NEW ISSUE- BOOK ENTRY ONLY

RATINGS (Short-term/Long-term):
Moody's: "VMIG1/Aaa"
Standard & Poor's: "A-1+/AAA"
Fitch: "F1+/AAA"
(See "RATINGS")

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of installment payments designated as and comprising interest and received by the owners of the 2008 Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

ELECTRIC SYSTEM REVENUE REFUNDING CERTIFICATES OF PARTICIPATION

08-0128

$90,000,000	***$64,500,000***
SERIES 2008A	***SERIES 2008B***

08-329

Evidencing and Representing Proportionate
Interests of the Owners Thereof
in 2008 Payments
to be made by the
CITY OF ROSEVILLE

Dated: Delivery Date — **Price: 100%**
2008A Certificates CUSIP†: 777807 CR7 — **2008A Certificates Due: February 1, 2035**
2008B Certificates CUSIP†: 777807 CS5 — **2008B Certificates Due: February 1, 2035**

Authority for Execution and Delivery. *The certificates of participation captioned above (collectively, the "2008 Certificates") are being executed and delivered by The Bank of New York Trust Company, N. A., as trustee (the "Trustee") under a Trust Agreement dated as of May 1, 2008, between the Roseville Finance Authority (the "Authority") and the Trustee, and under a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented to date, including a 2008 Supplemental Installment Purchase Contract dated as of May 1, 2008, all entered into between the City of Roseville (the "City") and the Authority (the "2008 Supplemental Contract" and, collectively with the Master Contract, as previously supplemented, the "Installment Purchase Contract"). See "THE 2008 CERTIFICATES – Authority for Execution and Delivery."*

Interest with respect to the 2008A Certificates and 2008B Certificates will initially be calculated at a Weekly Rate payable on the first Business Day of each calendar month, commencing June 2, 2008. The 2008A Certificates and 2008B Certificates will be delivered in denominations of $100,000 and any integral multiples of $1,000 in excess thereof. See "THE 2008 CERTIFICATES." Pursuant to the Trust Agreement, the 2008A Certificates and 2008B Certificates may be converted to one of several different Interest Rate Modes: Commercial Paper Rate, Daily Rate, Weekly Rate, Long-Term Rate or an Auction Rate. All of the 2008A Certificates must be in the same Interest Rate Mode at the same time and all of the 2008B Certificates must be in the same Interest Rate Mode at the same time. This Official Statement is not intended to provide information with respect to the 2008A Certificates and 2008B Certificates (including the terms of such 2008A Certificates and 2008B Certificates) after Conversion from a Weekly Rate Period or Daily Rate Period. Owners and prospective purchasers of the 2008A Certificates and 2008B Certificates should not rely on this Official Statement for information concerning the 2008A Certificates and 2008B Certificates in connection with any Conversion of the 2008A Certificates and 2008B Certificates, but should look solely to the offering document to be used in connection with any such Conversion.

Security for the 2008 Certificates. *The 2008 Certificates evidence direct, undivided fractional interests of the owners thereof in the "2008 Payments" received by the Trustee under the Trust Agreement. "2008 Payments" are defined as the installment payments of interest, principal and prepayment premiums, if any, payable by the City under the 2008 Supplemental Contract. The 2008 Certificates are also secured by amounts held in certain funds and accounts established under the Trust Agreement. See "SECURITY FOR THE 2008 CERTIFICATES."*

The 2008 Payments are payable from and secured by a pledge of "Net Revenues" of the Electric System, which are defined generally as Revenues of the Electric System less the Maintenance and Operation Costs of the Electric System during any 12-month period. The pledge of Net Revenues for payment of the 2008 Payments is on a parity with the pledge of Net Revenues securing payment of other obligations incurred by the City under the Installment Purchase Contract, including installment payments which are the subject of four series of certificates of participation executed and delivered in 1999, 2002, 2004 and 2005 (collectively, the "Prior Certificates") to finance and refinance improvements to the Electric System. The 2008 Certificates are also secured by a Parity Reserve Fund on a parity with the Prior Certificates. See "SECURITY FOR THE 2008 CERTIFICATES – Outstanding Senior and Parity Indebtedness" and "- Parity Reserve Fund."

"Maintenance and Operation Costs" include, among other costs, the City's share of debt service on debt incurred by certain joint powers agencies in which the Electric System participates. As a result, the City's payments of debt service on this joint powers agency debt are payable on a basis senior to the City's payments on the 2008 Certificates and the other Parity Obligations. See "SECURITY FOR THE 2008 CERTIFICATES – Outstanding Senior and Parity Indebtedness."

Letter of Credit. *Payment of the principal of and interest with respect to, and purchase price of, the 2008 Certificates will initially have the benefit of an irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued by Dexia Crédit Local, New York Branch (the "Bank") as the initial Credit Facility under the Trust Agreement. The initial expiration date of the Letter of Credit is May 13, 2011, as extended or earlier terminated prior thereto as described herein. See "THE BANK" and "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."*

DEXIA
Crédit Local

Use of Proceeds. *The 2008 Certificates are being executed and delivered to (i) refinance certain outstanding obligations of the City relating to certificates of participation executed and delivered in 2005 for the Electric System, (ii) pay costs associated with the termination of the 2005 Swap Agreement (defined herein), (iii) contribute funds to the Parity Reserve Fund securing the 2008 Certificates and the Parity Certificates and (iv) pay certain costs incurred in connection with the execution and delivery of the 2008 Certificates. See "THE PLAN OF FINANCING."*

Certificate Terms; Book-Entry Only. *The 2008 Certificates will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") under the book-entry-only system maintained by DTC. So long as Cede & Co. is the registered owner of the 2008 Certificates, principal and tender price of, premium, if any, and interest with respect to the 2008 Certificates will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the 2008 Certificates, as more fully described herein. Purchasers of the 2008 Certificates will not receive certificates representing their interests in the 2008 Certificates. See "THE 2008 CERTIFICATES" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."*

Prepayment and Tender. *Prior to their maturity, the 2008 Certificates are subject to optional and mandatory prepayment and optional tender and mandatory tender as described in this Official Statement. See "THE 2008 CERTIFICATES—Prepayment" "—Optional Tender" and "—Mandatory Tender" herein.*

THE OBLIGATION OF THE CITY TO MAKE THE 2008 PAYMENTS IS A SPECIAL OBLIGATION OF THE CITY SECURED BY A PLEDGE OF AND PAYABLE SOLELY FROM THE NET REVENUES AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for quick reference only. It is not a summary of this issue of Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the 2008 Certificates.

The 2008 Certificates are offered when, as and if executed and delivered and accepted by the Underwriter, subject to the approval of the validity of the 2008 Supplemental Contract by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Certain legal matters will also be passed upon for the City by Jones Hall as disclosure counsel, for the Bank by Kutak Rock LLP, Atlanta, Georgia, for the City by the City Attorney, and for the Underwriter by Orrick, Herrington & Sutcliffe LLP. It is anticipated that the 2008 Certificates will be delivered in book-entry form through the facilities of DTC on or about May 13, 2008.

MORGAN STANLEY

The date of this Official Statement is May 12, 2008.

