</b>	<b>74,803</b>	<b>45,844,183</b>
<b>\$ 863,845</b>	<b>\$ 26,392,668</b>	<b>\$ 7,889,042</b>	<b>\$ 10,135,141</b>	<b>\$ 458,206</b>	<b>\$ 74,803</b>	<b>\$ 68,456,060</b>

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds**  
Year Ended June 30, 2005

Revenues:	Traffic Safety	Gas Tax	Measure A	Trip Reduction	Alport	Asset Forfeiture	Residential Refuse
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Fees and Permits	428,512				103,906	60,114	
Fines, Penalties and Forfeitures							
Special Assessments							
Investment Earnings	6,541	48,912	146,246	3,189	94	4,304	6,730
Intragovernmental Revenues	2,882,765	4,790,754	157,090	48,798			46,533
Current Services							5,948,507
Payments in Lieu of Services							
Gifts and Donations							
Miscellaneous Revenues	2,433	1,525	1,056	82,882			
<b>Total Revenues</b>	<b>436,483</b>	<b>5,234,190</b>	<b>4,996,527</b>	<b>171,344</b>	<b>260,075</b>	<b>64,208</b>	<b>5,995,730</b>
<b>Expenditures:</b>							
Current:							
General Government	2,420	6,254					
Public Works	1,819,459	2,106,196	122,104				6,061,521
Parks and Community Services					239,541		
Fire						134,842	
Redevelopment							
Library							
Capital Outlay	125,603	290,029		10,813			
Debt Service							
Principal Retirement		429,817					
Interest and Fiscal Charges		117,215					
<b>Total Expenditures</b>	<b>1,447,099</b>	<b>2,880,411</b>	<b>122,104</b>	<b>209,156</b>	<b>194,142</b>	<b>6,081,821</b>	
Excess of Revenues Over (Under) Expenditures	436,483	5,234,190	4,996,527	48,189	260,075	64,208	5,995,730
Other Financing Sources (Uses):							
Proceeds from Long-Term Obligations							
Transfers In	(889,813)	(1,324,089)		(2,039)	24,254		1,344
Transfers Out							(141,468)
<b>Total Other Financing Sources (Uses)</b>	<b>(889,813)</b>	<b>(1,324,089)</b>	<b></b>	<b>(2,039)</b>	<b>24,254</b>	<b></b>	<b>(141,468)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(16,929)	32,326	2,058,258	47,121	45,879	(26,634)	(206,196)
<b>Fund Balances - Beginning of Year, As Restated (Note 24)</b>	<b>167,190</b>	<b>2,309,548</b>	<b>6,463,778</b>	<b>182,303</b>	<b>(601,630)</b>	<b>351,885</b>	<b>26,379</b>
<b>Fund Balances - End of Year</b>	<b>\$ 150,261</b>	<b>\$2,451,874</b>	<b>\$4,882,036</b>	<b>\$ 239,424</b>	<b>\$ (545,751)</b>	<b>\$ 185,251</b>	<b>\$ (179,827)</b>

Special	Development				Tax Districts	Redevelopment	Other Grants	Library Endowment	Totals
	Budget	Actual	Variance	Budget					
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,200,021									7,200,021
					6,358,067	45,188	9,735	64	6,363,054
4,868,857					105,717	21,720	305,794	297,311	8,641,114
85,200					11,383				91,583
37,394					38,392	658,066	2,735	74,828	750,005
<b>8,434,462</b>	<b>6,524,541</b>	<b>724,989</b>	<b>529,575</b>	<b>74,823</b>	<b>31,361,021</b>				
					1,024,225	3,034			1,027,259
					470,209	2,784,045			3,254,254
					150,971	3,118,044			3,269,015
					124,069				124,069
					0,080		461,716		461,796
					237,170	3,189,338		111,716	3,538,224
					2,627,267	304,571	100,000		3,031,838
					640,000				640,000
					389,865	7,058	121,320		518,243
<b>6,508,913</b>	<b>8,189,149</b>	<b>3,882,768</b>	<b>473,437</b>	<b>38,870</b>	<b>38,870,770</b>				
2,544,089	266,451	(2,557,739)	52,138	74,395	4,479,252				
					1,300,384				1,300,384
					349,251	3,182,869			3,532,120
					(619)	(587,917)			(588,536)
<b>(889,813)</b>	<b>(1,324,089)</b>	<b></b>	<b>(2,039)</b>	<b>24,254</b>	<b>1,498,480</b>			<b>(141,468)</b>	
<b>(889,813)</b>	<b>(1,324,089)</b>	<b></b>	<b>(2,039)</b>	<b>24,254</b>	<b>1,498,480</b>			<b>(141,468)</b>	
					704,032	1,138,827	52,138	74,823	1,969,680
<b>2,001,060</b>	<b>704,032</b>	<b>1,138,827</b>	<b>52,138</b>	<b>74,823</b>	<b>5,959,662</b>				
21,079,162	6,197,288	3,659,269	160,891	-	40,675,271				
<b>3,251,702</b>	<b>\$ 7,681,326</b>	<b>\$4,777,796</b>	<b>\$ 282,129</b>	<b>\$ 74,883</b>	<b>\$46,944,592</b>				

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
All Special Revenue Funds  
Year Ended June 30, 2005

Revenues:	Traffic Safety			Gas Tax		
	Budget	Actual	Variance	Budget	Actual	Variance
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Fees and Permits	891,000	878,312	(12,688)			
Fines, Penalties and Forfeitures						
Special Assessments						
Investment Earnings	1,850	6,541	4,691	405,519	48,892	3,398
Intragovernmental Revenues				2,349,000	2,632,785	(177,235)
Current Services						
Payments in Lieu of Services						
Gifts and Donations						
Miscellaneous Revenues				439	2,433	1,984
<b>Total Revenues</b>	<b>951,880</b>	<b>893,193</b>	<b>(58,687)</b>	<b>2,800,958</b>	<b>2,734,110</b>	<b>(66,848)</b>
<b>Expenditures:</b>						
Current:						
General Government				2,420	(2,420)	
Public Works				783,541	1,319,459	(535,918)
Parks and Community Services						
Fire						
Redevelopment						
Library						
Capital Outlay				2,815,897	105,800	2,710,097
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>				<b>3,608,238</b>	<b>1,427,699</b>	<b>2,180,539</b>
Excess of Revenues Over (Under) Expenditures	551,880	628,483	(118,487)	(744,280)	1,306,411	2,058,691
Other Financing Sources (Uses):						
Proceeds from Long-Term Obligations						
Transfers In	(889,813)	(853,813)	(35,999)	(1,204,064)	(1,024,385)	(179,679)
Transfers Out						
<b>Total Other Financing Sources (Uses)</b>	<b>(889,813)</b>	<b>(853,813)</b>	<b>(35,999)</b>	<b>(1,204,064)</b>	<b>(1,024,385)</b>	<b>(179,679)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 551,880	\$ 116,000	\$ (118,487)	\$ (174,280)	\$ 62,026	\$ 406,690
<b>Fund Balances - Beginning of Year</b>	<b>157,190</b>			<b>2,309,548</b>		
<b>Fund Balances - End of Year</b>	<b>\$ 150,261</b>			<b>\$ 2,451,874</b>		

Measure A	Trip Reduction		
	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -
91,850	148,248	56,398	339
4,672,460	4,750,764	78,304	159,090
	1,525	(4,323)	1,698
<b>4,964,350</b>	<b>4,959,627</b>	<b>(4,723)</b>	<b>179,127</b>
	2,554	(6,854)	
104,920	2,160,140	(1,631,239)	159,154
5,526,030	250,028	5,276,002	
616,032	440,817	(175,215)	
	147,246	(112,235)	
<b>6,171,812</b>	<b>2,588,471</b>	<b>(3,583,341)</b>	<b>169,154</b>
<b>(2,607,256)</b>	<b>2,258,098</b>	<b>(4,055,711)</b>	<b>(13,315)</b>
<b>(2,007,859)</b>	<b>2,358,058</b>	<b>(4,055,711)</b>	<b>47,121</b>
	6,193,776		182,318
<b>\$ 4,681,832</b>	<b>\$ 4,065,711</b>	<b>\$ (16,218)</b>	<b>\$ 62,430</b>

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
All Special Revenue Funds  
Year Ended June 30, 2005**

	Airport			Annual Fortification		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Fees and Permits	500,000	168,005	(331,995)			
Fines, Penalties and Forfeitures	100	-	(100)	87,600	95,114	(47,304)
Special Assessments		64	64	2,091	4,094	2,003
Investment Earnings						
Intergovernmental Revenues	265,775	44,758	(221,017)			
Current Services						
Payments in Lieu of Services						
Gifts and Donations						
Miscellaneous Revenues	167,865	92,329	(75,536)			
<b>Total Revenues</b>	<b>943,940</b>	<b>285,076</b>	<b>(658,864)</b>	<b>91,551</b>	<b>54,208</b>	<b>(43,343)</b>
<b>Expenditures:</b>						
Current						
General Government						
Public Works						
Parks and Community Services	729,650	239,541	(490,109)			
Fire				158,771	134,842	23,929
Police						
Recreation						
Library						
Capital Outlay	714,910	19,513	(695,397)			
Debt Service						
Paraprogram						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>1,444,561</b>	<b>259,154</b>	<b>(1,185,407)</b>	<b>158,771</b>	<b>134,842</b>	<b>23,929</b>
Excess of Revenues Over (Under) Expenditures	691,245	26,922	(664,323)	25,780	(80,634)	(54,854)
<b>Other Financing Sources (Uses):</b>						
Transfers In		24,554	24,554			
Transfers Out						
<b>Total Other Financing Sources (Uses)</b>		<b>24,554</b>	<b>24,554</b>			
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 201,348	\$ 46,379	\$ (154,969)	\$ (8,634)	\$ 26,634	\$ (11,824)
<b>Fund Balances - Beginning of Year, as Restated (Note 31)</b>		<b>(901,900)</b>			<b>201,868</b>	
<b>Fund Balances - End of Year</b>		<b>\$ (386,381)</b>			<b>\$ 361,365</b>	

	Residential Refuse			Unemployment		
	Budget	Actual	Variance	Budget	Actual	Variance
	\$	\$	\$	\$	\$	\$
				4,571,010	7,200,221	2,629,211
	9,393	8,701	(692)	143,108	418,887	275,779
	26,021	46,038	20,017			
	8,018,319	5,303,607	(2,714,712)	426,008	836,260	410,252
				950	30,384	29,434
	5,324,720	6,051,621	(726,901)	17,393,183	2,827,297	(14,565,886)
					640,000	(640,000)
					380,486	(380,486)
	5,324,720	6,051,621	(726,901)	17,743,289	5,493,511	(12,249,778)
	(139,013)	(63,631)	(75,382)	(12,572,600)	2,346,368	(14,918,968)
				1,944	(1,944)	354,976
				(141,456)	(141,456)	(1,128,887)
						(483,910)
						(483,910)
	\$ (189,011)	(205,086)	\$ (16,075)	\$ (12,572,600)	5,964,080	\$ 16,666,466

Continued Sheet 2 of 2

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
All Special Revenue Funds  
Year Ended June 30, 2005**

	Special Tax Districts			Recreation		
	Budget	Actual	Variance	Budget	Actual	Variance
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Property Taxes						
Licenses, Fees and Permits						
Fines, Penalties and Forfeitures						
Special Assessments	6,177,820	5,385,027	(792,793)			
Investment Earnings	93,601	106,711	13,110	65,928	65,143	(785)
Intergovernmental Revenues						
Current Services	6,100	11,365	5,265		21,720	21,720
Payments in Lieu of Services						
Gifts and Donations						
Miscellaneous Revenues	12,420	28,292	15,872	225,000	658,030	433,030
<b>Total Revenues</b>	<b>6,282,841</b>	<b>5,529,415</b>	<b>(753,426)</b>	<b>286,928</b>	<b>744,893</b>	<b>457,965</b>
<b>Expenditures:</b>						
Current						
General Government		3,824	(3,824)			
Public Works	3,068,479	2,738,615	(329,864)			
Parks and Community Services	3,656,243	3,116,544	(539,699)			
Fire						
Police						
Recreation				2,165,810	(5,198,836)	(3,033,026)
Library						
Capital Outlay	966,089	364,071	(602,018)	4,368,885	196,000	(4,172,885)
Debt Service	6,400	6,302	(98)	121,927	122,027	100
Paraprogram						
Interest and Fiscal Charges		7,036	7,036		(121,230)	(114,194)
<b>Total Expenditures</b>	<b>7,225,181</b>	<b>6,469,120</b>	<b>(756,061)</b>	<b>4,491,812</b>	<b>3,385,798</b>	<b>(1,106,014)</b>
Excess of Revenues Over (Under) Expenditures	(942,340)	860,295	(1,802,635)	(1,204,884)	359,105	(1,563,989)
<b>Other Financing Sources (Uses):</b>						
Transfers In		349,251	349,251	1,300,084	1,210,884	(89,199)
Transfers Out		(849)	(849)	(887,017)	(887,017)	
<b>Total Other Financing Sources (Uses)</b>		<b>348,402</b>	<b>348,402</b>	<b>413,067</b>	<b>323,867</b>	<b>(89,199)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (207,888)	\$ 2,028,492	\$ 1,820,604	\$ 1,308,227	\$ 5,223,914	\$ 3,915,686
<b>Fund Balances - Beginning of Year, as Restated (Note 31)</b>		<b>8,747,268</b>			<b>3,818,286</b>	
<b>Fund Balances - End of Year</b>		<b>\$ 7,518,780</b>			<b>\$ 3,477,795</b>	

	Other Grants			Library Endowment			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	\$	\$	\$	\$	\$	\$	\$	\$	\$
							6,071,010	7,368,926	2,297,916
							1,641,000	879,820	(761,180)
							6,117,620	6,288,106	170,486
	1,784	5,705	3,921	04	04	4,501,711	736,981	348,010	
	229,540	295,784	66,244			7,604,744	4,041,711	(3,563,033)	
	185,000	527,311	342,311			3,338,325	6,100,000	2,761,675	
							456,000	825,250	369,250
							74,829	74,829	
							533,151	710,585	177,434
	476,292	628,275	151,983			74,863	74,863		
							27,230,517	31,344,521	4,114,004
	633,820	473,457	(160,363)				16,494,676	26,370,779	9,876,103
	(112,465)	52,176	(164,641)			74,863	74,863	(16,701,099)	1,473,732
									23,764,281
									1,320,851
									4,218,406
									(8,817,420)
									1,498,439
									1,498,439
	\$ (112,465)	52,176	(164,641)	\$ -	74,863	\$ (16,701,099)	\$ (1,473,732)	\$ (16,701,099)	\$ 3,915,686
		169,991							40,876,271
	\$ 222,128	\$ 184,008	\$ 38,120	\$ 74,863	\$ 74,863	\$ -	\$ (10,231,000)	\$ 5,964,080	\$ 20,220,744

Continued



**DEBT SERVICE FUNDS**

**General Obligation Fund** - This fund is used to account for tax levies from which general obligation principal and interest payments are made as they mature for the 1995 General

**Redevelopment Fund** - This fund is used to account for tax levies, rentals and other revenues and payments of principal and interest on Redevelopment loans and bonds.

**Assessment Districts Fund** - This fund is used to account for assessment collections and payments for principal and interest and providing reserves related to Assessment District Bonds.

**Public Financing Authority Fund** - This fund is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations of the component unit.

**Combining Balance Sheet  
All Debt Service Funds  
June 30, 2005**

	General Obligation	Redevelopment	Assessment Districts	Public Financing Authority	Totals
<b>Assets:</b>					
Cash and Investments	\$ 587,377	\$ 3,569,428	\$ 765,745	\$ -	\$ 4,922,550
Interest Receivable	3,828	4,914	4,816	103,134	156,692
Due from Other Governmental Agencies	55,141	225,911	30,902	-	311,954
Long Term Receivable	-	-	3,255,900	-	3,255,900
Restricted Assets	-	-	-	-	-
Cash and Investments	891,346	1,441,587	188,257	5,337,039	7,678,109
<b>Total Assets</b>	<b>\$ 1,237,587</b>	<b>\$ 3,236,721</b>	<b>\$ 4,154,361</b>	<b>\$ 5,440,173</b>	<b>\$ 10,728,842</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable and Accrued Liabilities	\$ -	\$ 18,320	\$ -	\$ -	\$ 18,320
Unfunded Payables	-	4,944,268	-	-	4,944,268
Due to Other Governments	-	-	-	-	-
Deferred Revenues	40,000	-	3,255,000	-	3,295,000
Liabilities Payable from Restricted Assets	-	-	-	-	-
<b>Total Liabilities</b>	<b>40,000</b>	<b>4,963,608</b>	<b>3,255,000</b>	<b>-</b>	<b>8,658,608</b>
<b>Fund Balances:</b>					
Reserved for Debt Service	1,286,129	3,828,131	989,220	5,440,173	11,563,653
<b>Total Fund Balances</b>	<b>1,286,129</b>	<b>3,828,131</b>	<b>989,220</b>	<b>5,440,173</b>	<b>11,563,653</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,237,587</b>	<b>\$ 3,236,721</b>	<b>\$ 4,154,361</b>	<b>\$ 5,440,173</b>	<b>\$ 10,728,842</b>

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances-All Debt Service Funds  
Year Ended June 30, 2005**

	General Obligation	Redevelopment	Assessment Districts	Public Financing Authority	Totals
<b>Revenues:</b>					
Property Taxes	\$ 785,221	\$ 15,843,704	\$ -	\$ -	\$ 16,628,925
Special Assessments	-	-	555,024	-	555,024
Investment Earnings	18,554	325,275	10,214	239,049	553,092
Miscellaneous Revenues	-	2,383,231	-	-	2,383,231
<b>Total Revenues</b>	<b>783,775</b>	<b>16,287,630</b>	<b>565,238</b>	<b>268,049</b>	<b>17,604,722</b>
<b>Expenditures:</b>					
Current	-	4,469,009	-	-	4,469,009
Capital Outlay	-	-	-	-	-
Debt Service	220,000	1,240,000	770,000	-	2,230,000
Principal Retirement	214,282	6,716,023	866,410	1,213,207	8,809,922
Interest and Fiscal Charges	-	-	-	-	-
<b>Total Expenditures</b>	<b>534,282</b>	<b>12,425,032</b>	<b>1,436,410</b>	<b>1,213,207</b>	<b>15,609,931</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>249,493</b>	<b>3,862,598</b>	<b>127,828</b>	<b>104,842</b>	<b>4,244,761</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Long-Term Obligations	-	369,000	-	-	369,000
Principal Retirement	(20,215,000)	-	-	-	(20,215,000)
Bond Premium	-	785,665	-	-	785,665
Transfers In	867,037	-	-	998,802	1,865,839
Transfers Out	(8,102,469)	-	-	(919,217)	(9,021,686)
<b>Total Other Financing Sources</b>	<b>(7,237,962)</b>	<b>1,154,665</b>	<b>-</b>	<b>879,585</b>	<b>(5,203,712)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>249,493</b>	<b>4,027,263</b>	<b>127,828</b>	<b>984,327</b>	<b>5,388,911</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,286,129</b>	<b>3,828,131</b>	<b>989,220</b>	<b>5,440,173</b>	<b>11,563,653</b>
<b>Fund Balances - End of Year</b>	<b>\$ 1,286,129</b>	<b>\$ 3,828,131</b>	<b>\$ 989,220</b>	<b>\$ 5,440,173</b>	<b>\$ 11,563,653</b>

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual**  
**All Debt Service Funds**  
 Year Ended June 30, 2005

Revenues:	General Obligation			Redevelopment		
	Budget	Actual	Variance	Budget	Actual	Variance
Property Taxes	\$ 775,560	\$ 765,201	\$ (10,359)	\$ 1,393,000	\$ 1,543,764	\$ 1,260,865
Special Assessments						
Investment Earnings	3,789	18,264	14,475	258,428	226,676	(31,752)
Miscellaneous Revenues				980,261	2,388,561	1,408,300
<b>Total Revenues</b>	<b>779,349</b>	<b>783,465</b>	<b>4,116</b>	<b>1,651,689</b>	<b>18,159,201</b>	<b>2,700,283</b>
<b>Expenditures:</b>						
Current:						
Redevelopment				2,156,630	4,446,063	2,289,433
Capital Outlay						
Debt Service						
Principal Retirement	121,823	120,009	(1,814)	66,741,339	1,240,000	(65,499,339)
Interest and Fiscal Charges		214,202	214,202	5,715,925	5,715,925	
Total Expenditures	121,823	334,211	212,388	44,898,272	17,422,000	(27,476,272)
Excess or Shortage Over (Under) Expenditures	257,526	249,254	(8,272)	(23,246,583)	5,737,201	(17,509,382)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Long Term Debt				20,810,000	35,910,000	15,100,000
Principal Payments				(18,215,000)	(18,215,000)	
Face Premium				719,006	795,158	76,152
Transfers In				617,017	687,617	70,600
Transfers Out				(8,412,959)	(8,182,439)	230,520
<b>Total Other Financing Sources (Uses)</b>				<b>(5,890,946)</b>	<b>(1,204,764)</b>	<b>(4,686,182)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ 261,426</b>	<b>\$ 249,254</b>	<b>\$ (12,172)</b>	<b>\$ 183,442,807</b>	<b>(2,180,803)</b>	<b>\$ (1,797,321)</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,839,516</b>			<b>6,092,738</b>		
<b>Fund Balances-End of Year</b>	<b>\$ 1,839,516</b>			<b>\$ 3,958,191</b>		

Adopted Budget	Actual			Variance		
	Budget	Actual	Variance	Budget	Actual	Variance
\$ 486,437	\$ 556,374	\$ 69,937	\$ 7,088,598	\$ 7,279,297	\$ 190,699	
22,181	10,914	(11,267)	371,591	299,569	(72,022)	
			5,725,685	5,979,726	254,041	
<b>711,858</b>	<b>686,082</b>	<b>(25,776)</b>	<b>8,179,774</b>	<b>8,258,592</b>	<b>78,818</b>	

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual**  
**All Debt Service Funds**  
 Year Ended June 30, 2005

Revenues:	Totals		
	Budget	Actual	Variance
Property Taxes	\$ 15,138,868	\$ 16,478,474	\$ 1,339,606
Special Assessments	245,437	555,024	309,587
Investment Earnings	730,049	353,712	(376,337)
Other Revenues	8,485,129	2,338,201	(6,146,928)
<b>Total Revenues</b>	<b>24,700,483</b>	<b>19,725,411</b>	<b>(4,975,072)</b>
<b>Expenditures:</b>			
Current:			
Redevelopment		1,156,053	(1,156,053)
Capital Outlay	2,156,630		2,156,630
Debt Service			
Principal Retirement	121,823	120,009	(1,814)
Interest and Fiscal Charges		214,202	214,202
Total Expenditures	2,156,630	1,500,264	(656,366)
Excess or Shortage Over (Under) Expenditures	22,543,853	18,225,147	(4,318,706)
<b>Other Financing Sources (Uses):</b>			
Proceeds from Long Term Debt	36,910,000	35,910,000	(1,000,000)
Principal Payments	(18,215,000)	(18,215,000)	
Face Premium	719,006	795,158	76,152
Transfers In	1,668,959	1,655,599	(13,360)
Transfers Out	(1,107,090)	(8,182,439)	(7,075,349)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,934,095)</b>	<b>(1,934,095)</b>	<b></b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ 20,609,758</b>	<b>\$ 16,291,052</b>	<b>\$ (4,318,706)</b>
<b>Fund Balances - Beginning of Year</b>	<b>13,229,357</b>		
<b>Fund Balances-End of Year</b>	<b>\$ 11,860,761</b>		

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL**  
**All Debt Service Funds**  
 Year Ended June 30, 2005

**HUD Grants Fund** - This fund is used to account for grants from the Department of Housing and Urban Development (HUD) and expenditures for the block grant programs as approved by the City Council.

**Planned Local Drainage Fund** - This fund is used to account for storm water drainage fees from developers as a result of City ordinance 1279. The money is used to construct water drainage facilities within a drainage area.

**Other Grants Fund** - This fund is used to account for receipts and expenditures of money received from various governmental grants.

**Redevelopment Fund** - This fund is used to account for transactions related to proceeds from bonds and other resources and their use to perform redevelopment activities within specific project areas.

**Public Facilities Projects Fund** - This fund is used to account for transactions related to proceeds from debt and other resources and their use to acquire and construct certain capital facilities.

**Combining Balance Sheet  
All Capital Projects Funds  
June 30, 2005**

	HUD Grants	Planned Local Drainage	Other Grants	Redevelopment
<b>Assets:</b>				
Cash and Investments	\$ 7	\$ -	\$ 1,216	\$ 12,751,937
Interest Receivable			919	50,034
Due from Other Governmental Agencies	254,623	285,840	280,564	
Loans Receivable	778,745			1,296,726
Land Held for Sale				1,444,755
Restricted Assets:			162,245	
Cash and Investments				
<b>Total Assets</b>	<b>\$ 1,033,381</b>	<b>\$ 285,840</b>	<b>\$ 424,942</b>	<b>\$ 15,584,352</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 177,733	\$ 14,440	\$ 73,634	\$ 53,324
Deposits				
Due to Other Funds	77,314	260,368	157,715	
Agreements Payable				2,325,745
Deferred Revenue	778,746		152,243	540,592
Liabilities Payable from Restricted Assets				
<b>Total Liabilities</b>	<b>1,033,493</b>	<b>304,808</b>	<b>423,642</b>	<b>2,879,661</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	9,063		42,867	155,531
Liens Receivable				799,726
Land Held for Sale				1,444,755
Specific Projects and Programs				10,508,311
Unreserved	(9,173)	(18,968)	(41,587)	
<b>Total Fund Balances</b>	<b>(112)</b>	<b>(18,968)</b>	<b>1,300</b>	<b>12,751,263</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,033,381</b>	<b>\$ 285,840</b>	<b>\$ 424,942</b>	<b>\$ 15,584,352</b>

Public Facilities Projects	Totals
\$ -	\$ 12,783,160
2,119	64,322
	801,032
	2,875,472
	1,444,755
<b>3,831,978</b>	<b>3,893,321</b>
<b>\$ 3,833,197</b>	<b>\$ 21,161,712</b>
<b>\$ 1,148</b>	<b>\$ 320,330</b>
<b>102,897</b>	<b>857,894</b>
<b>3,607,285</b>	<b>3,807,285</b>
<b>3,711,031</b>	<b>8,252,846</b>
<b>43,086</b>	<b>256,365</b>
	<b>198,725</b>
<b>75,080</b>	<b>1,544,705</b>
	<b>16,387,359</b>
	<b>(89,530)</b>
<b>122,165</b>	<b>12,609,666</b>
<b>\$ 3,833,197</b>	<b>\$ 21,161,712</b>

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances-All Capital Projects Funds  
Year Ended June 30, 2005**

	HUD Grants	Planned Local Drainage	Other Grants	Redevelopment
<b>Revenues:</b>				
Licenses, Fees and Permits	\$ -	\$ 606,024	\$ -	\$ 178,651
Investment Earnings	14,433	105	1,031	
Intergovernmental Revenues	1,270,057		706,041	
Miscellaneous Revenues	32,845	1,820	58	440,237
<b>Total Revenues</b>	<b>1,296,520</b>	<b>608,159</b>	<b>707,098</b>	<b>620,188</b>
<b>Expenditures:</b>				
Current:				
Redevelopment	455,244			3,834
General Government		3,492		
Planning	104,545			
Police			32,850	
Public Works	354,893	577,849		1,865,291
Library	78,335			803
Parks and Community Services	235,155		542,969	294,346
Capital Outlay				
Debt Service				
Pension Retirement				
Interest and Fiscal Charges				
<b>Total Expenditures</b>	<b>1,296,020</b>	<b>581,332</b>	<b>710,916</b>	<b>2,165,075</b>
Excess of Revenues Over (Under) Expenditures	(112)	25,027	(8,800)	(1,644,580)
<b>Other Financing Sources (Uses):</b>				
Transfers In			27,016	5,000,000
Transfers Out			(26,833)	
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(1,817)</b>	<b>5,000,000</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(112)	25,027	(10,700)	3,485,112
<b>Fund Balances - Beginning of Year</b>	<b>(112)</b>	<b>(18,968)</b>	<b>12,003</b>	<b>5,289,163</b>
<b>Fund Balances - End of Year</b>	<b>\$ (112)</b>	<b>\$ (18,968)</b>	<b>\$ 1,300</b>	<b>\$ 12,751,263</b>

Public Facilities Projects	Totals
\$ -	\$ 695,024
106,571	283,175
	1,964,063
	489,299
<b>106,571</b>	<b>3,386,599</b>
<b>485,244</b>	<b>485,244</b>
	<b>7,325</b>
	<b>104,345</b>
	<b>32,850</b>
	<b>2,838,824</b>
<b>8,210,061</b>	<b>77,000</b>
	<b>9,422,582</b>
	<b>-</b>
<b>6,210,101</b>	<b>12,959,859</b>
<b>(6,102,529)</b>	<b>(8,152,382)</b>
<b>725,423</b>	<b>5,814,588</b>
<b>(369,463)</b>	<b>(385,305)</b>
<b>(79,665)</b>	<b>4,818,462</b>
<b>(5,185,105)</b>	<b>(4,713,871)</b>
<b>5,306,261</b>	<b>17,453,937</b>
<b>\$ (122,165)</b>	<b>\$ 12,609,666</b>



**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual  
All Capital Projects Funds  
Year Ended June 30, 2005**

	FUND			Planned Local Drainage		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
Licenses, Fees & Permits	\$	\$	\$	\$	\$	\$
Investment Earnings		44,469	(4,483)	734,303	689,026	(45,277)
Intergovernmental Revenues	1,858,436	1,278,052	(580,384)	59	105	46
Miscellaneous Revenues	616	20,845	20,229	2,311	1,000	(1,311)
<b>Total Revenues</b>	<b>1,859,048</b>	<b>1,319,366</b>	<b>(539,682)</b>	<b>736,673</b>	<b>690,136</b>	<b>(46,537)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Redevelopment	572,179	485,274	(86,905)			
General Government	104,945	-	(104,945)	3,482	3,824	(348)
Planning		104,945	(104,945)			
Police						
Public Works	80,216	80,837	(621)	703,676	597,343	106,333
Labor						
Plans and Community Services	36,482	76,588	(40,106)			
Capital Outlay	1,180,296	228,225	952,071	132,850		132,850
<b>Total Expenditures</b>	<b>1,974,118</b>	<b>1,296,879</b>	<b>677,239</b>	<b>840,128</b>	<b>601,167</b>	<b>238,961</b>
Excess of Revenues Over (Under) Expenditures	(115,070)	(12)	162,807	(103,455)	28,969	132,424
Other Financing Sources (Uses):						
Transfers In						
Transfers Out						
Source (Uses)						
Other Sources Over Other Sources Over (Under) Expenditures and Other Uses	\$ (100,016)	(112)	\$ 162,695	\$ (103,455)	\$ 28,969	\$ 132,424
<b>Fund Balances- Beginning of Year</b>					(43,095)	
<b>Fund Balances- End of Year</b>		\$ (112)			\$ (14,126)	

	City Grant			Redevelopment		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
Licenses, Fees & Permits	\$	\$	\$	\$	\$	\$
Investment Earnings		1,001	(848)	162,012	179,951	17,939
Intergovernmental Revenues	6,116,014	705,013	(5,411,001)			
Miscellaneous Revenues		68	(68)	10,000	440,237	430,237
<b>Total Revenues</b>	<b>6,116,014</b>	<b>706,089</b>	<b>(5,409,925)</b>	<b>172,012</b>	<b>620,189</b>	<b>448,177</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Redevelopment						
General Government						
Planning						
Police	24,254	22,659	1,595			
Public Works					1,866,291	(1,866,291)
Labor					895	(895)
Plans and Community Services	6,200,777	621,600	5,579,177	12,422,701	201,249	12,221,452
Capital Outlay	6,717,211	715,818	5,991,393	13,422,791	2,165,070	11,257,721
<b>Total Expenditures</b>	<b>12,932,002</b>	<b>1,360,097</b>	<b>11,571,905</b>	<b>12,258,193</b>	<b>11,544,836</b>	<b>714,057</b>
Excess of Revenues Over (Under) Expenditures	(6,815,988)	(653,988)	(6,162,000)	(12,086,181)	(11,924,647)	(161,534)
Other Financing Sources (Uses):						
Transfers In		27,016	(27,016)		6,000,000	6,000,000
Transfers Out		(28,498)	28,498		(28,800)	302
Source (Uses)		(1,482)	1,482		5,971,200	5,972,682
Other Sources Over Other Sources Over (Under) Expenditures and Other Uses	\$ 244,836	(18,750)	\$ 263,586	\$ (12,086,181)	\$ 9,465,112	\$ 16,741,267
<b>Fund Balances- Beginning of Year</b>					13,000	
<b>Fund Balances- End of Year</b>		\$ 1,206			\$ 12,795,289	

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual  
All Capital Projects Funds  
Year Ended June 30, 2005**

	Police Projects			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
Licenses, Fees & Permits	\$	\$	\$	\$	\$	\$
Investment Earnings	48,751	165,671	116,920	734,303	689,026	(45,277)
Intergovernmental Revenues				59	105	46
Miscellaneous Revenues				2,311	1,000	(1,311)
<b>Total Revenues</b>	<b>48,751</b>	<b>165,671</b>	<b>116,920</b>	<b>736,673</b>	<b>690,136</b>	<b>(46,537)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Redevelopment				572,179	485,274	(86,905)
General Government				104,945	-	(104,945)
Planning						
Police				34,531	32,928	1,603
Public Works				748,841	2,639,824	(1,890,983)
Labor						
Plans and Community Services				26,490	77,600	(51,110)
Capital Outlay	1,222,634	6,210,101	4,987,467	20,332,178	9,402,162	10,930,016
<b>Total Expenditures</b>	<b>1,271,634</b>	<b>6,210,101</b>	<b>4,938,467</b>	<b>21,784,193</b>	<b>12,995,066</b>	<b>8,788,927</b>
Excess of Revenues Over (Under) Expenditures	(222,883)	(204,430)	(18,453)	(21,047,520)	(12,304,930)	(8,756,590)
Other Financing Sources (Uses):						
Transfers In		755,020	(755,020)		5,848,808	5,848,808
Transfers Out		(855,482)	855,482		(855,500)	18
Source (Uses)		(100,462)	100,462		4,993,308	4,993,308
Other Sources Over Other Sources Over (Under) Expenditures and Other Uses	\$ 18,000	(8,100)	\$ 26,100	\$ (21,047,520)	\$ (6,711,622)	\$ 14,335,898
<b>Fund Balances- Beginning of Year</b>		2,900,381			12,520,827	
<b>Fund Balances- End of Year</b>		\$ 2,892,281			\$ 15,009,205	

**City of San Gabriel Revenue Fund**

**CAL COPS Grants Fund** - This fund is used to account for receipts and expenditures of money received from the CAL COPS grants.

**US DOJ Grant-Police Fund** - This fund is used to account for receipts and expenditures of money received from the United States Department of Justice grant.

**Children & Families Grant Fund** - This fund is used to account for receipts and expenditures of money received from the Children & Families grant.

**Traffic Offender Fund** - This fund is used to account for receipts and expenditures of money received from the Traffic Offender program.

**Adult & Family Literacy Grant Fund** - This fund is used to account for receipts and expenditures of money received from the Adult & Family Literacy grant.

**2003-04 CAL COPS Grant Fund** - This fund is used to account for receipts and expenditures of money received from the 2003-04 CAL COPS grant.

**Combining Balance Sheet  
Other Grants Special Revenue Funds  
June 30, 2005**

	CAL COPS Grants	US DOJ Police Grant	Children & Families Grant	Traffic Offender Fund
<b>Assets:</b>				
Cash and Investments	\$ 3,278	\$ -	\$10,806	\$215,052
Interest Receivable	1,175	-	60	1,355
Restricted Assets:				
Cash and Investments	173,285	-	-	-
<b>Total Assets</b>	<b>\$ 188,740</b>	<b>\$ -</b>	<b>\$ 10,875</b>	<b>\$ 216,417</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 6,459	\$ -	\$ 10,579	\$ 5,701
Liabilities Payable from Restricted Assets	173,285	-	-	-
<b>Total Liabilities</b>	<b>182,745</b>	<b>-</b>	<b>10,579</b>	<b>6,761</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	-	-	4,000	21
Specific Projects and Programs	3,366	-	(3,704)	206,536
<b>Total Fund Balances</b>	<b>3,696</b>	<b>-</b>	<b>296</b>	<b>208,626</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 186,790</b>	<b>\$ -</b>	<b>\$ 10,875</b>	<b>\$ 216,417</b>

164

Adult & Family Literacy Grant	2007-04 CAL COPS Grant	Totals
\$15,799	\$12,196	\$ 28,225
97	188	2,875
	14,506	190,752
<b>\$ 10,390</b>	<b>\$ 26,870</b>	<b>\$ 458,288</b>
\$ 14,194	\$ 5,387	\$ 43,377
	14,506	190,752
14,194	19,803	284,169
1,205	6,077	4,021
		218,108
1,205	6,977	222,129
\$ 10,289	\$ 26,870	\$ 458,298

155

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Other Grants Special Revenue Funds  
Year Ended June 30, 2005**

	CAL COPS Grants	US DOJ Police Grant	Children & Families Grant	Traffic, Offender Fund
<b>Revenues:</b>				
Investment Earnings	\$ 3,995	\$ 199	\$ 285	\$ 3,025
Intergovernmental Revenues:				
Current Services	31,914	24,816	79,548	-
Miscellaneous Revenues	-	2,738	-	267,971
<b>Total Revenues</b>	<b>39,929</b>	<b>27,552</b>	<b>79,833</b>	<b>211,136</b>
<b>Expenditures:</b>				
Current:				
Police	31,914	27,552	-	154,705
Library	-	-	79,548	-
<b>Total Expenditures</b>	<b>31,914</b>	<b>27,552</b>	<b>79,548</b>	<b>154,705</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>3,595</b>	<b>-</b>	<b>285</b>	<b>46,428</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>3,995</b>	<b>-</b>	<b>285</b>	<b>46,428</b>
<b>Fund Balances - Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>165,220</b>
<b>Fund Balances - End of Year</b>	<b>\$ 3,985</b>	<b>\$ -</b>	<b>\$ 289</b>	<b>\$ 209,666</b>

165

Adult & Family Literacy Grant	2003-04 CAL COPS Grant	Totals
\$ 521	\$ 910	\$ 6,735
32,170	137,544	305,794
		237,311
		2,735
<b>32,091</b>	<b>138,454</b>	<b>625,675</b>
32,171	137,544	301,718
		111,719
32,171	137,544	473,437
520	910	52,138
540	3,002	168,994
<b>\$ 1,205</b>	<b>\$ 9,977</b>	<b>\$ 222,129</b>

157



Statistical Section

This part of the City of Corona's comprehensive annual financial report presents detailed information on a current for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
<b>Financial Trends</b> - These schedules contain information to help the reader to understand how the City's financial performance and well-being have changed over time.	
1 Net Assets by Component	161
2 Changes in Net Assets	162
3 Fund Balances - Governmental Funds	164
4 Changes in Fund Balances - Governmental Funds	166
<b>Revenue Capacity</b> - These schedules contain information to help the reader understand the City's property tax.	
5 Assessed Value and Actual Value of Taxable Property	168
6 Rates and Overlapping Property Tax Rates	168
7 Principal Property Tax Payees	170
8 Property Tax Levies and Collections	172
<b>Debt Capacity</b> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
9 Ratios of Outstanding Debt by Type	174
10 Ratios of General Bonded Debt Outstanding	177
11 Direct and Overlapping Governmental Activities Debt	178
12 Legal Debt Margin Information	181
13 Budget-Revenue Coverage	182
<b>Demographic and Economic Information</b> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
14 Demographic and Economic Statistics	187
15 Principal Employers	188
<b>Operating Information</b> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	
16 Full-time Equivalent City Government Employees by Function/Program	189
17 Operating Indicators by Function/Program	190
18 Capital Assets Statistics by Function/Program	191

Sources: Unless otherwise noted, the information in these schedules was derived from the City's comprehensive annual financial reports for the relevant year.