† *Copyright 2008, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City, the Authority nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.*

INTRODUCTION

Authority for Execution and Delivery

The 2008 Certificates are being executed and delivered under the Trust Agreement and a Master Installment Purchase Contract (the "Master Contract") dated as of November 1, 1997, as supplemented by the following contracts, all entered into by and between the City and the Authority: a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"); a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"), a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract"), a 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005 (the "2005 Supplemental Contract"), and a 2008 Supplemental Installment Purchase Contract to be executed and entered into as of May 1, 2008, with respect to the 2008 Certificates (the "2008 Supplemental Contract"). The Master Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract, the 2005 Supplemental Contract and the 2008 Supplemental Contract are collectively referred to as the "Installment Purchase Contract". See "SECURITY FOR THE 2008 CERTIFICATES – Outstanding Senior and Parity Indebtedness."

The City is executing and delivering the 2008 Supplemental Contract under a resolution adopted by the City Council of the City on May 1, 2008. The Authority is executing and delivering the 2008 Supplemental Contract and the Trust Agreement under a resolution adopted by the Authority's governing body on May 1, 2008.

Payments Represented by the 2008 Certificates

The 2008 Certificates evidence and represent the direct, undivided fractional interests of the owners thereof in the respective "2008A Payments" and "2008B Payments" (collectively, the "2008 Payments") received by the Trustee under the Trust Agreement. "2008 Payments" are defined as the installment payments of interest, principal and prepayment premiums, if any, payable by the City under the 2008 Supplemental Contract. See "SECURITY FOR THE 2008 CERTIFICATES."

The 2008 Payments are payable from and secured by a parity pledge of "Net Revenues" of the City's electric utility (the "Electric System"), which are defined generally as Revenues of the Electric System less the Maintenance and Operation Costs of the Electric System during any 12-month period. "Maintenance and Operation Costs" include, among other costs, the City's share of debt service on debt incurred by certain joint powers agencies in which the Electric System participates. As a result, the City's payments of debt service on this joint powers agency debt are payable on a basis senior to the Parity Obligations, as defined below (which include the 2008 Payments).

The 2008 Certificates are also secured by amounts held in certain funds and accounts established under the Trust Agreement, including a Parity Reserve Fund, as described herein. See "SECURITY FOR THE 2008 CERTIFICATES."

The issuance of the 2008 Certificates will not directly, indirectly or contingently obligate the City to levy or pledge any form of taxation or to make any appropriation for their payment. The 2008 Certificates are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the City or any of its income or receipts except the funds pledged therefor pursuant to the Trust Agreement. Neither the faith and credit nor

the taxing power of the City, the State of California or any other public agency is pledged to the payment of the principal or premium, if any, or interest with respect to the 2008 Certificates. The 2008 Certificates do not constitute a debt, liability or obligation of the State of California or any public agency (other than the special obligation of the City as provided in the Trust Agreement).

Financing Purpose

The 2008 Certificates are being executed and delivered to (i) refinance the 2005B Certificates and the 2005C Certificates (described below), (ii) pay costs associated with the termination of the 2005 Swap Agreements (described below), (iii) contribute funds to the Parity Reserve Fund securing the 2008 Certificates and the Parity Certificates (described below), and (iv) pay certain costs incurred in connection with the execution and delivery of the 2008 Certificates. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS."

Outstanding Senior and Parity Obligations

Senior Obligations. The City has entered into financing agreements with certain regional joint powers agencies (including the Northern California Power Agency and the Transmission Agency of Northern California), under which the City is responsible for a share of debt service on debt issued by those joint powers agencies. Obligations of the City under these financing agreements constitute operating expenses of the Electric System payable prior to the Payments under the Installment Purchase Contract, including the 2008 Payments and the other Parity Obligations.

Parity Obligations. In addition, the 2008 Payments are secured on a parity with the Payments previously incurred by the City under the Installment Purchase Contract, which include (a) the payments securing the four series of prior certificates and (b) payments due under certain swap agreements (all as described below).

See "SECURITY FOR THE 2008 CERTIFICATES – Outstanding Senior and Parity Obligations."

Parity Reserve Fund

The City maintains a Parity Reserve Fund securing all Payments made under the Installment Purchase Contract securing the outstanding Prior Certificates and the 2008 Certificates. The 2008 Reserve Account of the Parity Reserve Fund is being funded with amounts transferred from the reserve accounts securing the 2005B Certificates and the 2005C Certificates and proceeds of the 2008 Certificates. See "SECURITY FOR THE 2008 CERTIFICATES – Parity Reserve Fund."

Future Parity Debt

The Master Contract permits the City to execute additional Parity Obligations and Parity Payment Agreements, the payments of which are payable from Net Revenues on a parity with the 2008 Payments and the payments due under certain swap agreements (described below), if the conditions set forth in the Master Contract are met. See "SECURITY FOR THE 2008 CERTIFICATES – Additional Debt."

Rate Covenants

Under the Master Contract, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield "Adjusted Annual Net Revenues" for such Fiscal Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year. See "SECURITY FOR THE 2008 CERTIFICATES – Rate Covenant."

The Letter of Credit

Payment of the principal, interest and purchase price of the 2008 Certificates will initially have the benefit of an irrevocable direct-pay letter of credit (the "Letter of Credit") as the initial Credit Facility under the Trust Agreement to be issued by Dexia Crédit Local, New York Branch (the "Bank") for the benefit of the Trustee. The initial expiration date of the Letter of Credit is May 13, 2011, as extended or earlier terminated prior thereto as described herein. The Letter of Credit and any Alternate Credit Facility are defined under the Trust Agreement as the "Credit Facility." The Letter of Credit is being issued under the terms of a Letter of Credit Reimbursement Agreement, dated the delivery date of the 2008 Certificates (the "Reimbursement Agreement"), between the Bank and the City. See "THE BANK" and "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."

Prepayment and Tender

The 2008 Certificates are subject to mandatory and optional tender and to mandatory and optional prepayment prior to maturity as more fully described herein. See "THE 2008 CERTIFICATES – Prepayment," "- Optional Tender" and "- Mandatory Tender."

DTC and the Book-Entry Only System

The 2008 Certificates are being executed and delivered as fully registered securities in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and beneficial interests in the book-entry certificates will be made available in authorized denominations to ultimate purchasers under the book-entry-only system maintained by DTC. See "APPENDIX F-DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Weekly Rate

Interest with respect to the 2008A and the 2008B Certificates will initially be calculated at a Weekly Rate. During any Weekly Rate Period, interest with respect to the 2008A and 2008B Certificates will be payable on the first Business Day of each calendar month. See "THE 2008 CERTIFICATES – Interest Rate Modes" herein and "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Change in Interest Rate Mode

The Interest Rate Mode with respect to the 2008A Certificates and 2008B Certificates is subject to subsequent Conversion to a Daily Rate, Commercial Paper Rate, Auction Rate or Long-Term Rate (or thereafter back to a Weekly Rate), as described herein (each, an "Interest Rate Mode"). This Official Statement describes the terms of the 2008A Certificates and the 2008B Certificates only while the Interest Rate Mode is a Weekly Rate or Daily Rate, as described herein. This Official Statement is not intended to provide information with respect to the 2008 Certificates in any interest rate period other than the Weekly Rate Period or Daily Rate Period. See "THE 2008 CERTIFICATES – Interest Rate Modes" herein and "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

PLAN OF FINANCING

05-0177

The Refunding Plan

On June 30, 2005, the Authority executed and delivered three series of certificates of participation relating to the electric system: $52,900,000 Series 2005A Electric System Revenue Certificates of Participation (the "2005A Certificates"), $90,000,000 Series 2005B Electric System Revenue Certificates of Participation (Auction Rate Securities) (the "2005B Certificates") and $60,000,000 Series 2005C Electric System Revenue Certificates of Participation (Auction Rate Securities) (the "2005C Certificates"). As described below, the 2005B Certificates and 2005C Certificates will be prepaid with the net proceeds of the 2008 Certificates. The 2005A Certificates will remain outstanding.

A portion of the net proceeds from the sale of the 2008A Certificates will be used to prepay a portion of the City's obligations under the 2005 Supplemental Agreement resulting in a prepayment of the remaining outstanding 2005B Certificates. On the date of delivery of the 2008 Certificates, the Authority will cause the Trustee, in its capacity as trustee for the 2005B Certificates, to prepay and defease the 2005B Certificates in accordance with the provisions of the Trust Agreement for the 2005B Certificates. Under the Trust Agreement, the 2005B Certificates will be prepaid on May 13, 2008, at a prepayment price equal to the principal amount of 2005B Certificates to be prepaid, without premium.

A portion of the net proceeds from the sale of the 2008B Certificates will be used to prepay a portion of the City's obligations under the 2005 Supplemental Agreement resulting in a prepayment of the remaining outstanding 2005C Certificates. On the date of delivery of the 2008 Certificates, the Authority will cause the Trustee, in its capacity as trustee for the 2005C Certificates, to prepay and defease the 2005C Certificates in accordance with the provisions of the Trust Agreement for the 2005C Certificates. Under the Trust Agreement, the 2005C Certificates will be prepaid on May 15, 2008, at a prepayment price equal to the principal amount of 2005C Certificates to be prepaid, without premium.

Sufficiency of amounts available to prepay the 2005B Certificates and 2005C Certificates will be verified by Chris D. Berens, CAP, P.C. See "VERIFICATION."

2005 Swap Agreements

In connection with the issuance of the 2005B Certificates, the City entered into (i) an interest rate swap agreement with Morgan Stanley Capital Services, Inc., New York, an affiliate of Morgan Stanley & Co. Incorporated, and (ii) an interest rate swap agreement (together with the Morgan Stanley Capital Services, Inc. swap agreement, the "2005 Swap Agreements") with Bear Stearns Financial Products Inc. (together with Morgan Stanley Capital Services, Inc., the "2005 Swap Counterparties"). In connection with the refinancing of the 2005B Certificates as described above, the 2005 Swap Agreements will be terminated and a portion of the proceeds of the 2008 Certificates will be used to pay termination payments with respect to the 2005 Swap Agreements.

In connection with the issuance of the 2008A Certificates, the City expects to enter into swap agreements similar in their terms to the 2005 Swap Agreements. See "SECURITY FOR THE 2008 CERTIFICATES - Parity Obligations" below.

ESTIMATED SOURCES AND USES OF FUNDS

The table below sets forth the estimated sources and uses of funds with respect to the 2008 Certificates.

Sources of Funds	
Par Amount of 2008A Certificates	$ 90,000,000.00
Par Amount of 2008B Certificates	64,500,000.00
Funds from 2005B and 2005C Certificates	9,191,931.55
Total Sources	$163,691,931.55
Uses of Funds	
Prepayment of 2005B Certificates	$ 90,210,010.00
Prepayment of 2005C Certificates	59,588,726.67
Deposit to 2008 Parity Reserve Account (1)	9,090,711.86
Delivery Costs (2)	940,483.02
2005 Swap Agreements Termination Payments	3,862,000.00
Total Uses	$163,691,931.55

(1) Represents an increase in the common reserve fund securing the 2008 Certificates and the Prior Certificates which, when added to the amount previously on deposit in the Parity Reserve Fund (excluding the portion attributable to the 2005B and 2005C Certificates), equals the Reserve Fund Requirement for the 2008 Certificates and the Prior Certificates. See "SECURITY FOR THE 2008 CERTIFICATES – Parity Reserve Fund."

(2) Includes costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, initial fees and charges of the Bank, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the 2008 Certificates, fees of the Authority, Underwriter's discount, fees of the verification agent and any other cost, charge or fee in connection with the original execution and delivery of the 2008 Certificates.

THE 2008 CERTIFICATES

The following is a summary of certain provisions of the 2008 Certificates. Reference is made to the 2008 Certificates for the complete text thereof and to the Trust Agreement for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS".

This Official Statement provides information as of its date with respect to the 2008A Certificates and 2008B Certificates (including the terms of such 2008A Certificates and 2008B Certificates) prior to a Conversion from a Weekly Rate or Daily Rate. There are significant changes in the terms of the 2008A Certificates and 2008B Certificates not described in this Official Statement when the respective 2008A Certificates or 2008B Certificates are not in a Weekly Rate or Daily Rate. Purchasers of the 2008A Certificates and 2008B Certificates should not rely on this Official Statement for information concerning the 2008A Certificates and 2008B Certificates in connection with any Conversion of the respective 2008A Certificates or 2008B Certificates, but should look solely to the offering document to be used in connection with any such Conversion.

Authority for Execution and Delivery

The 2008 Certificates are being executed and delivered under and in accordance with (i) the Trust Agreement, (ii) the Installment Purchase Contract, (iii) Resolution No. 08-223 adopted by the City Council of the City on May 1, 2008, and (iv) Resolution No. 1-08 adopted by the Authority's governing body on May 1, 2008.

General Certificate Terms

Dated Date and Maturities. The 2008 Certificates will be dated their date of initial delivery. Subject to the prepayment provisions outlined below, the 2008 Certificates will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

Variable Rate Certificates. Under the Trust Agreement, the 2008 Certificates are multi-modal certificates that are authorized to represent interest at a Weekly Rate, Daily Rate, Commercial Paper Rate, Auction Rate or Long-Term Rate (as those terms are defined in the Trust Agreement, each an "Interest Rate Mode"). The initial Interest Rate Mode for the 2008A and 2008B Certificates will be a Weekly Rate.

Conversion of the Interest Rate Mode. At the option of the City, the Interest Rate Mode for the outstanding 2008A Certificates or 2008B Certificates may be converted to a Weekly Rate, Daily Rate, Commercial Paper Rate, Auction Rate or Long-Term Rate (the effective date of such conversion is a "Conversion Date"). The 2008 Certificates are subject to mandatory tender and purchase on each Conversion Date, except upon conversion between a Weekly Rate and a Daily Rate, as set forth in the Trust Agreement. See "Optional and Mandatory Tender – Mandatory Tender for Purchase" below.

All 2008A Certificates must be in the same Interest Rate Mode, and all 2008B Certificates must be in the same Interest Rate Mode; however, the 2008A Certificates are not required to be in the same Interest Rate Mode as the 2008B Certificates, and the 2008B Certificates are not required to be in the same Interest Rate Mode as the 2008A Certificates.

Interest and Principal. The initial Interest Rate Mode for the 2008A Certificates and 2008B Certificates will be a Weekly Rate. Each Weekly Rate will be computed on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed. The principal evidenced and represented by the 2008 Certificates will be payable in lawful money of the United States of America upon the surrender thereof on the respective Principal Payment Date or on prepayment prior thereto at the Corporate Trust Office of the Trustee.

Denominations. Authorized denominations as to 2008A Certificates and 2008B Certificates representing interest at a Daily Rate or Weekly Rate shall be $100,000 and any integral multiple of $1,000 in excess of $100,000.