Schedule 1

Net Assets by Component

Last Two Fiscal Years (accrual basis of accounting)

	Fiscal Year	
	2005	2004
<b>Governmental Activities</b>		
Invested in capital assets, net of related debt	\$ 456,222,213	\$ 395,841,709
Restricted for:		
Capital Projects	386,038	9,976,958
Debt Service	7,982,213	13,178,816
Specific Projects and Programs	275,163	-
Total Restricted	<u>8,643,402</u>	<u>23,155,773</u>
Unrestricted	<u>244,979,699</u>	<u>266,838,106</u>
<b>Total governmental activities net assets</b>	<u>\$ 709,845,214</u>	<u>\$ 684,935,698</u>
<b>Business-type Activities</b>		
Invested in capital assets, net of related debt	\$ 21,840,063	\$ 14,784,244
Restricted for:		
Specific Projects and Programs	973,392	26,387,123
Unrestricted	<u>39,226,729</u>	<u>8,962,827</u>
<b>Total business-type activities net assets</b>	<u>\$ 62,034,144</u>	<u>\$ 51,113,995</u>
<b>Primary Government</b>		
Invested in capital assets, net of related debt	\$ 478,062,299	\$ 410,605,953
Restricted	8,616,734	49,542,991
Unrestricted	<u>284,200,328</u>	<u>275,800,728</u>
<b>Total Primary Government Net Assets</b>	<u>\$ 771,879,358</u>	<u>\$ 735,949,763</u>

**Schedule 2**  
**Changes in Net Assets**  
**Last Two Fiscal Years (accrual basis of accounting)**

Expense	Fiscal Year	
	2005	2004
<b>Governmental activities:</b>		
General government	\$ 13,514,970	\$ 15,972,222
Fire	17,421,965	16,102,014
Police	32,426,398	30,248,678
Public Works	25,671,058	26,768,539
Redevelopment	13,963,723	14,678,105
Parks and Community Services	12,192,284	12,272,328
Library	3,143,190	3,040,136
Interest and fiscal charges	12,145,245	4,844,242
Total governmental activities expenses	<u>\$ 130,481,862</u>	<u>\$ 125,126,169</u>
<b>Business-type activities:</b>		
Water	35,073,601	34,644,300
Wastewater	16,876,237	15,833,952
Electric	12,856,676	20,053,738
Transit	1,615,000	1,496,799
Total business-type activities expenses	<u>67,420,514</u>	<u>72,028,689</u>
Total primary government expenses	<u>\$ 197,902,376</u>	<u>\$ 197,154,859</u>
<b>Program Revenues</b>		
<b>Governmental activities:</b>		
Charges for services:		
General government	1,129,140	953,997
Fire	3,197,076	1,726,756
Police	2,687,347	2,689,893
Public Works	16,354,597	15,175,683
Redevelopment	157	1,385
Parks and Community Services	5,805,462	5,159,390
Library	324,561	293,246
Operating Grants and Contributions	12,113,704	12,211,236
Capital Grants and Contributions	9,705,129	11,271,231
Total governmental activities program revenues	<u>60,317,193</u>	<u>49,482,689</u>
<b>Business-type activities:</b>		
Charges for services:		
Water	29,061,220	30,633,778
Wastewater	13,897,603	13,245,884
Electric	13,067,845	18,287,523
Transit	234,693	256,621
Operating Grants and Contributions	1,260,281	1,234,330
Capital Grants and Contributions	17,764,282	15,814,608
Total business-type activities program revenues	<u>78,266,004</u>	<u>79,472,940</u>
Total primary government program revenues	<u>128,583,197</u>	<u>128,955,629</u>

162

Net (Expense)/Revenue	Fiscal Year	
	2005	2004
<b>Governmental activities</b>	\$ (80,164,968)	\$ (75,643,271)
Business-type activities	7,945,459	7,444,241
Total primary government net expense	<u>\$ (72,219,509)</u>	<u>\$ (68,199,030)</u>
<b>General Revenues and Other Changes in Net Assets</b>		
<b>Governmental activities:</b>		
Taxes		
Property taxes	\$ 42,349,908	\$ 32,265,783
Special Assessments	-	839,255
Sales and Use Tax	34,502,609	26,471,424
Other Taxes	4,866,205	4,209,454
Total taxes	<u>81,718,722</u>	<u>63,776,948</u>
Unrestricted grants and contributions	1,112,066	8,547,602
Payments in lieu of taxes	8,096,347	8,236,819
Investment earnings	3,036,751	3,678,428
Miscellaneous	12,031,090	511,074
Loss on Sale of Land Held for Resale	-	(201,063)
Transfers	(29,229)	24,778
Total Governmental activities	<u>107,767,933</u>	<u>85,576,564</u>
<b>Business-type activities:</b>		
Investment earnings	1,288,738	1,291,949
Miscellaneous	462,495	-
Transfers	28,223	(24,778)
Total business-type activities	<u>1,800,456</u>	<u>1,257,171</u>
Total primary government	<u>\$ 109,568,409</u>	<u>\$ 86,833,735</u>
<b>Change in Net Assets</b>		
Governmental activities	\$ 27,603,265	\$ 8,933,293
Business-type activities	9,645,946	8,701,412
Total primary government	<u>\$ 37,249,231</u>	<u>\$ 16,834,705</u>

163

**Schedule 3**  
**Fund Balances, Governmental Funds**  
**Last Two Fiscal Years (modified accrual basis of accounting)**

General Fund	Fiscal Year	
	2005	2004
Reserved	\$ 13,535,662	\$ 11,896,398
Unreserved	<u>31,748,096</u>	<u>30,390,874</u>
<b>Total General Fund</b>	<u>\$ 45,283,758</u>	<u>\$ 42,287,272</u>
<b>All Other Governmental Funds</b>		
Reserved	\$ 71,752,712	\$ 75,451,071
Unreserved, reported in Other Governmental Funds	<u>(893,256)</u>	<u>(414,005)</u>
<b>Total all other Governmental Funds</b>	<u>\$ 71,059,456</u>	<u>\$ 75,037,066</u>

164

**Schedule 4**  
**Changes in Fund Balances, Governmental Funds**  
**Last Two Fiscal Years (modified accrual basis of accounting)**

Revenues:	Fiscal Year	
	2005	2004
Property Taxes	\$ 42,349,910	\$ 32,265,783
Other Taxes	40,815,213	34,923,016
Licenses, fees and permits	10,671,748	11,664,841
Fines and Penalties	1,508,004	1,700,005
Special Assessments	6,923,091	6,581,167
Investment Earnings	2,777,646	3,907,468
Intergovernmental Revenues	11,927,288	18,489,977
Current Services	14,878,214	13,470,110
Payments in Lieu of Services	8,998,347	8,238,819
Other Revenues	15,510,035	3,313,914
<b>Total Revenues</b>	<u>166,662,685</u>	<u>134,875,989</u>
<b>Expenditures:</b>		
General Government	20,805,716	25,270,657
Fire	17,947,422	16,848,544
Police	35,812,614	32,023,189
Public Works	21,272,214	24,800,152
Parks and Community Services	10,445,414	9,868,299
Redevelopment	8,112,135	7,742,611
Library	3,268,069	3,215,633
Capital Outlay	20,849,893	26,640,837
Debt Service:		
Principal	42,930,597	4,812,429
Interest and Fiscal Charges	12,473,235	4,958,299
Total Expenditures	<u>193,920,241</u>	<u>168,210,067</u>
Excess of Revenues over (under) expenditures	(37,357,545)	(23,334,868)
<b>Other Financing Sources (Uses)</b>		
Loss from sale of land held for resale	-	(201,063)
Proceeds from Long-Term Obligations	38,510,000	-
Transfers in	16,343,861	21,865,917
Transfers out	<u>(16,141,034)</u>	<u>(20,134,946)</u>
Total other financing sources (uses)	<u>37,112,827</u>	<u>1,529,866</u>
<b>Net change in fund balances</b>	<u>\$ (244,718)</u>	<u>\$ (21,805,082)</u>
Debt service as a percentage of noncapital expenditures	32.0%	7.5%

165

**Schedule 5**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Six Fiscal Years (in thousands of dollars)**

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Other	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2000	4,203,138	711,284	962,113	1,187,810	96,769	6,967,556	1.0145
2001	5,014,790	732,328	1,096,859	1,203,849	106,014	7,941,812	1.0135
2002	5,720,734	740,122	1,197,804	1,277,060	64,803	8,070,917	1.0080
2003	6,389,708	812,959	1,318,860	1,366,953	117,192	8,771,282	1.0079
2004	7,013,853	863,830	1,415,667	1,489,950	171,882	10,811,358	1.0061
2005	8,010,907	1,016,448	1,540,064	1,614,156	119,068	12,062,502	1.0053

Source: Hdl, Coren & Cone, Riverside County Assessor Combined Tax Rolls

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to the actual value. Tax rates are per \$1,000 of assessed value.

**Schedule 8**  
**Direct and Overlapping Property Tax Rates**  
**Last Six Fiscal Years (rate per \$1,000 of assessed value)**

Year	City Direct Rates			Overlapping Rates <sup>a</sup>				
	Basic Rate	General Obligation Debt Service	Total Direct	Corona/Norco School District	Akron School District	Flood Control	Metropolitan Water District	Riverside City Community College
2000	1.0000	0.0145	1.0145	0.0237	0.1180	0.0000	0.0069	0.0000
2001	1.0000	0.0135	1.0135	0.0237	0.1341	0.0000	0.0068	0.0000
2002	1.0000	0.0086	1.0086	0.0237	0.1280	0.0000	0.0077	0.0000
2003	1.0000	0.0079	1.0079	0.0237	0.1184	0.0000	0.0067	0.0000
2004	1.0000	0.0081	1.0081	0.0237	0.0755	0.0000	0.0061	0.0000
2005	1.0000	0.0053	1.0053	0.0237	0.0755	0.0000	0.0058	0.0180

Source: Riverside County Auditor-Controller

Note: The City's basic property tax rate may only be increased by a majority vote of the city's residents. Rates for debt service are set based on each year's requirements.

<sup>a</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Corona. Not all overlapping rates apply to all Corona property owners.

**Schedule 7  
Principal Property Tax Payers  
Current Year and Five Years Ago**

Taxpayer	2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Dairy Farmers of America Inc.	\$ 109,840,314	1	0.91%
Watson Laboratories Inc.	118,125,657	2	0.99%
LHS Corona Inc.	60,487,229	3	0.30%
Live Media LLC	22,710,144	4	0.20%
Kaiser Foundation Health Plan Inc	107,848,026	5	0.89%
Corona Energy Partners Limited	20,835,163	6	0.17%
Corona Springs	20,600,641	7	0.17%
Princeton Properties Inc.	25,656,790	8	0.21%
Provident Group Crown Pointe	19,062,519	9	0.16%
Rexco	20,761,006	10	0.26%
SBD Properties	-	-	-
Larry E. Bedrosian	-	-	-
General Western Lakeshore	-	-	-
Price Rent Inc.	-	-	-
ERP Operating Limited Partnership	-	-	-
<b>Total</b>	<b>\$ 538,832,482</b>		<b>4.45%</b>

Taxpayer	2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Dairy Farmers of America Inc.	\$ 80,728,063	1	0.87%
Watson Laboratories Inc.	72,101,231	4	1.03%
Kaiser Foundation Health Plan Inc	142,148,369	2	2.04%
Corona Energy Partners Limited	19,537,943	3	0.28%
Princeton Properties Inc.	14,806,786	9	0.21%
SBD Properties	51,241,075	5	0.74%
Larry E. Bedrosian	15,200,169	6	0.22%
General Western Lakeshore	16,187,946	7	0.22%
Price Rent Inc.	61,964,187	8	0.88%
ERP Operating Limited Partnership	51,876,852	10	0.75%
<b>Total</b>	<b>\$ 504,663,636</b>		<b>7.25%</b>

Source: Hill, Coren & Co., Riverside County Assessor Combined Tax Rolls

**Schedule 8  
Property Tax Levies and Collections  
Last Six Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2000	\$ 10,363,359	\$ 9,553,479	92.16%
2001	12,107,442	11,214,012	92.62%
2002	13,369,496	12,845,024	96.18%
2003	14,732,039	13,847,475	94.07%
2004	15,932,786	14,583,617	91.53%
2005	17,960,355	16,344,312	91.00%

Delinquent Tax Collections	Total Collections to Date	
	Amount	Percentage of Levy
\$ 812,286	10,385,775	100.02%
533,703	11,747,215	97.02%
808,676	13,262,397	88.90%
763,871	14,711,348	89.86%
607,182	15,390,999	86.60%
1,889,934	17,714,248	88.03%

Source: City of Corona Finance, Riverside County Auditor-Controller

Note: Excludes Debt Service levies and Redevelopment Property Tax Increment

**Schedule 9**  
**Ratios of Outstanding Debt by Type**  
**Last Six Fiscal Years (dollars in thousands, except per capita)**

Year	Governmental Activities					
	General Obligation Bonds	Redevelopment Bonds	Lease Revenue Bonds	Loans Payable	Lease Payable	Special Assessment Bonds
2000	\$ 6,925	\$ 52,360	\$ 15,976	\$ 3,995	\$ -	\$ 17,976
2001	6,190	51,375	22,810	3,499	-	14,696
2002	5,410	50,320	22,580	3,115	65	10,556
2003	5,065	49,205	56,770	2,711	1,100	5,095
2004	3,955	48,030	55,840	2,308	976	4,025
2005	3,835	45,485	53,540	1,907	885	3,255

Business-Type Activities					
Installment Agreement Payable	Long-Term Installments Payable	Term Loan Payable	Lease Payable	Certificates of Participation	Contracts Payable
\$ -	\$ 42,425	\$ 21,989	\$ 110	\$ -	\$ 739
-	35,585	21,067	85	5,940	717
-	34,900	20,789	58	5,685	717
-	34,160	19,233	-	73,450	717
-	33,455	18,154	-	73,175	717
432	32,660	35,171	-	101,760	717

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

**Schedule 10**  
**Ratios of General Bonded Debt Outstanding**  
**Last Six Fiscal Years (dollars in thousands, except per capita)**

Year	Total Primary Government	Percentage of Personal Income	Per Capita
2000	\$ 102,003	8.2%	\$1,317
2001	181,988	n/a	1,234
2002	154,174	5.0%	1,151
2003	247,536	7.9%	1,807
2004	240,875	n/a	1,691
2005	275,875	n/a	1,940

Year	General Bonded Debt Outstanding					Total	Percentage of Actual Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Lease Revenue Bonds				
2000	\$ 6,925	\$ 52,360	\$ 17,976	\$15,525	\$ 22,905	\$ 115,791	1.33%	\$755.39
2001	6,190	51,375	14,696	22,910	95,070	147,246	1.20%	724.35
2002	5,410	50,320	10,556	22,560	88,845	135,681	1.00%	683.19
2003	5,065	49,205	5,065	56,770	116,135	172,370	1.19%	847.66
2004	3,955	48,030	4,025	55,840	111,850	167,700	1.05%	788.66
2005	3,835	45,485	3,255	53,040	106,315	159,330	0.88%	737.94

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

<sup>a</sup> See Schedule 5 for property value data.

<sup>b</sup> Population data can be found in Schedule 14.

**Schedule 11**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2005 (dollars in thousands)**

Direct and Overlapping Tax and Assessment Debt:	
Metropolitan Water District	
Riverside City Community College District	
Alvord Unified School District	
Corona-Norco Unified School District	
Corona-Norco Unified School District CFD No. 3	
Corona-Norco Unified School District CFD No. 6	
Corona-Norco Unified School District CFD No. 7	
Corona-Norco Unified School District CFD No. 08-1	
Corona-Norco Unified School District CFD No. 97-1	
Corona-Norco Unified School District CFD No. 98-1	
Corona-Norco Unified School District CFD No. 99-2, Imp Areas	
Corona-Norco Unified School District CFD No. 00-1	
Corona-Norco Unified School District CFD No. 01-1, Imp Areas A & B	
Corona-Norco Unified School District CFD No. 01-2, Imp Areas A & B	
City of Corona	
City of Corona CFD No. 86-1	
City of Corona CFD No. 86-2	
City of Corona CFD No. 89-1	
City of Corona CFD No. 90-1	
City of Corona CFD No. 97-2	
City of Corona CFD No. 2000-1	
City of Corona CFD No. 2001-2	
City of Corona CFD No. 2002-2	
California Statewide Communities Development Authority CFD No. 2002-1	
City of Corona 1915 Act Bonds	
<b>Total Direct and Overlapping Tax and Assessment Debt</b>	

Direct and Overlapping General Fund Obligation Debt:	
Riverside County General Fund Obligations	
Riverside County Board of Education COPs	
Alvord Unified School District COPs	
Corona-Norco Unified School District General Fund Obligations	
City of Corona General Fund Obligations	
<b>Total Gross Direct and Overlapping General Fund Obligation Debt</b>	
Less: Riverside County self-supporting obligations	
<b>Total Net Direct and Overlapping General Fund Obligation Debt</b>	

Gross Combined Total Debt  
 Net Combined Total Debt

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Corona. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for the repaying the debt, of each overlapping government.

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

Debt	Est. Percentage Applicable	Share of Overlapping Debt
<b>Outstanding</b>		
\$ 418,158	0.793%	\$ 3,316
71,656	24.644%	17,699
48,832	13.956%	6,816
56,545	69.454%	39,273
2,731	100.000%	2,731
1,694	100.000%	1,694
1,190	100.000%	1,190
2,355	90.788%	2,136
1,450	100.000%	1,450
3,315	100.000%	3,316
6,880	100.000%	6,880
2,690	100.000%	2,690
11,050	100.000%	11,050
3,785	100.000%	3,785
4,330	100.000%	4,330
3,520	100.000%	3,520
18,785	100.000%	18,785
33,610	100.000%	33,610
47,880	100.000%	47,880
17,425	100.000%	17,425
7,865	100.000%	7,865
3,600	100.000%	3,600
12,270	100.000%	12,270
4,360	100.000%	4,360
10,055	100.000%	10,055
		<b>\$ 264,586</b>
<b>\$ 621,381</b>	<b>10.154%</b>	<b>\$ 63,092</b>
12,212	10.154%	1,260
24,520	13.658%	3,422
34,236	69.454%	23,778
58,789	100.000%	58,789
		<b>\$ 150,327</b>
		<b>2,085</b>
		<b>\$ 148,242</b>
		<b>\$ 414,913 (1)</b>
		<b>\$ 412,828</b>

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's assessed value that is within the City's boundaries and dividing it by each unit's total assessed value.

Source: California Municipal Statistics, Inc.



**Schedule 12**  
**Legal Debt Margin Information**  
**Last Five Fiscal Years (dollars in thousands)**

Legal Debt Margin Calculation for Fiscal Year 2005	
Assessed Value	\$12,092,502
Debt Limit (15% of assessed value)	1,809,375
Debt Applicable to limit:	
General obligation bonds	3,635
Less: Amount set aside for repayment of general obligation debt	(1,387)
Total net debt applicable to limit	2,208
Legal Debt Margin	<u>\$ 1,807,077</u>

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit	\$1,191,272	\$1,320,638	\$ 1,465,692	\$ 1,591,659	\$ 1,809,375
Total net debt applicable to limit	4,727	4,091	3,595	2,871	2,298
Legal debt margin	1,186,545	1,326,647	1,482,187	1,688,788	1,807,077
Total debt applicable to the limit as a percentage of debt limit	0.40%	0.31%	0.24%	0.18%	0.13%

Notes: Under State Finance Law, the City's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.



**Schedule 12**  
**Pledged Revenue Coverage**  
 Last Six Fiscal Years (dollars in thousands)

Fiscal Year	Lease Revenue Bonds				
	Lease Payments	Current Acct Bal	Debt Service		Coverage
			Principal	Interest	
2000	\$ 1,568	\$ 1,232	\$ 760	\$ 925	1.66
2001	16,139	1,160	15,625	1,125	1.03 <sup>a</sup>
2002	1,179	26	250	956	1.00
2003	1,827	2,204	790	1,749	1.59 <sup>b</sup>
2004	1,931	1,511	630	2,469	1.00 <sup>b</sup>
2005	3,306	1,088	1,900	2,450	1.01

Fiscal Year	Special Assessment Bonds				
	Special Assessment Collections	Current Acct Bal	Debt Service		Coverage
			Principal	Interest	
2000	\$ 4,504	\$ 3,628	\$ 2,940	\$ 1,647	1.81
2001	3,752	3,666	3,280	1,268	1.82
2002	3,251	3,525	4,140	1,019	1.32
2003	1,410	5,579	6,460	617	1.15
2004	822	1,411	1,070	365	1.57
2005	582	1,020	770	283	1.52

continued

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

<sup>a</sup> 1993 Public Improvement bonds were refunded by the 2001 Lease Revenue Refunding Bonds.

<sup>b</sup> 2002 Lease Revenue bonds issued, capitalized interest used to make debt payments.

<sup>c</sup> 2004 TABS issued in July 2004 partially refunded 1994 TABS

<sup>d</sup> 2003 GOPs issued with capitalized interest.

**Schedule 13**  
**Pledged Revenue Coverage**  
 Last Six Fiscal Years (dollars in thousands)

Fiscal Year	Redevelopment Bonds			
	Net Property Tax Increment	Debt Service		Coverage
		Principal	Interest	
2000	\$ 5,847	\$ 955	\$ 3,065	1.45
2001	6,038	1,005	3,015	1.50
2002	7,082	1,055	2,961	1.78
2003	7,377	1,116	2,902	1.84
2004	8,691	1,175	2,840	2.16
2005	9,306	39,456 <sup>a</sup>	2,545	0.22

Fiscal Year	Water Revenue Bonds			
	Lease Payments	Debt Service		Coverage
		Principal	Interest	
2000	\$ 2,031	\$ 445	\$ 1,646	1.00
2001	2,293	660	1,828	1.00
2002	2,297	665	1,803	1.00
2003	2,298	710	1,577	1.00
2004	2,284	735	1,550	1.00
2005	2,286	765	1,522	1.00

continued

**CITY OF CORONA**

**Schedule 13  
Pledged-Revenue Coverage  
Last Six Fiscal Years (Amounts in thousands)**

Fiscal Year	Certificates of Participation					
	Lease Payments	Current Acct Bal	Debt Service		Coverage	
			Principal	Interest		
2000	\$ 538	\$ 17	\$ 225	\$ 320	1.00	
2001	516	32	240	309	1.00	
2002	520	46	255	298	1.00	
2003	504	47	265	286	1.00	
2004	771	4,689	275	2,775	1.79 <sup>d</sup>	
2005	1,223	2,686	435	3,489	1.00	

concluded

**CITY OF CORONA**

**Schedule 14  
Demographic and Economic Statistics  
Last Six Fiscal Years**

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2000	122,858	\$ 2,828,948	\$ 21,394	29.8	35,146	4.6%
2001	131,246	n/a	n/a	n/a	37,487	4.2%
2002	133,886	3,086,953	23,043	n/a	38,614	4.9%
2003	137,036	3,142,951	22,940	n/a	41,077	5.0%
2004	141,822	n/a	n/a	n/a	43,998	4.8%
2005	144,070	n/a	n/a	n/a	44,240	3.7%

Source: Population - California Dept of Finance; Median Age - U.S. Census; School Enrollment - CNUED; Unemployment Rate - California Labor Market

**CITY OF CORONA**

**Schedule 15  
Principal Employers  
Current Year and Five Years Ago**

Employer	2005			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Corona-Norco Unified School District	5,184	1	6.95%	3,200	1	6.13%
Watson Laboratories, Inc.	1,270	2	1.70%	1,000	2	1.91%
Kaiser Permanente	1,100	3	1.47%	-	-	-
City of Corona	1,094	4	1.47%	700	5	1.34%
Corona Regional Medical Center	1,033	5	1.38%	800	3	1.53%
All American Asphalt	850	6	1.27%	-	-	-
Fender USA Corona	625	7	1.24%	600	4	1.53%
Dart Container Corporation	600	8	1.14%	-	-	-
Silvercrest Homes	520	9	0.70%	-	-	-
Doorway Manufacturing	475	10	0.64%	-	-	-
Unihub, Inc.	-	-	-	350	6	0.67%
Core-Mark	-	-	-	300	7	0.57%
Bocha International	-	-	-	300	8	0.57%
Circle Seal Controls, Inc.	-	-	-	280	9	0.54%
International Food Source	-	-	-	250	10	0.48%

Source: City Economic Development Division, California Labor Market

**CITY OF CORONA**

**Schedule 16  
Full-time Equivalent City Government Employees by Function/Program  
Last Two Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30	
	2005	2004
<b>General Government</b>		
Management Services	27.3	37.9
Human Resources	10.76	0
Finance	39.5	39.5
Planning	19.35	19.35
Building	22	22
<b>Police</b>		
Officers	166	166
Civilians	90	90
<b>Fire</b>		
Firefighters and officers	105	105
Civilians	26	26
<b>Public Works</b>		
Engineering	53	57
Other Services	35.81	38.63
Recreation	21.1	20.75
Parks and Community Services	51.09	50.47
Library	19	19
Water	79.15	78.2
Wastewater	44.5	44.3
Electric	10.4	10
Transit Services	3	3
<b>Total</b>	<b>824.1</b>	<b>825.0</b>

\* In 2004, they were included in Management Services

Source: City of Corona Finance

Schedule 17  
 Operating Indicators by Function/Program  
 Last Two Fiscal Years

Function/Program	Fiscal Year	
	2005	2004
<b>Police</b>		
Physical Arrests	4,259	4,429
Parking Violations	8,657	8,643
Traffic Violations	16,885	16,322
<b>Fire</b>		
Emergency Responses	9,644	9,425
Flows Extinguished	503	563
Inspections	1,529	710
<b>Public Works</b>		
Street Resurfacing (miles)	11.75	13.45
Street Lights Repaired	1,158	1,382
Potholes Filled (sq. ft)	36,264	12,700
<b>Parks and Community Services</b>		
Sports/Leisure Participation	462,852	444,676
Comm. Centers/Gym/Pool Participation	303,450	315,089
Other Activity Participation	126,981	119,097
<b>Library</b>		
Volumes in Collection	181,486	171,588
Total Volumes Borrowed	722,032	686,803
<b>Water</b>		
New Connections	656	570
Water Main Repairs	30	42
Average Daily Consumption (gallons)	38,135,000	36,265,640
<b>Wastewater</b>		
Average Daily Sewage Treatment (millions of gallons)	12.21	11.645
<b>Transit Services</b>		
Total Route Miles (round-trip)	44.7	46.9
Passengers		
Fixed Route	152,423	142,082
Dial-A-Ride	86,481	63,071

Source: Various City Departments

Schedule 18  
 Capital Asset Statistics by Function/Program  
 Last Two Fiscal Years

Function/Program	Fiscal Year	
	2005	2004
<b>Police</b>		
Stations	1	1
Zone Offices	3	3
Patrol Units	56	40
Fire Stations	7	7
<b>Streets</b>		
Streets and Alleys (miles)	370.96	300.3
Streetslights	10,540*	10,764
Traffic Signals	153	146
<b>Parks and Community Services</b>		
Total Park Acreage	347	347
Playgrounds	30	30
Baseball/softball diamonds	32	32
Soccer/football fields	11	11
Community Centers	7	7
Civic Center Auditorium Seating Cap	250	250
Fiesta Bandshell Seating Capacity	600	500
<b>Water</b>		
Water Main (miles)	560	550
Fire Hydrants	7,611	7,349
Storage Capacity (millions of gallons)	40.0	40.0
<b>Wastewater</b>		
Sanitary Sewers (miles)	376	363
Storm Sewers (miles)	145.2	140.2
Treatment Capacity (millions of gallons)	15.6	15.5
<b>Transit Services</b>		
Minibuses		
Fixed Route	5	5
Dial-A-Ride	9	9

Source: Various City Departments

\* includes only city owned



[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

# CITY OF CORONA, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006



Prepared by the Finance Department

### CITY OF CORONA

Comprehensive Annual Financial Report  
Year Ended June 30, 2006

#### Table of Contents

	Page
<b>INTRODUCTORY SECTION</b>	
Table of Contents.....	i
Letter of Transmittal.....	iv
GFOA Certificate of Achievement.....	ix
Organization Chart and Corporate Values.....	x
Elected and Administrative Officers.....	xi
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities and Changes in Net Assets.....	18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances.....	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets.....	28
Proprietary Funds:	
Statement of Net Assets.....	30
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	32
Statement of Cash Flows.....	34
Fiduciary Funds:	
Agency Funds – Statement of Fiduciary Net Assets.....	41
Notes to Basic Financial Statements.....	43

### CITY OF CORONA

Comprehensive Annual Financial Report  
Year Ended June 30, 2006

#### Table of Contents

#### FINANCIAL SECTION, Continued

Required Supplementary Information:	
Budgetary Information.....	91
Comparison Schedule for the General Fund.....	94
Modified Approach for Reporting Infrastructure.....	96
Pension Trend Data.....	98
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	108
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Nonmajor Special Revenue Funds.....	114
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Funds.....	120
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Capital Project Funds.....	124
Non-major Enterprise and Internal Service Funds:	
Combining Statement of Net Assets.....	128
Combining Statement of Revenues, Expenses, and Changes in Net Assets.....	130
Combining Statement of Cash Flows.....	132
Fiduciary Funds:	
Agency Fund – Combining Statement of Changes in Assets and Liabilities.....	137

#### STATISTICAL SECTION

Financial Trends	
Net Assets by Component.....	141
Changes in Net Assets.....	142
Fund Balances – Governmental Funds.....	144
Changes in Fund Balances – Governmental Funds.....	145
Revenue Capacity	
Water Sales By User Type.....	148
Assessed Value and Actual Value of Taxable Property.....	148
Ready to Serve Charges for Water Usage.....	150

### CITY OF CORONA

Comprehensive Annual Financial Report  
Year Ended June 30, 2006

#### Table of Contents

Direct and Overlapping Property Tax Rates.....	152
Principal Water Customers.....	154
Principal Property Tax Payers.....	156
Property Tax Levies and Collections.....	158
Debt Capacity	
Ratios of Outstanding Debt by Type.....	160
Ratios of General Bonded Debt Outstanding.....	163
Direct and Overlapping Governmental Activities Debt.....	164
Legal Debt Margin Information.....	166
Pledged-Revenue Coverage.....	168
Demographic and Economic Information	
Demographic and Economic Statistics.....	173
Principal Employers.....	174
Operating Information	
Full-time Equivalent City Government Employees by Function/Program.....	175
Operating Indicators by Function/Program.....	176
Capital Assets Statistics by Function/Program.....	177



October 6, 2006

Honorable Mayor, City Council, and Citizens of the City of Corona, California

The City of Corona covenants for certain debt issues, to submit an annual continuing disclosure to the bond holder of which the City's Comprehensive Annual Financial Report (CAFR) is a required part.

Management assumes responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles and includes all properly classified funds and account groups of the primary government and all component units required to be included in the financial reporting entity.

Teaman, Ramirez & Smith, Inc., Certified Public Accountants, have issued an unqualified opinion on the City of Corona's financial statements for the year ended June 30, 2006.

Management's discussion and analysis (MD&A) beginning on page 3 of this report, provides financial highlights, an overview and analysis of the financial statements, budgetary highlights, and economic factors affecting future budgets.

Profile of the City

The City of Corona is located approximately 45 miles southeast of Los Angeles in western Riverside County. The community is ideally situated at the base of the mountainous Cleveland National Forest on an alluvial plain leading down, or north to the Santa Ana River.

iv

Redevelopment Agency entered into an Option Agreement for a long term lease of approximately 40 acres to develop as a relocation site for several existing businesses.

Long Term Financial Planning

The City's continued control over expenditure growth has been and will continue to be a key factor in maintaining the City's strong financial position. The City Council has wisely taken advantage of the past years' financial prosperity to secure the future stability of the City.

Relevant Financial Policies

Corona follows the General Fund Expenditure Control Budget, or ECB, guidelines as outlined in the budget resolution. The 2005-06 fiscal year budget was the twelfth year that the budget was prepared in accordance with the ECB policies adopted by the City Council for the General Fund.

For fiscal year 2005-06 the amounts saved by the departments totaled \$1,509,514. The prior year carryover is \$1,865,372 giving the departments a total of \$3,774,886 in reserves.

Major Initiatives

Expansion of the Corporation Yard facility is scheduled to begin construction in late 2006 with completion in 2008. New construction is planned to include a two building complex which will house the Department of Water and Power, field staff, the Emergency Operations Center and a third building for a new jail.

v

and each is elected to a four-year term of office. The Mayor is appointed annually by and from the City Council.

The City of Corona was incorporated in 1896 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: Public Safety (Police and Fire), Highways and Streets, Electric, Public Library, Parks, Public Improvements, Planning and Zoning, Public Transportation (Dial-A-Ride and Corona Cruiser programs) and General Administrative Services.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Each year, a proposed budget is submitted to the City Council and a public meeting is conducted to obtain taxpayer comments.

Local Economy

Major industries within the City include manufacturers of pharmaceuticals, musical instruments, food products, paper, and construction products. In 2004, Corona's job growth increased by 7.1% versus the region's increase of 4.4%.

Retail sales tax is a principal revenue source for the City. Taxable retail sales have nearly tripled from 1990 to 2004, growing by \$2.10 billion to \$2.89 billion. In 2004, retail sales growth of 17.9% far exceeded the state's increase of 8.1%.

Taxable assessed valuation on property located in Corona has increased in the past five years by 52.6% to \$13.5 billion. The growth in sales and property tax revenue to the City has provided sufficient revenues to offset increased services and facilities for the growing population.

The Redevelopment Agency commenced land acquisition activities for the future mixed-use projects in the Downtown and North Main Street areas. During April 2006, the construction in the northern section of the Corona Mall started and will be completed by October 2007.

v

New transportation projects include Green River Road Improvements for \$4,240,000 which is scheduled to begin in fiscal year 2006-07. The City will be reimbursed by the Riverside County Transportation Commission (RCTC) with funds from the Transportation Uniform Mitigation Fund (TUMF).

Redevelopment and Economic Development has budgeted \$2 million dollars in fiscal year 2006-07 for the Downtown Revitalization project and another \$2 million for the East Sixth/Magnolia Corridor project.

Water and Wastewater projects for fiscal year 2006-07 total \$7,050,000 and \$7,250,000, respectively. Projects include \$1,830,000 for new reservoirs, various waterline replacement projects, replacement of various wastewater lift stations, upgrades to Wastewater Treatment Plant #1 and a flood control bridge and pipeline relocation at the Temescal Canyon Road Bridge.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada awarded the sixteenth consecutive Certificate of Achievement for Excellence in Financial Reporting to the City of Corona for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2005.

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

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire Finance Department especially Finance Manager Pat Moecker and Accounting Supervisor Theresa Dailey. Staff members have our sincere appreciation for their contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Respectfully submitted,

Beth Groves

BETH GROVES City Manager

Debra A. Foster

DEBRA A. FOSTER Finance Director

vii

Certificate of Achievement for Excellence in Financial Reporting

Presented to  
City of Corona,  
California

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

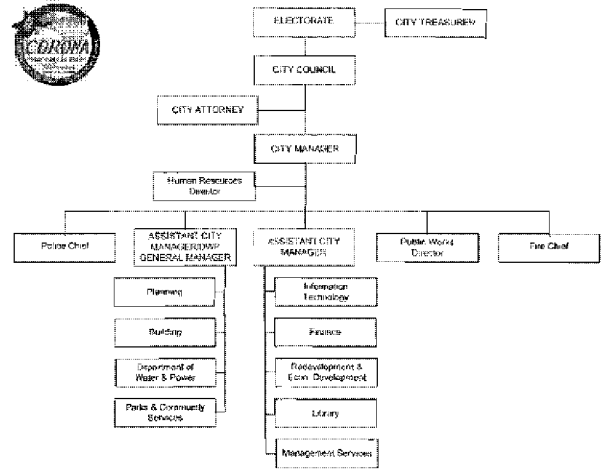
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



*Chris E. Perry*  
President

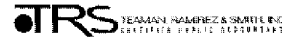
*Jeffrey R. Evans*  
Executive Director

CITY OF CORONA  
City Organizational Chart and Corporate Values



**Corona's Corporate Values**  
As City of Corona Employees, we are proud of our organization and the community we serve. Therefore we,  
  
Provide exceptional, responsive service.  
Deliver high quality results.  
Recognize the financial value of our activities.  
Display innovation in problem solving.  
Work as a motivated team to get the job done.  
Take the initiative with decisive action.  
Foster communication.  
Promote outstanding professionalism, technical and people skills.  
Encourage balance in our lives.  
Act with integrity in all we do.

Elected Officials	
KAREN S. SPIEGEL	Mayor
EUGENE MONTANEZ	Mayor Pro Tem
JEFF MILLER	Councilmember
STEVE NOLAN	Councilmember
DARRELL TALBERT	Councilmember
RICHARD O. HALEY	City Treasurer
Administrative Personnel	
BETH GROVES	City Manager
GREG IRVINE	Assistant City Manager
BRADLEY ROBBINS	Assistant City Manager/DW/P General Manager
KEITH CLARKE	Building Official
VICTORIA WASKO	City Clerk
DEBRA A. FOSTER	Finance Director
MICHAEL WARREN	Fire Chief
LAURIE LO FRANCO	Human Resource Director
STEVE LARSON	Information Technology Director
JULIE FREDERICKSEN	Library Director
GABRIEL GARCIA	Director of Parks, Recreation & Community Services
PEGGY TEMPLE	Planning Director
RICHARD O. GONZALES	Police Chief
AMAD QAITAN	Director of Public Works
SCOTT WHYTE	Redevelopment & Economic Development Director
BEST, BEST & KRIEGER	City Attorney



Independent Auditor's Report

The Honorable Mayor and City Council  
City of Corona, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corona, California, 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 of Corona'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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. These 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corona, California, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2006 on our consideration of the City of Corona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information reported 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Teaman Ramirez & Smith*

October 6, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2006

This discussion and analysis of the City of Corona's 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.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$814.9 million. Of this amount, \$349 million may be used to meet the City's ongoing obligations to citizens and creditors.
The City's total net assets increased by \$50.2 million, primarily due to the completion of projects and acquisition of assets from developers.
As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$147.9 million, an increase of \$ 31.1 million in comparison to the prior year.
Approximately 69% of the combined fund balances, \$102 million, is considered unreserved.
At the end of the current fiscal year, unreserved fund balance for the general fund was \$53 million, or 53% of total general fund expenditures.
The City's total debt increased by \$9.3 million during the current fiscal year as DWP received proceeds from a State Revolving Fund loan for the Recycled Water project. The City expended \$9.2 million in normally scheduled principal reductions on debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Corona and its component units using the integrated approach as prescribed by GASB Statement No. 34.