DTC and Book-Entry Only System. DTC will act as securities depository for the 2008 Certificates. The 2008 Certificates will be executed and delivered as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). So long as Cede & Co. is the registered owner of the 2008 Certificates, as nominee of DTC, references in this Official Statement to the "Owners" will mean Cede & Co., and will not mean the Beneficial Owners of the 2008 Certificates. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Method of Payment. So long as the 2008 Certificates are registered in the name of Cede & Co., principal, premium, if any, and interest with respect to the 2008 Certificates are payable directly to DTC by the Trustee in lawful money of the United States of America. Upon receipt of payments of principal, premium or interest, DTC is to remit such principal, premium or interest to the "DTC Participants" (as defined in APPENDIX F) for subsequent disbursement to the Beneficial Owners of the 2008 Certificates. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest Rate Modes

Interest with respect to the 2008 Certificates will be calculated, during any Weekly Rate Period at the Weekly Rate, and during any Daily Rate Period at the Daily Rate. The determination of the interest rate with respect to each Series of 2008 Certificates as provided in the Trust Agreement and as described herein will be conclusive and binding on the owner of such 2008 Certificates, the Trustee and the Authority. At no time will the interest rate with respect to any 2008 Certificates be higher than the Maximum Rate (12% for 2008 Certificates other than Bank Certificates or 2008 Certificates bearing interest at an Auction Rate).

Weekly Rate.

Determination of Weekly Rate. During each Weekly Rate Period for a Series of 2008 Certificates, interest with respect to such Series of 2008 Certificates will be payable at Weekly Rates, which will be determined by the Remarketing Agent by no later than 5:00 p.m., New York City time, on Wednesday of each week during such Weekly Rate Period, or if such day will not be a Business Day, then on the next succeeding Business Day. The first Weekly Rate determined for each Weekly Rate Period will be determined on or prior to the first day of such Weekly Rate Period and will apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Wednesday (whether or not a Business Day). Thereafter, each Weekly Rate will apply to the period commencing on Thursday (whether or not a Business Day) and ending on the next succeeding Wednesday (whether or not a Business Day), unless such Weekly Rate Period will end on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period will apply to the period commencing on

Thursday (whether or not a Business Day) preceding the last day of such Weekly Rate Period and ending on the last day of such Weekly Rate Period.

The Weekly Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if the applicable Series of 2008 Certificates, would enable the Remarketing Agent (based on then-prevailing market conditions) to sell such Series of 2008 Certificates on the effective date of such rate at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Rate for any week, then the Weekly Rate for such week will be the same as the Weekly Rate for the immediately preceding week if the Weekly Rate for such preceding week was determined by the Remarketing Agent.

In the event that the Weekly Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the interest rate for such Week will be equal to the Variable Index on the day such Weekly Rate would otherwise be determined as described herein. "Variable Index" is defined in the Trust Agreement to mean, on any date, a rate determined on the basis of the Securities Industry and Financial Markets Association Municipal Swap Index™ as of the most recent date for which such index was published or such other weekly, high-grade index comprising seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc.; or its successor, or otherwise designated by The Securities Industry and Financial Markets; provided that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the "Variable Index" will mean such other reasonably comparable index selected by the Remarketing Agent.

Conversion to Weekly Rate Period. If a Series of 2008 Certificates is converted to another Interest Rate Mode, the Authority or the City may, subject to the provisions of the Trust Agreement, at any time, with the written consent of the Bank (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that the Interest Rate Mode for a Series of 2008 Certificates be Converted back to a Weekly Rate, provided that a Credit Facility or Alternate Credit Facility is in place for such Series of 2008 Certificates. Such direction of the Authority or the City will specify the proposed Conversion Date for such conversion to a Weekly Rate Period, which will be a Business Day not earlier than the 20th day following receipt by the Trustee of such direction.

During each Weekly Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by the converted Series of 2008 Certificates will be a Weekly Rate.

Notice of Conversion to Weekly Rate Period. The Trustee will give notice by first-class mail of a Conversion to a Weekly Rate Period to the Bank and the Owners of the applicable Series of 2008 Certificates not less than 15 days prior to the proposed effective date of such Weekly Rate Period. Such notice will state the proposed Conversion Date for such Weekly Rate Period.

Daily Rate.

Determination of Daily Rates. During each Daily Rate Period for a Series of 2008 Certificates, such Series of 2008 Certificates will represent interest at the Daily Rate, which will be determined by the Remarketing Agent by no later than 9:30 a.m. (New York City time) on each Business Day. The Daily Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by such 2008 Certificates under Prevailing Market Conditions, would enable the Remarketing Agent to sell such 2008 Certificates on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Rate for any Business Day, then the Daily Rate for such Business Day will be equal to the Variable Index on such Business Day.

Conversion to Daily Rate Period. Subject to the provisions of the Trust Agreement, at any time, the Authority or the City, with the written approval by the Bank if the Remarketing Agent is an entity other than Morgan Stanley & Co. Incorporated, by written direction to the Trustee and the Remarketing Agent, may elect that the Interest Rate Mode for a Series of 2008 Certificates be Converted to a Daily Rate. Such direction of the City will specify the proposed Conversion Date for such Conversion to a Daily Rate Period, which will be a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction.

During each Daily Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by the converted Series of 2008 Certificates will be a Daily Rate.

Notice of Conversion to Daily Rate Period. The Trustee will give notice by first-class mail of a Conversion to a Daily Rate Period to the Bank and the Owners of the 2008 Certificates not less than 15 days prior to the proposed effective date of such Daily Rate Period. Such notice will state the proposed Conversion Date for such Daily Rate Period.

Conversion to Other Interest Rate Modes. At the option of the Authority or the City, the Interest Rate Mode for the 2008A Certificates or 2008B Certificates may be converted from a Weekly Rate or Daily Rate to a Commercial Paper Rate, Auction Rate or Long-Term Rate (the effective date of such conversion is a "Conversion Date"). The 2008A Certificates and 2008B Certificates are subject to mandatory tender and purchase on each Conversion Date, with the exception of conversion between a Weekly Rate and a Daily Rate, as set forth in the Trust Agreement. See "Optional and Mandatory Tender – Mandatory Tender for Purchase" below.

The Trustee will give notice by first-class mail of a Conversion to an Auction Rate, Commercial Paper Rate or Long-Term Rate to the Owners of the applicable Series of 2008 Certificates not less than 15 days prior to the proposed Conversion Date. See "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS" for additional information regarding the requirements for Conversion.

There are significant changes in the terms of the 2008A Certificates and 2008B Certificates not described in this Official Statement when the respective 2008A Certificates or 2008B Certificates are not in a Weekly Rate or Daily Rate. Purchasers of the 2008A Certificates and 2008B Certificates should not rely on this Official Statement for information concerning the 2008A Certificates and 2008B Certificates in connection with any Conversion of the respective 2008A Certificates or 2008B Certificates other than between a Daily Rate and a Weekly Rate, but should look solely to the offering document to be used in connection with any such Conversion.

Prepayment

Optional Prepayment. Whenever the Interest Rate Mode is the Daily Rate or Weekly Rate, such Series of 2008 Certificates will be subject to prepayment prior to their stated maturity at the option of the City, in whole or in part on any Business Day in such amounts as may be specified by the City), by lot, at the principal amount thereof, plus accrued interest thereon to the date fixed for prepayment, without premium.

Sinking Fund Installments. The 2008 Certificates are subject to mandatory sinking fund prepayments as set forth below.

The following are the sinking fund installments for the 2008A Certificates. Such installments are due on February 1 of each of the years set forth in the following table in the respective amounts set forth opposite such years in said table:

2008A Certificates Sinking Fund Installments

Mandatory Prepayment Date (February 1)	Amount To Be Prepaid	Mandatory Prepayment Date (February 1)	Amount To Be Prepaid
2023	$4,875,000	2030	$7,175,000
2024	5,700,000	2031	7,450,000
2025	5,925,000	2032	7,725,000
2026	6,150,000	2033	8,050,000
2027	6,400,000	2034	8,350,000
2028	6,625,000	2035	8,675,000
2029	6,900,000		

The following are the sinking fund installments for the 2008B Certificates. Such installments are due on February 1 of each of the years set forth in the following table in the respective amounts set forth opposite such years in said table:

2008B Certificates Sinking Fund Installments

Mandatory Prepayment Date (February 1)	Amount To Be Prepaid	Mandatory Prepayment Date (February 1)	Amount To Be Prepaid
2009	$1,315,000	2023	$2,385,000
2010	1,540,000	2024	1,885,000
2011	1,755,000	2025	710,000
2012	1,615,000	2026	2,675,000
2013	1,675,000	2027	2,765,000
2014	480,000	2028	2,890,000
2015	555,000	2029	2,990,000
2016	565,000	2030	3,100,000
2017	585,000	2031	3,225,000
2018	555,000	2032	3,360,000
2019	570,000	2033	3,465,000
2020	2,145,000	2034	6,320,000
2021	2,230,000	2035	10,820,000
2022	2,325,000		

Notwithstanding the provision described above, Bank Certificates are subject to special mandatory prepayment in accordance with the terms of the applicable Credit Facility and/or the Reimbursement Agreement.

Selection of 2008 Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of less than all of a Series of the 2008 Certificates, the Trustee will select the 2008 Certificates of such applicable Series to be prepaid, from all 2008 Certificates subject to prepayment or such given portion thereof not previously called for prepayment, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair. Any Bank Certificates will be prepaid in accordance with the applicable provisions of the Credit Facility and will be prepaid before any other 2008 Certificates.

Notice of Prepayment. Notice of prepayment will be mailed by the Trustee by first class mail, not less than 30 days nor more than 60 days prior to the prepayment date, to the respective Owners of any 2008 Certificates designated for prepayment at their addresses appearing on the bond registration books of the Trustee. Any 2008 Certificate which is remarketed subsequent to a notice of prepayment being delivered, but prior to the date of such prepayment, will be delivered to the purchaser thereof accompanied by such notice. The Trustee will also give notice of prepayment by overnight mail or by such other method acceptable to the Bank and such institutions to such securities depositories and/or securities information services as will be designated in a Certificate of the Authority. Each notice of prepayment will state the date of such notice, the date of issue of the 2008 Certificates, the prepayment date, the Prepayment Price, the place or places of prepayment (including the name and appropriate address or addresses of the Trustee), the CUSIP numbers, if any, and, in the case of 2008 Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice will also state that on said date there will become due and payable on each of said 2008 Certificates the Prepayment Price thereof or of said specified portion of the principal amount thereof in the case of a 2008 Certificate to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such prepayment date interest thereon will cease to accrue, and will require that such 2008 Certificates be then surrendered.

Failure by the Trustee to give notice under the Trust Agreement, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for prepayment.

Conditional notice of optional prepayment may be given at the direction of the Authority or the City, provided however that prior to or contemporaneously with any withdrawal or rescission of any notice of prepayment, the Trustee and the Tender Agent receive written confirmation from the Bank of the full reinstatement, if any, of the Credit Facility.

Any notice or prepayment given pursuant to the Trust Agreement may be rescinded by written notice given to the Trustee by the Authority no later than five Business Days prior to the date specified for prepayment. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such prepayment was given pursuant to the Trust Agreement.

Effect of Prepayment. Notice of prepayment having been duly given, and moneys for payment of the Prepayment Price of, together with interest accrued to the prepayment date on, the 2008 Certificates (or portions thereof) so called for prepayment being held by the Trustee, on the prepayment date designated in such notice, the 2008 Certificates (or portions thereof) so called for prepayment will become due and payable at the Prepayment Price specified in such notice and interest accrued thereon to the prepayment date, interest with respect to the 2008 Certificates so called for prepayment will cease to accrue, said 2008 Certificates (or portions thereof) will cease to be entitled to any benefit or security under the Trust Agreement, and the Owners of said 2008 Certificates will have no rights in respect thereof except to receive payment of said Prepayment Price and accrued interest to the date fixed for prepayment from funds held by the Trustee for such payment.

Optional Tender

During Weekly Rate Period. If the Interest Rate Mode is the Weekly Rate, any 2008 Certificate will be purchased on the demand of the owner thereof on any Business Day during a Weekly Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon written notice to the Trustee, at its Trust Office at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date, which notice (a) states the series, number and principal amount (or portion thereof) of such 2008 Certificate to be purchased, (b) states the Purchase Date on which such 2008 Certificate will be purchased and (c) irrevocably requests such purchase and agrees to deliver such 2008 Certificate, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 Noon (New York City time) on such Purchase Date. In the case of a tender for purchase of less than the full principal amount of a 2008 Certificate, both the portion of the 2008 Certificate tendered for purchase and the portion not so tendered will be in an Authorized Denomination.

During Daily Rate Period. If the Interest Rate Mode is the Daily Rate, any 2008 Certificate will be purchased on the demand of the owner thereof on any Business Day during a Daily Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date upon written notice or Electronic Notice given to the Trustee, at its Trust Office not later than 10:00 a.m. (New York City time) on the Purchase Date specified in such owner's demand for purchase, which notice (a) states the series, number and principal amount (or portion thereof) of such 2008 Certificate to be purchased, (b) states the Purchase Date on which such 2008 Certificate will be purchased and (c) irrevocably requests such purchase and agrees to deliver such 2008 Certificate, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 noon (New York City time) on such Purchase Date. In the case of a tender for purchase of less than the full principal amount of a 2008 Certificate, both the portion of the 2008 Certificate tendered for purchase and the portion not so tendered will be in an Authorized Denomination.

Mandatory Tender

On Conversion Date. The 2008 Certificates will be subject to mandatory purchase on each Conversion Date other than a Conversion Date converting the Interest Rate Mode from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate.

Upon Delivery of Alternate Credit Facility. The 2008 Certificates will be subject to mandatory purchase from a draw on the then-existing Credit Facility on the effective date of an Alternate Credit Facility.

Upon Failure to Renew Credit Facility. The 2008 Certificates will be purchased on the fifth Business Day preceding the date of expiration of the Credit Facility if a notice of renewal of the Credit Facility is not delivered by the Bank to the Trustee at least 25 days prior to the scheduled expiration of the Credit Facility.

Upon Termination of Credit Facility. The 2008 Certificates will be purchased on the Business Day preceding the date of termination of the Credit Facility.

Upon Default Under Reimbursement Agreement. The 2008 Certificates secured by a Credit Facility will also be purchased on any Business Day within seven days (but not later than a Business Day prior to the date of expiration of the Credit Facility) after receipt by the Trustee of written notification from the Bank that an event of default under the Reimbursement Agreement or non-reinstatement of the Credit Facility has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the 2008 Certificates.