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the



CITY OF CORONA

Management's Discussion and Analysis, continued
Year Ended June 30, 2006

difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we distinguish the City's functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The activities of these two distinctions are as follows:

Governmental activities—Most of the City's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Redevelopment, Parks, Recreation and Community Services and the Library. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities—The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water system, Wastewater system, Electric and Transit Services activities are reported in this category.

Fund Financial Statements

The Fund Financial Statements include statements for each of the three categories of activities - governmental, proprietary and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which report a balance sheet, a statement of changes in assets and liabilities and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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 readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation schedule following each Governmental Fund financial statement.

Proprietary funds - When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported

CITY OF CORONA

Management's Discussion and Analysis, continued
Year Ended June 30, 2006

in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities—such as the City's self-insurance and fleet operations and equipment replacement funds. The internal service funds are reported with governmental activities in the government-wide financial statements.

Fiduciary funds - The City is the trustee, or fiduciary, for certain funds held on behalf of the Corona-Norco Unified School District. Other activities reported in this category include the receipt of special taxes and assessments used to pay principal and interest on related bonded debt that has no direct City liability, as well as receipt and disbursement of capital project proceeds related to these. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Combining Statement of Changes in Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements.

Other Information

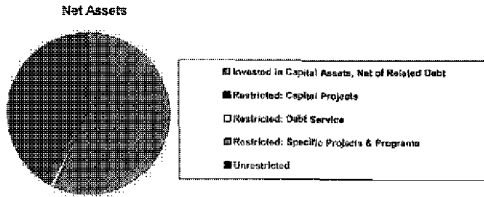
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees, budgetary comparison schedules for the general fund and each major special revenue fund, and schedules and disclosure of the modified approach for reporting the City's infrastructure.



**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2006

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**



As noted earlier, the net assets for the City as a whole increased 6.4% from \$773.8 million at June 30, 2005 to \$814.9 million at June 30, 2006. The largest portion of the City's net assets (55.5%) reflects the investment in capital assets such as land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to the citizens of the City of Corona; therefore, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (2.6%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$370 million) may be used to meet the City's ongoing obligations to citizens and creditors.

Consistent with the prior fiscal year, as of the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for both the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2006

**CITY OF CORONA'S NET ASSETS**

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 206.6	\$ 181.5	\$ 107.0	\$ 110.9	\$ 315.6	\$ 292.4
Internal balances	172.6	172.6	(172.6)	(172.6)	-	-
Capital assets	526.4	628.4	349.5	332.2	875.9	880.6
<b>Total assets</b>	<b>907.6</b>	<b>882.5</b>	<b>283.9</b>	<b>270.5</b>	<b>1,191.5</b>	<b>1,153.0</b>
Long-term liabilities	115.1	117.5	163.0	188.7	306.1	306.2
Other liabilities	48.4	53.2	20.1	19.8	88.5	73.0
<b>Total Liabilities</b>	<b>183.5</b>	<b>179.7</b>	<b>213.1</b>	<b>208.5</b>	<b>376.6</b>	<b>379.2</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	422.8	456.2	20.7	21.6	452.5	475.0
Restricted	15.3	16.1	7.5	0.7	22.6	16.8
Unrestricted	306.0	239.5	33.8	39.5	339.6	279.0
<b>Total Net Assets</b>	<b>\$ 744.1</b>	<b>\$ 711.8</b>	<b>\$ 70.3</b>	<b>\$ 62.0</b>	<b>\$ 814.9</b>	<b>\$ 773.8</b>

The City's net assets increased \$50.2 million over the prior fiscal year. Total revenues increased 21.2% and total expenses increased 18.8%. General revenues reflect an overall increase of \$21.4 million, while Program Revenues increased by \$27.5 million. Revenue from grants and contributions decreased 10.9% over the prior year for a total of \$4.4 million. Tax revenue increased 19.4% or \$15.9 million and payments received in lieu of services increased \$1.3 million over prior year.

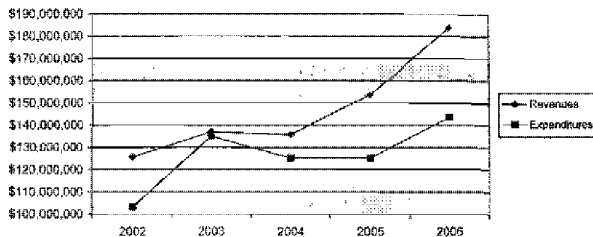
**GOVERNMENTAL ACTIVITIES**

The City's net assets from governmental activities increased \$39.6 million. The cost of all governmental activities this year was \$143.6 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$74.6 million because some of the cost was paid by those who directly benefited from the programs (\$38.1 million), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$7.0 million), and capital grants and contributions (\$23 million). One program, Public Works, shows a net revenue of \$7.2 million at year end which is the result of a timing difference in the completion of capital projects as well as the City's intentional building up of certain developer impact fees for upcoming capital improvement projects. Overall, the City's governmental program revenues were \$68.9 million. The City paid for the remaining "public benefit" portion of governmental activities with \$160.4 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

**CITY OF CORONA**

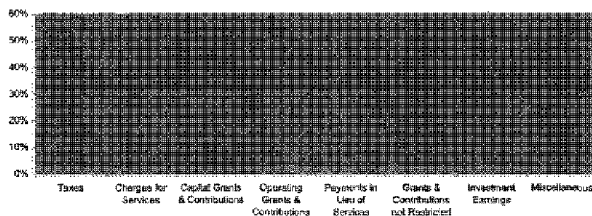
Management's Discussion and Analysis, continued  
Year Ended June 30, 2006

**Revenues and Expenditures  
Governmental Funds**



Total resources available during the year to finance governmental operations were \$587.7 million consisting of Net Assets at July 1, 2005 of \$704.5 million, program revenues of \$68.9 million and General Revenue of \$114.3 million. Total Governmental Activities during the year were \$143.5 million; thus, Net Assets increased by \$39.6 million to \$744.1 million.

**Governmental Funds  
Revenue Sources**



The City's programs for governmental activities include General Government, Fire, Police, Public Works, Redevelopment, Parks and Community Services and Library. The programs for the business type activities include the water and wastewater utilities, the electric utility and transit services. A comparison of each program's revenues and expenses (in millions) for the

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
Year Ended June 30, 2006

current year and prior year is presented below.

**CITY OF CORONA CHANGES IN NET ASSETS**

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 38.1	\$ 25.2	\$ 78.0	\$ 66.3	\$ 116.1	\$ 85.5
Operating grants and contributions	7.8	12.1	1.2	1.3	9.0	13.4
Capital grants and contributions	12.7	9.7	12.7	17.7	25.4	27.4
General revenues:						
Taxes:						
Property taxes	51.0	42.3			51.0	42.3
Sales & Use Tax	39.9	34.5			39.9	34.8
Other taxes	9.5	4.8			9.5	4.8
Grants and contributions not restricted to specific programs	3.7	1.1			3.7	1.1
Payments in lieu of services	10.3	9.0			10.3	9.0
Investment earnings	4.9	2.2	2.5	1.3	7.4	3.5
General Revenues	8.6	8.5		0.6	6.6	9.0
Loss on sale of Land Held for Resale						
<b>Total revenues</b>	<b>181.5</b>	<b>153.4</b>	<b>94.4</b>	<b>77.1</b>	<b>278.9</b>	<b>230.5</b>
<b>Expenses</b>						
General government	17.6	11.2			17.0	11.2
Public safety - Fire	19.4	17.2			19.4	17.2
Public safety - Police	35.5	32.1			35.3	32.1
Public Works	28.3	26.4			28.3	25.4
Redevelopment	18.0	13.9			18.0	13.8
Parks and Community Services	12.3	12.1			12.9	12.1
Library	3.2	3.1			3.2	3.1
Interest on long term debt	9.1	10.1			9.1	10.1
Wastewater			40.0	28.1	49.0	28.1
Water			23.4	16.9	23.4	16.9
Electric			26.3	12.9	26.3	12.9
Transit Services			1.8	1.8	1.6	1.6
<b>Total expenses</b>	<b>143.5</b>	<b>129.0</b>	<b>85.3</b>	<b>67.5</b>	<b>228.6</b>	<b>192.5</b>
Increase in net assets before transfers	41.0	28.4	9.1	9.6	50.1	38.0
Transfers	(1.4)	-	1.4	-	-	-
Increase (decrease) in net assets	39.6	28.4	10.5	9.6	50.1	38.0
Net assets 7/1	704.5	893.6	60.3	52.4	764.8	735.8
<b>Net assets 6/30</b>	<b>\$ 744.1</b>	<b>\$ 711.8</b>	<b>\$ 70.3</b>	<b>\$ 62.0</b>	<b>\$ 814.9</b>	<b>\$ 773.8</b>

General Government increased expenses \$5.8 million, while interest expense decreased \$1 million due to interest expense on the new facilities. Staff reductions, realignments and budget reduction measures contributed to the decrease in general government expenses.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
 Year Ended June 30, 2006

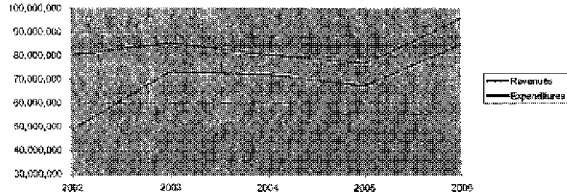
**BUSINESS TYPE ACTIVITIES**

The City's net assets from business-type activities increased \$10.5 million. Invested in capital assets, net of related debt decreased \$1.3 million due to depreciation of assets.

The cost of all Proprietary (Business Type) activities this year was \$85.3 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems was \$76 million, operating grants and contributions were \$ 1.2 million and capital grants and contributions were \$12.7 million. Investment earnings were \$2.5.

Total resources available during the year to finance Proprietary fund (Business Type) Activities were \$156.1 million consisting of Net Assets at July 1, 2005 of \$50.3 million, program revenues of \$91.9 million, general revenues of \$3.9 million, Total Proprietary fund (Business Type) Activities during the year were \$85.3 million; thus Net Assets were increased by \$8.8 million to \$70.8 million.

**Revenues and Expenditures  
 Business-Type Activities**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The fund balance of \$75.2 million at year-end for the City's General fund is an overall increase of \$30 million from last year, a portion of which is due to a prior period adjustment. Expenditures increased overall by \$4.6 million primarily in the areas of Public Safety – Police \$2 million, Public Safety – Fire \$1.8 million and debt service of \$1; however general government expense increased \$2.5 million. Revenues had an increase of \$20.7 million, primarily attributable to increased property and sales tax revenue of \$11.9 million. Current services increased \$.5 million and payments in lieu of services increased \$2.6 million. Investments Earnings increased \$.5 million from the prior year reflecting the slight increase in interest rates. Net transfers in from other funds increased by \$ .9 million.

The Development Special Revenue funds show an decrease in fund balance of \$6.4 million from the prior year due mainly to a prior period adjustment. Revenues increased 5.9 million due to an increase in fees applied for during the year, which reflects a slight increase in building activity within the City. Expenditures decreased \$4 million. Net transfers out to other funds were \$2 million higher than the prior year.

The Redevelopment Special Revenue fund remained the same at \$4.8 million in comparison to

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
 Year Ended June 30, 2006

**CAPITAL ASSETS**

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. At June 30, 2006, net capital assets of the governmental activities totaled \$526.3 million and the net capital assets of the business-type activities totaled \$349.5 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to the Notes to Basic Financial Statements for detail regarding capital assets.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its paving system (streets). Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City Policy is to achieve an average rating of 70 for all streets. The average rating for the City's streets at June 30, 2006 was 71, which is higher than the City's policy level. The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets, (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement, (3) utility company/private development interests trenching operators; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance for the fiscal year ended June 30, 2006 was \$4 million. Actual expenditures were \$7.2 million, with the remaining budget carried forward as continuing appropriations. These expenditures delayed deterioration, however the overall condition of the streets was not improved through these maintenance expenditures. The City has determined that the amount of annual expenditures required to maintain the City's streets at the average PCI rating 70 through the year 2011 is a minimum of \$9.7 million per year. The following table presents summary information on the City's capital assets (in millions).

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
 Year Ended June 30, 2006

the prior year.

The Redevelopment Debt Service fund shows a decrease of \$1.7 million in fund balance. While property tax increment revenue increased by \$3.2 million, pass-through payments increased during the year.

The Redevelopment Capital Projects fund had an increase in fund balance of \$3.4 million, the result of less projects activity during the year.

**DEBT ADMINISTRATION**

Debt considered a liability of governmental activities decreased in FY 2005-06 by \$5.8 million, which is the normal amortization of existing debt. Correspondingly, per capita debt outstanding decreased from \$738 to \$690 per capita compared to the prior fiscal year due to lower outstanding debt and an increase in the population. Refer to the Notes to Basic Financial Statements for detail regarding debt.

Debt of the business-type activities increased by \$9.3 million in FY 2006-06 due to DWP received proceeds from a State Revolving Fund loan for the Recycled Water project. The City expended \$2.4 million in normally scheduled principal reductions on debt.

A schedule of outstanding debt is presented below (in millions).

	Balance July 1, 2005	Incurred or Issued	Satisfied or Matured	Balance June 30, 2006
<b>Governmental Activities:</b>				
Loans Payable	\$ 1.9	\$ -	\$ 0.4	\$ 1.5
Long Term Agreement Payable	1.3	-	0.2	1.1
Lease Payable	0.9	-	0.1	0.8
General Obligation Bonds Payable	3.7	-	1.1	2.6
Redevelopment Bonds Payable	45.5	-	2.7	42.8
Lease Revenue Bonds Payable	63.9	-	2.0	61.9
Special Assessment District Bonds	3.2	-	0.3	2.9
<b>Total Governmental Activities</b>	<b>\$ 110.4</b>	<b>\$ -</b>	<b>\$ 6.8</b>	<b>\$ 103.6</b>
<b>Business-Type Activities:</b>				
Contracts Payable	\$ 0.7	\$ -	\$ -	\$ 0.7
Installment Agreement Payable	0.4	-	0.1	0.3
Lease Payable	172.6	-	-	172.6
Term Loan Payable	35.2	9.3	1.0	43.5
Water Revenue Bonds	32.7	-	0.8	31.9
Certificates of Participation	101.6	-	0.5	101.1
<b>Total Business-Type Activities</b>	<b>\$ 343.4</b>	<b>\$ 9.3</b>	<b>\$ 2.4</b>	<b>\$ 350.3</b>

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
 Year Ended June 30, 2006

Description	Original Cost	Accumulated Depreciation	Book Value
<b>Capital Assets - Governmental Activities:</b>			
Land	\$ 58.3	\$ -	\$ 58.3
Buildings and Improvements	159.4	(60.4)	99.0
Equipment, Vehicles, Machinery	29.1	(14.5)	14.6
Construction in Progress	12.0	-	12.0
Infrastructure	414.7	(71.2)	343.5
<b>Total</b>	<b>\$ 672.5</b>	<b>\$ (146.1)</b>	<b>\$ 526.4</b>
<b>Capital Assets - Business-Type Activities:</b>			
Land	\$ 2.5	\$ -	\$ 2.5
Buildings and Improvements	176.5	(22.0)	154.5
Equipment, Vehicles, Machinery	62.3	(19.3)	43.0
Construction in Progress	54.2	-	54.2
Infrastructure	193.6	(33.3)	160.3
<b>Total</b>	<b>\$ 426.6</b>	<b>\$ (79.6)</b>	<b>\$ 349.5</b>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Comparing the FY 2005-06 original (or Adopted) General Fund budget amount of \$103.1 million to the final budget amount of \$110.9 million shows a net increase of \$7.8 million.

Included in this figure is \$2.3 million in prior fiscal year Capital Improvement Projects approved for carryover into fiscal year 2005-06, as well as \$1.9 million in committed purchase orders from the prior year. The resulting beginning budget balance was \$107.4 million.

Original Budget	\$ 103,134,246
Continued Appropriations	2,342,858
Encumbrances	1,940,850
Beginning Balance	107,417,854
Supplemental Charges	3,545,172
<b>Final Budget</b>	<b>\$ 110,963,129.00</b>

Comparing the beginning budget of \$107.4 million to the final budget of \$110.9 million indicates the General Fund had supplemental budgetary appropriations totaling \$3.6 million for the 2005-06 fiscal year.

These supplemental appropriations include \$1.4 million of ECB budget savings that were approved for various departmental projects and \$0.2 million for Butterfield Park prefabricated buildings capital project. Additional increases of \$1.4 million were approved throughout the year for public safety items, health cost increases, labor agreements and paramedic training.

**CITY OF CORONA**

Management's Discussion and Analysis, continued  
 Year Ended June 30, 2009

Final Budget	\$ 110,963,128
Expenditure Actuals	(102,708,498)
Variance (over) / under	\$ 8,254,632

The General Fund final budget amount of \$110.9 million compared to the June 30, 2008 expenditure actuals of \$102.7 million represents a variance of \$8.2 million.

This variance is comprised from the following; \$3.1 million from capital outlay, \$2.2 million from General Government, \$1.3 million from Community Development and \$0.5 million from the Culture and Recreation activities.

Of the \$3.1 million, major capital projects such as the Sherborn Improvements, I-15 Freeway/Calisno Interchange Improvements, City Hall, Promenade Park Improvements and the Magnolia/ I-15 Freeway Corridor Improvements that will require continuing appropriations into the next budget year, as these projects were not completed by June 30, 2008.

Savings in personnel costs from position vacancies, saving from professional and contractual support, and over estimation of retiree costs, completed the saving variances in the remaining activities.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Office of Finance at 400 South Vicentia, Corona, California, 92882, phone 951-279-3500 or e-mail [finance@ci.corona.ca.us](mailto:finance@ci.corona.ca.us)

**Government-Wide Financial Statements**

**CITY OF CORONA**

**Statement of Net Assets  
 June 30, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 153,361,290	\$ 52,819,455	\$ 206,180,745
Accounts Receivable, Net	2,547,700	18,377,859	20,925,559
Internal Receivable	1,400,645	825,022	2,225,667
Due from Other Governmental Agencies	20,460,833	1,365,477	21,826,310
Loans Receivable	12,421,338	-	12,421,338
Investments and Prepayments	46,521	957,902	1,414,423
Land Held for Public Purposes	3,604,409	-	3,604,409
Cash and Investments	2,700,072	21,492,745	24,192,817
<b>Total Current Assets</b>	<b>202,115,368</b>	<b>87,028,269</b>	<b>289,143,637</b>
<b>Noncurrent Assets:</b>			
Internal Balances - Capital Lease	112,828,364	(12,828,364)	100,000,000
Long term Investments	72,172,882	19,000,000	91,172,882
Intangible Assets	-	415,387	415,387
Land, wastewater rights, infrastructure and CIP	238,953,634	65,825,126	304,778,760
Depreciable Intangible, property, equipment and infrastructure, net	281,315,691	243,711,113	525,026,804
Other Capital Assets	5,263,485	8,658,209	13,921,694
<b>Total Noncurrent Assets</b>	<b>702,185,571</b>	<b>398,028,352</b>	<b>1,100,213,923</b>
<b>Total Assets</b>	<b>904,300,939</b>	<b>485,056,621</b>	<b>1,389,357,560</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Current Liabilities	49,215,715	19,696,749	68,912,464
Accounts Payable and Accrued Liabilities	2,867,157	-	2,867,157
Claims and Accruals Payable	6,339,817	-	6,339,817
Deposits	-	-	-
Due to Other Governmental Agencies	-	-	-
Agreements Payable	1,567,220	-	1,567,220
Intergovernmental Payable	1,568,424	-	1,568,424
Unearned Revenue	13,902,307	1,523,255	15,425,562
Compensated Absence Payable	5,623,801	1,867,840	7,491,641
Long-term Debt - Due Within One Year	6,623,311	3,627,144	10,250,455
Liabilities Payable from Restricted Assets	1,025,475	3,014,910	4,040,385
Other Current Liabilities	49,215,715	20,118,228	69,333,943
<b>Total Current Liabilities</b>	<b>100,958,931</b>	<b>48,250,176</b>	<b>149,209,107</b>
<b>Noncurrent Liabilities:</b>			
Long-term Debt - Due More than One Year	90,959,900	123,620,100	214,580,000
Claims and Accruals Payable	14,682,368	-	14,682,368
Unmatured Revenue	-	15,000,000	15,000,000
Compensated Absence Payable	1,530,456	1,106,686	2,637,142
<b>Total Noncurrent Liabilities</b>	<b>107,172,724</b>	<b>149,726,786</b>	<b>256,899,510</b>
<b>Total Liabilities</b>	<b>208,131,655</b>	<b>197,976,962</b>	<b>406,108,617</b>
<b>Net Assets:</b>			
Invested in Capital Assets, net of Related Debt	429,767,810	20,588,654	450,356,464
Restricted for:			
Capital Projects	-	-	-
Other	6,588,237	-	6,588,237
Specific Projects and Programs	8,368,210	7,568,512	15,936,722
<b>Total Restricted Net Assets</b>	<b>14,956,457</b>	<b>7,568,512</b>	<b>22,524,969</b>
Unrestricted	258,586,672	256,501,005	515,087,677
<b>Total Net Assets</b>	<b>\$ 703,310,939</b>	<b>\$ 284,650,583</b>	<b>\$ 987,961,522</b>

See Accompanying Notes to Basic Financial Statements.



Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2006

Functions/Programs	Program Revenues				Total
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 17,600,514	\$ 8,648,359	\$ 386,512	\$ 89,555	\$ 5,005,426
Public Safety - Fire	19,572,402	3,229,032	920,127	509,203	4,056,362
Public Safety - Police	95,700,860	3,017,477	1,418,377	726,508	5,162,362
Public Works (Note 25)	25,235,319	10,796,580	2,970,631	15,762,331	35,549,012
Recreation	13,337,214		1,750,820	2,276,324	4,023,759
Parks and Community Services	12,063,590	6,898,228	214,412	5,351,510	9,555,151
Library	3,233,527	402,660	256,886	787,747	960,253
Interest & Fiscal Charges	8,168,332				
<b>Total Governmental Activities</b>	<b>145,685,716</b>	<b>38,078,337</b>	<b>7,794,736</b>	<b>70,044,283</b>	<b>68,918,365</b>
<b>Business-Type Activities:</b>					
Water	36,668,854	35,548,036		7,648,122	44,197,038
Wastewater	23,411,805	20,211,985		4,723,364	24,935,330
Electric	20,278,522	20,062,191		20,802,191	682,838
Transit Services	7,552,353	370,575	1,203,262	325,096	1,829,027
<b>Total Business-Type Activities</b>	<b>85,329,530</b>	<b>77,993,742</b>	<b>1,233,202</b>	<b>12,698,672</b>	<b>91,923,576</b>
<b>Total Primary Government</b>	<b>\$ 229,059,016</b>	<b>\$ 116,070,079</b>	<b>\$ 9,027,938</b>	<b>\$ 82,742,955</b>	<b>\$ 160,838,941</b>

General Revenues:

Taxes:	
Property Taxes	50,973,502
Sales and Use Tax	30,915,335
Cable Taxes	8,556,382
<b>Total Taxes</b>	<b>90,445,219</b>
Grants and Contributions Not Restricted to Specific Programs	3,710,301
Investment Earnings	4,075,430
General Revenues	8,691,463
Transfers	(1,460,652)
<b>Total General Revenues and Transfers</b>	<b>114,363,547</b>
<b>Change in Net Assets</b>	<b>39,643,406</b>
Net Assets - Beginning of Year, As Restated (Note 24)	794,468,753
<b>Net Assets - End of Year</b>	<b>\$ 834,112,159</b>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (7,985,068)	\$ -	\$ (7,985,068)
(14,714,040)		(14,714,040)
(32,128,190)		(32,128,190)
7,256,955		7,256,955
(14,289,455)		(14,289,455)
(3,311,305)		(3,311,305)
(2,279,324)		(2,279,324)
(3,164,532)		(3,164,532)
<b>(74,620,351)</b>	<b>-</b>	<b>(74,620,351)</b>
	4,228,804	4,228,804
	1,523,455	1,523,455
	682,838	682,838
	168,689	168,689
	<b>6,603,276</b>	<b>6,603,276</b>
<b>(74,620,351)</b>	<b>6,603,276</b>	<b>(68,017,075)</b>
50,973,502	50,973,502	
30,915,335	30,915,335	
8,556,382	8,556,382	
<b>90,445,219</b>	<b>90,445,219</b>	
3,710,301	3,710,301	
4,075,430	4,075,430	
8,691,463	8,691,463	
(1,460,652)	(1,460,652)	
<b>114,363,547</b>	<b>114,363,547</b>	
39,643,406	39,643,406	
794,468,753	794,468,753	
<b>834,112,159</b>	<b>834,112,159</b>	

See Accompanying Notes to Basic Financial Statements



Governmental Fund Financial Statements

**CITY OF CORONA**

**Balance Sheet  
Governmental Funds  
June 30, 2006**

	General Fund	Development Special Revenue	Redevelopment Special Payments
<b>Assets:</b>			
Cash and Investments	\$ 60,020,433	\$ 26,852,123	\$ 5,404,194
Accounts Receivable, Net	1,900,062	1,549	-
Internal Receivable	378,192	233,111	47,895
Due from Other Governmental Agencies	14,130,958	22,328	-
Due From Other Funds	5,889,915	-	-
Long-term Receivable	287,832	1,890,354	-
Interfund Advances Receivable	16,886,196	-	-
Long-term Capital Lease Receivable	172,626,344	-	-
Loans Receivable	-	-	10,720,738
Inventory and Prepayments	281,739	-	1,152,510
Land Held for Resale	-	-	-
Restricted Assets:			
Cash and Investments	70,645	-	-
<b>Total Assets</b>	<b>\$ 262,951,929</b>	<b>\$ 28,158,962</b>	<b>\$ 17,626,131</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 5,952,511	\$ 751,183	\$ 11,702
Deposits	8,235,565	-	-
Claims and Judgments	73,258	-	-
Long-term Obligations	-	-	-
Due to Other Governmental Agencies	-	-	-
Due to Other Funds	-	-	-
Agreements Payable	-	-	-
Deferred Revenue	175,404,017	1,895,354	10,372,501
Unearned Revenue	-	-	-
Compensated Absences Payable	-	-	-
Interfund Advances Payable	-	8,538,460	2,441,821
Liabilities Payable from Restricted Assets	49,544	154,338	-
<b>Total Liabilities</b>	<b>187,411,933</b>	<b>12,274,261</b>	<b>12,826,324</b>
<b>Fund Balances:</b>			
Reserved for:			
Encumbrance	1,288,071	2,494,548	8,419
Loans Receivable	509,320	-	347,826
Preventions & Prepayments	281,740	-	-
Debt Service	2,352,306	-	-
Land Held for Resale	-	-	1,152,510
Low and Moderate Income Housing	-	-	-
Interfund Advances	16,886,196	-	-
Unreserved, unreported in:			
Designated	52,945,362	14,269,752	3,288,642
Undesignated	-	-	-
<b>Total Fund Balances</b>	<b>75,249,800</b>	<b>15,764,301</b>	<b>4,798,607</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 262,951,929</b>	<b>\$ 28,158,962</b>	<b>\$ 17,626,131</b>

See Accompanying Notes to Basic Financial Statements

	Redevelopment Debt Service	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 5,164,651	\$ 14,956,104	\$ 26,593,988	\$ 130,661,208
Accounts Receivable, Net	-	2,428	538,942	2,566,008
Internal Receivable	52,755	174,756	320,153	1,156,586
Due from Other Governmental Agencies	3,16,623	-	8,853,810	2,463,623
Due From Other Funds	-	-	1,505	5,891,922
Long-term Receivable	-	-	2,339,030	5,117,286
Interfund Advances Receivable	-	-	-	16,886,196
Long-term Capital Lease Receivable	-	-	-	172,626,344
Loans Receivable	-	1,218,254	482,346	13,421,338
Inventory and Prepayments	-	-	-	281,739
Land Held for Resale	-	2,451,894	-	3,604,404
Restricted Assets:				
Cash and Investments	356,838	-	7,273,888	7,700,072
<b>Total Assets</b>	<b>\$ 8,859,858</b>	<b>\$ 18,796,443</b>	<b>\$ 46,808,826</b>	<b>\$ 302,860,258</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 94,230	\$ 568,283	\$ 3,147,489	\$ 10,141,928
Deposits	-	-	4,052	8,235,565
Claims and Judgments	-	-	-	73,258
Long-term Obligations	-	-	-	-
Due to Other Governmental Agencies	-	-	5,651,429	-
Due to Other Funds	-	1,567,226	-	1,567,226
Agreements Payable	-	-	-	-
Deferred Revenue	-	-	3,737,882	181,414,054
Unearned Revenue	-	600,000	482,346	982,346
Compensated Absences Payable	-	-	-	-
Interfund Advances Payable	4,551,798	-	385,000	16,886,196
Liabilities Payable from Restricted Assets	-	-	848,538	1,052,475
<b>Total Liabilities</b>	<b>4,646,028</b>	<b>2,635,812</b>	<b>14,268,787</b>	<b>234,161,305</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrance	-	-	1,288,071	10,789,407
Loans Receivable	-	-	488,254	1,319,510
Preventions & Prepayments	-	-	-	281,740
Debt Service	2,253,610	-	-	13,082,827
Land Held for Resale	-	2,451,894	7,446,592	3,604,404
Low and Moderate Income Housing	-	-	-	-
Interfund Advances	-	-	-	16,886,196
Unreserved, unreported in:				
Designated	-	11,547,607	22,169,542	104,681,886
Undesignated	-	-	(2,702,858)	(2,702,858)
<b>Total Fund Balances</b>	<b>2,253,610</b>	<b>10,182,831</b>	<b>32,721,848</b>	<b>147,929,033</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,859,858</b>	<b>\$ 18,796,443</b>	<b>\$ 46,808,826</b>	<b>\$ 302,860,258</b>

**CITY OF CORONA**

**Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets  
June 30, 2006**

<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 147,929,033</b>
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	526,349,285
Deferred revenues reported in Governmental Funds Balance Sheet includes loans receivable, capital lease and franchise fees. This balance was deferred because funds were not available to pay for current period expenditures.	176,594,879
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(1,568,424)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets.	5,880,480
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	
Compensated Absences	(7,503,845)
Long-term Debt	(103,581,319)
<b>Net Assets of Governmental Activities</b>	<b>\$ 744,111,839</b>

See Accompanying Notes to Basic Financial Statements



**CITY OF CORONA**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2006**

	General Fund	Development Special Revenue	Redevelopment Special Revenue
<b>REVENUES:</b>			
Property Taxes	\$ 31,379,647	\$ -	\$ -
Other Taxes	47,243,504		
Licenses, Fees and Fines	3,742,038	7,706,448	
Fines and Penalties	703,586		
Special Assessments			
Investment Earnings	1,661,045	755,860	121,769
Intergovernmental Revenues	4,094,576	14,155	
Current Services	9,847,203		
Payments in Lieu of Services	10,697,229	643,621	
Gifts and Donations			
Other Revenues	7,021,651	220,627	734,259
<b>Total Revenues</b>	<b>116,620,470</b>	<b>9,398,473</b>	<b>858,048</b>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
General Government	18,894,694	1,025,290	
Public Safety - Fire	18,675,504	12,789	
Public Safety - Police	33,459,359	208,138	
Public Works	6,711,805	789,490	
Parks and Community Services	7,234,504	281,351	
Retirement			4,467,775
Library	2,931,734	263,697	
Capital Outlay	7,394,297	1,849,252	
Health Services			
Principal Retirement	1,391,347	670,000	
Interest and Fiscal Charges	1,918,319	333,137	165,049
<b>Total Expenditures</b>	<b>99,014,937</b>	<b>5,902,752</b>	<b>4,652,824</b>
Excess of Revenues Over (Under) Expenditures	17,605,533	3,495,721	(3,794,776)
<b>Other Financing Sources (Uses):</b>			
Transfers In	5,244,638	617,061	3,617,787
Transfers Out	(6,622,521)	(1,259,703)	
<b>Total Other Financing Sources (Uses)</b>	<b>(1,377,883)</b>	<b>(642,642)</b>	<b>3,617,787</b>
<b>Net Change in Fund Balances</b>	<b>16,227,650</b>	<b>2,853,079</b>	<b>(1,176,989)</b>
<b>Fund Balances - Beginning of Year, as Reported</b>	<b>54,823,777</b>	<b>13,630,723</b>	<b>4,777,795</b>
<b>Fund Balances - Beginning of Year, As Restated (Note 34)</b>	<b>54,823,777</b>	<b>13,630,723</b>	<b>4,777,795</b>
<b>Fund Balances - End of Year</b>	<b>\$ 71,051,427</b>	<b>\$ 16,483,802</b>	<b>\$ 3,600,806</b>

See Accompanying Notes to Basic Financial Statements

Redevelopment Debt Service	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 18,920,349	\$ -	\$ 773,512	\$ 19,693,861
		504,321	12,352,607
		1,076,264	1,776,809
		7,325,244	7,325,244
221,186	372,529	381,675	975,390
		16,769,315	16,769,315
		6,309,659	6,309,659
578,869	1,173,457	637,376	2,389,702
19,720,410	1,545,986	34,416,056	102,558,292
		164,190	21,086,414
	6,936	406,163	38,166,020
		15,845,200	26,346,554
		4,190,422	11,736,767
4,123,010	3,267,519	655,212	12,385,741
		246,621	3,697,052
	821,179	4,203,671	6,038,950
2,915,883		1,847,474	6,024,654
5,923,711		301,320	6,263,088
12,952,654	4,114,727	23,561,202	156,406,986
6,787,804	(2,968,747)	5,655,094	27,149,237
(8,432,468)	6,954,696	6,773,321	26,507,505
	(70,800)	(6,816,705)	(27,504,215)
(8,432,468)	6,984,096	(45,385)	2,007,590
(1,674,821)	3,415,351	5,810,308	31,162,287
3,928,131	12,705,280	29,811,536	116,346,196
3,928,131	12,705,280	29,811,536	116,276,748
\$ 2,259,610	\$ 16,120,831	\$ 32,721,848	\$ 147,929,335

**CITY OF CORONA**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$ 31,152,289
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Additions and adjustments to capital assets amounted to \$14,788,625, less deletions of \$55,500, resulted in the net amount of capital assets of \$14,711,025 in the current period.	14,711,025
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(9,014,913)
Some revenues will not be collected for several months after the City's fiscal year end, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues decreased by these amounts this year:	
Franchise Fees	(207,580)
Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds. This amount represents the change from the prior year.	(469,324)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets. This amount represents long-term debt repayments.	6,824,655
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from the prior year.	98,644
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities.	(3,431,499)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 36,643,196</b>

See Accompanying Notes to Basic Financial Statements

**Proprietary Fund Financial Statements**

**Water Fund** - This fund is used to account for the operation of the City's water utility, a self supporting activity which renders services on a user charge basis to residents and businesses located in the City.

**Wastewater Fund** - This fund is used to account for the operation of the City's Wastewater System on a user charge basis to residents and businesses located in the City.

**Electric Fund** - This fund is used to account for the operation of the City's electric utility, a self supporting activity which renders services on a user charge basis to businesses located in the City.

**Transit Services Fund** - This fund is used to account for the operations of the City's transportation system for a fixed route and demand response service (Corona Cruise and Dial-A-Ride) which, along with farebox revenues, receives grants from the Transportation Development Act (TDA).

**Internal Service Funds** - This fund is used to provide goods and services by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

**Nonmajor Other Funds - Public Financing Authority Fund** - This fund is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations of the component unit.

**Public Improvement Corporation Fund** - This fund is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations of the component unit.

**CITY OF CORDONA**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2008**

	Corona Utility Authority		
	Water	Wastewater	Electric
<b>Assets:</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 22,892,627	\$ 23,689,662	\$ 6,896,370
Accounts Receivable, Net	6,515,638	1,842,140	2,016,970
Billables Receivable	703,197	186,847	86,676
Due from Other Governmental Agencies	1,164,936	29,765	-
Intentional and Prepayments	602,692	-	25,000
Restricted Assets:			
Cash and Investments	2,408,529	218,168	11,378,673
<b>Total Current Assets</b>	<b>34,187,223</b>	<b>25,325,685</b>	<b>29,381,129</b>
<b>Noncurrent Assets</b>			
Interfund Advances Receivable	473,675	-	6,113,890
Long-term Receivable	19,000,000	-	-
Intangible Assets	-	-	415,782
<b>Capital Assets:</b>			
Land, wastewater rights & construction in progress	39,822,478	6,638,064	19,976,250
Depreciable buildings, property, equipment and infrastructure, net	153,894,361	76,821,901	50,010,122
<b>Total Noncurrent Assets</b>	<b>212,290,534</b>	<b>83,259,965</b>	<b>76,010,212</b>
<b>Total Assets</b>	<b>246,477,757</b>	<b>110,585,650</b>	<b>96,391,341</b>
<b>Liabilities:</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	4,494,833	1,985,273	4,051,852
Claims and Judgments Payable	-	-	300
Deferred Revenues	1,262,036	-	-
Compensated Absences Payable	611,459	412,132	43,819
Long-term Debt - Due Within One Year	2,217,250	1,304,664	285,000
Liabilities Payable from Restricted Assets	2,371,332	210,463	492,165
<b>Total Current Liabilities</b>	<b>10,957,104</b>	<b>3,692,832</b>	<b>4,823,179</b>
<b>Noncurrent Liabilities</b>			
Interfund Advances Payable	-	-	6,587,625
Deferred Liabilities	19,060,000	-	-
Compensated Absences Payable	187,287	-	6,592
Long-term Debt - Due in More than One Year	171,298,277	85,561,803	88,640,000
Claims and Judgments Payable	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>190,423,064</b>	<b>85,561,803</b>	<b>88,640,000</b>
<b>Total Liabilities</b>	<b>201,380,168</b>	<b>89,254,635</b>	<b>93,463,179</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	19,365,980	-	265,180
Restricted	97,447	-	2,127,907
Unrestricted	25,713,875	21,078,455	2,127,907
<b>Total Net Assets</b>	<b>\$ 45,177,100</b>	<b>\$ 21,078,455</b>	<b>\$ 2,406,307</b>

See Accompanying Notes to Basic Financial Statements

	Transit Services	Nonmajor Other	Totals	Governmental Activities
				Internal Service Funds
	\$ 50,982	\$ 794	\$ 52,810,436	\$ 23,219,828
	3,301	-	10,377,666	22,178
	2,684	1,66,666	626,022	243,663
	140,703	-	1,355,477	-
	-	-	957,932	174,542
	270,675	7,165,905	21,492,746	-
	<b>468,646</b>	<b>7,263,366</b>	<b>87,670,269</b>	<b>23,660,211</b>
	473,675	-	6,113,890	-
	19,000,000	-	19,000,000	-
	-	-	415,782	-
	39,822,478	6,638,064	65,823,126	-
	1,104,969	-	753,111,173	-
	1,373,297	-	371,542,520	-
	<b>1,841,042</b>	<b>7,263,366</b>	<b>463,192,749</b>	<b>23,660,211</b>
	4,494,833	1,985,273	10,600,749	589,947
	-	-	-	2,496,931
	1,262,036	-	1,633,225	-
	611,459	412,132	1,667,410	-
	2,217,250	1,304,664	3,037,114	-
	2,371,332	210,463	3,014,610	-
	<b>10,957,104</b>	<b>3,692,832</b>	<b>20,116,639</b>	<b>3,086,948</b>
	-	-	6,587,625	-
	19,060,000	-	19,000,000	-
	187,287	-	186,658	-
	171,298,277	85,561,803	346,437,940	-
	-	-	-	16,892,883
	-	6,587,625	372,221,624	<b>14,932,863</b>
	<b>201,380,168</b>	<b>89,254,635</b>	<b>392,340,162</b>	<b>17,769,731</b>
	19,365,980	-	20,550,955	-
	97,447	-	2,548,517	-
	25,713,875	21,078,455	42,723,446	5,850,490
	<b>\$ 45,177,100</b>	<b>\$ 21,078,455</b>	<b>\$ 70,922,613</b>	<b>\$ 5,850,480</b>

**CITY OF CORDONA**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2008**

	Corona Utility Authority	
	Water	Wastewater
<b>Operating Revenues:</b>		
Utility Service Charges	\$ 30,451,162	\$ 19,870,611
Intergovernmental Revenues	-	-
Fees and Permits	1,290,709	31,800
Fines and Penalties	895,317	24,750
Other Revenues	961,688	365,375
<b>Total Operating Revenues</b>	<b>33,641,101</b>	<b>20,211,536</b>
<b>Operating Expenses:</b>		
Personnel Services	8,497,905	5,737,527
Contractual	1,671,283	1,688,780
Materials and Supplies	15,433,276	5,034,705
Utilities	5,629,264	3,329,175
Depreciation and Amortization	4,534,182	2,580,624
Claims Expense	-	-
<b>Total Operating Expenses</b>	<b>35,145,115</b>	<b>18,370,212</b>
<b>Operating Income (Loss)</b>	<b>656,023</b>	<b>1,841,324</b>
<b>Non-Operating Revenues (Expenses):</b>		
Operating Grants and Contributions	-	-
Investment Earnings	647,349	748,383
Interest Expense	(4,278,190)	(2,261,262)
Loss on Capital Asset	(18,291)	(1,603,981)
<b>Total Non-Operating Revenues</b>	<b>(3,641,101)</b>	<b>(3,480,560)</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>(2,772,478)</b>	<b>(1,138,833)</b>
<b>Capital Grants and Contributions</b>	<b>7,846,122</b>	<b>4,723,364</b>
Transfers In	18,966,423	10,013,423
Transfers Out	(15,922,875)	(12,124,925)
<b>Change in Net Assets</b>	<b>7,919,692</b>	<b>1,273,023</b>
<b>Total Net Assets - Beginning of Year, As Restated (Note 34)</b>	<b>37,257,417</b>	<b>19,805,432</b>
<b>Total Net Assets - End of Year</b>	<b>\$ 45,177,100</b>	<b>\$ 21,078,455</b>

See Accompanying Notes to Basic Financial Statements

	Electric	Transit Services	Nonmajor Other	Totals	Governmental Activities
					Internal Service Funds
	\$ 19,803,958	\$ -	\$ -	\$ 70,304,751	\$ -
	5,869	23,000	-	23,000	-
	22,306	-	-	632,879	-
	867,618	247,325	-	2,442,200	13,338,738
	20,562,161	270,679	-	77,993,742	13,338,738
	4,494,833	1,985,273	-	10,600,749	589,947
	-	-	-	-	2,496,931
	1,262,036	-	-	1,633,225	-
	611,459	412,132	-	1,667,410	-
	2,217,250	1,304,664	-	3,037,114	-
	2,371,332	210,463	-	3,014,610	-
	<b>10,957,104</b>	<b>3,692,832</b>	<b>-</b>	<b>20,116,639</b>	<b>3,086,948</b>
	-	-	6,587,625	6,587,625	-
	19,060,000	-	-	19,000,000	-
	187,287	-	-	186,658	-
	171,298,277	85,561,803	-	346,437,940	-
	-	-	-	-	16,892,883
	-	6,587,625	-	372,221,624	<b>14,932,863</b>
	<b>201,380,168</b>	<b>89,254,635</b>	<b>-</b>	<b>392,340,162</b>	<b>17,769,731</b>
	19,365,980	-	-	20,550,955	-
	97,447	-	-	2,548,517	-
	25,713,875	21,078,455	-	42,723,446	5,850,490
	<b>\$ 45,177,100</b>	<b>\$ 21,078,455</b>	<b>\$ -</b>	<b>\$ 70,922,613</b>	<b>\$ 5,850,480</b>

**CITY OF CORONA**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2006**

	Corona Utility Authority		
	Water	Wastewater	Electric
<b>Cash Flow from Operating Activities:</b>			
Cash Received (Paid) from Customers/Other Funds	\$ 37,080,306	\$ 19,776,686	\$ 19,447,696
Cash Payments to Suppliers of Goods and Services	(24,693,852)	(9,606,647)	(10,267,923)
Cash Payments to Employees for Services	(9,545,001)	(5,626,749)	(1,269,684)
Cash Received (Paid) on Current Claims			
Increase (Decrease) in Long-Term Claims Other Receipts:			674,714
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>3,456,453</b>	<b>4,495,290</b>	<b>2,584,803</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants and Contributions			
Internal Activity - Proceeds from Interfund Loans			
Internal Activity - Payments to Interfund Loans			
Transfers Received	18,985,423	10,613,423	26,816,478
Transfers Paid	(15,927,678)	(12,124,925)	(26,839,746)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>3,057,745</b>	<b>(1,511,502)</b>	<b>1,976,732</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital Grants and Contributions	5,920,084	3,123,777	
Acquisition and Construction of Capital Assets	(12,633,337)	(9,546,437)	(7,125,661)
Redemption of Long-Term Indebtedness Payable	(1,999,298)	(1,321,269)	
Proceeds from Capital Debt	9,276,746		
Interest Payments of Long-Term Debt	(4,273,100)	(2,261,202)	(204,340)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(2,748,923)</b>	<b>(7,105,221)</b>	<b>(7,350,907)</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Intangible Assets			
Interest on Investments	780,789	742,179	680,217
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>780,789</b>	<b>742,179</b>	<b>680,217</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,814,507</b>	<b>(3,210,154)</b>	<b>(4,946,257)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>20,800,948</b>	<b>28,483,278</b>	<b>22,871,300</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 25,615,455</b>	<b>\$ 25,273,124</b>	<b>\$ 17,925,043</b>

See Accompanying Notes to Basic Financial Statements

	Nonmajor		Totals	Governmental Activities Internal Service Funds
	Transit Services	Other		
	\$ 111,780	\$ -	\$ 75,428,468	\$ 11,824,457
	(1,607,279)		(51,657,571)	(1,261,582)
	(345,493)		(16,533,623)	(1,380,598)
				(17,243)
	347,829		1,222,343	(3,411,133)
	(1,593,280)		9,507,315	1,505,463
	1,273,289		1,273,289	
			56,396,322	2,499,180
	(224)		(84,807,470)	(7,051,611)
	1,273,065		2,692,134	(5,451,647)
	826,666		9,392,837	26,925,161
	(325,000)		(2,414,506)	(2,414,506)
			9,276,746	
		(314,677)	(7,875,500)	
		(814,877)	(18,114,528)	
	12,583	325,667	2,920,615	883,318
	12,583	325,667	2,920,615	883,318
	(47,740)	10,360	(3,364,264)	(406,102)
	563,886	7,106,319	17,651,445	23,668,050
	\$ 321,898	\$ 7,162,653	\$ 74,305,101	\$ 23,219,938

**CITY OF CORONA**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2005**

	Corona Utility Authority		
	Water	Wastewater	Electric
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ 868,623	\$ 1,341,754	\$ 1,506,984
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	4,554,162	2,580,024	1,641,776
Inventory adjustments	(48,878)	11,863	
<b>Changes in Assets and Liabilities:</b>			
Accounts Receivable	(780,503)	(415,465)	(540,051)
Due from Other Governmental Agencies	1,321,673	(18,812)	
Inventories and Prepayments	(935,450)	3,354	
Accounts Payable and Accrued Liabilities	(2,038,174)	648,326	74,675
Claims and Judgments Payable	2,870		309
Balance Forward	(44,096)	110,773	1,219
Compensated Absence Payable			
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 3,454,483</b>	<b>\$ 4,451,290</b>	<b>\$ 2,284,903</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Contributions of capital assets from developers	\$ 1,897,128	\$ 1,598,587	
Write-off of capital assets	10,251	1,362,654	
	\$ 1,907,379	\$ 2,961,241	

See Accompanying Notes to Basic Financial Statements

	Nonmajor		Totals	Governmental Activities Internal Service Funds
	Transit Services	Other		
	\$ (1,062,678)	\$ -	\$ 2,324,852	\$ 1,264,751
	147,242		3,123,777	(32,059)
	4,243		(1,752,789)	1,157
	81,467		1,367,546	(26,960)
	(61,778)		(1,218,056)	285,281
	(23,201)		(28,831)	2,022,141
	(74,674)		43,227	
	\$ (1,223,361)	\$ -	\$ 9,507,315	\$ 4,337,362
			\$ 3,285,715	
			1,079,838	
			\$ 5,272,650	



**Fiduciary Fund Financial Statements**

*Fiduciary Fund represent an Agency Fund, which is custodial in nature and is used to account for receipts of special assessments and taxes that will be used to pay principal and interest on the bonds, and to account for the portion of Redevelopment property tax increment that is allocated for the Corona Norco Unified School District per Redevelopment agreements.*



**CITY OF CORONA**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006**

	Pass Through Agency Fund
<b>Assets:</b>	
Cash and Investments	\$ 2,286,029
Accounts Receivable, net	
Interest Receivable	349,701
Due from Other Governmental Agencies	630,608
Restricted Assets	
Capital Investments	44,936,367
<b>Total ASSETS</b>	<b>\$ 46,184,785</b>
<b>LIABILITIES:</b>	
Accounts Payable and Accrued Liabilities	\$ 653,117
Deposits	369,082
Due to Other Governmental Agencies	5,000
Liabilities Payable from Restricted Assets	
Due to Bondholders	27,151,544
<b>Total LIABILITIES</b>	<b>\$ 48,165,783</b>

See Accompanying Notes to Basic Financial Statements





<b>CITY OF CORONA</b>	
Index to Notes to the Basic Financial Statements	
Year Ended June 30, 2006	
Notes	Page No.
25. Bond Requirements .....	82
26. Credit Agreements .....	82
27. Classification of Net Assets .....	83
28. Deficit Fund Balances .....	84
29. Defined Benefit Pension Plan .....	84
30. Pension Plan (Defined Contribution) .....	86
31. Post-employment Health Care Benefits .....	87
32. Commitments and Contingencies .....	87
33. Conduit Debt Obligations .....	88
34. Prior Period Adjustments .....	88
35. Subsequent Event .....	90
36. Net Revenue and Changes in Net Assets .....	90

<b>CITY OF CORONA</b>	
Index to Notes to the Basic Financial Statements	
Year Ended June 30, 2006	
Notes	Page No.
1. Summary of Significant Accounting Policies .....	45
2. Cash and Investments .....	52
3. Interfund Transactions .....	57
4. Risk Management .....	61
5. Long-Term Receivable/Deferred Revenues .....	62
6. Capital Assets .....	63
7. Compensated Absences .....	66
8. Agreements Payable .....	67
9. Long-term Obligations .....	67
10. Loans Payable .....	67
11. Long Term Agreement Payable .....	67
12. Lease Payable .....	68
13. General Obligation Bonds .....	69
14. Redevelopment Tax Allocation Bonds .....	69
15. Lease Revenue Bonds .....	71
16. Special Assessment District Bonds (Indirect City Liability) .....	72
17. Installment Agreement Payable .....	74
18. Contracts Payable .....	74
19. Term Loans Payable .....	74
20. Long-Term Installment Payable .....	75
21. Certificates of Participation .....	76
22. Internal Balances – Capital Leases .....	78
23. Special Assessment District Bonds (No City Liability) .....	81
24. Community Facilities District Bonds (No City Liability) .....	81

**CITY OF CORONA**  
Notes to the Basic Financial Statements  
June 30, 2006

**1) Summary of Significant Accounting Policies**

**A. Description of the Reporting Entity**

The City of Corona was incorporated in 1896 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: Public Safety (Police and Fire), Streets and Highways, Water, Wastewater, Electric, Public Library, Parks, Public Improvements, Planning and Zoning, Public Transportation (Transit Services) and General Administrative Services.

The accompanying comprehensive annual financial report includes the financial activities of the City of Corona, the primary government, and its component units, which are the Redevelopment Agency of the City of Corona, the Corona Public Financing Authority, the Corona Public Improvement Corporation and the Corona Utility Authority. Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the Agency, the Authorities and the Corporation and, as such, these entities are presented on a blended basis. Separate financial statements are produced for the Redevelopment Agency of the City of Corona and the Corona Utility Authority component units of the City and may be obtained from the City's Finance Administration office.

**Blended Component Units**

**The Redevelopment Agency of the City of Corona** was established August 5, 1964, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law" and on November 11, 1975, the City Council became the governing board. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City. City staff provides management assistance to the Agency. The funds of the Agency have been included in the Governmental Activities in the financial statements.

**The Corona Public Financing Authority** is a joint powers authority organized under Section 6500 et seq. of the California Government Code on June 21, 1989, between the City and the Agency for the purpose of acting as a vehicle for various financing activities of the City and the Agency. The Authority's Board of Directors is the Corona City Council. The funds of the Authority have been included in the Governmental Activities in the financial statements. Funds related to debt issued for proprietary activities are included in the Business-type Activities.

**The Corona Public Improvement Corporation** was organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code) on April 7, 1986 for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation's Board of Trustees is the Corona City Council. The funds of the Corporation have been included in the Governmental Activities in the financial statements. Funds related to debt issued for proprietary activities are included in the Business-type Activities.

The **Corona Utility Authority** is a joint powers authority which was established on February 6, 2002 pursuant to a Joint Exercise of Powers Agreement between the City of Corona and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council. The funds of the Utility Authority have been included in the Business-type Activities in the financial statements.

#### B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### Government - Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

46

#### Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

The City of Corona reports the following major governmental funds:

The **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Development fund** is used to account for park dedication fees, dwelling development fees and other development impact fees received. The money is used to offset the burden resulting from new developments.

The **Redevelopment Special Revenue fund** is used to account for the Redevelopment Agency's low-mod housing activities.

The **Redevelopment Debt Service fund** accounts for tax increment revenue and other miscellaneous revenue as well as payments of principal and interest on Redevelopment Agency debt.

The **Redevelopment Capital Projects fund** accounts for transactions related to proceeds from bonds and other resources and their use to perform redevelopment related activities within specific redevelopment project areas.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due, however, the City has adopted a 12 month recognition period for Sales Tax and Grant revenues. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

#### Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

47

The City of Corona reports the following major proprietary fund types:

The **Corona Utility Authority** funds account for the operation of the water and wastewater systems. The two utilities are owned by the Corona Utility Authority, a blended component unit of the City. The City operates both the water and wastewater systems pursuant to separate management agreements.

The **Electric fund** is used to account for the operation of the City's electric utility system, a self-supporting activity which renders services on a user charge basis to businesses located in the City.

The **Transit Services fund** accounts for the operations of the City's transportation system for a fixed route and demand response service (Corona Cruiser and Dial-A-Ride) which, along with fare box revenues, receive grants from the Transportation Development Act (TDA).

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

#### Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and Combining Statement of Changes in Assets and Liabilities. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on the accrual basis of accounting.

Fiduciary funds account for:

1. Resources legally held in trust for the Corona-Noroo Unified School District pursuant to a tax-sharing agreement with the Redevelopment Agency.
2. Receipt of special taxes and assessments used to pay principal and interest on related bonds with no direct City liability, as well as receipt and disbursement of capital project bond proceeds related to bonds that the City has no direct liability.

48

Additionally, the City reports the following funds:

Internal service funds account for risk management and fleet and equipment management services provided to other departments or agencies of the City on a cost reimbursement basis.

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

#### C. Cash, Cash Equivalents and Investments

##### 1. Cash Management

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

##### 2. Investments Valuation

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

##### 3. State Investment Pool

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

#### D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

#### E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the

49

non-recurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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 expendable available financial resources.

Proprietary fund receivables are shown net of an allowance for uncollectible accounts. Utility customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

Property taxes are assessed, collected and allocated by Riverside County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1st installment, February 1, 2nd installment
Delinquent Dates	December 11, 1st installment, April 11, 2nd installment

The City accrues as receivable all property taxes received during the first ninety (90) days of the new fiscal year. Taxes are considered past due on the above delinquent dates, at which time the applicable property is subject to lien, and penalties and interest are assessed.

The County of Riverside collects an administration fee from the City and the Redevelopment Agency for its services. The City receives a percentage of the basic 1% ad valorem tax rate allowed on property within the City of Corona. Property tax rates for the City's general obligation debt are set by the City Council based on assessed valuations and debt service requirements. The assessed valuation is at "full cash value."

**G. Inventories, Prepaid Items and Land Held for Resale**

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Land held for resale is valued at the lower of cost or estimated net realizable value and is recorded in the capital project funds.

**H. Use of Restricted/Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

**I. Capital Assets**

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. The City has chosen the Modified Approach for reporting the streets subsystem of infrastructure capital assets. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	20-60 years
Improvements	20-60 years
Equipment	5-60 years
Infrastructure	25-65 years

The City defines Infrastructure as the basic physical assets that allow the City to function. The assets include the street system, water purification and distribution system, sewer collection and treatment system; park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its streets, concrete and asphalt pavements. The City commissioned a physical assessment of the streets condition in April 2005. This condition assessment will be performed every 3 years. Each homogeneous segment of City owned street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street. The following conditions were defined: excellent condition is assigned to segments with a scale rating between 80 and 100, very good condition is assigned to segments with a scale rating between 71 and 85, good condition is assigned to segments with a rating between 56 and 70, fair condition is assigned to segments with a scale rating between 41 and 55, poor condition is assigned to segments with a scale rating between 26 and 40, very poor segments have a range of 11 to 25 and distressed condition is assigned to segments with a scale rating between 0 and 10. The City's policy relative to maintaining the street assets is to achieve an average rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement with minor roughness that could be noticeable to drivers traveling at the posted speeds.

For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 1990 and has completed an interim update for June 30, 2006. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

**J. Risk Management**

The City administers self-insurance programs for workers' compensation and liability losses. These self-funding activities are accounted for in Internal Service Funds. Excess insurance is purchased to protect the City from losses above the self-insured retention. An independent firm performed an actuarial valuation study for June 30, 2004 for the Workers' Compensation and June 30, 2003 for the Liability Risk Insurance Funds. At no time during the past five years have insurance claims exceeded insurance coverage.

**K. Compensated Absences Payable**

Under certain circumstances and according to negotiated labor agreements, employees of the City are allowed to accumulate annual leave. This amount is accrued in the governmental-wide and proprietary fund statements.

**L. Short-Term Debt**

The City has no short term debt transactions to report for the fiscal year.

**M. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as costs of issuance, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**N. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**2) Cash and Investments**

The City of Corona maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The City apportions interest earnings to all funds based on their monthly cash balances.

**A. Cash Deposits**

The carrying amounts of the City's cash deposits were \$4,820,083 at June 30, 2006. Bank balances before reconciling items were \$11,597,841 at that date, the total amount of which was collateralized or insured with securities held by pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a

security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of the pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments were authorized:

- Securities issued by the U.S. Treasury
- Securities issued and fully guaranteed as to payment by an agency of the U.S. Government:
  - Banker's Acceptances
  - Non-negotiable certificates of deposit
  - Repurchase Agreements
  - California Local Agency Investment Fund (State Pool)
  - Corporate medium-term notes
  - Mortgage-backed securities
  - Diversified Management Companies, as defined by Section 23701(m) of the Revenue Taxation Code

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income in all funds and component units:

Realized gain/loss on matured investments	\$	-
Unrealized loss in changes in fair value of investments	(1,159,316)	
Interest income	6,528,248	
Total investment income	\$	5,368,932

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen.

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

**C. Summary of Cash and investments**

The following is a summary of pooled cash and investments at June 30, 2006:

	Government-Wide Statement of Net Assets			Fiduciary Fund Financial Statements	Total
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	
Cash and Investments	\$ 153,891,286	\$ 52,810,435	\$ 206,691,721	\$ 2,298,028	\$ 208,989,750
Restricted Cash and Investments	\$ 7,700,072	\$ 21,492,743	\$ 29,192,817	\$ 44,836,367	\$ 74,129,184
<b>Total Cash and Investments</b>					<b>\$ 283,118,934</b>

At June 30, 2006, the City had the following deposits and investments:

	Credit Quality Ratings*	Fair Value
<b>City Treasury:</b>		
Deposits	Not Rated	\$ 4,820,083
<b>Total Deposits</b>		<b>4,820,083</b>
<b>Investments:</b>		
Commercial Paper	A -1+	14,997,100
Commercial Paper	A -1	4,984,700
<b>Total Commercial Paper</b>		<b>19,981,800</b>
Medium Term Notes	AAA	3,912,150
Medium Term Notes	AA-	2,024,540
Medium Term Notes	A+	2,011,540
<b>Total Medium Term Notes</b>		<b>7,948,940</b>
Union Bank Investments	Not Rated	141,406
Securities of U.S. Government Agencies:		
FFCB	AAA	24,970,380
FHLB	AAA	59,369,156
FHLMC	AAA	11,768,560
FNMA	AAA	6,685,330
SLMA	AAA	-
U.S. Treasury	Not Rated	39,282,000
<b>Total Securities of U.S. Government Agencies</b>		<b>142,305,816</b>
<b>Local Agency Investment Funds</b>	Not Rated	<b>33,891,705</b>
<b>Total Investments</b>		<b>204,169,867</b>
<b>Total City Treasury</b>		<b>208,989,750</b>
<b>Restricted Cash and Investments:</b>		
Cash & Investments with Fiscal Agents	Not Rated	69,508,444
FUC Public Purpose	Not Rated	285,161
Grant Funds	Not Rated	619,374
Electric Restricted Cash	Not Rated	1,100,000
Retention & Escrow Accounts	Not Rated	2,615,205
<b>Total restricted cash and investments</b>		<b>74,129,184</b>
<b>Total cash and investments</b>		<b>\$ 283,118,934</b>

**D. Risk Disclosures**

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities not to exceed five years at time of purchase. At June 30, 2006, the City Treasury had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	3 to 5
Commercial Paper	\$ 19,981,800	\$ 19,981,800	\$ -	\$ -
FFCB	24,970,380	8,885,960	11,253,796	4,850,650
FHLB	59,369,156	13,691,586	30,832,840	14,774,750
FHLMC	11,768,650	1,995,420	9,772,530	-
FNMA	6,685,330	1,995,680	4,596,450	-
US T-Notes	39,282,000	20,815,500	13,522,840	4,836,560
LAIIF	33,891,735	33,891,735	-	-
Diversified Investment	141,406	141,406	-	-
General Electric	3,912,150	1,997,560	1,914,500	-
Associates Corp	2,024,540	-	2,024,540	-
Bank One	2,011,540	-	2,011,540	-
<b>Total</b>	<b>\$ 204,169,867</b>	<b>\$ 103,259,817</b>	<b>\$ 78,437,530</b>	<b>\$ 24,491,920</b>

**Credit Risk:** State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSCOs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSCOs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service. At June 30, 2006, the City's credit risks, expressed on a percentage basis are as follows:

Investment Type	Moody's Rating	S & P Rating	% of Investment
FFCB	Aaa	AAA	12.35%
FHLB	Aaa	AAA	29.27%
FHLMC	Aaa	AAA	5.78%
FNMA	Aaa	AAA	3.33%
US T-Notes	Aaa	AAA	19.10%
LAIIF	Not Rated	Not Rated	16.45%
Diversified Investment	Not Rated	Not Rated	0.07%
American Express	P1	A-1	2.41%
Associates Corp	Aa1	AA-	1.00%
Bank One Corp	Aa3	A+	1.00%
Citigroup, Inc	P1	A-1+	2.40%
General Electric	Aaa	AAA	1.99%
Household International	P1	A-1+	2.40%
Prudential Funding LLC	P1	A-1+	2.38%
<b>Total</b>			<b>100.00%</b>

**E. Investments in Local Agency Investment Funds**

The City's investments with the Local Agency Investment Fund (LAIIF), a State of California investment pool, at June 30, 2006, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

**Structured Notes** are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon 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.

As of June 30, 2006, the City had \$33,891,705 invested in LAIIF. The City valued its investments in LAIIF as of June 30, 2006, by multiplying its account balance with LAIIF of \$33,953,302 by a fair value factor determined by LAIIF. The fair value factor was determined by dividing all LAIIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of .998185821.

**3) Interfund Transactions**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year.

The following is a summary of current interfund balances as of June 30, 2006.

Receivable Fund	Amount	Payable Fund	Amount
<b>Major Funds:</b>		<b>Major Funds:</b>	
General	\$ 5,689,919		
<b>Non-Major Funds:</b>		<b>Non-Major Funds:</b>	
<b>Special Revenue:</b>		<b>Special Revenue:</b>	
Gas Tax	1,503	Gas Tax	2,520
		Measure A	1,503
		Grants	759
		<b>Capital Projects:</b>	
		Planned Local Drainage	124,699
		Other Grants	1,730,678
		Public Facilities Projects	3,831,062
<b>Total</b>	<b>\$ 5,691,422</b>		<b>\$ 5,691,422</b>

**B. Long-term Interfund Advances**

At June 30, 2006, the funds below have made advances that were not expected to be repaid in one year or less.

Receivable Fund	Amount	Payable Fund	Amount
<b>Major Funds:</b>			
General	\$ 16,888,108	Development: Special Revenue	\$ 9,539,458
Enterprise Funds:		Redevelopment: Special Revenue	2,441,821
Water	473,375	Redevelopment: Debt Service	4,551,798
Electric	6,113,350		
<b>Non-Major Funds:</b>			
		Special Revenue Funds:	
		City Facilities - Airport	355,000
		Enterprise Funds - CPFA	6,587,925
<b>Total</b>	<b>\$ 23,475,933</b>	<b>Total</b>	<b>\$ 23,475,933</b>

The Redevelopment Debt Service and Special Revenue Fund advances are from the General fund and are composed of various operating advances for the Redevelopment Agency's different project areas. The advances have different terms and interest rates and are expected to be repaid with tax increment revenue.

The City Facilities Fund - Airport advance is being repaid over a 27-year period with annual payments of \$15,000, expected to be repaid by 2025.

The Enterprise Funds - CPFA payable represents reserves from the Electric Utility and the Water Utility related to the 2003 Certificates of Participation. The reserve will be paid during the final years of the bond term.

**C. Internal Balances - Capital Lease Receivable**

In 2002, the City of Corona (City) established the Corona Utility Authority (Authority) as a joint powers authority pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council. The outstanding receivable at June 30, 2006 was \$172,628,344.

Refer to Note 22 for the future minimum lease payments required under the capital leases and the net present value of the future lease payments.

**D. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund. Significant one time transfers were:

- 1) \$1,100,000 from Electric Fund to Water & Wastewater Funds and from Water & Wastewater to Electric to establish a cash operating reserve for the electric cogeneration plant per a bond covenant.
- 2) \$1,000,000 from Development Special Revenue Fund to the General Fund and \$1,000,000 from the General Fund to Public Facility Project Fund, for the Corporation Yard Expansion Project.
- 3) \$2,000,000 from Internal Service Fund to various funds for realization of Fleet Operations and Equipment Pool Capital Outlay charges.
- 4) \$2,108,546 from Public Facility Project Fund to Measure A Fund for completed work along the Magnolia Avenue / 115 Interchange.

In the governmental fund financial statements, total transfers in were \$85,593,016 as follows:

This space left intentionally blank

This space left intentionally blank

Transfers Out:	Transfers In:					Subtotal
	General Fund	Development Special Revenue	Special Revenue	Capital Projects	Non-Major Governmental	
General fund	\$ 1,406,161	\$ 19,049	\$ -	\$ 1,367,817	\$ 1,904,630	\$ 4,338,764
Development: Special Revenue	1,075,000				281,253	1,356,253
Redevelopment: Debt Service			3,817,787	4,814,897		8,632,684
Redevelopment: Capital Projects	70,806					70,806
Non-major Governmental	1,475,998	598,915			4,723,450	6,898,363
Water						-
Wastewater						-
Electric	130,204			40,030		170,234
Other Proprietary					224	224
Internal Service	5,078,617			2,124	260,754	5,341,495
<b>Total Transfers In</b>	<b>\$ 9,744,638</b>	<b>\$ 617,964</b>	<b>\$ 3,817,787</b>	<b>\$ 5,364,698</b>	<b>\$ 6,773,321</b>	<b>\$ 26,807,505</b>

Schedule continued on next page.

Transfers Out:	Transfers In:				Total Transfers Out
	Water	Wastewater	Electric	Internal Service	
General fund	\$ -	\$ 20,334	\$ -	\$ 1,471,524	\$ 1,491,858
Development: Special Revenue					1,356,253
Redevelopment: Debt Service					8,632,484
Redevelopment: Capital Projects					70,600
Non-major Governmental				17,288	8,818,708
Water	7,300,000		8,822,575		16,122,575
Wastewater	2,067,242	5,000,000	4,767,683		12,134,925
Electric	6,747,575	4,057,883	13,914,194		26,899,746
Other Proprietary					224
Internal Service	851,806	734,908	22,024	1,000,000	7,651,031
<b>Total Transfers In</b>	<b>\$ 19,969,423</b>	<b>\$ 10,813,423</b>	<b>\$ 28,816,479</b>	<b>\$ 2,483,486</b>	<b>\$ 85,593,016</b>

4) Risk Management

**Workers' Compensation Insurance** The City's self-insured retention is \$1,000,000 with purchased excess insurance for claims over that amount up to policy limits. Departments are charged a percentage of the total estimated insurance, claims expense and premiums based on payroll cost. The estimated liability for pending and incurred but not reported claims at June 30, 2006 has been included in the Claims Payable amount as of June 30, 2006. Claims Payable is incorporated in the financial statements as Claims and Judgments Payable in Internal Service Funds and is based on history and actuarial studies.

The following reconciles Claims and Judgments Payable for the Workers' Compensation Self-Insurance fund for the five years ended June 30, 2006:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2002	\$ 7,810,802	\$ 3,300,814	\$ (2,242,808)	\$ 8,868,814
2003	8,868,814	3,282,282	(2,371,043)	9,779,755
2004	3,779,755	3,524,800	(2,735,530)	10,569,025
2005	10,569,025	5,276,573	(3,724,235)	12,121,465
2006	12,121,465	5,872,758	(3,603,367)	14,185,857

**Liability Insurance** The City's self-insured retention is \$750,000 with an excess policy insuring claims over \$750,000 up to a limit of \$10,000,000. A third party administrator administers claims. The estimated liability for pending and incurred but not reported claims at June 30, 2006, has been incorporated in the financial statements as Claims and Judgments Payable in Internal Service Funds and are based on history and actuarial studies.

**Property Losses (excluding earthquakes)** The City's property losses are covered by insurance policies for covered value of \$174,983,049 with deductibles of \$100,000. The estimated liability for pending and incurred but not reported claims at June 30, 2006 has been incorporated in the financial statements as Claims and Judgments Payable in the Liability Risk Internal Service Fund and are based on history only.

The following reconciles Claims and Judgments Payable for the Liability Risk Self-Insurance fund, including property losses, for the five years ended June 30, 2006:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2002	\$ 2,782,266	\$ 320,548	\$ (393,682)	\$ 2,709,532
2003	2,709,532	(1,189,934)	(225,814)	1,294,784
2004	1,294,784	1,290,549	(969,047)	1,616,286
2005	1,616,286	2,387,015	(1,772,269)	2,231,032
2006	2,231,032	3,412,928	(2,651,177)	2,993,781

The total liabilities amount to \$14,185,857 for Workers Compensation and \$2,993,781 for Liability. Of these amounts, \$2,157,743 and \$339,012 are the amounts due in one year or less, respectively. Claims are paid by the separate Internal service funds for each liability.

5) Long-Term Receivables/Deferred Revenue/Unearned Revenue

Major Funds	Loans Receivable	Long Term Receivable	Eliminated Gov't-Wide Statements
General Fund	\$ -	\$ 287,832	
Dev. Special Rev.		1,699,354	X
Redev. Special Rev.	10,720,738		
Redev. Cap Project	1,218,254		
<b>Non-Major Funds</b>			
Assessment Districts		2,930,000	X
HUD Grants	482,349		
<b>Total</b>	<b>\$ 12,421,338</b>	<b>\$ 5,117,286</b>	

Receivables on the balance sheet as of June 30, 2006 are presented by specific description so as not to be aggregated. The significant receivable balances in the governmental funds which are not expected to be collected within one year are identified as: 1) The General fund Long-Term Receivable represents reimbursement fees to be paid by developers for the Temescal Canyon Communications Tower, 2) Development funds report Long-Term Receivable for future developer impact fees for the Temescal Public Safety Facility, 3) Redevelopment Special Revenue funds report Loans Receivable for low-mod housing programs that have varying terms and re-payment provisions, 4) Redevelopment Capital Projects funds report Loans Receivable for various agreements with developers with long-term repayment provisions, and 5) Long-Term Assessments Receivable represent future assessments to be received for the payment of Assessment District debt which is considered to be a possible liability of the City in the case of default. Recognition of the revenues from these assessments has been deferred until both measurable and available. Once received, the monies will be used to meet the annual debt service requirements on related bonds.

The development funds deferred revenues represent developer impact fees related to the Temescal Public Safety Facility. The deferred revenues in debt service funds represent

future assessments to be received for the payment of Assessment District debt and other lease revenue to be used to meet the related debt obligation. These deferred revenues are not reported in the government-wide statements.

The unearned revenues shown in the government-wide statements for Governmental activities in the general and redevelopment funds represent various loans and agreements from certain special revenue and capital project funds. Business-Type activities unearned revenues represent claims that have been approved by state agencies for Transit Services, but not spent in the current period, customer prepayments of utility billings, and a long term agreement between Metropolitan Water District of Southern California, Western Municipal Water District and the City of Corona which utilizes the City's desalter plant to treat groundwater in conjunction with imported water as a means of increasing the potable water available to Corona customers.

6) Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the "modified approach" as defined by GASB Statement No. 34 for infrastructure reporting for its pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "modified approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on infrastructure assets:

Description	Historical Cost	Accumulated Depreciation	Net Cost
<b>Infrastructure Assets</b>			
<b>Governmental Activities:</b>			
<b>Modified Approach:</b>			
Street Pavement System	\$ 184,724,098	\$ -	\$ 184,724,098
<b>Basic Approach:</b>			
Curb/ing	73,179,839	(23,254,216)	49,925,623
Sidewalks	60,330,253	(24,948,040)	35,382,213
Signs and Lights	32,631,740	(7,116,046)	25,515,695
Storm Drains	62,611,419	(16,665,858)	45,945,561
Fiberoptics	1,187,036	(220,968)	966,068
Subtotal Basic Approach	240,348,187	(71,205,877)	169,142,310
<b>Total Governmental Activities</b>	<b>\$ 414,668,283</b>	<b>\$ (71,205,877)</b>	<b>\$ 343,462,406</b>
<b>Business-Type Activities:</b>			
<b>Basic Approach:</b>			
Electric	\$ 235,951	\$ (60,061)	\$ 175,890
Water	132,979,947	(27,848,849)	105,131,098
Wastewater	48,620,194	(10,323,445)	38,296,749
<b>Total Business-Type Activities</b>	<b>\$ 187,436,092</b>	<b>\$ (38,252,130)</b>	<b>\$ 149,183,962</b>

Capital Assets of the City for the year ended June 30, 2006, consisted of the following:

	Balance July 1, 2005	Increases	Decreases	Inventory Adjustments	Balance June 30, 2006
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 57,824,172	\$ 41,737	\$ -	\$ -	\$ 57,865,909
Street	163,014,025	1,711,041	-	-	164,725,066
Construction in Progress	80,428,254	8,239,187	(48,987,420)	72,825	11,452,859
Total capital assets not being depreciated	271,266,451	10,142,965	(48,987,420)	72,825	232,494,821
Capital assets being depreciated:					
Buildings and Improvements	116,428,333	42,005,023	(37,782)	-	158,395,574
Machinery and Equipment	20,811,305	5,653,255	(486,633)	-	25,977,927
Infrastructure	246,428,354	5,810,793	-	-	252,239,147
Total capital assets being depreciated	583,668,032	53,469,071	(424,415)	-	632,712,688
Less accumulated depreciation for:					
Buildings and Improvements	(57,261,014)	(5,479,468)	37,782	-	(62,602,698)
Machinery and Equipment	(13,010,305)	(1,311,837)	431,316	-	(13,889,726)
Infrastructure	(87,281,547)	(8,824,110)	-	-	(96,105,657)
Total accumulated depreciation	(157,552,866)	(15,615,415)	409,100	-	(173,148,181)
Total capital assets being depreciated, net	426,115,166	37,853,656	(424,415)	-	463,544,532
<b>Governmental activity capital assets, net</b>	<b>\$ 697,381,617</b>	<b>\$ 48,001,421</b>	<b>\$ (484,015)</b>	<b>\$ 72,825</b>	<b>\$ 745,952,286</b>
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,458,454	\$ -	\$ -	\$ (1,071)	\$ 2,457,383
Water Developer Rights	9,180,000	-	-	-	9,180,000
Construction in Progress	102,824,982	23,738,018	(73,280,730)	(91,335)	52,181,243
Total capital assets not being depreciated	114,463,436	23,738,018	(73,280,730)	(92,406)	64,828,316
Capital assets being depreciated:					
Buildings and Improvements	84,998,112	31,951,872	(26,115)	-	116,923,869
Machinery and Equipment	40,816,306	21,891,687	(159,647)	(17,374)	62,531,732
Infrastructure	159,532,014	24,594,741	-	-	184,126,755
Total capital assets being depreciated	285,346,432	78,438,200	(185,877)	(17,374)	367,781,681
Less accumulated depreciation for:					
Buildings and Improvements	(18,574,159)	(2,359,678)	1,428	-	(20,933,409)
Machinery and Equipment	(11,824,432)	(3,647,465)	143,738	-	(15,328,159)
Infrastructure	(36,201,638)	(3,049,619)	-	-	(39,251,257)
Total accumulated depreciation	(66,600,229)	(9,056,762)	145,166	-	(75,610,825)
Total capital assets being depreciated, net	218,746,203	69,381,438	(140,709)	(17,374)	292,170,856
<b>Business-type activity capital assets, net</b>	<b>\$ 133,209,639</b>	<b>\$ 98,819,456</b>	<b>\$ (142,084)</b>	<b>\$ (18,748)</b>	<b>\$ 233,006,993</b>
<b>Total Capital Assets</b>	<b>\$ 830,591,256</b>	<b>\$ 146,820,877</b>	<b>\$ (626,100)</b>	<b>\$ 54,077</b>	<b>\$ 1,065,556,279</b>

\* Balance are not adjusted. See Note 34

Interest expense in the amount of \$3,869,921 has been capitalized in the business-type capital assets.