Notice of Mandatory Tender. In connection with any mandatory tender described under "Upon Delivery of Alternate Credit Facility," "Upon Failure to Renew Credit Facility" or "Upon Termination of Credit Facility," the Trustee will give notice to the applicable Owners at least 20 days prior to the date of mandatory tender, or, in the event the Trustee does not have notice of the occurrence of the event which requires mandatory tender at least 25 days prior to the date of mandatory tender, notice will be given as soon as practicable upon receipt of notice by the Trustee. In connection with any mandatory tender described under "Upon Default under Reimbursement Agreement" above, the Trustee will give notice as soon as practicable upon receipt of notice of default from the Bank by the Trustee.

The form of such notice will be provided by the City and will state: (i) that the Purchase Price of any 2008 Certificate so subject to mandatory tender for purchase will be payable only upon surrender of such 2008 Certificate to the Trustee at its Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or by the Owner's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (ii) that all 2008 Certificate so subject to mandatory tender for purchase will be purchased on the mandatory purchase date which will be explicitly stated; and (iii) that in the event that any Owner of a 2008 Certificate so subject to mandatory tender for purchase will not surrender such 2008 Certificate to the Trustee for purchase on such mandatory purchase date, then such 2008 Certificate will be deemed to be an Undelivered 2008 Certificate, and that no interest will accrue with respect thereto on and after such mandatory purchase date and that the Owner thereof will have no rights under the Trust Agreement other than to receive payment of the Purchase Price thereof.

General Provisions Relating to Tenders

Any 2008 Certificates tendered to the Trustee for purchase will be held in trust for the benefit of the respective Owners of such 2008 Certificates until moneys representing the Purchase Price of such 2008 Certificates have been delivered to such Owners. The term "Purchase Price" of any Purchased 2008 Certificate means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased 2008 Certificate is an Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest with respect to such 2008 Certificate will be paid to the Owner of such 2008 Certificate pursuant to the Trust Agreement.

The Purchase Price of Purchased 2008 Certificates will be paid by the Trustee or Tender Agent at or before 4:00 p.m. (New York City time) on the Purchase Date from the proceeds of the sale of such 2008 Certificates received from the Remarketing Agent and, to the extent sufficient remarketing proceeds to pay the Purchase Price are not received, from draws on the Credit Facility.

The Trustee will draw on the Credit Facility pursuant to the terms thereof or of the respective Reimbursement Agreement (or, if at any time there is an Alternate Credit Facility, then pursuant to the requirements of such Alternate Credit Facility) on the Purchase Date in an amount equal to the difference between (a) the total Purchase Price of those Purchased 2008 Certificates to be purchased and (b) the Purchase Price of those Purchased 2008 Certificates to be purchased with respect to which the Remarketing Agent expects to transfer, or to cause to be transferred, immediately available funds to the Trustee on the Purchase Date for deposit in the Remarketing Proceeds Account established under the Trust Agreement. In the event the Trustee has not received any funds or commitment to deliver funds from the Remarketing Agent, the Trustee shall draw on the Credit Facility the full amount of the Purchase Price.

Such moneys will be used only to pay the Purchase Price as provided in the Trust Agreement, and if not so used will be promptly returned to the Bank. If the 2008 Certificates are not Book-Entry Bonds, all amounts received from a draw under the Credit Facility will be transferred immediately by the Trustee to the Tender Agent to purchase tendered 2008 Certificates on the Purchase Date. Until applied to pay the Purchase Price or returned to the Bank, all such amounts will be deposited in the Credit Facility Account established under the Trust Agreement and until so applied will be held uninvested in trust for the benefit of the Owners tendering such 2008 Certificates for purchase.

Any moneys held by the Trustee in the Certificate Payment Fund remaining unclaimed by the Owners of the Purchased 2008 Certificates which were to have been purchased for two (2) years after the respective Purchase Date for such Purchased 2008 Certificates will be paid, upon the written request of the Authority, against written receipt therefor. The Owners of Purchased 2008 Certificates who have not yet claimed money in respect of such 2008 Certificates will thereafter be entitled to look only to the Trustee, to the extent it will hold moneys on deposit in the Certificate Payment Fund or the Authority to the extent moneys have been transferred in accordance with the Trust Agreement.

Remarketing

General. Morgan Stanley & Co. Incorporated will serve as the initial Remarketing Agent for the 2008 Certificates. Under the Remarketing Agreement, the Remarketing Agent has agreed to: (i) determine the interest rates applicable to such 2008 Certificates and give notice to the Trustee of such rates and periods in accordance with the Trust Agreement; (ii) keep such books and records as will be consistent with prudent industry practice; and (iii) use its best efforts to remarket 2008 Certificates in accordance with the Trust Agreement. The Remarketing Agent will hold all amounts received by it in accordance with any remarketing of 2008 Certificates pursuant to the Trust Agreement in trust only for the benefit of the Owners of tendered 2008 Certificates and will not commingle such amounts with any other moneys.

No Remarketing Under Certain Conditions. Notwithstanding anything in the Trust Agreement to the contrary, there will be no remarketing of 2008 Certificates (1) upon the occurrence of and the continuing of certain Events of Default under the Trust Agreement, (2) upon receipt by the Trustee of written notification from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the 2008 Certificates, or (3) for the period during which the Trustee has notice that the amount available to be drawn under the Credit Facility will not or has not been reinstated, or (4) at any time when no Credit Facility is in effect. See "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Disclosure Concerning Sales of Variable Rate Demand Bonds by Remarketing Agent.

The Remarketing Agent is Paid by the City. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2008 Certificates that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Authority and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of 2008 Certificates.

The Remarketing Agent Routinely Purchases 2008 Certificates for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2008 Certificates for its own account and, in its sole discretion, routinely acquires such tendered 2008 Certificates in order to achieve a successful remarketing of the 2008 Certificates (i.e., because there otherwise are not enough buyers to purchase the 2008 Certificates) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2008 Certificates, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2008 Certificates by routinely purchasing and selling 2008 Certificates other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2008 Certificates. The Remarketing Agent may also sell any 2008 Certificates it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2008 Certificates. The purchase of 2008 Certificates by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase 2008 Certificates and may create the appearance that there is greater third party demand for the 2008 Certificates in the market than is actually the case. The practices described above also may result in fewer 2008 Certificates being tendered in a remarketing.

2008 Certificates May be Offered at Different Prices on Any Date Including an interest rate determination date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2008 Certificates bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable rate determination date. The interest rate will reflect, among other factors, the level of market demand for the 2008 Certificates (including whether the Remarketing Agent is willing to purchase 2008 Certificates for its own account). The purchase of the 2008 Certificates by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase 2008 Certificates. . There may or may not be 2008 Certificates tendered and remarketed on a rate determination date, the Remarketing Agent may or may not be able to remarket any 2008 Certificates tendered for purchase on such date at par and the Remarketing Agent may sell 2008 Certificates at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2008 Certificates at the remarketing price. The Remarketing Agent, in its sole discretion, may offer 2008 Certificates on any date, including the rate determination date, at a discount to par to some investors.

The Ability to Sell the 2008 Certificates other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2008 Certificates other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2008 Certificates to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2008 Certificates, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Certificates other than by tendering the 2008 Certificates in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2008 Certificates, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee is required to apply to a court of competent jurisdiction for appointment of a successor Remarketing Agent.