For the year ended June 30, 2006, depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 1,419,494
Public Safety - Fire	508,198
Public Safety - Police	969,774
Public Works	4,278,139
Community Development	212,472
Parks & Recreation	1,646,887
Library	40,969
Total Depreciation Expense	\$ 9,014,913
Business-type activities:	
Water	\$ 4,554,162
Wastewater	2,580,524
Electric	1,841,773
Transit	147,242
Total Depreciation Expense	\$ 9,123,704

**Construction Commitments**

The City has active construction projects as of June 30, 2006. These projects include street construction in areas of newly developed housing, pavement rehabilitation, various water and wastewater upgrades and replacements, and the construction of an electric generation dryer facility. At year end, the City's commitments for construction totaled \$68,176,369.

**7) Compensated Absences**

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of the debt, amounting to \$1,880,844 for governmental activities and \$195,860 for business-type activities at June 30, 2006, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds. The total amount outstanding at June 30, 2006 was \$7,503,845 for governmental activities and \$1,263,269 for business-type activities.

	Balance July 1, 2006	Incurred	Satisfied	Balance June 30, 2006	Amounts Due Within One Year	Amounts Due in More than One Year
<b>Governmental Activities:</b>						
Compensated Absences	\$ 7,614,897	\$ 5,972,152	\$ 5,443,204	\$ 7,903,845	\$ 5,223,001	\$ 1,880,844
<b>Business-Type Activities:</b>						
Compensated Absences	\$ 1,220,942	\$ 1,008,000	\$ 1,064,773	\$ 1,263,269	\$ 1,097,410	\$ 105,859

**8) Agreements Payable**

Through the Redevelopment Agency, the City has entered into agreements with developers for purposes of economic development. There are two agreements currently outstanding with differing terms and conditions. The obligation for payment is based on the increase in taxes generated by improvements to the property. The combined total payable at June 30, 2006 is \$1,567,229.

**9) Long-Term Obligations**

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2006:

	Balance July 1, 2006	Incurred or Issued	Satisfied or Retired	Balance June 30, 2006	Amounts Due Within One Year	Amounts Due in More than One Year
<b>Governmental Activities:</b>						
Loans Payable	\$ 1,907,284	\$ -	\$ 422,474	\$ 1,484,790	\$ 422,425	\$ 1,062,365
Long Term Agreement Payable	1,300,634	-	168,634	1,131,999	195,294	936,705
Lease Payable	862,879	-	86,347	776,532	122,152	654,380
General Obligation Bonds Payable	5,895,000	-	1,100,000	4,795,000	2,599,000	2,196,000
Redevelopment Bonds Payable	45,465,000	-	2,790,000	42,755,000	1,735,000	41,020,000
Lease Revenue Bonds Payable	63,940,000	-	1,085,000	51,975,000	2,025,000	49,950,000
Special Assessment District Bonds	3,255,000	-	325,000	2,930,000	295,000	2,635,000
<b>Total Governmental Activities</b>	<b>\$ 110,465,974</b>	<b>\$ -</b>	<b>\$ 6,324,655</b>	<b>\$ 103,581,319</b>	<b>\$ 5,023,311</b>	<b>\$ 88,558,008</b>
<b>Business-Type Activities:</b>						
Installment Agreement Payable	\$ 402,320	\$ -	\$ 135,283	\$ 267,037	\$ 148,236	\$ 118,801
Contracts Payable	710,972	-	710,972	-	-	710,972
Term Loan Payable	35,185,877	9,264,983	1,071,268	43,629,704	2,143,878	41,284,826
Water Revenue Bonds	52,890,000	-	795,000	31,895,000	825,000	31,070,000
Capital Leases	172,328,344	-	-	172,828,344	-	172,828,344
Capitalization of Participation	161,750,000	-	450,000	161,210,000	720,000	160,490,000
<b>Total Business-Type Activities</b>	<b>\$ 343,412,813</b>	<b>\$ 9,264,983</b>	<b>\$ 2,402,152</b>	<b>\$ 380,275,054</b>	<b>\$ 3,837,114</b>	<b>\$ 345,437,940</b>

**10) Loans Payable**

The Loans Payable amount is a loan made to the City from the Riverside County Transportation Commission of future Measure A Revenues for the Smith, Maple, and Lincoln Bridges projects. The Measure A advances outstanding at June 30, 2006 total \$1,484,790 and bear blended interest of 5.611% payable in monthly installments through June, 2009.

**11) Long Term Agreement Payable**

1. Pursuant to the Cooperation Agreement dated February 13, 1985 between the Riverside County Flood Control and Water Conservation District and the Redevelopment Agency of the City of Corona, the Agency recorded an obligation in the amount of \$1,244,689 in fiscal years 2000-01 through 2003-04. During the fiscal year

2004-05, the Agency and the District executed a Settlement and Release Agreement. The Agency's unpaid obligation coupled with accrued interest was determined to be \$1,300,834. The Settlement and Release Agreement will allow the Agency to pay the principal balance of the obligation in equal annual payments of \$185,834 over a seven year period, plus accrued interest. The District will calculate the interest due on the principal balance at an adjustable rate in accordance with the average Riverside County Treasurer Pooled Investment Interest Rate. The amount outstanding at June 30, 2006 was \$1,115,000.

Fiscal Year Ending	Flood Control Payment Schedule		
	Principal	Interest	Total
2007	\$ 185,834	\$ 42,718	\$228,550
2008	185,834	39,156	224,990
2009	185,834	34,457	220,291
2010	185,834	28,427	214,261
2011	185,834	20,847	206,681
2012	185,830	11,466	197,296
<b>Totals</b>	<b>\$ 1,115,000</b>	<b>\$ 177,069</b>	<b>\$1,292,069</b>

**12) Lease Payable**

The City entered into a lease purchase agreement for \$1,065,000 with a funding date of November 22, 2002 for the purpose of purchasing a helicopter and related equipment for use by the City, primarily the Police Department. The helicopter has been recorded as a fixed asset at its purchase price. The lease/purchase is payable over a ten year period at a rate of 3.845% interest in equal installments of \$130,294 per year through the year 2012.

The City's obligation under the lease, as represented by the present value of the minimum future lease payments as of June 30, 2006 is recorded as a long-term obligation in the general fund.

At June 30, 2006, the future minimum lease payments required under the capital lease and the net present value of the future lease payments is as follows:

Fiscal Year Ending	Lease Payment
2007	\$ 130,294
2008	130,294
2009	130,294
2010	130,294
2011	130,294
2012-2013	260,586
Total minimum lease payments	912,056
Less: Amount representing interest	(125,527)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 786,529</b>

**13) General Obligation Bonds**

These bonds are secured by the City's taxing power. General obligation bonds outstanding at June 30, 2006 are summarized as follows:

\$7,225,000 1995 Refunding General Obligation Bonds **\$7,225,000**

On December 20, 1995, the City issued \$7,225,000 in 1995 General Obligation Refunding Bonds for the purposes of providing funds to advance refund the series 1980A Corona General Obligation Bonds issued in the aggregate principal amount of \$7,390,000. The Series 1980A bonds were issued for the acquisition and improvement of land for the City's Public Library. The outstanding bonds bear interest from 4.8% to 5.1% and are due in annual installments ranging from \$260,000 to \$310,000 through July 1, 2009 with term bonds of \$1,390,000 due on July 1, 2013. The bonds are payable from ad valorem taxes levied against all taxable real property in the City (with the exception of certain classes of personal property).

Fiscal Year Ending	1995 Refunding Bonds		
	Principal	Interest	Total
2007	\$ 260,000	\$ 121,890	\$ 381,890
2008	280,000	108,450	388,450
2009	295,000	94,075	389,075
2010	310,000	78,795	388,795
2011-2014	1,390,000	146,370	1,536,370
<b>Totals</b>	<b>\$ 2,535,000</b>	<b>\$ 549,380</b>	<b>\$ 3,084,380</b>

**14) Redevelopment Tax Allocation Bonds**

These bonds are special obligations of the Corona Redevelopment Agency and are payable from specific pledged revenues. The following Tax Allocation Bonds were outstanding at June 30, 2006:

\$ 9,355,000 Redevelopment Agency, 1996 Project Area "A" Set-Aside Tax Allocation Bonds	\$ 7,255,000
\$36,910,000 Redevelopment Agency, 2004 Project Area "A" Tax Allocation and Refunding Bonds	35,500,000
<b>Total Redevelopment Tax Allocation Bonds</b>	<b>\$ 42,755,000</b>

On October 15, 1996, the Corona Redevelopment Agency issued \$9,355,000 of Redevelopment Project Area "A" Housing Set-Aside Tax Allocation Bonds to provide funds for a portion of the costs of reconstruction and rehabilitation of an apartment complex of approximately 160 units by the Southern California Housing Development Corporation and certain other activities for the provision of low and moderate income housing within the Project Area. The bonds were issued for sale to the Corona Public Financing Authority pursuant to the Marks-Ross Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 2 of Title 1 (commencing with Section 8594)



of the California Government Code (the "JPA Law"). The bonds purchased by the Authority were resold concurrently to the Underwriter. The outstanding bonds bear interest from 5.20% to 5.63% and are due in annual installments ranging from \$295,000 to \$385,000 through September 1, 2011, with term bonds of \$2,235,000 due September 1, 2016, and \$2,965,000 due September 1, 2021. The bonds are payable from pledged revenues of the Housing Set-Aside funds of the Redevelopment Agency. The annual debt service requirements for the 1996 Redevelopment Tax Allocation Bond are as follows:

1996 Set-Aside Tax Allocation Bonds			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 295,000	\$ 390,801	\$ 685,801
2008	315,000	374,941	689,941
2009	330,000	358,171	688,171
2010	345,000	340,449	685,449
2011	365,000	321,451	686,451
2012-2016	2,140,000	1,277,839	3,417,839
2017-2021	2,805,000	597,203	3,402,203
2022	680,000	13,663	678,563
<b>Totals</b>	<b>\$ 7,255,000</b>	<b>\$ 3,679,418</b>	<b>\$10,934,418</b>

The \$36,910,000 of Redevelopment Project Area "A" 2004 Tax Allocation and Refunding Bonds bear interest from 2.00% to 5.00% and are due in annual installments ranging from \$1,440,000 to \$2,795,000. The bonds are payable from tax increment revenues of the Agency received from the project area and other funds and accounts pledged under the indenture. The annual debt service requirements for the 2004 Redevelopment Tax Allocation Bond are as follows:

2004 Tax Allocation Bonds			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 1,440,000	\$ 1,478,775	\$ 2,918,775
2008	1,470,000	1,447,838	2,917,838
2009	1,505,000	1,404,963	2,909,963
2010	1,556,000	1,361,413	2,906,413
2011	1,610,000	1,299,044	2,909,044
2012-2016	8,935,000	5,566,050	14,501,050
2017-2021	10,995,000	3,400,056	14,395,056
2022-2024	7,090,000	612,250	8,692,250
<b>Totals</b>	<b>\$ 35,500,000</b>	<b>15,560,389</b>	<b>\$ 52,060,389</b>

19) Lease Revenue Bonds

The following lease revenue bonds were outstanding at June 30, 2026:

\$13,000,000 Corona Public Financing Authority 2000 Lease Revenue Bonds Series A (reported as a liability of the City)	\$ 11,475,000
\$ 8,810,000 Corona Public Financing Authority 2001 Lease Ref Revenue Bonds, Series A (reported as a liability of the City)	7,390,000
\$35,000,000 Corona Public Financing Authority 2002 Lease Revenue Bonds, Series B (reported as a liability of the City)	33,110,000
<b>Total Lease Revenue Bonds</b>	<b>\$ 51,975,000</b>

The Corona Public Financing Authority 2000 Lease Revenue Bonds Series A were issued on October 10, 2000 in the amount of \$13,000,000 to pay a portion of the costs of the design, construction and acquisition of the City's Corporation Yard. The outstanding bonds bear interest from 4.50% to 5.35% and are due in annual installments ranging from \$365,000 to \$780,000 through 2022, with term bonds in the amount of \$2,528,000 due on September 1, 2025. The bonds are payable from the revenues expected to be received by the Authority from the City as lease payments for the acquired improvements.

2000 Lease Revenue Bonds			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 355,000	\$ 570,505	\$ 925,505
2008	370,000	554,193	924,193
2009	390,000	537,093	927,093
2010	405,000	519,205	924,205
2011	425,000	500,530	925,530
2012-2016	2,430,000	2,178,521	4,608,521
2017-2021	3,095,000	1,487,296	4,582,296
2022-2026	4,005,000	556,874	4,561,874
<b>Totals</b>	<b>\$ 11,475,000</b>	<b>\$ 6,904,017</b>	<b>\$ 18,379,017</b>

The Corona Public Financing Authority 2001 Lease Refunding Revenue Bonds, Series A were issued on May 10, 2001 in the amount of \$9,810,000 to refund the Corona Public Financing Authority 1993 Public Improvement Refunding Bonds originally issued in the aggregate principal amount of \$21,295,000. The outstanding bonds bear interest from 4.00% to 4.75% and are due in annual installments ranging from \$695,000 to \$970,000 through September 1, 2014. The bonds are payable pursuant to a lease agreement with the City.

2001 Lease Revenue Bonds			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 695,000	\$ 307,568	\$ 1,002,568
2008	720,000	279,268	999,268
2009	750,000	249,493	999,493
2010	780,000	217,738	997,738
2011	815,000	183,835	998,835
2012-2016	3,630,000	347,231	3,977,231
<b>Totals</b>	<b>\$ 7,390,000</b>	<b>\$ 1,585,133</b>	<b>\$ 8,975,133</b>

The Corona Public Financing Authority 2002 Lease Revenue Bonds Series B were issued on September 1, 2002 in the amount of \$35,000,000 to pay the costs of the design, construction and acquisition of the City Hall facility. The outstanding bonds bear interest from 3.00% to 5.38% and are due in annual installments ranging from \$975,000 to \$1,930,000 through September 1, 2023 with term bonds in the amount of \$8,675,000 due on September 1, 2027. The bonds are payable from the revenues expected to be received by the Authority from the City as lease payments for the acquired improvements.

2002 Lease Revenue Bonds			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 975,000	\$ 1,446,181	\$ 2,420,181
2008	1,005,000	1,415,481	2,420,481
2009	1,035,000	1,384,661	2,419,661
2010	1,065,000	1,353,361	2,418,361
2011	1,095,000	1,319,319	2,414,319
2012-2016	6,088,000	5,365,344	12,040,844
2017-2021	7,645,000	4,327,847	11,972,847
2022-2026	5,590,000	1,837,835	7,167,835
2027-2028	8,675,000	848,231	9,523,231
<b>Totals</b>	<b>\$33,110,000</b>	<b>\$19,689,020</b>	<b>\$52,798,020</b>

16) Special Assessment District Bonds (Indirect City Liability)

The payment of each bond is secured by valid assessment liens upon certain property in each district and is not a direct liability of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur and the City may, from time to time, when due and delinquent, advance available funds to pay the amount of any succeeding installment of the principal and the interest on the bonds. Therefore, the bonds are recorded as liabilities in the accompanying financial statements pursuant to GASB Statement No. 6.

The following Assessment District Bonds were outstanding at June 30, 2026:

\$3,630,086 Assessment District No. 89-1 Improvement Bonds	\$ 1,240,000
\$3,000,000 Assessment District No. 90-1 Improvement Bonds	1,590,000
<b>Total Special Assessment District Bonds (Indirect City Liability)</b>	<b>\$ 2,830,000</b>

\$3,630,086 Assessment District No. 89-1 Improvement Bonds were issued to finance construction and acquisition of improvements in the Railroad Street Industrial Area. The outstanding bonds bear interest of 7.45% to 7.60% and mature in remaining annual installments of \$185,000 to \$285,000 through September 2, 2011.

\$3,000,000 Assessment District No. 90-1 Improvement Bonds were issued to finance construction and acquisition of improvements within Tract 22909. The outstanding bonds bear interest of 8.00% and mature in remaining annual installments of \$110,000 to \$220,000 through September 2, 2015.

The annual debt service requirements by year for Assessment District Bonds are as follows:

A.D. 89-1			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 185,000	\$ 94,249	\$ 279,249
2008	200,000	79,958	279,958
2009	215,000	64,241	279,241
2010	230,000	47,443	277,443
2011	245,000	29,450	274,450
2012	265,000	10,070	275,070
<b>Totals</b>	<b>\$ 1,340,000</b>	<b>\$ 325,311</b>	<b>\$ 1,665,311</b>

A.D. 90-1			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 110,000	\$ 122,800	\$ 232,800
2008	115,000	113,600	228,600
2009	125,000	104,200	229,200
2010	140,000	93,600	233,600
2011	160,000	82,000	232,000
2012-2016	950,000	201,200	1,151,200
<b>Totals</b>	<b>\$ 1,590,000</b>	<b>\$ 717,600</b>	<b>\$ 2,307,600</b>

17) Installment Agreement Payable

On June 28, 2005, the City of Corona entered into an agreement with Southern California Edison to make monthly installments for a delayed billing for electrical services to a meter installed at 219 West Grand Boulevard for a total of \$444,873. The City will make 36 equal payments of \$12,353 through May 2008. The amount outstanding at June 30, 2006 was \$286,437.

Southern California Edison Payment Schedule		
Fiscal Year Ending	Installments	
2007	\$	148,236
2008		148,201
<b>Totals</b>	<b>\$</b>	<b>296,437</b>

18) Contracts Payable

Contracts Payable arise from the acquisition of certain water and wastewater facilities and represent amounts due to Western Municipal Water District payable from future water and wastewater connection fees associated with the acquired facilities. Future connections are provided as needed in the area and as such cannot be scheduled. When connection fees are received the amounts attributable to the cost of physical connection are recognized as revenue and any additional amounts are credited to the contributed capital account. The amount outstanding at June 30, 2006 was \$718,572.

19) Term Loans Payable

The following Term Loans Payable were outstanding at June 30, 2006:

State Revolving Fund Loan Contract No. 6-807-5850-0	\$	16,193,884
State Revolving Fund Loan Contract No. C-06-4802-110		27,234,817
<b>Total Term Loans Payable</b>	<b>\$</b>	<b>43,428,701</b>

On September 17, 1996, and February 20, 1997, the City and the State Water Resources Control Board of the State of California entered into a State Revolving Fund Loan Contract No. 6-807-5850-0 for a total of \$22,244,222 for purposes of expansion of the Wastewater Treatment Plant No. 1. The loan is payable over a period of 20 years at the rate of 2.8% interest in equal installments of \$1,503,293 through October 2018. The amount outstanding at June 30, 2006 was \$16,193,884.

74

1996 Water Revenue Bonds

Fiscal Year Ending	Principal	Interest	Total
2007	\$ 625,000	\$ 1,482,010	\$ 2,287,010
2008	555,000	1,428,823	2,263,823
2009	590,000	1,393,478	2,283,478
2010	925,000	1,355,808	2,280,808
2011	965,000	1,315,876	2,280,876
2012-2016	5,500,000	5,875,904	11,375,904
2017-2021	6,920,000	4,417,975	11,337,975
2022-2026	8,725,000	2,568,206	11,293,206
2027-2029	6,290,000	457,425	6,747,425
<b>Totals</b>	<b>\$ 31,895,000</b>	<b>\$ 20,275,505</b>	<b>\$ 52,170,505</b>

21) Certificates of Participation

The certificates of participation are special obligations of the issuer and are payable from specific pledged revenues of the issuing agency. The certificates are not payable from any other revenues or assets of the City. Neither the faith and credit nor the taxing power of the City of Corona, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the certificates.

As of June 30, 2006, the balances outstanding were:

\$ 7,010,000 Corona Public Improvement Corporation	\$	4,555,000
1997 Sunkist Wastewater Treatment Facilities Refunding Bonds		
\$68,030,000 Corona Public Financing Authority		67,735,000
2003 Clearwater Cogeneration / Recycled Water Projects		
\$29,020,000 Corona Public Financing Authority		29,020,000
2005 Clearwater Cogeneration		
<b>Total Certificates of Participation</b>	<b>\$</b>	<b>101,310,000</b>

On January 21, 1997, the Corona Public Improvement Corporation issued \$7,010,000 in 1997 Refunding Certificates of Participation for the purpose of refunding the remaining \$6,425,000 of the 1996 Sunkist Wastewater Treatment Facilities Certificates of Participation and to pay the costs incurred in connection with the issuance, sale, and delivery of the bonds as well as to establish a reserve fund. The original certificates were issued to finance the acquisition, construction and installation of certain improvements to the City's Wastewater Treatment Plant No. 2 (Sunkist Plant). The new bonds bear interest rates from 4.80% to 5.50% and are due in annual installments ranging from \$315,000 to \$520,000 through August 1, 2016. The certificates are payable pursuant to a lease agreement (Corona Public Improvement Corporation to the Wastewater Utility) from revenues of the Wastewater Capacity fund and as such have been shown as long-term obligations (Long-Term Installments Payable) of the Wastewater Utility and eliminated from the General Long-Term Debt of the City. A corresponding long-term

75

Fiscal Year Ending	Term Loan Payable		
	Principal	Interest	Total
2007	\$ 1,049,854	\$ 453,429	\$ 1,503,293
2008	1,079,230	424,033	1,503,293
2009	1,109,480	398,813	1,503,293
2010	1,140,545	362,748	1,503,293
2011	1,172,480	330,813	1,503,293
2012-2016	6,373,619	1,142,846	7,516,465
2017-2019	4,268,636	241,243	4,509,879
<b>Totals</b>	<b>\$ 16,193,884</b>	<b>\$ 3,348,925</b>	<b>\$ 19,542,809</b>

On June 10, 2003, the City and the State Water Resources Control Board of the State of California entered into a State Revolving Fund Loan Contract No. C-06-4802-110 for a maximum amount of \$29,940,000, for construction of facilities at the Wastewater Treatment Plant No. 1. These facilities will provide recycled water to existing and potential users within the City. The loan is payable over a period of 20 years at the rate of 2.5% interest in equal annual installments of \$1,745,176 through the year 2025. The amount outstanding at June 30, 2006 was \$27,234,817.

Fiscal Year Ending	Term Loan Payable		
	Principal	Interest	Total
2007	\$ 1,094,014	\$ 651,162	\$ 1,745,176
2008	1,091,656	653,520	1,745,176
2009	1,118,947	626,229	1,745,176
2010	1,148,921	598,255	1,745,176
2011	1,175,564	569,582	1,745,176
2012-2016	6,933,792	2,392,089	8,725,881
2017-2021	7,168,104	1,559,777	8,725,881
2022-2026	8,107,789	618,091	8,725,880
<b>Totals</b>	<b>\$ 27,234,817</b>	<b>\$ 7,668,705</b>	<b>\$34,903,522</b>

20) Water Revenue Bonds

The \$36,890,000 Corona Public Financing Authority 1996 Water Revenue Bonds were issued to finance the cost of certain improvements to the City's water system, consisting of the construction of a ground water desalting system and to refinance the outstanding 1994 Water System Improvement Project Certificates of Participation. The bonds bear interest from 3.90% to 4.75% and are due in annual installments ranging from \$825,000 to \$1,100,000 through 2013 with term bonds in the amount of \$6,305,000, 7,950,000 and \$10,025,000 due on September 1, 2018, 2023 and 2026, respectively. The bonds are considered a liability of the water fund. Corresponding long-term receivable and deferred revenue has been eliminated for the Corona Public Financing Authority.

75

obligation and deferred revenue has been eliminated for the Corona Public Improvement Corporation.

Fiscal Year Ending	1997 Refunding Certificates of Participation		
	Principal	Interest	Total
2007	\$ 315,000	\$ 232,880	\$ 547,880
2008	335,000	216,893	551,893
2009	350,000	199,935	549,935
2010	370,000	181,750	551,750
2011	385,000	162,305	547,305
2012-2016	2,270,000	489,173	2,739,173
2017	630,000	14,575	644,575
<b>Totals</b>	<b>\$ 4,555,000</b>	<b>\$ 1,477,291</b>	<b>\$ 6,032,291</b>

On May 20, 2003, the Corona Public Financing Authority issued \$68,030,000 in 2003 Certificates of Participation for the purpose of financing the acquisition, construction and installation of the Clearwater Cogeneration and Biosolids Project (the "Cogeneration Project"), to finance a portion of the Recycled Water Project and to pay the costs incurred in connection with the issuance, sale and delivery of the bonds as well as to establish a capitalized interest fund and a reserve fund. The bonds bear interest from 1.50% to 5.00% due in installments of \$160,000 to \$3,085,000 through September 1, 2023 with term bonds of \$1,760,000 due September 1, 2025 and \$12,930,000 due September 1, 2031.

The City purchased the Cogeneration Project from the Corona Public Financing Authority pursuant to an installment purchase agreement for a principal amount of \$60,875,000 which is recorded in the City of Corona's Electric Fund. The City will pay purchase payments to the Corona Public Financing Authority from revenues pursuant to two separate Power Sales Agreements between the City and the Corona Utility Authority, and as such have been shown as long-term obligations (Certificates of Participation) of the City's Electric Fund and eliminated from the General Long-Term Debt of the City. A corresponding long-term obligation and deferred revenue has also been eliminated from the Corona Public Financing Authority.

The City purchased the Recycled Water Project from the Corona Public Financing Authority pursuant to an installment purchase agreement for a principal amount of \$7,155,000. The City will pay purchase payments to the Corona Public Financing Authority pursuant to a Recycled Water Project Lease Agreement (City of Corona to the Corona Utility Authority). The Corona Utility Authority will make payments to the City from net revenues of the recycled water system and as such have been shown as long-term obligations (Certificates of Participation) of the Water Utility and eliminated from the General Long-Term Debt of the City. A corresponding long-term obligation and deferred revenue has been eliminated from the Corona Public Financing Authority.

77

2003 Certificates of Participation			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 150,000	\$ 3,203,213	\$ 3,353,213
2008	1,550,000	3,186,213	4,736,213
2009	1,575,000	3,137,244	4,712,244
2010	1,650,000	3,068,850	4,718,850
2011	1,720,000	2,995,126	4,715,126
2012-2016	9,625,000	13,931,513	23,556,513
2017-2021	12,020,000	11,422,000	23,442,000
2022-2026	15,345,000	8,018,125	23,363,125
2027-2031	19,575,000	3,673,525	23,248,525
2032	4,525,000	113,125	4,638,125
<b>Totals</b>	<b>\$ 67,735,000</b>	<b>\$ 52,748,833</b>	<b>\$ 120,483,833</b>

The Corona Public Financing Authority issued \$29,020,000 in 2005 Certificates of Participation for the purpose of financing the remaining costs associated with the acquisition, construction and installation of the Cogeneration Project and the Electric Distribution Facilities Project. The bonds bear interest from 3.00% to 5.00% due in installments of \$255,000 to \$905,000 through September 1, 2021 with term bonds of \$2,945,000 due September 1, 2024, \$5,910,000 due September 1, 2029 and \$9,280,000 due September 1, 2035.

Approximately \$6.9 million of the proceeds of the Certificates will finance the remaining amounts needed to complete the Cogeneration Project. The City will purchase such remaining facilities of the Cogeneration Project from the Financing Authority pursuant to an Installment Purchase Agreement. Pursuant to the Installment Purchase Agreement, the City will pay Purchase Payments to the Financing Authority.

Approximately \$15 million of the proceeds of the Certificates will finance the acquisition, construction and installation of the electric distribution facilities necessary to supply power to all Greenfield developments within the City. The City will purchase such electric distribution facilities from the Financing Authority pursuant to an Installment Purchase Agreement. On May 7, 2003, the City announced that it would no longer pursue its plan to acquire Southern California Edison's distribution facilities within the City and terminated the eminent domain proceedings. Approximately \$3.1 million of the proceeds of the Certificates reimbursed the City for certain costs incurred in connection with such terminated eminent domain proceedings.

78

2005 Certificates of Participation			
Fiscal Year Ending	Principal	Interest	Total
2007	\$ 255,000	\$ 1,274,285	\$ 1,529,285
2008	560,000	1,262,090	1,822,090
2009	575,000	1,245,035	1,820,035
2010	590,000	1,227,590	1,817,590
2011	610,000	1,209,593	1,819,593
2012-2015	3,350,000	5,727,904	9,077,904
2017-2021	4,000,000	5,033,185	9,033,185
2022-2026	4,920,000	4,106,359	9,026,359
2027-2031	5,205,000	2,784,875	8,989,875
2032-2036	7,815,000	1,023,125	8,838,125
<b>Totals</b>	<b>\$ 29,020,000</b>	<b>\$ 24,899,948</b>	<b>\$ 53,919,948</b>

22) Internal Balances - Capital Leases

A. Related Parties

In 2002, the City of Corona (City) established the Corona Utility Authority (Authority) as a joint powers authority pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council.

B. Capital Lease Obligations

The Authority entered into capital leases with the City to lease the City's water and wastewater facilities. The term of the leases are 55 years at which time the Authority will own the capital assets of the water and wastewater facilities.

The capital assets of the water and wastewater facilities were recorded at the City's historical cost, net of accumulated depreciation, and related debt has also been recorded resulting in a lease payable for an amount equal to the net assets recorded on the City's financial statements. Lease payments are made quarterly for an amount equal to 8.0% of water and wastewater's utility service charges.

The following Internal Balances - Capital Leases were outstanding at June 30, 2006:

Capital Leases - Water Facility	\$ 106,819,662
Capital Lease - Wastewater Facility	65,508,582
<b>Total Internal Balances - Capital Leases</b>	<b>\$ 172,328,244</b>

79

C. Capital Lease Payments

At June 30, 2006, the future minimum lease payments required under the capital leases and the net present value of the future lease payments were as follows:

Fiscal Year Ending	Water Facility	
	Lease Payment	
2007	\$ 2,957,556	
2008	3,075,881	
2009	3,198,895	
2010	3,328,851	
2011	3,459,825	
2012-2016	13,459,873	
2017-2021	23,712,166	
2022-2026	28,649,476	
2027-2031	35,099,900	
2032-2036	42,704,273	
2037-2041	51,968,278	
2042-2046	63,212,756	
2047-2051	78,907,983	
2052-2056	200,389,983	
	Total minimum lease payments	558,341,478
	Less: Amount representing interest	(451,521,816)
	<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 106,819,662</b>

Fiscal Year Ending	Wastewater Facility	
	Lease Payment	
2007	\$ 1,554,398	
2008	1,616,562	
2009	1,681,224	
2010	1,748,473	
2011	1,813,412	
2012-2016	10,243,072	
2017-2021	12,482,263	
2022-2026	15,162,248	
2027-2031	18,447,193	
2032-2036	22,443,831	
2037-2041	27,306,352	
2042-2046	33,222,353	
2047-2051	40,420,072	
2052-2056	114,965,880	
	Total minimum lease payments	303,112,321
	Less: Amount representing interest	(237,303,639)
	<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 65,808,682</b>

80

D. 2005 Transactions

In 2006, the following related party transactions were recorded by the City and the Authority:

Capital Lease Payments:	
Water Fund	\$ 2,887,541
Wastewater Fund	1,599,603
<b>Total to the City</b>	<b>\$ 4,257,144</b>

23) Special Assessment District Bonds (No City Liability)

The payment of these bonds is secured by valid assessment liens upon certain lands in each district and is not a direct liability of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur. Neither the faith and credit nor taxing power of the City of Corona is pledged to the payment of the bonds. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay those delinquencies out of any other available funds. The City acts solely as an agent for those paying the assessments and the bondholders.

As of June 30, 2006, the balances outstanding were:

\$3,492,630 A.D. No. 87-2 Improvement Bonds	\$ 440,000
\$ 855,000 A.D. No. 95-1 Improvement Bonds	620,000
\$1,824,200 A.D. No. 96-1 1996 A Improvement Bonds	1,196,000
\$ 585,000 A.D. No. 96-1 1997 A Improvement Bonds	525,000
\$1,805,000 A.D. No. 96-1 1997 B Improvement Bonds	1,275,000
\$2,557,100 A.D. No. 96-1 1999 A Improvement Bonds	2,245,000
<b>Total Special Assessment District Bonds (No City Liability)</b>	<b>\$ 6,300,000</b>

24) Community Facilities District Bonds (No City Liability)

These bonds are authorized pursuant to the Mallo-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District and by the City Council. Neither the faith and credit nor taxing power of the City is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders.

81

Following is a list of the Community Facilities District Bonds currently active:

\$12,775,000 CFD 88-1 Refunding and Improvement Bonds	\$ 2,410,000
\$22,580,000 CFD 88-2 Refunding and Improvement Bonds	17,910,000
\$62,845,000 CFD 90-1 Refunding Bonds	45,775,000
\$19,505,000 CFD 97-2 Special Tax Bonds	16,885,000
\$ 6,485,000 CFD 2000-1, Series A Special Tax Bonds	6,165,000
\$ 1,610,000 CFD 2000-1, Series B Special Tax Bonds	1,560,000
\$20,295,000 Ref CFD 89-1, Series A District-Wide Local Bonds	16,420,000
\$15,715,000 Ref CFD 89-1, Series A-1 Imp Area Local Bonds	12,370,000
\$ 3,875,000 CFD 2001-2 Special Tax Bonds	3,540,000
\$ 3,415,000 CFD 2002-4 Special Tax Bonds	9,415,000
\$ 6,135,000 CFD 2003-2 Special Tax Bonds	6,135,000
\$22,475,000 CFD 2002-1 Special Tax Bonds & Escrow Term Bonds	22,475,000
\$ 3,805,000 CFD 2004-1 Special Tax Bonds	3,805,000
<b>Total Community Facilities District Bonds (No City Liability)</b>	<b>\$164,865,000</b>

25) Bond Requirements

At June 30, 2006, management believes the City and its component units are in compliance with all covenants of the various debt indentures.

26) Credit Agreements

The City has entered into letter of credit agreements with Citizens Business Bank and Bank of America. The irrevocable Letters of Credit have been issued in favor of Southern California Edison to comply with various Interconnection Facilities Agreements that the Corona Department of Water & Power has entered into in order to provide electric distribution. The Irrevocable Letters of Credit have expiration dates, however they are automatically extended without amendment annually. The irrevocable Letters of Credit are to remain in effect until all payment obligations under the terms of the Interconnection Facilities Agreements have been satisfied.

The following Irrevocable Letters of Credit are outstanding as of June 30, 2006:

Payee	Issue Date	Renewal Date	Amount
Southern California Edison	12/20/2002	12/26/2006	\$ 21,225
Southern California Edison	10/15/2005	10/16/2006	176,593
Southern California Edison	4/12/2005	4/12/2007	106,433
Southern California Edison	9/28/2005	10/14/2006	297,000
Southern California Edison	4/11/2005	4/5/2007	121,850
<b>Total Irrevocable Letters of Credit</b>			<b>\$ 723,101</b>

Unreserved fund balances in the Fund Financial Statements are designated by Management as follows:

General Fund		
Contributing Appropriations	\$	3,007,665
Miscellaneous		1,529,079
Development Agreements		3,981,018
ECB Reserve		3,774,388
Budget Balancing Reserve		16,917,410
Designated for Contingencies		15,368,963
Park Improvements		2,200,000
Corporate Yard Expansion Project		8,568,111
<b>Total General Fund</b>	<b>\$</b>	<b>52,365,352</b>

28) Deficit Fund Balances

The City Facilities fund in Special Revenue had a deficit fund balance of \$301,599 at June 30, 2006. This deficit will be financed through future revenues of the fund.

29) Defined Benefit Pension Plan

A. Plan Description

The City's defined benefit pension plan (the Miscellaneous Plan, the Safety Police Plan and the Safety Fire Plan) provide retirement, disability and death benefits to plan members and beneficiaries. These Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer system that acts as a common investment and administrative agent for cities in the state of California. The benefit provisions are established by state statutes within the Public Employees' Retirement Law. The City adopts its benefit provisions through contract with CalPERS and approves them through Council Resolutions and specific agreements with City labor groups. Copies of PERS' annual financial report may be obtained from their Executive Office located at Lincoln Plaza North, 400 Q Street, Sacramento, California 95814.

The City's payroll for employees covered by the System for the year ended June 30, 2006 was \$21,747,426 for safety members (which represents 40.4% of covered payroll) and \$32,016,778 for miscellaneous members (which represents 59.6% of covered payroll), a total covered payroll of \$53,764,204. The total City payroll for the fiscal year was \$67,774,029. All full-time City employees are eligible to participate in PERS. Benefits vest after five years of service. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a percent of their highest annual salary for each year of service credit.

B. Funding Policy

Active plan members in PERS are required to contribute a percent of their annual covered salary, as identified in the table below. The City pays the contributions required

27) Classification of Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

**Invested in Capital Assets, Net of Related Debt** - This category groups all capital assets, including infrastructure, 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 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. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.

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

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2006, reservations of fund balance are described below:

**Reserved for Encumbrances** - These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received.

**Reserved for Loans Receivable** - These reserves were established to reflect the non-current portion of other loans and other receivables so that they will not be considered as current available funds.

**Reserved for Inventories and Prepayments** - These reserves were established to reflect non-current resources so that they will not be considered as current available funds.

**Reserved for Debt Service** - These reserves were established to provide for future debt service.

**Reserved for Land Held for Resale** - This reserve was established to reflect non-current resources so they will not be considered as current available funds.

**Reserved for Low and Moderate Income Housing** - This designation represents 20% of tax increment revenues generated by the Redevelopment Project Area to increase and improve the supply of low and moderate income housing.

**Reserved for Interfund Advances** - These reserves were established to reflect the non-current portion of advances so that they will not be considered as current available funds.

of all miscellaneous employees hired before January 1, 1999 and for all police safety employees hired before January 1, 2000. The employees hired after those dates pay a portion of the required member contribution totaling 3% and 4%, respectively, while the City pays the remaining 5% and 5% of the member's contribution, respectively. Fire safety members make their employee payments on their own behalf regardless of hire date. The rates are set by statute and therefore normally remain unchanged from year to year.

Category	Member Rates as a Percent of Wage	2006-06 Amount Paid
Local Miscellaneous Members	8%	\$ 2,561,342
Local Police Safety Members	9%	1,182,117
Local Fire Safety Members	8%	775,152
<b>Total Member Portion Paid</b>		<b>\$ 4,518,611</b>

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefit for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2006-06 was 15.492% for miscellaneous employees, 28.024% for the police safety group and 29.501% for the fire safety group. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS.

C. Annual Pension Cost

For fiscal year 2005-06, the City's annual pension cost was \$6,284,115, but the amount the City actually contributed was \$10,754,459 due to the unfunded liability. The required contribution for fiscal year 2005-06 was determined as part of the June 30, 2003 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) an investment rate of return of 7.70% (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% depending on age, service and type of employment for the miscellaneous employees (for the Safety Police Plan and the Safety Fire Plan, salary increases range from 3.25% to 13.15%). Both (a) and (b) include an inflation component of 3.00% and a payroll growth factor of 3.25% for all three groups, but do not include any post retirement benefit increases. The actuarial value of PERS assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over three year period. The City's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of payroll on a closed basis. The amortization period varies between the three different plans of the City. For the 2005-06 fiscal year the average remaining amortization periods were: Miscellaneous, 18 years; Police, 13 years; Fire, 17 years.