Payment Schedule

The schedule below shows the annual 2008 Payments and Parity Obligations with respect to the outstanding Prior Certificates (assuming no prepayment of the 2008 Certificates or Prior Certificates other than mandatory sinking fund prepayment) after prepayment of the 2005B Certificates and 2005C Certificates.

Fiscal Year Ending June 30	2008A Installment Payments(1)	2008B Installment Payments(1)	2008 Installment Payments Total	Outstanding Parity Payments(2)	Total Payments(1)
2008	$ 150,219.00	$ 88,731.56	$ 238,950.56	$ 61,636.33	$ 300,586.89
2009	3,004,380.00	3,009,658.58	6,014,038.58	7,546,338.14	13,560,376.72
2010	3,004,380.00	3,200,985.51	6,205,365.51	7,970,498.82	14,175,864.33
2011	3,004,380.00	3,373,302.36	6,377,682.36	9,768,295.46	16,145,977.82
2012	3,004,380.00	3,190,846.76	6,195,226.76	9,773,150.46	15,968,377.22
2013	3,004,380.00	3,201,862.18	6,206,242.18	9,773,976.64	15,980,218.82
2014	3,004,380.00	1,975,718.09	4,980,098.09	9,775,148.68	14,755,246.77
2015	3,004,380.00	2,037,344.66	5,041,724.66	9,775,155.04	14,816,879.70
2016	3,004,380.00	2,035,223.05	5,039,603.05	9,777,127.62	14,816,730.67
2017	3,004,380.00	2,034,730.25	5,039,110.25	9,782,253.58	14,821,363.83
2018	3,004,380.00	1,992,162.15	4,996,542.15	9,784,526.72	14,781,068.87
2019	3,004,380.00	1,992,323.98	4,996,703.98	9,789,254.64	14,785,958.62
2020	3,004,380.00	3,540,982.72	6,545,362.72	9,795,037.68	16,340,400.40
2021	3,004,380.00	3,563,428.35	6,567,808.35	9,791,957.04	16,359,765.39
2022	3,004,380.00	3,600,991.32	6,605,371.32	9,793,062.36	16,398,433.68
2023	7,825,134.24	3,598,856.10	11,423,990.34	4,989,067.82	16,413,058.16
2024	8,478,216.92	3,042,066.52	11,520,283.44	4,541,745.64	16,062,029.08
2025	8,510,435.88	1,823,237.47	10,333,673.35	4,230,225.00	14,563,898.35
2026	8,535,143.92	3,754,359.52	12,289,503.44	4,234,250.00	16,523,753.44
2027	8,577,062.80	3,772,687.91	12,349,750.71	4,232,750.00	16,582,500.71
2028	8,585,914.32	3,824,943.75	12,410,858.07	4,234,500.00	16,645,358.07
2029	8,636,698.60	3,844,252.71	12,480,951.31	4,234,000.00	16,714,951.31
2030	8,678,302.76	3,875,676.79	12,553,979.55	4,231,000.00	16,784,979.55
2031	8,710,726.84	3,917,437.70	12,628,164.54	4,230,250.00	16,858,414.54
2032	8,733,970.92	3,966,800.45	12,700,771.37	4,231,250.00	16,932,021.37
2033	8,797,478.60	3,979,842.85	12,777,321.45	4,233,500.00	17,010,821.45
2034	8,825,415.28	6,719,148.09	15,544,563.37	4,231,500.00	19,776,063.37
2035	8,868,059.20	11,012,462.60	19,880,521.80	-	19,880,521.80
TOTAL	$153,974,099.28	$95,970,063.98	$249,944,163.26	$184,811,457.67	$434,755,620.93

(1) Interest with respect to the 2008A Certificates is based on swap rates of 3.321% per annum on $54,000,000 and 3.364% per annum of $36,000,000 and interest with respect to the 2008B Certificates is based on an assumed rate of 2.65% (long term average of the weekly SIPMA index).

(2) Represents the 1999 Payments, the 2004 Payments, the 2005A Payments and estimated payments under the 2002 Payment Agreement as of May 1, 2008. Although the 2002 Payments are calculated based on a variable interest rate, the 2002 payments shown in this table are calculated based on the fixed interest rate set in accordance with the 2002 Payment Agreement entered into with respect to the 2002 Certificates. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

SECURITY FOR THE 2008 CERTIFICATES

This section provides summaries of certain provisions of the Trust Agreement and the Installment Purchase Contract. See APPENDIX C for a summary of additional provisions of the Trust Agreement and the Installment Purchase Contract. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Letter of Credit

While a Series of 2008 Certificates represent interest at Weekly Rates or Daily Rates, the principal of and interest with respect to such 2008 Certificates and the purchase price of such 2008 Certificates tendered or deemed tendered for purchase and not remarketed are to be paid with proceeds of drawings to be made by the Trustee under the Letter of Credit to be issued by the Bank. The Letter of Credit is stated to expire on May 13, 2011, unless extended or terminated earlier, and may be replaced by an Alternate Credit Facility. The Letter of Credit and any Alternate Credit Facility are defined under the Trust Agreement as the "Credit Facility." See "LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" below.

2008 Payments

General. The 2008 Certificates evidence and represent the proportionate interests of the Owners in the 2008 Payments to be made by the City to the Authority under the Installment Purchase Contract. The 2008 Payments represent the purchase price of the facilities financed from the proceeds of the 2005 Certificates, which the Authority is selling to the City. See "THE PROJECT."

2008 Payments Held in Trust. Under the Trust Agreement, the Trustee will hold the 2008 Payments in trust for the benefit of the Owners from time to time of the 2008 Certificates, and will disburse, allocate and apply the 2008 Payments solely for the uses and purposes provided in the Trust Agreement.

Unconditional Obligation. The Installment Purchase Contract provides that the City's obligations to make the 2008 Payments is (subject to the provisions of the Installment Purchase Contract relating to defeasance) absolute and unconditional, and until such time as the 2008 Payments are paid in full (or provision for the payment thereof is made under the Installment Purchase Contract), the City will not discontinue or suspend any 2008 Payments required to be paid by it under the Installment Purchase Contract when due, whether or not the Electric System or any part thereof (including the facilities to be financed from the proceeds of the 2008 Certificates) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part. The 2008 Payments are not subject to reduction whether by offset, abatement or otherwise and are not conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Notwithstanding anything contained in the Installment Purchase Contract, however, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the 2008 Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Contract.

Pledge of Net Revenues

Pledge. Under the Installment Purchase Contract, all Net Revenues of the Electric System are irrevocably pledged to the payment of all Payments to be made by the City to the Authority, including the 2008 Payments and all other payments under the Parity Obligations in accordance with the terms of the Installment Purchase Contract. The Net Revenues of the Electric System may not be used for any other purpose while any of the Payments remain unpaid; provided, however, that out of Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Contract. The Installment Purchase Contract provides that this pledge constitutes a parity first pledge of and charge and lien upon the Net Revenues of the Electric System

Electric System. The Installment Purchase Contract defines "Electric System" to mean the electric public utility system of the City, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto owned by the City at the time the Master Contract was executed and all other properties, structures or works for the generation, transmission or distribution of electricity thereafter acquired by the City, including all contractual rights for electricity or the transmission thereof, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof thereafter acquired.