For 2005-06 the annual rate components were as follows:

	Miscellaneous	Fire	Police
Normal Cost Rate	9.57%	16.33%	15.05%
Unfunded Liability Rate	5.92%	14.17%	10.58%
<b>Total Annual Rate</b>	<b>15.49%</b>	<b>29.50%</b>	<b>25.63%</b>

The amounts required under the preceding categories for 2005-06 were as follows:

	Miscellaneous	Fire	Police	Total
Normal Cost	\$ 3,181,164	\$ 1,219,774	\$ 1,833,177	\$ 6,264,115
Unfunded Liability	1,959,070	1,127,065	1,374,179	4,470,344
<b>Total City Portion Paid</b>	<b>\$ 5,150,234</b>	<b>\$ 2,346,839</b>	<b>\$ 3,257,356</b>	<b>\$ 10,754,459</b>

**D. Trend Information**

Three years of trend information regarding annual pension costs, including costs paid on behalf of the employees, is summarized as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 4,748,394	100%	\$0
6/30/2005	5,877,120	100%	0
6/30/2006	6,284,115	100%	0

**30) Pension Plan (Defined Contribution)**

The City provides pension benefits for all of its PST employees through the City's Deferred Compensation Plan for Part-time, Seasonal and Temporary Employees, which is a defined contribution plan. The plan is administered by Nationwide Retirement Solutions. The purpose of the plan is to provide part-time, seasonal and temporary employees with a retirement plan as mandated by and in compliance with the Federal Omnibus Reconciliation Act of 1990. Per Department of Treasury regulations, the City has established this substitute retirement plan under section 457 of the Internal Revenue Code of 1936, as amended. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate from the date of employment. The City requires the employee to contribute 6.2% of the 7.5% required by the Federal Government. The City's contribution for each employee and interest allocated to the employee's account are fully vested immediately. During the past year, the City contributed \$24,564 on hourly salaries of \$1,889,538 with the employees contributing \$117,151.

**31) Post-employment Health Care Benefits**

In addition to the pension benefits described above, the City provides postemployment health care benefits, in accordance with the health care regulations of the Public Employees Retirement System, to all employees who retire from the City on or after attaining age 50 with at least five years of service. Currently, 322 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$2,514,067 were recognized for postemployment health care.

The City also provides life insurance for employees who retire from active work who are 50 years of age and have a minimum of five years of service. The amount of life insurance provided is \$50,000 until the age of 70. Currently, 220 retirees are involved in this insurance plan with a cost for the fiscal year ending June 30, 2006 of \$23,430. Expenditures for post-employment life insurance are funded on a pay-as-you-go basis.

**32) Commitments and Contingencies**

The City has entered into several operating lease agreements in the conduct of its day-to-day operations to provide for facilities and/or services. None of these operating leases are considered to be significant commitments.

As of June 30, 2006, the Redevelopment Agency had entered into various owner participation and development and disposition agreements with businesses and property owners within the Agency's project areas. These agreements provide for various incentives, including land subsidies, sales tax rebates and debt forgiveness to specific projects based on revenues generated by those projects.

The City is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions when finally adjudicated will not have material adverse effect on the financial position of the City.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or refunded to the taxpayers through revised tax rates or revised fee schedules. For the fiscal year ending June 30, 2006, the City's appropriations limit totals \$291,463,613 and the City's appropriations subject to limitation are \$73,214,994.

On November 5, 1996, California voters passed Proposition 215 which requires, in general, that any new implementation, increase or extension of taxes, fees, and charges be put to a vote of the public. The City has held two special elections for property owners in special districts asking for a proportional increase in the annual assessment for landscape maintenance on publicly owned medians and easements. All the elections were defeated. As a result, services in those districts continue to be provided at a level equal to the assessments prior to the elections.

On September 28, 1995, the California Supreme Court reversed a Court of Appeals decision which reinstated provisions of Proposition 62 which was a 1986 voter initiative that required all general taxes to be approved by simple majority vote of the electorate. The Supreme Court provided very little detail on a number of issues surrounding their decision but the only possible exposure, if any, to the decision for the City would be its transient occupancy tax which was increased by 2% in 1989. It remains unclear what, if any, liability the City may have.

As of June 30, 2006, in the opinion of City Administration, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

**33) Conduit Debt Obligations**

Not included in the accompanying financial statements are various conduit debt obligations issued under the name of the City and/or the Redevelopment Agency. The Bonds are not secured by or payable from revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Corona Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal or interest on the Bonds nor is the City or the Agency in any manner obligated to make any appropriations for payments on these bonds. At June 30, 2006, the aggregate principal amount of Conduit Debt Obligations outstanding totaled \$65,405,839.

**34) Prior Period Adjustments**

At June 30, 2006, the City of Corona reclassified certain information to correct transactions recorded incorrectly in prior years.

<b>Due To / From Other Funds:</b>	
Increase General Fund Due From Other Funds	\$ 9,539,489
Increase Special Revenue Due To Other Funds	(9,539,489)
Net prior period adjustment to Due To / From Other Funds	\$ 0
<b>Due From Other Governments</b>	
Increase Due From Other Governments	\$ 431,556
<b>Capital Assets:</b>	
Reduce Construction in Progress	\$ (1,782,180)
Reduce Government-Wide Construction in Progress	(7,764,180)
Net prior period adjustments to Capital Assets	\$ (9,526,340)

For the Government-Wide Financial Statements, the following restatement amounts were reported as of June 30, 2006:

	Governmental Activities	Business-Type Activities
<b>Net Assets:</b>		
As previously reported	\$ 711,501,326	\$ 62,034,144
Prior Period Adjustments	(7,382,624)	(1,762,160)
<b>As restated</b>	<b>\$ 704,118,702</b>	<b>\$ 60,271,984</b>

For the Fund Financial Statements, the following restatement amounts were reported as of June 30, 2006:

	Major Funds		Non-Major Funds
	Proprietary Funds		
	Water Fund	Wastewater Fund	
<b>Fund Balances/Net Assets:</b>			
As previously reported	\$ 38,951,118	\$ 19,960,681	
Prior Period Adjustments	(1,703,701)	(58,469)	
<b>As restated</b>	<b>\$ 37,257,417</b>	<b>\$ 19,902,432</b>	
	Major Funds		Non-Major Funds
	Governmental Funds	Governmental Funds	Other Governmental Funds
	General Fund	Development Special Revenue	
<b>Fund Balances/Net Assets:</b>			
As previously reported	\$ 45,283,788	\$ 23,170,212	\$ 26,479,983
Prior Period Adjustments	9,539,489	(9,539,489)	431,556
<b>As restated</b>	<b>\$ 54,823,277</b>	<b>\$ 13,630,723</b>	<b>\$ 26,911,539</b>

35) Net Revenue and Changes in Net Assets

The governmental activities for the Public Works program reflect net revenue of \$7,255,663 on the Statement of Activities and Changes in Net Assets. This is due to the timing of the completion of capital projects funded in the program as well as the City's intentional building up of certain developer impact fees for upcoming capital improvement projects.

36) Subsequent Events

The Corona Public Financing Authority will be issuing 2006 Lease Revenue Bonds, Series C for approximately \$36 million. The Bonds are expected to be issued in December 2006. Approximately \$25 million in project funds will be used for phase one of the Corporation Yard Expansion Project. New construction is planned to include a two building complex which will house the Department of Water and Power, field staff, the Emergency Operations Center and a new jail. There will be various site improvements and the addition of an access road. It is intended that the Police Department will relocate to the existing Corporation Yard Administration Building. A portion of the proceeds of the Bonds will be used to refund and defease \$11,120,000 principal amount of the Authority's outstanding 2006 Lease Revenue Bonds, Series A maturing on September 1, 2007 and 2008 with the remaining bonds called on September 1, 2008. The new debt service attributable to the refunding will lower the annual debt service to the Authority. The existing Lease Agreement between the Authority and the City will be amended and restated to reflect the refunding and the addition of new debt.

The Redevelopment Agency of the City of Corona Intends to Issue 2007 Tax Allocation Series A Bonds In January 2007. The Bonds are being issued to finance redevelopment in the Temescal Canyon Project Area.

90

BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on four expenditure categories; personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature or known as recurring costs. Capital improvement projects are asset acquisitions, facilities, systems, and infrastructure improvements typically over \$50,000, and/or those items "outside" of the normal operational budget. These are known as one-time costs.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue, Debt Service and Capital Projects funds. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated. Corona follows the General Fund Expenditure Control Budget, or ECB, guidelines as outlined in the budget resolution.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Manager's Office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations before preparing the document that is proposed to the City Council. The City Council reviews the Proposed Budget through a series of committees and workshops and the final adoption of the budget is scheduled for the second City Council meeting in June.

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Before the beginning of the fiscal year the City Manager submits to the City Council a proposed budget for the year commencing July 1.
2. A public meeting is conducted to obtain taxpayer comments.
3. The budget is subsequently adopted through passage of a resolution and is not included herein but is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all unencumbered budgeted amounts lapse at year-end, except in the General Fund

91

where an expenditure control budget policy allows departments to carryover a portion of the unexpended amounts into the next fiscal year.

5. Continuing Appropriations are re-budgeted by the City Council as part of the adoption of subsequent year's budgets.
6. Legally adopted budget appropriations are set for the General, Special Revenue, Debt Service and Capital Projects Funds.
7. The legal level of budgetary control is at the department level. A Department Head may transfer appropriations within the department. Expenditures may exceed appropriations at this level to the extent that departmental owned revenues are sufficient to offset the excess. Expenditures in excess of departmental owned revenues must be approved by the City Council. The City Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriation transfers between funds.
8. Budgets for General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

The 2005-06 fiscal year budget was the twelfth year that the budget was prepared in accordance with the ECB policies adopted by the City Council for the General Fund. Departments are given increased flexibility and incentives for meeting their goals as well as being assigned greater accountability for their performance in carrying out their mission. According to the ECB policies, the departments are allowed to carry over certain unspent portions of their individual departmental budgets to be used in future years.

A comparison of the original budget to the final follows:

General Fund

Aside from prior year continuing appropriations of \$2.3 million for capital projects and \$1.9 million in committed purchase orders that were carried forward, there were \$3.5 million in supplemental appropriations for the General Fund. These supplemental appropriations included \$1.4 million of ECB savings that were approved for various departmental needs. Additionally, there were increases of \$0.2 million for Butterfield Park prefabricated buildings capital project, and \$1.4 million for public safety items, health costs increase, labor agreements, and paramedic training.

Development Special Revenue Funds

Continuing appropriations of \$10.6 million and \$1.0 million in committed purchase orders were carried forward from the prior year for various capital projects.

Redevelopment Special Revenue Fund

An increase in the final budget resulted from a carryover of \$0.8 million continuing appropriations from the prior year for various capital projects.

ECB Reserves

For fiscal year 2005-06 the amounts saved by the departments totaled \$1,909,514. The prior year carryover is \$1,865,372 giving the departments a total of \$3,774,886 in reserves. This is designated in the General Fund Balance under the title of Unreserved Fund Balance. Further details are in the notes to the Basic Financial Statements under Note 27, ECB Reserve. The following presents a list of savings by department:

92

Department	FY 2005-06	Prior Year Carryover	Total ECB Savings Carryover
City Council	\$ 1,062	\$ 9,925	\$ 10,987
Management Services	40,245	72,470	112,715
City Clerk	14,933	17,316	31,849
City Treasurer	11	6,249	6,260
Human Resources	1,279	63,305	64,584
Information Technology		23,594	23,594
General Government		200,368	200,368
Finance	41,930	158,234	200,214
Planning	192,691	140,928	333,817
Building	89,754	745	87,499
Fire	515,528	147,104	662,630
Police	382,093	560,461	962,584
Public Works	99,174	330,759	425,933
Library	439,701	56,516	496,217
Parks and Community Services	94,765	61,870	156,635
<b>Total</b>	<b>\$ 1,909,514</b>	<b>\$ 1,865,372</b>	<b>\$ 3,774,886</b>

93

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2006

**Budgetary Comparison Schedule, General Fund  
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final		(Unfavorable) Variance with Final Budget
Fund Balance, July 1, Restated	\$ 46,283,788	\$ 46,283,788	\$ 54,833,277	\$ 8,549,489
<b>Resources (inflows):</b>				
Property Taxes	26,855,751	28,683,818	31,978,647	2,695,729
Other Taxes	42,371,703	45,773,523	47,243,504	1,470,181
Licenses, Fees, and Permits	2,361,594	2,641,594	3,742,038	1,100,594
Fines and Penalties	488,577	531,725	726,583	111,881
Investment Earnings	1,312,405	1,374,097	1,801,045	318,948
Intergovernmental Revenue	1,128,445	3,673,582	4,094,576	420,894
Current Services	7,208,947	7,548,003	9,847,203	2,199,200
Other Revenue	8,000,042	8,226,526	7,021,851	(798,125)
Payments In Lieu of Services	8,802,012	8,315,947	10,897,229	1,381,282
Transfers from other Funds	7,005,237	7,004,237	3,244,638	(2,240,401)
Amount available for appropriation	\$ 103,543,120	\$ 112,331,802	\$ 125,925,117	\$ 13,333,255
<b>Changes to appropriations (outflows):</b>				
General Government:				
City Council	\$ 153,695	\$ 185,972	\$ -	\$ 185,972
Management Services	1,686,798	1,189,829	1,832,807	(433,288)
City Treasurer	16,106	17,960	17,837	23
Human Resources	686,071	768,154	786,596	2,568
Information Technology	1,716,089	1,794,221	1,794,631	19,590
Finance	3,309,841	3,388,908	2,862,070	124,838
Community Development:				
Building	2,351,163	2,891,453	2,385,786	295,997
Planning	1,804,829	2,105,839	1,686,430	417,409
Redevelopment	3,810,894	4,275,819	2,875,146	1,400,671
Public Safety:				
Fine	16,798,738	19,714,033	19,678,591	27,832
Police	36,679,338	35,939,476	35,450,569	468,917
Public Works:				
Engineering Services	4,097,129	4,303,115	4,331,014	(26,925)
Services	4,190,875	4,434,449	4,391,621	72,668
Culture and Recreation:				
Library	2,855,846	3,006,167	2,691,794	74,373
Parks	7,470,972	7,503,147	7,284,504	220,643
Non-Departmental:				
General Government	11,019,890	11,889,714	9,711,252	2,178,462
Capital Outlay	4,629,878	8,245,475	2,384,287	5,861,178
Transfers to other funds	2,976,483	2,878,463	5,823,521	(2,947,038)
Total changes to appropriations	106,124,307	113,639,009	106,438,463	6,591,151
Excess of resources over (under) changes to appropriations	(2,581,217)	(1,407,197)	20,456,659	21,834,456
Fund Balance, June 30	\$ 46,702,541	\$ 43,676,041	\$ 75,249,936	\$ 31,373,856

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2006

**Budgetary Comparison Schedule, Development Special Revenue Fund  
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final		(Unfavorable) Variance with Final Budget
Fund Balance, July 1, Restated	\$ 23,170,212	\$ 23,170,212	\$ 13,830,723	\$ (9,339,489)
<b>Resources (inflows):</b>				
Licenses, Fees and Permits	3,757,534	3,767,334	7,788,446	4,028,914
Investment Earnings	243,240	243,240	725,620	482,380
Intergovernmental Revenue	-	-	14,156	14,156
Other Revenue	-	-	228,627	228,627
Payments In Lieu of Services	384,000	384,000	543,621	259,621
Transfers from other Funds	-	-	517,081	517,081
Amount available for appropriation	\$ 4,384,774	\$ 4,384,774	\$ 10,915,533	\$ 5,830,759
<b>Changes to appropriations (outflows):</b>				
General Government	\$ -	\$ -	\$ 1,025,396	\$ (1,025,396)
Public Works	176,471	181,186	786,490	(627,304)
Parks and Community Services	-	-	261,851	(261,851)
Fine	2,870	2,870	12,789	(12,789)
Police	-	-	208,308	(208,308)
Library	-	-	253,597	(253,597)
Capital Outlay	3,770,050	16,821,311	1,949,252	14,872,059
Debt Service	-	-	1,003,137	(1,003,137)
Transfers to other Funds	485,473	485,473	1,369,203	(883,730)
Total changes to appropriations	4,434,592	17,470,945	8,861,985	10,608,960
Excess of Resources over (under) changes to appropriations	(90,195)	(13,086,171)	3,153,578	16,236,740
Fund Balance, June 30	\$ 23,120,017	\$ 10,084,041	\$ 16,734,301	\$ 6,700,220

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2006

**Budgetary Comparison Schedule, Redevelopment Special Revenue Fund  
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final		(Unfavorable) Variance with Final Budget
Fund Balance, July 1	\$ 4,940,103	\$ 4,940,103	\$ 4,777,766	\$ (162,337)
<b>Resources (inflows):</b>				
Investment Earnings	65,325	66,325	121,769	55,461
Current Services	-	-	-	-
Other Resources	333,093	333,000	734,259	401,259
Transfers from other Funds	2,872,814	2,872,814	3,817,787	945,173
Amount available for appropriation	\$ 3,270,942	\$ 3,270,942	\$ 4,573,815	\$ 1,402,873
<b>Changes to appropriations (outflows):</b>				
Redevelopment	\$ 2,417,144	\$ 4,363,665	\$ 4,467,775	\$ (66,360)
Debt Service:				
Interest and Fiscal Charges	-	122,927	185,049	(62,122)
Transfers to Other Funds	709,270	709,270	709,270	-
Total changes to appropriations	3,126,414	5,201,082	4,692,824	548,258
Excess of Resources over (under) changes to appropriations	144,528	(1,930,140)	21,911	1,951,151
Fund Balance, June 30	\$ 5,084,831	\$ 3,039,963	\$ 4,736,807	\$ 1,788,844

**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; water purification and distribution system; wastewater collection and treatment system; park and recreation lands and improvement system; storm water conveyance system; and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2006

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In April 2005, the City commissioned a study to update the physical condition assessment of the streets. The prior assessment study was completed in November 2004. The streets, primarily concrete and asphalt pavements were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City owned streets are classified based on land use, access and traffic utilization into the following four classifications: arterial/major, secondary, collector and local. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new arterial. The following conditions were defined:

Condition	Rating
Excellent	66-100
Very Good	71-65
Good	59-70
Fair	41-55
Poor	28-40
Very Poor	11-25
Distressed	0-10

The City Policy is to achieve an average rating of 70 for all streets, which is a good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2006, the City's street system was rated at a PCI index of 71 on the average with the detail condition as follows:

Condition	% of Streets
Excellent to Good	79%
Fair	7%
Poor to Distressed	14%

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$7,253,669 on street maintenance for the fiscal year ended June 30, 2006. These expenditures delayed deterioration, however the overall condition of the streets was not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required maintaining the City's streets at the average PCI rating of 70 through the year 2011 is a

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2006

minimum of \$9,700,000. A schedule of the estimated annual amount required to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below.

Fiscal Year	Maintenance		PCI Rating
	Estimate	Actual Expenditures	
2001-02	3,500,000	4,542,385	74
2002-03	3,500,000	5,863,817	73
2003-04	3,500,000	5,326,688	71
2004-05	3,500,000	3,806,468	71
2005-06	4,000,000	7,253,668	71

The City also has an on-going street rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System (PMS). As of June 30, 2005, approximately 21% of the City's streets were rated below the average standard of 70. This represents a decrease over the prior year when the City had 17% of its streets rated below 70. The City will continue to rehabilitate these segments of the streets. Total deficiencies identified in the PMS amounted to approximately \$65,300,000 for all streets, with \$43,700,000 in deficiencies on street segments rated below the PCI of 70.

**PENSION TREND DATA**

A schedule of funding progress for the year ended June 30, 2006 including the past three actuarial valuations is presented below.

The Fire Safety Plan of the City of Corona had less than 100 members as of June 30, 2008. CalPERS required participation in a risk pool, known as "Safety 3.0% at 50 Risk Pool." At the time of joining the risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan. The difference in the pool's normal cost and the City's stand-alone normal cost will be phased out over five years, beginning in 2005/2006 and continuing until the Fire Safety Plan is fully subject to the pool's normal cost. The schedule of funding progress below shows the recent history of the Risk Pool for the Fire Safety Employees Group.

**CITY OF CORONA**

Required Supplementary Information (continued)  
June 30, 2006

	Actuarial Valuation Date	Actual Asset Value	Entry Age Actuarial Accrued Liability	Underfunded (Overfunded)		Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
				Actuarial Accrued Liability	Funded Ratio		
Miscellaneous Employees Group	09/30/03	67,170,526	105,034,472	17,863,644	63.0%	30,232,943	58.1%
	09/30/04	94,372,442	114,022,033	20,259,591	62.3%	31,103,808	65.3%
	09/30/05	103,687,895	137,222,933	30,536,103	77.1%	31,576,333	93.7%
Police Safety Employees Group	06/30/03	52,785,103	64,422,536	11,637,400	61.8%	11,371,795	102.3%
	06/30/04	66,318,193	70,582,257	12,179,068	62.1%	12,149,747	102.5%
	06/30/05	65,056,955	78,536,357	13,430,502	62.9%	12,348,834	108.8%
Fire Safety Employees Group	09/30/03	3,577,742,166	4,270,575,952	692,831,816	83.8%	476,193,574	145.6%
	09/30/04	4,424,633,845	5,381,021,942	956,336,095	82.2%	578,205,454	166.8%
	06/30/05	6,235,151,575	6,367,042,264	1,071,888,889	83.2%	664,147,733	161.4%

**Supplementary Information**

[THIS PAGE INTENTIONALLY LEFT BLANK]





**Nonmajor Governmental Funds**

**CITY OF CORONA  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006**

	Special Revenue			
	Traffic Safety	Gas Fee	Measure A	Trip Reduction
<b>Assets:</b>				
Cash and Investments	\$ 58,020	\$ 1,396,102	\$ 12,513,452	\$ 270,056
Accounts Receivable, Net	466			
Interest Receivable		19,456	134,610	2,025
Due from Other Governmental Agencies	66,627	243,835	1,075,157	44,753
Due from Other Funds		1,561		
Long-term Receivable				
Unexp. Receivable				
Restricted Assets:				
Cash and Investments				
<b>Total Assets</b>	<b>\$ 125,433</b>	<b>\$ 2,650,950</b>	<b>\$ 13,727,234</b>	<b>\$ 327,649</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$	\$ 421,151	\$ 608,675	\$ 1,222
Due to Other Funds		2,620	1,503	
Deferred Revenues				
Unassigned Revenue				
Interfund Accounts Payable				
Liabilities Payable from Restricted Assets		52,122	303,030	
<b>Total Liabilities</b>		<b>475,893</b>	<b>913,208</b>	<b>1,222</b>
<b>Fund Balances:</b>				
Reserved for:				
Provisional		721,833	749,864	
Debt Service				
Unassigned, reported in Disposition Understatement	139,429	1,933,248	12,028,660	324,124
<b>Total Fund Balances (Deficit)</b>	<b>139,429</b>	<b>2,455,089</b>	<b>12,774,364</b>	<b>324,124</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 139,429</b>	<b>\$ 2,650,929</b>	<b>\$ 13,727,234</b>	<b>\$ 327,649</b>

	Special Revenue					
	City Facilities	Asset Portfolios	Real-Estate Refuse	Special Tax Districts	Children & Family Grant	Other Grants & Encumbrances
	\$ 44,532	\$ 333,872	\$ 421,556	\$ 1,843,371	\$ 6,882	\$ 268,704
	17,862		616,020	122		1,800
	486	2,743	4,512	83,483		7,869
			61,146	765,708	3,100	181,133
	10,000		84,746	316,514		195,410
	\$ 73,083	\$ 336,615	\$ 1,359,734	\$ 2,209,204	\$ 0,982	\$ 1,196,050
	\$ 6,569	\$ 1,363	\$ 888,041	\$ 787,107	\$ 2,437	\$ 14,412
	2,732			1,900		467
	11,255	14,724	84,146		302	190,410
	316,030					
	\$74,652	16,687	1,062,187	208,427	2,738	235,288
				2,215	5,257	11,167
				316,514		
				7,880,000	6,910	933,597
	(301,899)	320,626	64,148	(67,816)		
	(391,989)	320,620	4,547	8,001,727	6,913	944,764
	\$ 73,083	\$ 336,615	\$ 1,359,734	\$ 8,201,204	\$ 9,895	\$ 1,191,082

Continued

**CITY OF CORONA**  
**Combining Balance Sheet**  
**Major Governmental Funds**  
**June 30, 2006**

	Debt Service		
	General Obligation	Amortment Obligation	Public Financing Authority
<b>Assets:</b>			
Cash and Investments	\$ 94,307	\$ 686,674	\$ -
Accounts Receivable, Net	867	5,215	101,290
Interest Receivable	57,256	11,932	-
Due from Other Governmental Agencies	-	2,424,100	-
Long-Term Receivable	-	-	-
Loans Receivable	-	-	-
Investment Accounts	673,925	153,742	5,772,650
Cash and Investments	-	-	-
<b>Total Assets</b>	<b>\$ 816,215</b>	<b>\$ 3,288,663</b>	<b>\$ 5,873,940</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,145	\$ -
Due to Other Funds	-	-	-
Deferred Revenues	24,349	2,000,300	-
Unearned Revenues	-	-	-
Interfund Advances Payable	-	-	-
Liabilities Payable from Postpaid Assets	-	-	-
<b>Total Liabilities</b>	<b>\$ 24,349</b>	<b>\$ 2,001,445</b>	<b>\$ -</b>
<b>Fund Balances:</b>			
Encumbrances	751,866	882,816	5,475,762
Special Projects and Programs	-	-	-
General Fund Balances	791,800	882,816	5,475,762
<b>Total Fund Balances (Deficit)</b>	<b>\$ 791,800</b>	<b>\$ 882,816</b>	<b>\$ 5,475,762</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 816,215</b>	<b>\$ 3,288,663</b>	<b>\$ 5,475,762</b>

	Capital Projects				Total Other Governmental Funds
	HUD Grants	Planned Local Drainage	Other Grants	Public Facilities Projects	
	\$ (58,917)	\$ -	\$ -	\$ 1,289,618	\$ 26,560,853
	2,811	-	-	3,028	320,153
	669,256	144,875	2,126,350	1,546,731	10,003,919
	487,348	-	-	-	2,963,000
	17,266	-	29,650	440,986	482,346
	\$ 1,098,223	\$ 144,975	\$ 2,156,000	\$ 1,730,624	\$ 46,868,671
	\$ 248,643	\$ 6,658	\$ 518,056	\$ 130,994	\$ 1,141,451
	-	124,279	1,740,379	5,031,022	5,621,422
	-	-	13,254	488,092	1,751,852
	422,376	-	-	-	432,380
	17,000	-	28,650	448,986	358,000
	797,829	124,327	2,162,019	4,912,732	14,205,181
	345,775	-	2,534,804	2,111,827	6,807,522
	204,018	11,815	(2,669,953)	(1,288,788)	22,108,042
	330,664	11,632	4,011	891,049	32,721,969
	\$ 1,068,703	\$ 141,576	\$ 2,156,000	\$ 6,703,626	\$ 46,868,671

**CITY OF CORONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Major Governmental Funds**  
**Year Ended June 30, 2006**

	Special Revenue			
	Tire & Safety	Gas	Measures A	Trip Reduction
<b>Revenues:</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	385,799	-	-	-
Licenses, Fees and Fines	7,555	77,327	239,055	6,394
Investment Earnings	2,966,063	6,307,547	175,804	-
Intergovernmental Revenues	-	1,613	65	354
General Services	-	-	-	-
Gifts and Donations	-	-	-	-
Other Revenues	-	-	-	-
<b>Total Revenues</b>	<b>\$ 3,359,417</b>	<b>\$ 2,765,033</b>	<b>\$ 2,884,569</b>	<b>\$ 182,632</b>
<b>Expenditures:</b>				
General	-	1,090	9,435	-
Police	-	1,822,220	4,333,568	119,498
Public Works	-	-	-	-
Parks and Community Services	-	-	-	-
Public Safety	200,754	-	256,250	-
Capital Outlay	-	-	432,474	39,558
Debt Service	-	-	-	-
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 200,754</b>	<b>\$ 1,823,220</b>	<b>\$ 4,824,252</b>	<b>\$ 119,498</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 3,158,663</b>	<b>\$ 941,813</b>	<b>\$ 2,060,317</b>	<b>\$ 66,134</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	(873,817)	(1,181,083)	3,024,182	(108)
Transfers Out	(975,817)	(1,150,288)	(3,024,182)	(98,997)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,849,634)</b>	<b>\$ (2,331,371)</b>	<b>\$ 0</b>	<b>\$ (1,006,905)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,309,029</b>	<b>\$ 610,442</b>	<b>\$ 2,060,317</b>	<b>\$ (945,771)</b>
<b>Fund Balances - Beginning of Year, As Restated</b>	<b>\$ 136,459</b>	<b>\$ 2,222,434</b>	<b>\$ 8,832,828</b>	<b>\$ 229,424</b>
<b>Fund Balances - End of Year</b>	<b>\$ 130,430</b>	<b>\$ 2,158,091</b>	<b>\$ 10,893,145</b>	<b>\$ 133,653</b>

	Special Revenue					
	City Facilities	Asset Forfeiture	Passenger Refund	Special Tax Districts	Children & Families Grant	Other Grants & Endowments
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	52,433	209,495	-	5,771,311	-	-
	955	7,945	8,826	109,463	272	10,550
	14,013	10,000	90,690	-	79,548	1,132,849
	-	-	6,080,857	28,961	-	219,855
	257,006	-	10	84,886	-	-
	274,487	227,741	6,100,719	7,082,851	78,820	1,371,864
	-	57,965	6,390,707	2,054,285	-	418,106
	239,014	-	-	2,071,341	-	-
	-	-	-	120,260	79,750	139,709
	-	-	-	-	-	185,906
	298,014	87,865	6,362,707	7,027,811	78,756	723,806
	35,481	125,179	(193,990)	504,822	65	648,036
	19,269	-	300,385	236,625	6,552	594
	(123,817)	-	(12,355)	-	-	(804)
	19,269	-	397,382	236,625	6,552	-
	54,752	139,940	183,974	540,457	8,617	848,038
	(950,391)	161,352	(179,627)	7,461,320	298	296,726
	\$ 293,589	\$ 206,526	\$ 4,547	\$ 8,001,777	\$ 8,913	\$ 944,874

**CITY OF CORONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

	Data Service		
	General Obligations	Assessment Districts	Public Financing Authority
<b>Revenues:</b>			
Property Taxes	\$ 733,519	\$	\$
Other Taxes			
Licenses, Fees and Permits			
Fines, Penalties, and Forfeitures			
Special Assessments		546,933	
Investment Earnings	19,775	18,735	104,528
Intergovernmental Revenues			
Concessions			
Sales and Discounts			
Other Revenues			
<b>Total Revenues</b>	<b>753,294</b>	<b>565,668</b>	<b>909,056</b>
<b>Expenditures:</b>			
Current:			
Planning			
Police			
Public Works			
Parks and Recreation Services			
Public Safety			
Library			
Public Safety			
Police Services			
Police Personnel	1,100,000	325,000	941,554
Interest and Fiscal Charges	132,288	277,170	841,554
<b>Total Expenditures</b>	<b>1,232,288</b>	<b>602,170</b>	<b>941,554</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(478,994)</b>	<b>(336,502)</b>	<b>(37,902)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In			942,030
Transfers Out			(810,268)
<b>Total Other Financing Sources (Uses)</b>			<b>131,762</b>
<b>Net Change in Fund Balances</b>	<b>(347,232)</b>	<b>(368,062)</b>	<b>(149,140)</b>
<b>Fund Balance - Start of Year</b>	<b>\$ 1,288,150</b>	<b>\$ 933,720</b>	<b>\$ 1,490,178</b>
	<b>\$ 940,918</b>	<b>\$ 565,658</b>	<b>\$ 1,341,038</b>

	Capital Projects				Total Other Governmental Funds
	HUD Grants	Federal Local Drainage	Other Grants	Public Facilities Projects	
	\$	\$	\$	\$	\$ 775,512
		171,388			524,321
	4,356		5,022	25,503	1,079,284
	1,370,169		2,273,718	3,450,415	7,325,244
					151,573
					6,500,659
	383,463	3,170			677,376
	<b>1,748,968</b>	<b>475,057</b>	<b>2,278,740</b>	<b>3,475,915</b>	<b>26,418,896</b>
	151,100				164,400
	209,870	444,810	43,200		908,480
	245,947				15,849,309
	516,867				4,750,478
					858,312
	278,284		2,305,428	993,090	248,961
					4,203,274
					1,847,474
					901,220
	<b>1,295,337</b>	<b>444,810</b>	<b>2,348,628</b>	<b>926,030</b>	<b>28,561,128</b>
	104,072	281,255	(21,890)	2,549,534	8,355,804
	2,124	403	23,890	2,000,000	8,773,201
		(11)		(3,821,616)	(5,818,705)
	<b>2,124</b>	<b>492</b>	<b>23,890</b>	<b>(1,821,616)</b>	<b>145,890</b>
	360,750	30,057	2,711	728,882	8,610,200
	(112)	(15,083)	1,380	122,166	20,911,598
	<b>\$ 350,646</b>	<b>\$ 15,001</b>	<b>\$ 4,011</b>	<b>\$ 851,058</b>	<b>\$ 32,721,948</b>

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**



**CITY OF CORONA**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2008**

	Traffic Safety			Gas Tax		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property Taxes						
Licenses, Fees and Permits						
Fees, Penalties and Forfeitures	650,000	655,798	5,798			
Special Assessments						
Investment Earnings	3,725	7,358	4,633	33,654	27,327	(6,327)
Intergovernmental Revenues				2,907,509	2,690,096	(217,413)
Current Services						
Payments in Lieu of Services						
Gifts and Donations				3,357	1,810	(1,547)
Other Revenues						
<b>Total Revenues</b>	<b>653,725</b>	<b>673,156</b>	<b>20,431</b>	<b>2,941,714</b>	<b>2,719,293</b>	<b>(222,421)</b>
Expenditures:						
Current:						
General Government						
Public Works				474,431	1,842,240	(1,367,809)
Parks and Community Services						
Fire						
Police						
Recreation						
Library						
Capital Outlay				2,116,255	288,724	1,827,531
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>				<b>4,011,096</b>	<b>1,951,264</b>	<b>2,059,832</b>
Excess of Revenues Over (Under) Expenditures	252,129	179,892	72,237	(1,069,382)	768,029	(1,837,151)
Other Financing Sources (Uses):						
Transfers In						
Transfers Out	(875,817)	(973,817)	98,000			
<b>Total Other Financing Sources (Uses)</b>	<b>(875,817)</b>	<b>(973,817)</b>	<b>98,000</b>			
<b>Net Change in Fund Balances</b>	<b>\$ 64,512</b>	<b>\$ (193,925)</b>	<b>\$ (258,413)</b>	<b>\$ (1,069,382)</b>	<b>\$ (1,183,235)</b>	<b>\$ 113,853</b>
Fund Balances - Beginning of Year		158,489			2,692,434	
Fund Balances-End of Year		\$ 133,557			\$ 1,509,199	

	Measure A			Trip Reduction		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property Taxes						
Licenses, Fees and Permits						
Fees, Penalties and Forfeitures						
Special Assessments						
Investment Earnings	111,890	288,369	176,479	2,490	6,784	4,294
Intergovernmental Revenues	4,538,950	6,337,847	1,798,897	161,000	175,534	14,534
Current Services						
Payments in Lieu of Services						
Gifts and Donations						
Other Revenues				785	755	30
<b>Total Revenues</b>	<b>4,650,840</b>	<b>6,665,981</b>	<b>2,015,041</b>	<b>164,275</b>	<b>183,073</b>	<b>18,798</b>
Expenditures:						
Current:						
General Government						
Public Works	190,702	6,435	(184,267)	194,662	119,169	75,493
Parks and Community Services						
Fire						
Police						
Recreation						
Library						
Capital Outlay	18,879,107	29,256	18,849,851			
Debt Service						
Principal Retirement						
Interest and Fiscal Charges	614,632	402,424	212,208			
<b>Total Expenditures</b>	<b>11,287,611</b>	<b>4,814,211</b>	<b>6,473,400</b>	<b>194,662</b>	<b>119,169</b>	<b>75,493</b>
Excess of Revenues Over (Under) Expenditures	(6,636,771)	1,851,770	(8,488,541)	(30,387)	63,904	(29,483)
Other Financing Sources (Uses):						
Transfers In						
Transfers Out						
<b>Total Other Financing Sources (Uses)</b>				3,094,187	(3,064,187)	30,000
<b>Net Change in Fund Balances</b>	<b>\$ (4,784,999)</b>	<b>\$ 1,687,641</b>	<b>(6,472,640)</b>	<b>\$ (30,387)</b>	<b>\$ 64,004</b>	<b>\$ (26,383)</b>
Fund Balances - Beginning of Year		8,933,620			229,424	
Fund Balances-End of Year		\$ 4,148,679			\$ 165,420	

**CITY OF CORONA**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Normal Special Revenue Funds**  
**Year Ended June 30, 2008**

	City Facilities			Asset Forfeiture		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property Taxes						
Licenses, Fees and Permits	50,000	52,433	2,433			
Fees, Penalties and Forfeitures	100		(100)	20,000	203,465	183,465
Special Assessments						
Investment Earnings		955	955	4,212	7,849	3,637
Intergovernmental Revenues	10,000	14,013	4,013			
Current Services						
Payments in Lieu of Services						
Gifts and Donations						
Miscellaneous Revenues						
<b>Total Revenues</b>	<b>170,100</b>	<b>207,809</b>	<b>37,709</b>	<b>24,212</b>	<b>231,314</b>	<b>207,102</b>
Expenditures:						
Current:						
General Government						
Public Works	242,956	236,914	6,042			
Parks and Community Services						
Fire						
Police						
Recreation						
Library						
Capital Outlay						
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>242,956</b>	<b>236,914</b>	<b>6,042</b>	<b>132,279</b>	<b>87,905</b>	<b>44,374</b>
Excess of Revenues Over (Under) Expenditures	(72,856)	70,895	(43,961)	112,013	143,409	31,396
Other Financing Sources (Uses):						
Transfers In						
Transfers Out						
<b>Total Other Financing Sources (Uses)</b>						
<b>Net Change in Fund Balances</b>	<b>\$ (72,856)</b>	<b>\$ 70,895</b>	<b>(43,961)</b>	<b>\$ 112,013</b>	<b>\$ 143,409</b>	<b>\$ 31,396</b>
Fund Balances - Beginning of Year, as Restated (Note 3)		(266,251)			181,532	
Fund Balances-End of Year		\$ (195,356)			\$ 324,941	

	Residential Allowance			Special Tax Districts	
	Budget	Actual	Variance	Budget	Actual
Revenues:					
Property Taxes					
Licenses, Fees and Permits					
Fees, Penalties and Forfeitures					
Special Assessments					
Investment Earnings					
Intergovernmental Revenues					
Current Services					
Payments in Lieu of Services					
Gifts and Donations					
Miscellaneous Revenues					
<b>Total Revenues</b>	<b>6,840,471</b>	<b>6,166,719</b>	<b>(673,752)</b>	<b>9,141,265</b>	<b>7,972,651</b>
Expenditures:					
Current:					
General Government					
Public Works	6,103,998	6,306,707	202,709	3,116,818	2,954,285
Parks and Community Services					
Fire					
Police					
Recreation					
Library					
Capital Outlay					
Debt Service					
Principal Retirement					
Interest and Fiscal Charges					
<b>Total Expenditures</b>	<b>6,103,998</b>	<b>6,306,707</b>	<b>202,709</b>	<b>3,116,818</b>	<b>2,954,285</b>
Excess of Revenues Over (Under) Expenditures	736,473	(139,988)	(86,515)	5,981,447	5,018,366
Other Financing Sources (Uses):					
Transfers In					
Transfers Out					
<b>Total Other Financing Sources (Uses)</b>					
<b>Net Change in Fund Balances</b>	<b>\$ 143,617</b>	<b>\$ (270,883)</b>	<b>(127,266)</b>	<b>\$ 5,981,447</b>	<b>\$ 5,018,366</b>
Fund Balances - Beginning of Year		170,627			7,491,202
Fund Balances-End of Year		\$ (99,256)			\$ 2,472,836

**CITY OF CORONA**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual All Special Revenue Funds Year Ended June 30, 2003**

	Grant & Endowments			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
Property Taxes				50,000	52,432	2,432
Licenses, Fees and Permits				173,303	1,072,244	1,445,547
Special Assessments				6,082,346	6,772,371	275,485
Investment Earnings	10,000	10,629	629	331,282	488,852	157,570
Intergovernmental Revenues	246,561	1,212,387	965,826	7,887,181	9,572,334	1,685,153
Other Services	236,000	219,589	(16,411)	6,031,300	6,300,658	269,358
Payments in Lieu of Services						
<b>Other Revenues</b>				206,833	304,736	97,903
<b>Total Revenues</b>	<b>491,870</b>	<b>1,451,587</b>	<b>959,717</b>	<b>21,988,402</b>	<b>24,679,870</b>	<b>2,691,468</b>
<b>Expenditures:</b>						
Current:						
General Government					73,370	(13,372)
Public Works				10,470,601	18,147,228	14,475,327
Parks and Community Services				4,356,406	3,340,316	(1,016,090)
Fire						
Police	691,644	410,108	(281,536)	824,923	508,303	(316,620)
Recreation						
Library	111,700	138,705	27,005	111,700	138,705	27,005
Capital Outlay	246,601	246,681	80	14,875,148	89,1329	14,007,211
Debt Service:						
Principal Retirement				526,956	422,474	(104,482)
Interest and Fiscal Charges					95,568	(95,568)
<b>Total Expenditures</b>	<b>1,100,365</b>	<b>803,584</b>	<b>(296,781)</b>	<b>31,366,324</b>	<b>21,189,762</b>	<b>(10,176,562)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(608,495)</b>	<b>648,003</b>	<b>1,256,508</b>	<b>(9,387,922)</b>	<b>3,510,108</b>	<b>12,908,020</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In		7,149	7,149		3,904,956	3,897,807
Transfers Out		(294)	(294)		(6,974,465)	(7,075,111)
<b>Total Other Financing Sources (Uses)</b>		<b>6,855</b>	<b>6,855</b>		<b>(3,069,509)</b>	<b>(3,177,304)</b>
<b>(Under) Expenditures and Other Uses</b>	<b>\$ (608,495)</b>	<b>\$ 654,858</b>	<b>\$ 1,261,363</b>	<b>\$ (9,387,922)</b>	<b>\$ 3,510,108</b>	<b>\$ 14,030,716</b>
<b>Fund Balances - Beginning of Year, as Restated (Note 21)</b>		297,722			15,120,501	
<b>Fund Balances - End of Year</b>		<b>\$ 651,877</b>			<b>\$ 3,670,609</b>	



**CITY OF CORONA**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Debt Service Funds Year Ended June 30, 2003**

	General Obligation			Redemptive		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
Property Taxes	\$ 756,384	\$ 723,112	(33,272)	\$ 12,232,813	\$ 16,820,343	\$ 4,587,530
Special Assessments						
Intergovernmental	11,950	18,725	6,775	292,883	221,186	(71,697)
Other Revenues				852,761	670,850	(181,911)
<b>Total Revenues</b>	<b>778,334</b>	<b>741,837</b>	<b>(36,497)</b>	<b>12,525,696</b>	<b>17,712,379</b>	<b>5,186,683</b>
<b>Expenditures:</b>						
Current:						
Development				274,592	4,125,510	3,850,918
Capital Outlay				7,980,198	1,452,108	(6,528,090)
Debt Service:						
Principal Retirement	1,200,154	1,105,600	(94,554)	3,321,196	2,915,853	(405,343)
Interest and Fiscal Charges		189,478	189,478	6,823,111	6,823,111	
<b>Total Expenditures</b>	<b>1,200,154</b>	<b>1,294,678</b>	<b>94,524</b>	<b>10,018,997</b>	<b>15,316,582</b>	<b>5,297,585</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(421,820)</b>	<b>(552,841)</b>	<b>(131,021)</b>	<b>2,506,709</b>	<b>2,395,797</b>	<b>(110,912)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Long-Term Obligations						
Principal Retirement						
Bond Premium						
Transfers In				(4,432,465)	(4,432,465)	
Transfers Out						
<b>Total Other Financing Sources (Uses)</b>				<b>(4,432,465)</b>	<b>(4,432,465)</b>	
<b>Net Change in Fund Balances</b>	<b>\$ (843,640)</b>	<b>(164,041)</b>	<b>(679,599)</b>	<b>\$ 7,074,244</b>	<b>\$ 6,358,132</b>	<b>(716,112)</b>
<b>Fund Balances - Beginning of Year</b>		1,281,150			3,521,133	
<b>Fund Balances - End of Year</b>		<b>\$ 417,109</b>			<b>\$ 2,163,001</b>	

	Amortization			Purse Financing		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
Property Taxes	\$ 22,000	\$ 246,011	224,011			
Special Assessments	74,485	18,735	(55,750)	351,442	304,358	(47,084)
Intergovernmental				6,816,812		(6,816,812)
Other Revenues						
<b>Total Revenues</b>	<b>96,485</b>	<b>264,746</b>	<b>168,261</b>	<b>7,168,254</b>	<b>304,358</b>	<b>(6,863,896)</b>
<b>Expenditures:</b>						
Current:						
Development				295,000	278,958	(16,042)
Capital Outlay				372,170	(277,170)	(649,340)
Debt Service:						
Principal Retirement	600,804	682,170	81,366	2,250,800	347,508	(2,903,292)
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>600,804</b>	<b>682,170</b>	<b>81,366</b>	<b>2,250,800</b>	<b>347,508</b>	<b>(1,903,292)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(504,319)</b>	<b>(417,424)</b>	<b>(86,905)</b>	<b>4,917,454</b>	<b>(41,150)</b>	<b>(5,058,900)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Long-Term Obligations						
Principal Retirement						
Bond Premium						
Transfers In						
Transfers Out				(4,432,465)	(4,432,465)	
<b>Total Other Financing Sources (Uses)</b>				<b>(4,432,465)</b>	<b>(4,432,465)</b>	
<b>Net Change in Fund Balances</b>	<b>\$ (908,638)</b>	<b>(834,848)</b>	<b>(73,790)</b>	<b>\$ 4,484,989</b>	<b>(452,650)</b>	<b>(4,937,639)</b>
<b>Fund Balances - Beginning of Year</b>		1,281,150			3,521,133	
<b>Fund Balances - End of Year</b>		<b>\$ 446,302</b>			<b>\$ 3,068,483</b>	

CITY OF CORONA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Debt Service Funds Year Ended June 30, 2006

	Totals		
	Budget	Actual	Variance
<b>Revenues:</b>			
Property Taxes	\$ 17,558,413	\$ 17,601,825	\$ 43,412
Special Assessments	229,816	246,853	17,037
Investment Earnings	550,990	561,054	10,064
Other Revenues	7,493,573	676,859	(6,816,714)
<b>Total Revenues</b>	<b>26,832,792</b>	<b>21,536,711</b>	<b>(5,296,081)</b>
<b>Expenditures:</b>			
Current:			
Administration	274,550	1,123,010	(848,460)
Capital Outlay	1,432,436		1,432,436
Debt Service			
Police Enforcement	17,663,104	4,094,833	13,568,271
Interest and Fiscal Charges	-	6,728,972	(6,728,972)
<b>Total Expenditures</b>	<b>19,370,090</b>	<b>12,946,815</b>	<b>6,423,275</b>
Losses or Gains from Other Sources	7,462,702	6,186,946	(1,275,756)
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	842,558	842,558
Transfers Out	-	(2,261,245)	(2,261,245)
Total Other Financing Sources (Uses)	-	(1,418,687)	(1,418,687)
<b>Net Change in Fund Balances</b>	<b>\$ 7,462,702</b>	<b>(2,222,790)</b>	<b>\$ 9,685,492</b>
Fund Balances - Beginning of Year	11,894,783		
<b>Fund Balances - End of Year</b>	<b>\$ 19,357,585</b>		

Continued Sheet 2 of 2



CITY OF CORONA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Capital Projects Funds Year Ended June 30, 2006

	IRIS			Planned Local Drainage		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
License, Fees & Permits	\$ 14,093	\$ 4,326	\$ 9,767	\$ 483,000	\$ 471,889	\$ 11,111
Investment Earnings	2,626,467	1,275,188	1,351,279			
Intergovernmental Revenues	5,989	282,488	(276,500)	1,486	3,770	2,284
Other Revenues						
<b>Total Revenues</b>	<b>2,646,549</b>	<b>1,561,992</b>	<b>(1,084,557)</b>	<b>484,486</b>	<b>475,659</b>	<b>(8,827)</b>
<b>Expenditures:</b>						
Current:						
General	264,620	516,607	(251,987)			
Administration						
Planning	151,212	151,120	92			
Police						
Public Works	30,880	208,670	(177,790)	57,828	444,802	386,974
Library						
Parks and Community Services						
Capital Outlay	1,340,054	275,684	1,064,370			
<b>Total Expenditures</b>	<b>2,816,766</b>	<b>1,362,357</b>	<b>1,454,409</b>	<b>57,828</b>	<b>444,802</b>	<b>(13,026)</b>
Excess or Deficiency of Other Sources	(789,053)	348,032	(1,137,085)	(58,642)	30,286	(88,928)
<b>Other Financing Sources (Uses):</b>						
Transfers In	2,124	2,124		408	405	3
Transfers Out				(111)	11	(122)
<b>Net Change in Fund Balances</b>	<b>2,124</b>	<b>2,124</b>	<b>-</b>	<b>180</b>	<b>414</b>	<b>(234)</b>
Amount Expended and Other Uses	\$ (982,059)	\$ 308,756	\$ 1,290,815	\$ (52,042)	\$ 30,691	\$ 82,733
<b>Fund Balances - Beginning of Year</b>	<b>(117)</b>			<b>(16,968)</b>		
<b>Fund Balances - End of Year</b>	<b>\$ 350,944</b>			<b>\$ 16,734</b>		

	Other Grants			Redevelopment		
	Budget	Actual	Variance	Budget	Actual	Variance
\$ 2,386	\$ 5,322	\$ 2,936	\$ 298,726	\$ 372,872	\$ 74,146	
3,944,452	2,273,319	(1,671,133)		1,173,452	(2,767,967)	
<b>3,946,838</b>	<b>2,278,641</b>	<b>(1,668,197)</b>	<b>298,726</b>	<b>1,546,324</b>	<b>(1,261,583)</b>	
43,768	43,700	68				
8,006,650	2,256,439	(5,750,211)	3,848,229	14,414,889	10,566,660	
<b>6,248,448</b>	<b>2,300,139</b>	<b>(3,948,309)</b>	<b>14,414,889</b>	<b>4,114,727</b>	<b>(10,300,162)</b>	
(2,701,983)	(21,089)	(2,680,894)	(14,836,164)	(2,563,247)	(11,586,417)	
	23,900	23,900		6,054,618	6,054,618	
				(73,600)		
	<b>23,900</b>	<b>23,900</b>		<b>5,981,018</b>	<b>5,981,018</b>	
<b>\$ 22,251,246</b>	<b>\$ 2,711</b>	<b>\$ 22,248,535</b>	<b>\$ (14,185,944)</b>	<b>\$ 4,141,011</b>	<b>\$ 17,621,145</b>	
	1,380	1,380		(2,705,230)		
	<b>\$ 4,014</b>	<b>\$ 4,014</b>		<b>\$ 26,120,833</b>	<b>\$ 17,621,145</b>	

Continued Sheet 4 of 2

**CITY OF CORONA**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Capital Projects Funds Year Ended June 30, 2006**

	Public Facilities Projects			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>						
Interest, Fines & Penalties				363,000	471,888	108,888
Investment Earnings	2,000	25,590	23,590	276,996	407,416	130,420
Intergovernmental Revenues		3,450,433	3,450,433	5,970,059	4,196,421	(1,773,638)
Miscellaneous Revenues				6,488	1,656,099	1,599,611
<b>Total Revenues</b>	<b>2,000</b>	<b>3,478,023</b>	<b>3,476,023</b>	<b>6,436,543</b>	<b>6,272,824</b>	<b>(263,719)</b>
<b>Expenditures:</b>						
Current						
Redevelopment				284,623	3,394,329	3,109,706
General Government				-	1,835	(1,835)
Planning				154,717	161,309	6,592
Police				621,310	697,991	76,681
Public Works				-	245,057	(245,057)
Liquor				-	4,379,642	(4,379,642)
Parks and Community Services				-	-	-
Capital Outlay				22,162,285	8,761,986	(13,400,299)
<b>Total Expenditures</b>	<b>22,162,285</b>	<b>9,861,088</b>	<b>(12,301,197)</b>	<b>23,062,928</b>	<b>19,384,712</b>	<b>(3,678,216)</b>
Excess of Revenues Over (Under) Expenditures				4,273,515	6,888,112	2,614,597
Other Financing Sources (Uses):						
Transfers In		2,000,000	2,000,000		8,081,233	8,081,233
Transfers Out		(8,121,016)	(8,121,016)		(3,941,577)	(4,882,593)
<b>Total Other Financing Sources (Uses)</b>		<b>(6,121,016)</b>	<b>(6,121,016)</b>		<b>4,139,656</b>	<b>4,139,656</b>
<b>Net Change in Fund Balances</b>	<b>\$ (22,160,285)</b>	<b>\$ 722,007</b>	<b>\$ 22,878,292</b>	<b>\$ (20,444,543)</b>	<b>\$ 4,257,357</b>	<b>\$ 16,187,186</b>
<b>Fund Balances - Beginning of Year</b>		<b>122,128</b>			<b>19,839,566</b>	
<b>Fund Balances - End of Year</b>		<b>(69,078)</b>			<b>15,582,219</b>	

Continued Sheet 2 of 2

**Combining Financial Statements Nonmajor Enterprise Funds and Internal Service Funds**

**Public Financing Authority Fund** - This fund is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations.

**Public Improvement Corporation Fund** - This fund is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations.

**Equipment Pool Fund** - This fund was established by Chapter 12, Title 3 of the Municipal Code as provided by Section 53736 of the Government Code. The fund receives the unencumbered surplus funds from the Fleet Operations Fund.

**Fleet Operations Fund** - This fund is used to account for Motor Pool rental as the equipment is used. At year end, the surplus rent is transferred to the Equipment Pool to pay for equipment replacement.

**Workers' Compensation Self-Insurance Fund** - This fund was established on December 1974 at which time the City became self-insured. Claims and administrative expenses are charged to this fund. Reserves are held by this fund to buffer the impact of unknown but potential losses.

**Liability Risk Self-Insurance Fund** - This fund is used to account for expenditures payment of claims, administrator's expense (including legal fees) and to establish reserves against future claims.

**CITY OF CORONA**

**Combining Statement of Net Assets Nonmajor Enterprise Funds and Internal Service Funds June 30, 2006**

	Nonmajor Enterprise Funds		
	Public Financing Authority	Public Improvement Corporation	Totals
<b>Assets:</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 794	\$ -	\$ 794
Accounts Receivable, Net			
Internal Receivables	112,108	13,481	125,589
Inventories and Prepayments			
Restricted Assets			
Cash and Investments	6,002,579	663,378	6,665,957
<b>Total Current Assets</b>	<b>6,715,481</b>	<b>676,859</b>	<b>7,392,340</b>
<b>Liabilities:</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities			
Claims and Judgments Payable			
<b>Total Current Liabilities</b>			
<b>Noncurrent Liabilities</b>			
Interfund Advances Payable	6,587,825		6,587,825
Claims and Judgments Payable			
<b>Total Noncurrent Liabilities</b>	<b>6,587,825</b>		<b>6,587,825</b>
<b>Total Liabilities</b>	<b>6,587,825</b>		<b>6,587,825</b>
<b>Net Assets:</b>			
Restricted	6,002,579	663,378	6,665,957
Unrestricted	(8,473,433)	13,491	(8,459,942)
<b>Total Net Assets</b>	<b>\$ (2,470,854)</b>	<b>\$ 676,817</b>	<b>\$ (1,794,037)</b>

Internal Service Funds				
Equipment Pool	Fleet Operations	Self-Insurance		Totals
		Workers' Compensation	Liability Risk	
\$ 4,421,226	\$ 1,515,876	\$ 14,107,307	\$ 3,175,320	\$ 23,219,829
	4,888	510	16,719	22,176
45,201	54,332	117,581	28,438	245,552
	174,582			174,582
<b>4,466,427</b>	<b>1,749,778</b>	<b>14,225,408</b>	<b>3,218,535</b>	<b>23,660,211</b>
367,811	109,576	47,156	85,984	580,527
	176	2,167,243	338,012	2,495,531
<b>367,811</b>	<b>109,752</b>	<b>2,204,600</b>	<b>424,000</b>	<b>3,086,163</b>
		12,028,114	2,804,769	14,832,883
		12,028,114	2,804,769	14,832,883
<b>387,601</b>	<b>109,752</b>	<b>14,233,613</b>	<b>3,258,265</b>	<b>17,789,271</b>
4,068,828	1,840,027	(7,645)	169,170	5,880,460
<b>\$ 4,068,828</b>	<b>\$ 1,840,027</b>	<b>(7,645)</b>	<b>\$ 169,170</b>	<b>\$ 5,880,460</b>

**CITY OF CORONA**

**Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Major Enterprise Funds and Internal Service Funds  
Year Ended June 30, 2006**

	Major Enterprise Funds		
	Public Financing Authority	Public Improvement Corporation	Totals
<b>Operating Revenues:</b>			
Internal Service Charges	\$ -	\$ -	\$ -
Other Revenues	-	-	-
<b>Total Operating Revenues</b>	-	-	-
<b>Operating Expenses:</b>			
Personnel Services	-	-	-
Contractual	-	-	-
Material and Supplies	-	-	-
Utilities	-	-	-
Claims Expense	-	-	-
<b>Total Operating Expenses</b>	-	-	-
<b>Operating Income (Loss)</b>	-	-	-
<b>Non-Operating Revenues:</b>			
Investment Earnings	316,304	37,396	353,700
Interest Expense	(705,368)	(32,275)	(737,643)
<b>Total Non-Operating Revenues</b>	<b>32,936</b>	<b>116</b>	<b>33,052</b>
<b>Income (Loss) Before Transfers</b>	<b>32,936</b>	<b>116</b>	<b>33,052</b>
Transfers In	-	-	-
Transfers Out	-	-	-
<b>Net Income (Loss)</b>	<b>32,936</b>	<b>116</b>	<b>33,052</b>
<b>Net Assets - Beginning of Year</b>	<b>25,941</b>	<b>578,699</b>	<b>672,540</b>
<b>Net Assets - End of Year</b>	<b>\$ 138,746</b>	<b>\$ 576,817</b>	<b>\$ 705,553</b>

	Internal Service Funds				Totals
	Equipment Pool	Fleet Operations	Workers' Compensation	Liability Risk	
<b>Operating Revenues:</b>					
Internal Service Charges	\$ -	\$ 5,729,059	\$ 4,064,216	\$ 2,100,000	\$ 11,893,275
Other Revenues	263	125,857	975	1,366,423	1,600,488
<b>Total Operating Revenues</b>	<b>263</b>	<b>5,854,916</b>	<b>4,065,191</b>	<b>3,466,423</b>	<b>13,333,738</b>
<b>Operating Expenses:</b>					
Personnel Services	-	1,006,131	473,412	129,045	1,608,588
Contractual	81,230	840,444	40,629	30,713	792,016
Material and Supplies	1,785,196	322,155	103,250	626,002	2,836,543
Utilities	5,294	792,544	1,839	1,580	799,257
Claims Expense	-	-	3,606,367	2,891,127	6,497,534
<b>Total Operating Expenses</b>	<b>1,869,680</b>	<b>2,761,284</b>	<b>4,017,526</b>	<b>3,441,517</b>	<b>12,089,987</b>
<b>Operating Income (Loss)</b>	<b>(1,839,307)</b>	<b>3,103,662</b>	<b>(42,223)</b>	<b>26,906</b>	<b>1,248,751</b>
<b>Non-Operating Revenues:</b>					
Investment Earnings	158,143	176,184	588,755	60,467	781,599
Interest Expense	-	-	-	-	-
<b>Total Non-Operating Revenues</b>	<b>158,143</b>	<b>176,184</b>	<b>588,755</b>	<b>60,467</b>	<b>781,599</b>
<b>Income (Loss) Before Transfers</b>	<b>(1,711,264)</b>	<b>3,279,846</b>	<b>374,378</b>	<b>87,373</b>	<b>2,020,343</b>
Transfers In	2,339,511	42,337	82,754	24,567	2,489,169
Transfers Out	(1,187,654)	(6,216,521)	(494,672)	(60,179)	(7,951,021)
<b>Net Income (Loss)</b>	<b>(580,207)</b>	<b>(2,696,338)</b>	<b>(7,545)</b>	<b>51,761</b>	<b>(3,431,469)</b>
<b>Net Assets - Beginning of Year</b>	<b>4,669,226</b>	<b>4,836,365</b>	<b>-</b>	<b>127,369</b>	<b>9,632,960</b>
<b>Net Assets - End of Year</b>	<b>\$ 4,089,019</b>	<b>\$ 1,840,027</b>	<b>\$ (7,545)</b>	<b>\$ 159,120</b>	<b>\$ 5,980,601</b>

**CITY OF CORONA**

**Combining Statement of Cash Flows  
Major Enterprise Funds and Internal Service Funds  
Year Ended June 30, 2006**

	Major Enterprise Funds		
	Public Financing Authority	Public Improvement Corporation	Totals
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers/Other Funds	\$ -	\$ -	\$ -
Cash Payments to Suppliers of Goods and Services	-	-	-
Cash Payments to Employees by Services	-	-	-
Cash Received (Payments) of Current Claims	-	-	-
Increases (Decreases) in Long-Term Claims	-	-	-
Other Receipts (Payments)	-	-	-
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers Received	-	-	-
Transfers Paid	-	-	-
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Interest payments of Long-Term Debt	(282,596)	(82,270)	(314,877)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(282,596)</b>	<b>(82,270)</b>	<b>(314,877)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments	707,684	37,396	745,080
<b>Net Cash Provided by Investing Activities</b>	<b>707,684</b>	<b>37,396</b>	<b>745,080</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>142,992</b>	<b>(127,144)</b>	<b>15,848</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>4,586,108</b>	<b>565,211</b>	<b>5,151,319</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 4,729,100</b>	<b>\$ 438,067</b>	<b>\$ 5,167,167</b>

	Internal Service Funds				Totals
	Equipment Pool	Fleet Operations	Workers' Compensation	Liability Risk	
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers/Other Funds	\$ -	\$ 5,729,059	\$ 4,064,216	\$ 2,100,000	\$ 11,893,275
Cash Payments to Suppliers of Goods and Services	(1,869,680)	(1,006,131)	(473,412)	(129,045)	(4,968,268)
Cash Payments to Employees by Services	-	-	(173,412)	(159,045)	(332,457)
Cash Received (Payments) of Current Claims	-	-	9,949	(31,000)	(21,051)
Increases (Decreases) in Long-Term Claims	-	-	(1,569,626)	(1,854,286)	(3,423,912)
Other Receipts (Payments)	263	125,857	975	1,366,423	1,598,468
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(1,839,307)</b>	<b>5,614,229</b>	<b>(2,014,204)</b>	<b>632,609</b>	<b>4,327,367</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers Received	2,339,511	42,337	82,754	24,567	2,489,169
Transfers Paid	(1,187,654)	(6,216,521)	(494,672)	(60,179)	(7,951,021)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(948,143)</b>	<b>(6,174,184)</b>	<b>(411,918)</b>	<b>(35,612)</b>	<b>(7,569,857)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Interest payments of Long-Term Debt	(282,596)	(82,270)	-	-	(314,877)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(282,596)</b>	<b>(82,270)</b>	<b>-</b>	<b>-</b>	<b>(314,877)</b>
<b>Cash Flows from Investing Activities:</b>					
Interest on Investments	707,684	37,396	-	-	745,080
<b>Net Cash Provided by Investing Activities</b>	<b>707,684</b>	<b>37,396</b>	<b>-</b>	<b>-</b>	<b>745,080</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>142,992</b>	<b>(127,144)</b>	<b>(411,918)</b>	<b>(35,612)</b>	<b>15,848</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>4,586,108</b>	<b>565,211</b>	<b>-</b>	<b>127,369</b>	<b>5,151,319</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 4,729,100</b>	<b>\$ 438,067</b>	<b>\$ (411,918)</b>	<b>\$ 89,757</b>	<b>\$ 5,167,167</b>

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities:**

Operating Income (Loss)	\$ -	\$ -	\$ -
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Accounts Receivable	1,707	(518)	1,189
Investments and Prepayments	(94,663)	-	(94,663)
Accounts Payable and Accrued Liabilities	285,727	696,172	981,899
Claims and Judgments Payable	-	2,084,282	2,084,282
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,887,871</b>	<b>\$ 2,675,936</b>	<b>\$ 4,563,807</b>

Operating Income (Loss)	\$ (1,839,307)	\$ 3,279,846	\$ (72,498)	\$ 26,906	\$ 1,248,751
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Accounts Receivable	1,707	(518)	-	-	1,189
Investments and Prepayments	(94,663)	-	-	-	(94,663)
Accounts Payable and Accrued Liabilities	285,727	696,172	22,832	47,864	981,899
Claims and Judgments Payable	-	2,084,282	782,749	2,027,143	4,894,174
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,839,307)</b>	<b>\$ 5,614,229</b>	<b>\$ (209,666)</b>	<b>\$ 632,609</b>	<b>\$ 4,327,367</b>





**Fiduciary Funds  
Combining Financial Statements  
in Assets and Liabilities**

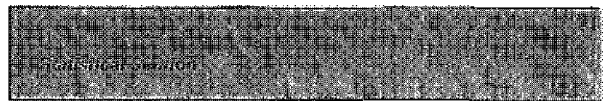
*Fiduciary Funds represent Agency Funds, which are custodial in nature and do not involve measurement of results of operations.*

**CITY OF CORONA**

**Fiduciary Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2006**

	Pass Through Agency Fund			
	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<b>Assets</b>				
Cash and investments	\$ 1,863,026	\$ 24,325,326	\$ 33,890,330	\$ 2,298,022
Accounts Receivable, Net	-	3,782	3,782	-
Interest Receivable	267,772	772,200	690,271	349,701
Due from other Governmental Agencies	569,942	600,905	670,161	600,686
Fiduciary Assets				
Cash and Investments	31,903,057	66,430,836	65,406,878	44,926,915
<b>Total Assets</b>	<b>\$ 34,603,500</b>	<b>\$ 102,142,654</b>	<b>\$ 86,561,078</b>	<b>\$ 48,104,704</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 11,204	12,006,690	11,416,757	\$ 698,117
Deposits	679,576	431,176	702,668	389,084
Due to Other Governmental Agencies	196,919	637,528	626,617	6,044
Liabilities Payable from Restricted Assets	5,608	18,400	24,217	-
Due to Bondholders	33,719,301	31,104,965	17,702,302	47,121,964
<b>Total Liabilities</b>	<b>\$ 34,603,307</b>	<b>\$ 44,068,759</b>	<b>\$ 30,472,792</b>	<b>\$ 48,104,704</b>





This part of the City of Corona's comprehensive annual financial report presents detailed information as a starting point for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> - These schedules contain information to help the reader to understand how the City's financial performance and well-being have changed over time.	
1 Net Assets by Component	141
2 Changes in Net Assets	142
3 Fund Balances - Governmental Funds	144
4 Changes in Fund Balances - Governmental Funds	145
<b>Revenue Capacity</b> - These schedules contain information to help the reader assess the City's most significant own-source revenue.	
5a Water Sales By User Type	146
5b Assessed Value and Actual Value of Taxable Property	148
6a Ready to Serve Charges for Water Usage	150
6b Direct and Overlapping Property Tax Rates	152
7a Principal Water Customers	154
7b Principal Property Tax Payers	156
8 Property Tax Levies and Collections	158
<b>Debt Capacity</b> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
9 Ratios of Outstanding Debt by Type	160
10 Ratios of General Bonded Debt Outstanding	163
11 Direct and Overlapping Governmental Activities Debt	164
12 Legal Debt Margin Information	166
13 Pledged-Revenue Coverage	168
<b>Demographic and Economic Information</b> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
14 Demographic and Economic Statistics	173
15 Principal Employers	174
<b>Operating Information</b> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	
16 Full-Time Equivalent City Government Employees by Function/Program	175
17 Operating Indicators by Function/Program	176
18 Capital Assets Statistics by Function/Program	177
<b>Sources:</b> Unless otherwise noted, the information in these schedules was derived from the City's comprehensive annual financial reports for the relevant year.	138

**CONTENTS**

**Schedule 1  
Net Assets by Component  
Last Three Fiscal Years (annual basis of accounting)**

	<u>Fiscal Year</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Governmental Activities</b>			
Invested in capital assets, net of related debt	\$ 422,767,675	\$ 466,222,213	\$ 395,841,709
Restricted for:			
Capital Projects	-	386,036	9,976,958
Debt Service	6,898,327	7,982,213	13,178,915
Specific Projects and Programs	8,386,210	7,729,386	-
Total Restricted	<u>15,284,537</u>	<u>16,097,635</u>	<u>23,155,773</u>
Unrestricted	<u>306,059,386</u>	<u>239,481,478</u>	<u>265,838,106</u>
<b>Total governmental activities net assets</b>	<u>\$ 744,111,969</u>	<u>\$ 711,601,326</u>	<u>\$ 664,835,586</u>
<b>Business-type Activities</b>			
Invested in capital assets, net of related debt	\$ 20,550,655	\$ 21,836,867	\$ 14,764,344
Restricted for:			
Specific Projects and Programs	7,648,512	673,266	26,387,129
Unrestricted	<u>42,723,446</u>	<u>39,523,931</u>	<u>9,952,023</u>
<b>Total business-type activities net assets</b>	<u>\$ 70,822,613</u>	<u>\$ 62,034,144</u>	<u>\$ 51,113,996</u>
<b>Primary Government</b>			
Invested in capital assets, net of related debt	\$ 443,318,631	\$ 478,059,170	\$ 410,605,953
Restricted	22,833,048	16,770,891	49,542,901
Unrestricted	<u>343,782,632</u>	<u>279,005,409</u>	<u>275,800,729</u>
<b>Total Primary Government Net Assets</b>	<u>\$ 814,934,312</u>	<u>\$ 773,835,470</u>	<u>\$ 736,949,583</u>

**Schedule 2**  
**Changes in Net Assets**  
**Last Three Fiscal Years (accrual basis of accounting)**

Expenses	Fiscal Year		
	2006	2005	2004
<b>Governmental activities:</b>			
General government	\$ 17,000,514	\$ 11,190,340	\$ 10,972,222
Fire	19,372,402	17,247,894	18,102,014
Police	35,290,552	32,105,270	30,248,573
Public Works	28,253,319	25,450,529	26,788,539
Redevelopment	18,317,214	13,625,131	14,876,105
Parks and Community Services	12,858,536	12,081,432	12,272,328
Library	3,233,627	3,111,261	3,040,136
Interest and fiscal charges	9,184,552	10,170,977	4,844,242
Total governmental activities expenses	\$ 143,536,718	\$ 125,201,934	\$ 125,126,160
<b>Business-type activities:</b>			
Water	39,998,554	36,073,801	34,644,300
Wastewater	23,411,865	16,876,237	15,833,862
Electric	20,279,523	12,895,676	20,953,738
Transit	1,983,358	1,815,020	1,496,799
Total business-type activities expenses	\$ 85,323,300	\$ 67,420,514	\$ 72,028,699
Total primary government expenses	\$ 228,859,016	\$ 192,622,448	\$ 197,154,859
<b>Program Revenues</b>			
<b>Governmental activities:</b>			
Charges for services:			
General government	6,645,359	1,129,140	953,897
Fire	3,229,032	3,187,076	1,726,756
Police	3,017,477	2,887,347	2,680,893
Public Works	16,799,590	16,124,597	15,175,889
Redevelopment	-	157	1,365
Parks and Community Services	5,968,220	5,805,482	6,156,380
Library	402,660	324,561	293,248
Operating Grants and Contributions	7,794,735	12,113,704	12,211,299
Capital Grants and Contributions	23,044,293	9,705,129	11,271,231
Total governmental activities program revenues	\$ 68,915,365	\$ 51,067,193	\$ 49,482,869
<b>Business-type activities:</b>			
Charges for services:			
Water	36,548,939	29,061,220	30,633,776
Wastewater	20,211,068	13,897,603	13,245,894
Electric	20,862,161	13,067,845	16,287,523
Transit	270,870	234,893	259,921
Operating Grants and Contributions	1,233,282	1,250,281	1,234,330
Capital Grants and Contributions	12,596,552	17,794,362	18,814,698
Total business-type activities program revenues	\$ 91,923,576	\$ 75,296,004	\$ 79,472,940
Total primary government program revenues	\$ 160,838,941	\$ 126,353,197	\$ 128,955,809

142

Net (Expense)/Revenue	Fiscal Year		
	2006	2005	2004
<b>Governmental activities:</b>			
Governmental activities	\$ (74,820,351)	\$ (74,114,741)	\$ (75,843,271)
Business-type activities	8,600,276	7,645,490	7,444,241
Total primary government net expense	\$ (66,220,075)	\$ (66,269,251)	\$ (68,199,030)
<b>General Revenues and Other Changes in Net Assets</b>			
<b>Governmental activities:</b>			
Taxes			
Property taxes	\$ 50,973,502	\$ 42,349,908	\$ 32,265,783
Special Assessments	-	-	839,255
Sales and Use Tax	39,915,335	34,502,809	29,471,424
Other Taxes	4,586,368	4,886,205	4,200,484
Total taxes	106,445,205	81,718,922	66,776,946
Unrestricted grants and contributions	3,710,301	1,112,066	6,547,502
Payments in lieu of taxes	-	8,998,347	8,238,819
Investment earnings	4,875,430	2,222,270	3,873,428
Miscellaneous	6,901,469	8,464,284	811,074
Loss on Sale of Land Held for Resale	-	-	(201,083)
Transfers	(1,458,852)	(29,273)	24,778
Total Governmental activities	\$ 114,263,347	\$ 102,486,696	\$ 85,578,364
<b>Business-type activities:</b>			
Investment earnings	2,401,501	1,288,738	1,281,949
Miscellaneous	-	452,496	-
Transfers	1,458,852	28,223	(24,778)
Total business-type activities	\$ 3,860,353	\$ 1,800,456	\$ 1,257,171
Total primary government	\$ 118,123,000	\$ 104,287,122	\$ 86,835,735
<b>Change in Net Assets</b>			
Governmental activities	\$ 39,643,196	\$ 28,371,925	\$ 9,932,293
Business-type activities	10,690,629	9,645,846	8,701,412
Total primary government	\$ 50,193,825	\$ 38,017,871	\$ 18,634,705

143

**Schedule 3**  
**Fund Balances, Governmental Funds**  
**Last Three Fiscal Years (modified accrual basis of accounting)**

General Fund	Fiscal Year		
	2006	2005	2004
Reserved	\$ 75,249,896	\$ 18,536,892	\$ 11,696,399
Unreserved	-	31,748,095	30,390,974
Total General Fund	\$ 75,249,896	\$ 45,284,987	\$ 42,267,372
<b>All Other Governmental Funds</b>			
Reserved	\$ 73,972,353	\$ 71,080,887	\$ 75,461,071
Unreserved, reported in Other Governmental Funds	(893,256)	(619,405)	(414,006)
Total all other Governmental Funds	\$ 73,079,097	\$ 70,461,482	\$ 75,047,065

144

**Schedule 4**  
**Changes in Fund Balances, Governmental Funds**  
**Last Three Fiscal Years (modified accrual basis of accounting)**

Revenues:	Fiscal Year		
	2006	2005	2004
Property Taxes	\$ 50,973,502	\$ 42,349,910	\$ 32,265,783
Other Taxes	47,813,234	40,915,213	34,923,016
Licenses, fees and permits	12,952,807	10,871,745	11,904,841
Fines and Penalties	1,779,880	1,508,004	1,700,006
Special Assessments	7,325,244	6,822,031	8,591,197
Investment Earnings	4,093,896	2,776,118	3,907,468
Intergovernmental Revenues	20,878,847	11,927,288	18,489,977
Current Services	16,158,882	15,818,676	13,470,118
Payments in Lieu of Services	11,840,890	8,105,015	8,238,819
Other Revenues	10,514,831	5,566,151	3,313,614
Total Revenues	182,558,293	150,491,714	134,875,099
<b>Expenditures:</b>			
General Government	21,086,414	18,497,239	25,270,857
Fire	18,588,290	17,947,422	16,845,544
Police	36,195,280	33,818,820	32,023,189
Public Works	25,345,594	21,272,214	24,609,152
Parks and Community Services	11,736,797	10,443,414	9,868,269
Redevelopment	12,535,710	8,112,135	7,742,941
Library	3,432,052	3,268,099	3,215,003
Capital Outlay	6,336,399	19,848,407	28,640,897
Debt Service			
Financial	8,824,654	4,723,587	4,812,429
Interest and Fiscal Charges	9,253,095	10,493,967	4,528,286
Total Expenditures	158,408,996	150,425,314	158,210,067
Excess of Revenues over (under) expenditures	27,149,297	56,400	(23,334,968)
<b>Other Financing Sources (Uses)</b>			
Loss from sale of land held for resale	-	-	(201,083)
Proceeds from Long-Term Obligations	-	38,210,834	-
Principal Retirement	-	(38,210,000)	-
Bond Premium	-	799,695	-
Transfers in	26,507,505	16,343,851	21,865,917
Transfers out	(22,504,815)	(16,141,034)	(20,134,343)
Total other financing sources (uses)	4,002,690	598,356	1,529,888
Net change in fund balances	\$ 31,152,287	\$ 1,054,756	\$ (21,805,082)
Debt service as a percentage of noncapital expenditures	11.0%	11.7%	7.5%

145

**Schedule 5a**  
**Water Sales By User Type**  
**Last Nine Fiscal Years**

Fiscal Year Ended June 30	Residential		Commercial		Industrial		Public Agency		Agricultural, Irrigation and Other		Total	
	Acre Feet	% of Total	Acre Feet	% of Total	Acre Feet	% of Total	Acre Feet	% of Total	Acre Feet	% of Total	Acre Feet	% of Total
	1998	17,440	66.1	4,438	16.8	317	1.2	1,821	6.9	2,374	9.0	26,385
1999	21,218	64.7	5,465	16.7	379	1.2	2,496	7.6	3,227	9.8	32,785	100
2000	23,908	65.8	6,231	17.1	648	1.8	2,543	7.0	3,026	8.3	36,368	100
2001	23,116	66.9	5,728	16.8	485	1.4	2,214	6.4	2,908	8.7	34,531	100
2002	22,957	63.0	5,913	17.0	556	1.6	2,435	7.0	2,922	8.4	34,783	100
2003	25,896	65.1	6,723	16.9	587	1.4	2,904	7.3	3,699	9.3	39,779	100
2004	27,678	64.0	6,750	15.6	1,738	4.0	3,493	8.1	3,563	8.2	43,222	100
2005	24,905	67.0	3,463	9.0	1,456	4.0	3,271	9.0	3,391	11.0	36,480	100
2006	26,630	66.2	3,848	9.6	1,573	3.9	3,546	8.8	4,807	11.5	40,204	100

Source: Corona Department of Water and Power

**Schedule 5b**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Seven Fiscal Years (in thousands of dollars)**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2000	4,203,138	711,264	962,113	1,187,810	96,769	6,967,556	1.0145
2001	5,014,790	732,328	1,096,859	1,203,849	106,014	7,941,812	1.0135
2002	5,720,734	740,122	1,197,604	1,277,080	64,803	8,870,917	1.0086
2003	6,389,708	812,953	1,318,660	1,366,953	117,192	9,771,282	1.0079
2004	7,013,653	893,630	1,415,867	1,489,990	171,882	10,611,058	1.0061
2005	8,010,307	1,016,443	1,540,064	1,614,156	119,068	12,062,502	1.0053
2006	9,128,473	1,166,793	1,558,865	1,747,078	190,746	13,540,465	1.0043

Source: HGL, Conen & Cona, Riverside County Assessor Combined Tax Rolls

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to the actual values. Tax rates are per \$1,000 of assessed value.

**Schedule 6a**  
**Ready to Serve Charges for Water Usage**  
**Last Five Fiscal Years**

Monthly Base Rates					
Fiscal Year <sup>(1)</sup>	Quantity Rate per 100 C.F.	5/8"	3/4"	1"	1 1/2"
2002	\$ 1.08	\$ 22.10	\$ 25.00	\$ 41.50	\$ 72.30
2003	\$ 1.08	\$ 22.10	\$ 29.00	\$ 41.50	\$ 72.30
2004	\$ 1.08	\$ 11.05	\$ 14.50	\$ 20.75	\$ 36.15
2005	\$ 1.08	\$ 11.05	\$ 14.50	\$ 20.75	\$ 36.15
2006	\$ 1.21	\$ 13.38	\$ 16.24	\$ 23.24	\$ 40.49
2006	\$ 1.33	\$ 13.62	\$ 17.86	\$ 25.55	\$ 44.54

**Schedule 6b**  
**Direct and Overlapping Property Tax Rates**  
**Last Seven Fiscal Years (rate per \$1,000 of assessed value)**

Monthly Base Rates				
2"	3"	4"	6"	8"
\$ 105.50	\$ 180.30	\$ 277.00	\$ 508.70	\$ 746.20
\$ 105.50	\$ 180.30	\$ 277.00	\$ 508.70	\$ 746.20
\$ 52.75	\$ 90.15	\$ 136.50	\$ 254.35	\$ 374.10
\$ 52.75	\$ 90.15	\$ 136.50	\$ 254.35	\$ 374.10
\$ 52.75	\$ 90.15	\$ 136.50	\$ 254.35	\$ 374.10
\$ 59.08	\$ 100.97	\$ 156.12	\$ 294.87	\$ 418.99
\$ 64.99	\$ 111.07	\$ 170.63	\$ 313.36	\$ 460.89

amount equal to the current Readiness To Serve Charge for Domestic Service plus the amount of \$10.00 per month. This separate amount of \$10.00 per month shall be imposed for the period of five (5) years from the date of adoption of Ordinance No. 2569 (March 6, 2002) for Overlook Owners. Upon expiration of said 5 year period, the Readiness To Serve Charge to be imposed within the Overlook Area shall be the amount as determined for Domestic Service. The City eliminated all surcharges charged to customers outside the City limits.

2) There are instances where the rates were changed during the fiscal year.

**Schedule 6b**  
**Direct and Overlapping Property Tax Rates**  
**Last Seven Fiscal Years (rate per \$1,000 of assessed value)**

Year	City Direct Rates		
	Basic Rate	General Obligation Debt Service	Total Direct
2000	1.0000	0.0145	1.0145
2001	1.0000	0.0135	1.0135
2002	1.0000	0.0086	1.0086
2003	1.0000	0.0079	1.0079
2004	1.0000	0.0061	1.0061
2005	1.0000	0.0053	1.0053
2006	1.0000	0.0043	1.0043

**Schedule 6b**  
**Direct and Overlapping Property Tax Rates**  
**Last Seven Fiscal Years (rate per \$1,000 of assessed value)**

Overlapping Rates <sup>a</sup>			
Corona/Corona School District	Alford School District	Metropolitan Water District	Riverside City Community College
0.0237	0.1160	0.0089	0.0000
0.0237	0.1341	0.0086	0.0000
0.0237	0.1280	0.0077	0.0000
0.0237	0.1164	0.0067	0.0000
0.0237	0.0795	0.0061	0.0000
0.0237	0.0755	0.0056	0.0180
0.0146	0.0731	0.0052	0.0180

Source: Riverside County Auditor-Controller

Note: The City's basic property tax rate may only be increased by a majority vote of the city's residents. Rates for debt service are set based on each year's requirements.

<sup>a</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Corona. Not all overlapping rates apply to all Corona property owners.

**Schedule 7a**

**Top Water Customers**

Current Year and Three Years Ago

Water Customer	2006		
	Water Charges	Rank	Percent of Total Water Revenues
City of Corona	\$1,701,818	1	5.09%
Corona-Norco USD	\$575,308	2	1.72%
Integrated Protein Tech	\$369,362	3	1.10%
Eagle Glen Master HOA	\$158,224	4	0.47%
Taylor Woodrow	\$104,543	5	0.31%
EWB, Inc.	\$103,653	6	0.31%
ERP Operating Limited Partnership	\$102,398	7	0.31%
Archstone Communities	\$99,053	8	0.30%
PFC Baywood Venture LLC	\$87,167	9	0.29%
Capital Pacific Homes Inc.	\$82,432	10	0.29%
Hi-Country - Corona, Inc.			
GTS Property Hollywood Inc.			
Matt Construction Corp.			
	<u>\$ 3,393,986</u>		<u>10.15%</u>

2003		
Water Charges	Rank	Percent of Total Water Revenues
1,368,847	1	5.06%
502,306	2	1.86%
232,567	3	0.86%
110,489	5	0.41%
87,150	9	0.32%
87,055	10	0.32%
90,729	8	0.34%
156,709	4	0.58%
98,758	6	0.36%
91,584	7	0.34%
<u>\$ 2,826,184</u>		<u>10.44%</u>

**Schedule 7b**

**Principal Property Tax Payers**

Current Year and Three Years Ago

Taxpayer	2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Dairy Farmers of America Inc.	\$ 110,817,356	1	0.82%
Watson Laboratories Inc.	157,924,393	2	1.17%
Recco	68,593,848	3	0.51%
Corona Energy Partners Limited	23,398,522	4	0.17%
Pineclad Properties Inc.	40,151,989	5	0.22%
Kaiser Foundation Health Plan Inc	107,233,192	6	0.79%
Corona Springs	21,089,209	7	0.16%
Provident Group Crown Pointe	19,465,370	8	0.14%
YNS Shopping Plaza	21,675,000	9	0.16%
UHS Corona Inc.	37,693,562	10	0.28%
SBD Properties	-	-	-
Larry E. Badrosian	-	-	-
General Western Lakeshore	-	-	-
Price Reit Inc.	-	-	-
ERP Operating Limited Partnership	-	-	-
Total	<u>\$ 568,530,440</u>		<u>4.42%</u>

2000		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
\$ 80,729,063	1	0.87%
72,101,231	4	1.03%
19,537,948	3	0.25%
14,806,786	9	0.21%
142,148,399	2	2.04%
51,241,075	5	0.74%
15,200,159	6	0.22%
15,167,945	7	0.22%
61,954,187	8	0.89%
51,976,852	10	0.75%
<u>\$ 904,883,626</u>		<u>7.24%</u>

Source: HDL Coren & Coys, Riverside County Assessor Combined Tax Rolls

**Schedule 8  
Property Tax Levies and Collections  
Last Seven Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2000	\$ 10,369,358	\$ 9,553,478	92.18%
2001	12,107,442	11,214,012	92.62%
2002	13,399,495	12,645,821	94.38%
2003	14,732,029	13,947,475	94.67%
2004	15,932,786	14,583,817	91.53%
2005	17,960,853	16,344,312	91.00%
2006	18,409,599	16,237,649	88.20%

Delinquent Tax Collections	Total Collections to Date	
	Amount	Percentage of Levy
\$ 812,296	10,365,775	100.02%
533,203	11,747,215	97.02%
806,578	13,252,397	98.90%
763,871	14,711,346	96.86%
807,182	15,390,969	96.60%
1,389,934	17,714,246	98.63%
1,687,527	17,905,176	97.26%

Source: City of Corona Finance, Riverside County Auditor-Controller

Note: Excludes Debt Service levies and Redevelopment Property Tax Increment

158

159

**Schedule 9  
Ratios of Outstanding Debt by Type  
(Last Seven Fiscal Years (dollars in thousands, except per capita))**

Year	Governmental Activities						
	General Obligation Bonds	Redevelopment Bonds	Lease Revenue Bonds	Loans Payable	Lease Payable	Long-Term Agreement Payable	Special Assessment Bonds
2000	\$ 6,925	\$ 52,300	\$ 15,825	\$ 3,885	\$ -	\$ -	\$ 17,975
2001	6,190	51,375	22,810	3,499	-	-	14,695
2002	5,410	50,320	22,960	3,115	65	-	10,555
2003	5,085	49,205	58,770	2,711	1,100	-	5,095
2004	3,955	48,030	55,840	2,308	978	-	4,025
2005	3,635	45,485	53,940	1,907	883	1,301	3,255
2006	2,535	42,755	51,975	1,465	767	1,115	2,930

Business-Type Activities						
Installment Agreement Payable	Long-Term Installments Payable	Term Loan Payable	Lease Payable	Capital Leases	Certificates of Participation	Contracts Payable
\$ -	\$ 42,425	\$ 21,989	\$ 110	\$ -	\$ -	\$ 739
-	35,585	21,097	85	-	5,940	717
-	34,900	20,788	58	-	5,885	717
-	34,190	19,233	-	-	73,450	717
-	33,455	18,194	-	172,628	73,175	717
432	32,690	35,171	-	172,828	101,760	717
284	31,895	43,429	-	172,628	101,310	717

continued

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

160

161

**Schedule 9**  
**Ratios of Outstanding Debt by Type**  
**Last Seven Fiscal Years (dollars in thousands, except per capita)**

Year	Total Primary Government	Percentage of Personal Income	Per Capita
2000	\$ 162,003	6.2%	\$ 1,317
2001	161,900	n/a	1,234
2002	154,174	6.0%	1,151
2003	247,536	7.9%	1,607
2004	413,303	n/a	2,914
2005	453,804	n/a	3,150
2006	453,845	n/a	3,137

continued

**Schedule 10**  
**Ratios of General Bonded Debt Outstanding**  
**Last Seven Fiscal Years (dollars in thousands, except per capita)**

Year	General Bonded Debt Outstanding					Percentage of Actual Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Lease Revenue Bonds	Total		
2000	\$ 6,925	\$ 52,380	\$ 17,975	\$ 15,625	\$ 92,905	1.33%	\$756.09
2001	6,190	51,375	14,695	22,810	95,070	1.20%	724.35
2002	5,410	50,320	10,555	22,560	88,845	1.00%	683.19
2003	5,065	49,205	5,085	56,770	116,135	1.19%	847.86
2004	3,955	46,000	4,025	65,840	111,660	1.06%	786.66
2005	3,535	45,485	3,255	63,940	106,315	0.88%	737.94
2006	2,535	42,755	2,500	51,975	100,195	0.74%	692.62

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

<sup>a</sup> See Schedule 5 for property value data.

<sup>b</sup> Population data can be found in Schedule 14.

**Schedule 11**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2006 (dollars in thousands)**

Debt	Outstanding	Est. Percentage Applicable <sup>a</sup>	Share of Overlapping Debt
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Metropolitan Water District	\$ 369,552	0.904%	\$ 3,132
Riverside City Community College District	47,848	15.218%	7,251
Alvord Unified School District	54,490	64.102%	34,929
Corona-Norco Unified School District	2,435	100.000%	2,435
Corona-Norco Unified School District CFD No. 6	715	100.000%	715
Corona-Norco Unified School District CFD No. 7	3,680	90.610%	3,518
Corona-Norco Unified School District CFD No. 8B-1	1,420	100.000%	1,420
Corona-Norco Unified School District CFD No. 37-1	3,260	100.000%	3,260
Corona-Norco Unified School District CFD No. 99-1	6,785	100.000%	6,785
Corona-Norco Unified School District CFD No. 99-2, Imp Areas	2,645	100.000%	2,645
Corona-Norco Unified School District CFD No. 00-1	10,865	100.000%	10,865
Corona-Norco Unified School District CFD No. 01-1, Imp Areas A & B	3,720	100.000%	3,720
Corona-Norco Unified School District CFD No. 01-2, Imp Area B	3,955	100.000%	3,955
City of Corona	2,410	100.000%	2,410
City of Corona CFD No. 96-1	17,910	100.000%	17,910
City of Corona CFD No. 96-2	29,190	100.000%	29,190
City of Corona CFD No. 99-1	45,775	100.000%	45,775
City of Corona CFD No. 90-1	16,885	100.000%	16,885
City of Corona CFD No. 97-2	7,725	100.000%	7,725
City of Corona CFD No. 2000-1	3,540	100.000%	3,540
City of Corona CFD No. 2001-2	22,475	100.000%	22,475
City of Corona CFD No. 2002-1	6,135	100.000%	6,135
City of Corona CFD No. 2003-2	4,375	100.000%	4,375
California Statewide Communities Development Authority CFD No. 2002-1	9,230	100.000%	9,230
City of Corona 1913 Act Bonds			
<b>Total Direct and Overlapping Tax and Assessment Debt</b>			<b>\$ 266,163</b>
<b>Direct and Overlapping General Fund Obligation Debt:</b>			
Riverside County General Fund Obligations	\$ 630,650	9.636%	\$ 60,121
Riverside County Pension Obligations	366,843	9.636%	37,839
Riverside County Board of Education COPs	11,243	9.586%	1,072
Alvord Unified School District COPs	24,134	15.219%	3,673
Corona-Norco Unified School District General Fund Obligations	83,284	84.102%	53,451
City of Corona General Fund Obligations	56,530	100.000%	56,530
<b>Total Gross Direct and Overlapping General Fund Obligation Debt:</b>			<b>\$ 1,122,868</b>
Less: Riverside County self-supporting obligations			<b>1,368</b>
<b>Total Net Direct and Overlapping General Fund Obligation Debt</b>			<b>\$ 1,121,500</b>
<b>Gross Combined Total Debt</b>			<b>\$ 1,387,663</b>
<b>Net Combined Total Debt</b>			<b>\$ 476,981</b>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Corona. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for the repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

Debt	Outstanding	Est. Percentage Applicable <sup>a</sup>	Share of Overlapping Debt
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Metropolitan Water District	\$ 369,552	0.904%	\$ 3,132
Riverside City Community College District	47,848	15.218%	7,251
Alvord Unified School District	54,490	64.102%	34,929
Corona-Norco Unified School District	2,435	100.000%	2,435
Corona-Norco Unified School District CFD No. 6	715	100.000%	715
Corona-Norco Unified School District CFD No. 7	3,680	90.610%	3,518
Corona-Norco Unified School District CFD No. 8B-1	1,420	100.000%	1,420
Corona-Norco Unified School District CFD No. 37-1	3,260	100.000%	3,260
Corona-Norco Unified School District CFD No. 99-1	6,785	100.000%	6,785
Corona-Norco Unified School District CFD No. 99-2, Imp Areas	2,645	100.000%	2,645
Corona-Norco Unified School District CFD No. 00-1	10,865	100.000%	10,865
Corona-Norco Unified School District CFD No. 01-1, Imp Areas A & B	3,720	100.000%	3,720
Corona-Norco Unified School District CFD No. 01-2, Imp Area B	3,955	100.000%	3,955
City of Corona	2,410	100.000%	2,410
City of Corona CFD No. 96-1	17,910	100.000%	17,910
City of Corona CFD No. 96-2	29,190	100.000%	29,190
City of Corona CFD No. 99-1	45,775	100.000%	45,775
City of Corona CFD No. 90-1	16,885	100.000%	16,885
City of Corona CFD No. 97-2	7,725	100.000%	7,725
City of Corona CFD No. 2000-1	3,540	100.000%	3,540
City of Corona CFD No. 2001-2	22,475	100.000%	22,475
City of Corona CFD No. 2002-1	6,135	100.000%	6,135
City of Corona CFD No. 2003-2	4,375	100.000%	4,375
California Statewide Communities Development Authority CFD No. 2002-1	9,230	100.000%	9,230
City of Corona 1913 Act Bonds			
<b>Total Direct and Overlapping Tax and Assessment Debt</b>			<b>\$ 266,163</b>
<b>Direct and Overlapping General Fund Obligation Debt:</b>			
Riverside County General Fund Obligations	\$ 630,650	9.636%	\$ 60,121
Riverside County Pension Obligations	366,843	9.636%	37,839
Riverside County Board of Education COPs	11,243	9.586%	1,072
Alvord Unified School District COPs	24,134	15.219%	3,673
Corona-Norco Unified School District General Fund Obligations	83,284	84.102%	53,451
City of Corona General Fund Obligations	56,530	100.000%	56,530
<b>Total Gross Direct and Overlapping General Fund Obligation Debt:</b>			<b>\$ 1,122,868</b>
Less: Riverside County self-supporting obligations			<b>1,368</b>
<b>Total Net Direct and Overlapping General Fund Obligation Debt</b>			<b>\$ 1,121,500</b>
<b>Gross Combined Total Debt</b>			<b>\$ 1,387,663</b>
<b>Net Combined Total Debt</b>			<b>\$ 476,981</b>

<sup>a</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's assessed value that is within the City's boundaries and dividing it by each unit's total assessed value.

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



**Schedule 12**  
**Legal Debt Margin Information**  
**Last Six Fiscal Years (dollars in thousands)**

**Legal Debt Margin Calculation for Fiscal Year 2006**

Assessed Value	\$13,540,465
Debt Limit (15% of assessed value)	2,031,070
Debt Applicable to limit:	
General obligation bonds	2,536
Less: Amount set aside for repayment of general obligation debt	(816)
Total net debt applicable to limit	1,719
Legal Debt Margin	<u>\$ 2,029,351</u>

	Fiscal Year			Fiscal Year		
	2001	2002	2003	2004	2005	2006
Debt Limit	\$1,191,272	\$ 1,320,938	\$ 1,466,692	\$1,591,659	\$ 1,609,375	\$ 2,031,070
Total net debt applicable to limit	4,727	4,091	3,505	2,371	2,296	1,719
Legal debt margin	1,168,545	1,326,547	1,462,187	1,588,788	1,607,077	2,029,351
Total debt applicable to the limit as a percentage of debt limit	0.40%	0.31%	0.24%	0.18%	0.15%	0.08%

Notes: Under State Finance Law, the City's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to this limitation may be offset by amounts set aside for repaying general obligation bonds.

166

167

**Schedule 13**  
**Pledged-Revenue Coverage**  
**Last Seven Fiscal Years (dollars in thousands)**

**Lease Revenue Bonds**

Fiscal Year	Lease Payments	Current Acct Bal	Debt Service		Coverage
			Principal	Interest	
2000	\$ 1,568	\$ 1,232	\$ 760	\$ 925	1.88
2001	16,139	1,168	15,625	1,126	1.03 <sup>a</sup>
2002	1,179	26	250	986	1.00
2003	1,827	2,209	790	1,749	1.59 <sup>b</sup>
2004	1,931	1,511	930	2,469	1.00
2005	3,366	1,068	1,900	2,450	1.01
2006	4,184	177	1,065	2,390	1.00

**Special Assessment Bonds**

Special Assessment Collections	Current Acct Bal	Debt Service		Coverage
		Principal	Interest	
\$ 4,594	\$ 3,528	\$ 2,940	\$ 1,547	1.61
3,752	3,666	3,280	1,298	1.52
3,291	3,525	4,140	1,019	1.32
1,410	5,579	5,480	617	1.15
322	1,411	1,070	355	1.57
582	1,020	770	263	1.52
560	448	325	241	1.78

continued

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

<sup>a</sup> 1993 Public Improvement bonds were refunded by the 2001 Lease Revenue Refunding Bonds.

<sup>b</sup> 2002 Lease Revenue bonds issued, capitalized interest used to make debt payments.

<sup>c</sup> 2004 TABS issued in July 2004 partially refunded 1994 TABS.

<sup>d</sup> 2003 COPs issued with capitalized interest.

<sup>e</sup> 2005 COPs issued.

168

169

**Schedule 13**  
**Pledged-Revenue Coverage**  
**Last Seven Fiscal Years (dollars in thousands)**

Fiscal Year	Redevelopment Bonds				
	Not Property Tax Increment	Debt Service		Coverage	
		Principal	Interest		
2000	\$ 5,847	\$ 936	\$ 3,055	1.45	
2001	6,038	1,005	3,015	1.50	
2002	7,082	1,095	2,981	1.76	
2003	7,377	1,115	2,902	1.84	
2004	8,591	1,175	2,840	2.16	
2005	9,306	39,455 °	2,545	0.22	
2006	10,324	2,730	1,952	2.20	

170

Water Revenue Bonds			
Lease Payments	Debt Service		Coverage
	Principal	Interest	
\$ 2,091	\$ 445	\$ 1,548	1.06
2,293	660	1,628	1.00
2,387	835	1,503	1.60
2,386	710	1,577	1.60
2,284	735	1,550	1.00
2,236	765	1,522	1.00
2,285	795	1,493	1.00

continued

171

**Schedule 13**  
**Pledged-Revenue Coverage**  
**Last Seven Fiscal Years (dollars in thousands)**

Fiscal Year	Certificates of Participation				
	Lease Payments	Current Acct Bal	Debt Service		Coverage
			Principal	Interest	
2000	\$ 638	\$ 17	\$ 235	\$ 320	1.00
2001	616	32	240	309	1.00
2002	520	48	255	298	1.03
2003	604	47	265	286	1.00
2004	771	4,059	275	2,779	1.79 °
2005	1,223	2,586	435	3,189	1.00
2006	4,520	335	450	4,350	1.00 *

continued

172

**Schedule 14**  
**Demographic and Economic Statistics**  
**Last Seven Fiscal Years**

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2000	122,969	\$ 2,629,948	\$ 21,364	29.0	35,148	4.8%
2001	131,248	n/a	n/a	n/a	37,487	4.2%
2002	133,866	3,086,993	23,043	n/a	39,814	4.9%
2003	137,006	3,142,951	22,940	n/a	41,977	5.0%
2004	141,822	n/a	n/a	n/a	43,898	4.8%
2005	144,070	n/a	n/a	n/a	44,240	3.7%
2006	144,861	n/a	n/a	n/a	47,731	3.5%

Source: Population - California Dept of Finance; Median Age - U.S. Census; School Enrollment - CNUSD ; Unemployment Rate - California Labor Market

173

**Schedule 15**  
Principal Employers  
Current Year and Six Years Ago

Employer	2009			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Corona-Norco Unified School District	5,285	1	6.85%	5,200	1	6.13%
Watson Laboratories, Inc.	1,280	2	1.58%	1,000	2	1.31%
Kaiser Permanente	1,242	3	1.51%			
Corona Regional Medical Center	1,060	4	1.37%	800	3	1.53%
City of Corona	1,018	5	1.32%	700	6	1.34%
All American Asphalt	950	6	1.23%			
Dart Container Corporation	850	7	1.10%			
Fender USA Corona	850	8	1.04%	800	4	1.53%
Doorway Manufacturing	600	9	0.78%			
LDI Mechanical	600	10	0.78%			
Univis, Inc.	-	-	-	350	6	0.67%
Core-Mark	-	-	-	300	7	0.57%
Ecane International	-	-	-	300	8	0.57%
Circle Seal Controls, Inc.	-	-	-	280	9	0.54%
International Food Source	-	-	-	250	10	0.48%

Source: City Economic Development Division, California Labor Market

174

**Schedule 16**  
Full-time Equivalent City Government Employees by Function/Program  
Last Two Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30	
	2009	2008
General Government		
Management Services	12 *	27.3
Human Resources	12	10.75
Information Technology	17	0
Finance	40	39.5
Planning	20	19.35
Building	23	22
Police		
Officers	166	166
Civilians	86	90
Fire		
Firefighters and officers	111	108
Civilians	20	25
Public Works	83	83.91
Redevelopment	17	21.1
Parks and Community Services	52	51.09
Library	19	19
Department of Water and Power	137	134.56
Transit Services	6	3
<b>Total</b>	<b>829.0</b>	<b>824.1</b>

\* Information Technology department no longer included in Management Services

Source: City of Corona Finance

175

**Schedule 17**  
Operating Indicators by Function/Program  
Last Two Fiscal Years

Function/Program	Fiscal Year	
	2009	2008
<b>Police</b>		
Physical Arrests	4,696	4,269
Parking Violations	6,147	6,657
Traffic Violations	13,923	16,836
<b>Fire</b>		
Emergency Responses	9,997	9,844
Fires Extinguished	499	503
Inspections	285	1,829
<b>Public Works</b>		
Street Resurfacing (miles)	9.90	11.76
Street Lights Repaired	1,336	1,156
Potholes Paved (sq. ft)	37,389	38,234
<b>Parks and Community Services</b>		
Sportsfields Participation	458,092	462,852
Comm. Centers/Gym/Pool Participation	367,688	369,490
Other Activity Participation	126,542	128,991
<b>Library</b>		
Volumes in Collection	165,474	161,495
Total Volumes Borrowed	673,450	722,032
<b>Water</b>		
New Connections	801	656
Water Main Repairs	9	38
Average Daily Consumption (gallons)	35,200,000	39,195,000
<b>Wastewater</b>		
Average Daily Sewage Treatment (millions of gallons)	12.245	12.21
<b>Transit Services</b>		
Total Route Miles (round-trip)	44.7	44.7
Passengers		
Fixed Route	148,983	162,423
DiA-Ride	58,892	66,481

Source: Various City Departments

176

**Schedule 18**  
Capital Asset Statistics by Function/Program  
Last Two Fiscal Years

Function/Program	Fiscal Year	
	2009	2008
<b>Police</b>		
Stations	1	1
Zone Offices	3	3
Patrol Units	66	68
Fire Stations	7	7
<b>Streets</b>		
Streets and Alleys (miles)	375.84	370.66
Streetlights	11,360*	10,540*
Traffic Signals	157	153
<b>Parks and Community Services</b>		
Total Park Acreage	341.64	347
Playgrounds	29	30
Baseball/football diamonds	33	32
Soccer/football fields	14	11
Community Centers	7	7
Civic Center Auditorium Seating Cap	250	250
Finance Bents/hall Seating Capacity	500	500
<b>Water</b>		
Water Main (miles)	605.5	586
Fire Hydrants	7,804	7,611
Storage Capacity (millions of gallons)	45.9	40.9
<b>Wastewater</b>		
Sanitary Sewers (miles)	362.4	376
Storm Sewers (miles)	146.2	145.2
Treatment Capacity (millions of gallons)	18.5	15.5
<b>Transit Services</b>		
Minibuses		
Fixed Route	5	5
DiA-Ride	9	9

Source: Various City Departments

\* includes only city-owned

177



[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX C

### FORM OF BOND COUNSEL'S OPINION

[Closing Date]

Corona Public Financing Authority  
400 South Vicentia Avenue  
Corona, California 92882

Re: \$37,180,000 Corona Public Financing Authority 2006 Lease Revenue Bonds,  
Series C (Corporation Yard Expansion Project)

Ladies and Gentlemen:

We have reviewed the Constitution and laws of the State of California and certain proceedings taken by the Corona Public Financing Authority (the "Authority") in connection with the issuance by the Authority of the \$37,180,000 Corona Public Financing Authority 2006 Lease Revenue Bonds, Series C (Corporation Yard Expansion Project) (the "Bonds"), pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law") and pursuant to an Indenture of Trust, dated as of December 1, 2006 (the "Indenture of Trust"), by and between The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), and the Authority. The proceeds of the Bonds have been applied by the Authority to finance the acquisition and construction of a corporation yard for the City of Corona (the "City"). The Authority and the City have entered into a Lease Agreement, dated as of December 1, 2006 (the "Lease Agreement"), whereby the City has leased from the Authority certain City facilities and property (the "Leased Premises") and the City will make Lease Payments for the Leased Premises to the Authority. Pursuant to the Indenture of Trust, the Lease Payments have been assigned by the Authority to the Trustee and will be used by the Trustee to pay the principal of and interest on the Bonds. We have examined the Indenture of Trust, the Lease Agreement and such certified proceedings and other documents and materials as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California, with power to enter into the Indenture of Trust, to perform the agreements on its part contained therein and to issue the Bonds;
2. The Bonds constitute the valid and legally binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture of Trust;
3. The Indenture of Trust has been duly approved by the Authority and constitutes the valid and legally binding obligation of the Authority enforceable against the Authority in accordance with its terms;
4. The Indenture of Trust establishes a lien on and pledge of the Lease Payments (as such term is defined in the Indenture of Trust) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture of Trust;
5. Interest on the Bonds is exempt from California personal income taxation.

6. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the delivery of the Bonds for the interest received by the owners of the Bonds to be and remain excluded from gross income for purposes of federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of delivery of the Bonds. Pursuant to the Indenture of Trust the Authority has covenanted to comply with the requirements of the Code. Assuming compliance with the aforementioned covenant, we are of the opinion that, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. We observe, however, that interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations. Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds, or any portion thereof, may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our opinions, expressed herein, may be affected by action taken (or not taken) on events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture of Trust may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

**APPENDIX D**

**FORM OF MUNICIPAL BOND INSURANCE POLICY**

**MBIA Insurance Corporation**

**Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]**

**[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

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

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

**SPECIMEN**

[THIS PAGE INTENTIONALLY LEFT BLANK]



## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CORONA PUBLIC FINANCING AUTHORITY (the "Issuer") and the CITY OF CORONA (the "City"). The City will act as its own Dissemination Agent hereunder (the "Dissemination Agent") in connection with the issuance of the \$37,180,000 Corona Public Financing Authority 2006 Lease Revenue Bonds, Series C (Corporation Yard Expansion Project) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust dated as of December 1, 2006 (the "Indenture") between the Issuer and The Bank of New York Trust Company, N.A., as trustee thereunder (the "Trustee"). The Issuer and the City hereby certify to the following:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer and the City for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Reports provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Disclosure Representative" shall mean the Finance Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean the City of Corona acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the Issuer and the City and which have filed with the Issuer and the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve month period beginning on July 1 of each year and ending on June 30 of the following year.

"Insurer" shall mean MBIA Insurance Corporation.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Repository for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repositories  
P. O. Box 840  
Princeton, NJ 08542-0840  
(609) 279-3200  
FAX (609) 279-5962  
Internet address: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

Kenny Information Systems, Inc.  
65 Broadway, 16th Floor  
New York, NY 10006  
Attn: Kenny Repository Service  
(212) 770-4595  
FAX (212) 797-7994

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
(201) 346-0701  
FAX (201) 947-0107  
Internet address: nrmsir@dpcdata.com

Thomson NRMSIR  
Attn: Municipal Disclosure  
395 Hudson Street, 3d Floor  
New York, NY 10014  
(212) 807-5001 or (800) 689-8466  
FAX (212) 989-2078  
Internet address: Disclosure@Muller.com

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

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

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

### Section 3. Provision of Annual Reports.

(a) The Issuer and the City shall, or shall cause the Dissemination Agent to, not later than March 1 of each year, commencing March 1, 2007, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Issuer and the City shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding June 30. The Official Statement, dated December 6, 2006, together with the 2005-06 Fiscal Year Audited Financial Statements shall satisfy the first filing. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certifications of the

Issuer and shall have no liability, duty or obligation whatsoever to review any such Annual Report. Further, the Dissemination Agent shall have no liability for the contents of any such Annual Report. The Issuer and the City shall cause each such annual Report to be delivered to the Insurer concurrently with the delivery of the Annual Report to each Repository.

(b) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date specified in subsection (a), the Dissemination Agent shall send a notice to each Repository, or, in the alternative, the Municipal Securities Rulemaking Board, in substantially the form attached as Attachment A.

(c) The Dissemination Agent shall:

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

(ii) provide notice to the Issuer that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Notwithstanding any statement to the contrary, any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

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

(a) Audited Financial Statements prepared in accordance with general accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing the following:

(i) information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year, including information showing tax revenue collections by source;

(ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) information concerning the assessed valuation of properties within the City for the most recent completed Fiscal Year, showing the valuation for secured, public utility and unsecured property;

(iv) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year together with information regarding the current Sales Tax receipts for the then Fiscal Year; and

(v) information showing the balance sheet of the General Fund of the City as of the close of the most recent completed Fiscal Year, including categorized assets, liabilities and reserved and unreserved fund balances.

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

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

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

(a) Pursuant to the provisions of this Section 5, the Issuer shall give or cause to be given, notice of the occurrence of any of the following event:

1. Delinquency in payment when due of any principal of or interest on the Bonds.
2. Occurrence of any default under the Indenture (other than as described in clause (1) above).
3. Amendment to or modification of the Indenture or this Disclosure Certificate modifying the rights of the Owners of the Bonds.
4. Giving of a notice of optional or unscheduled redemption of any of the Bonds.
5. Defeasance of the Bonds or any portion thereof.
6. Any change in any rating on the Bonds.
7. Adverse tax opinions or events affecting the Tax-exempt status of the Bonds.
8. Any unscheduled draw on the Reserve Fund or Reserve Facility reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).

(b) The Dissemination Agent shall, within ten (10) Business Days of obtaining actual knowledge of the occurrence of any of the events listed in paragraph (a) of this Section (except events listed in clauses (a)(1), (4) or (5)), with no obligation to determine the materiality thereof, notify the Disclosure Representative and the Insurer of such event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For the purpose of this Disclosure Certificate “actual knowledge” means the actual knowledge of the officer of

the Dissemination Agent with primary responsibility for matters related to the administration of the Indenture at the principal corporate trust office of the Dissemination Agent.

(c) Whenever the Issuer or the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer or the City shall as soon as possible, but in no event later than three (3) Business Days, determine if such event would constitute material information for Owners of the Bonds under applicable Federal securities law, provided that any event under subsection (a) (6) will always be deemed to be material.

(d) If the Issuer or the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer or the City shall promptly notify the Dissemination Agent and the Insurer in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer or the City determines that the Listed Event would not be material, the Issuer or the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer or the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) Notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Issuer's and the City's respective obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The Issuer and the City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City of Corona. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the City and the Trustee. If at any time there is no designated Dissemination Agent appointed by the Issuer and the City, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Issuer shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer and the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment requested by the Issuer and the City, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities law, acceptable to the Issuer, the City and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

Section 10. Default. In the event of a failure of the Issuer, the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Dissemination Agent may, and, at the request of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of the outstanding Bonds, shall (but only to the extent funds in any amount satisfactory to the Dissemination Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges whatsoever related thereto, including without limitation, fees and expenses of its attorneys), or any Bondowner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer and the City to comply with their obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer and the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under said Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer and the City agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer and the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed by the Issuer and the City all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. Neither the Dissemination Agent nor the Trustee shall have any duty or obligation to review any information provided to it hereunder or shall be deemed to be acting in any fiduciary capacity for the Issuer and the City, the owners of the Bonds or any other party. The obligations of the Issuer and the City under this section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any document or any further act.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the City, the Dissemination Agent, the Participating Underwriters and the Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: December 20, 2006

CORONA PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Authorized Officer

CITY OF CORONA

By: \_\_\_\_\_  
Authorized Officer

**ATTACHMENT A  
NOTICE TO REPOSITORIES  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: CORONA PUBLIC FINANCING AUTHORITY

Name of Bond Issue: Corona Public Financing Authority  
2006 Lease Revenue Bonds, Series C  
(Corporation Yard Expansion Project)

Date of Issuance: December 20, 2006

NOTICE IS HEREBY GIVEN that the Corona Public Financing Authority and the City of Corona have not provided an Annual Report with respect to the above-referenced Bonds as required by the Indenture of Trust dated as of December 1, 2006 between the Authority and The Bank of New York Trust Company, N.A., as Trustee. The Authority and the City anticipate that the Annual Report will be filed by \_\_\_\_\_.

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

CITY OF CORONA, as Dissemination Agent on Behalf  
of the Issuer

By: \_\_\_\_\_  
Authorized Signatory



## APPENDIX F

### BOOK ENTRY PROVISIONS

Information concerning The Depository Trust Company (“DTC”) and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority, the City, the Underwriter or the Trustee.

#### **Bonds in Book-Entry Form**

When the Bonds are issued, beneficial ownership interests will be available to the actual purchasers of the Bonds (the “**Beneficial Owners**”) only by or through Participants via a book-entry system (the “**Book-Entry System**”) maintained by DTC. If the Bonds are taken out of the Book-Entry System and delivered to owners in physical form, as contemplated hereinafter under “Discontinuance of DTC Services,” the following discussion will not apply.

#### **DTC and its Participants**

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing Authority” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities Bonds. Direct Participants include securities brokers and dealers, banks, trust companies, clearing Authority’s, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**” and collectively with Direct Participants, “**Participants**”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct or Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

So long as Cede & Co., as nominee of DTC (or any other nominee of DTC), is the registered owner of the Bonds, all references herein to the owners of the Bonds or registered owners of the Bonds

shall mean Cede & Co., as such nominee, and shall not mean the Beneficial Owners of the Bonds. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings as shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Authority or the County subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to DTC is the responsibility of the Bond Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds on DTC's records, to the Remarketing Agent. The requirement for physical delivery of the Bonds in connection with a demand for purchase or mandatory purchase will be deemed satisfied when the ownership rights of the Bonds are transferred by Direct Participants on DTC's records.

Neither the Authority, the City nor the Trustee shall have any responsibility or obligation to any DTC Participant or any Beneficial Owner with respect to: (1) the accuracy of any records maintained by DTC or any Participant; (2) the payment-by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Bonds; (3) the delivery by DTC or any Participant to any Beneficial Owner of any notice (including a notice of redemption) or other communication which is required or permitted to be given to owners of the Bonds under the Trust Agreement for the Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of a partial redemption of the Bonds; or (5) any consent given or other action taken by DTC as Bond holder.

**Discontinuance of DTC Services**

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or to the Trustee. The Trustee may remove DTC or any successor at any time and will do so upon the written direction of the Authority. Under such circumstances, in the event that a successor securities depository is not selected as provided in the Trust Agreement, Bonds for the Bonds are required to be printed and delivered.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