Net Revenues. The Installment Purchase Contract defines "Net Revenues" to mean, for any Fiscal Year or any designated twelve-month period in question, the Revenues during such Fiscal Year or twelve-month period, less the Maintenance and Operation Costs during such Fiscal Year or twelve-month period.

Revenues. The Installment Purchase Contract defines "Revenues" to mean all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or arising from the Electric System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund.

The definition of "Revenues" *excludes* proceeds of taxes, refundable deposits made to establish credit and advances, or contributions in aid of construction and line extension fees, and charges collected by any person to amortize, or otherwise relating to the payment of, the uneconomic portion of costs associated with assets and obligations ("stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than Contracts, the payments of which obligations will be applied or pledged to, or otherwise set aside for, the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City.

Maintenance and Operation Costs. The Installment Purchase Contract defines "Maintenance and Operation Costs" to mean the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Contracts or any resolution authorizing the execution of any Parity Obligations or of such Contracts or Parity Obligations, such as compensation, reimbursement and indemnification of the Trustee, remarketing agent or surety costs for any such Parity Obligations, letter of credit fees for any such Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers.

The definition of "Maintenance and Operation Costs" *excludes* depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles.

It should be noted that "Maintenance and Operation Costs" *specifically include* all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

Contracts. The Installment Purchase Contract defines "Contracts" to mean the Master Contract and all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and pursuant to the Master Contract and *applicable law, the installment payments under and pursuant to which are payable on a parity* basis from Net Revenues.

Assignment to Trustee

Under the Trust Agreement, the Authority transfers, assigns and sets over to the Trustee, subject to the provisions of the Trust Agreement, all of the 2008 Payments and any and all rights and privileges it has under the Installment Purchase Contract, including the right to collect and receive directly all of the 2008 Payments and the right to enforce the provisions of the Installment Purchase Contract.

Any 2008 Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will immediately be paid by the Authority to the Trustee

The Trust Agreement provides that the Trustee will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the 2008 Certificates the Trustee's rights as assignee of the 2008 Payments under the Installment Purchase Contract and as beneficiary of any other rights to security for the 2008 Certificates which the Trustee may receive in the future.

Rate Covenant

Rate Covenant. Under the Installment Purchase Contract, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield "Adjusted Annual Net Revenues" for such Fiscal

Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year (the "Rate Covenant").

The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but may not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described in the preceding sentence.

Adjusted Annual Net Revenues. The Installment Purchase Contract defines "Adjusted Annual Net Revenues" to mean, for any Fiscal Year or 12-month period in question, the "Adjusted Annual Revenues" during such Fiscal Year or 12-month period less the "Maintenance and Operation Costs" during such Fiscal Year or 12-month period.

Adjusted Annual Revenues. The Installment Purchase Contract defines "Adjusted Annual Revenues" to mean, for any Fiscal Year or 12-month period in question:

- the Revenues during such Fiscal Year or 12-month period,

- *plus*, for purposes of the Rate Covenant only, the amounts on deposit in the Rate Stabilization Fund (or any other unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Maintenance and Operation Costs and/or Annual Debt Service for such Fiscal Year or 12-month period), as of the first day of such Fiscal Year or 12-month period,

- *minus*, for the purposes of the Rate Covenant only, earnings from the investments in the Parity Reserve Fund that are deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period.

Adjusted Annual Debt Service. The Installment Purchase Contract defines "Adjusted Annual Debt Service" to mean, for any Fiscal Year or 12-month period in question, the "Annual Debt Service" for such Fiscal Year or 12-month period *minus* the sum of

(i) for purposes of the Rate Covenant only, the earnings from the investments in the Parity Reserve Fund that have been deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period, and

(ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon (other than from the Parity Reserve Fund), all as set forth in a certificate of the City.

Annual Debt Service. The Installment Purchase Contract defines "Annual Debt Service" to mean, for any Fiscal Year or 12-month period in question, the required payments scheduled to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided, that for purposes of determining compliance with the Rate Covenant, the Reserve Fund Requirement and conditions for the execution of Parity Obligations, certain additional provisions are applicable as described in "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Rate Stabilization Fund. Under the Installment Purchase Contract, the City is also required to establish and maintain the Rate Stabilization Fund so long as any Parity Obligations remain unpaid. Under the Installment Purchase Contract, amounts in the Rate Stabilization

Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant.

The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money available for such deposit. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Revenues.

Notwithstanding the foregoing, no Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Revenues for purposes of determining compliance with the conditions for the execution of Parity Obligations contained in the Contracts or for the Rate Covenant and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such conditions.

The City's ability to set rates, fees and charges for electricity at levels which would permit the City to make deposits into the Rate Stabilization Fund may be limited by deregulation and other changes to the electric industry in California.

Parity Reserve Fund

Establishment. Under the trust agreement entered into by the Authority and the Trustee with respect to the 1997 Certificates, the Trustee established and is obligated to *maintain the Parity Reserve Fund, which secures all Payments made under the Installment* Purchase Contract securing the outstanding Prior Certificates and the 2008 Certificates.

Funding of 2008 Reserve Account. A portion of the proceeds of the 2008 Certificates, together with moneys available from the 2005 Certificates, will be deposited in an account of the Parity Reserve Fund (the "2008 Parity Reserve Account") established under the Trust Agreement in an amount necessary to increase the amount in the Parity Reserve Fund to the Reserve Fund Requirement upon the delivery of the 2008 Certificates. The Parity Reserve Fund will be maintained so long as any Certificates remain outstanding. (The Trustee is also required to maintain an account in the Parity Reserve Fund for each outstanding series of Prior Certificates.)

After increasing the amount in the Parity Reserve Fund by the amount attributable to the 2008 Certificates, the combined amount on deposit in the Parity Reserve Fund will be approximately $17,300,373.84. See "ESTIMATED SOURCES AND USES OF FUNDS" for the amount to be deposited in the Parity Reserve Fund upon the execution and delivery of the 2008 Certificates.

Reserve Fund Requirement. The Installment Purchase Contract defines "Reserve Fund Requirement" to mean, as of any date of determination and excluding any Parity Obligations that are not Supplemental Contracts and the debt service thereon, the least of

(a) 10% of the initial offering price to the public of the Parity Obligations as determined under the Internal Revenue Code of 1986 (the "Code"), or

(b) the Maximum Annual Debt Service, or

(c) 125% of the Average Annual Debt Service.

Substitution of Surety. The Reserve Fund Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations).

If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition no longer maintains ratings as required in accordance with the requirements of the Installment Purchase Contract, the Installment Purchase Contract requires the City to provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

Disbursement. Amounts in the Parity Reserve Fund will be transferred to the 2008 Debt Service Fund to pay principal and interest evidenced by the 2008 Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also transfer amounts in the Parity Reserve Fund to any applicable debt service fund established under a trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made as described in the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference. See " – Outstanding and Senior Parity Obligations" above.

Outstanding Senior and Parity Obligations

Senior Obligations. The City participates in the projects of, and has entered into financing agreements with certain regional joint powers agencies (including the Northern California Power Agency and the Transmission Agency of Northern California), under which the City is responsible for a share of debt service on debt issued by those joint powers agencies. Obligations of the City under these financing agreements constitute operating expenses of the Electric System payable prior to the payments under the Installment Purchase Contract, including the 2008 Payments (and the other Parity Obligations described below).

Parity Obligations. The 2008 Payments are secured by and payable from Net Revenues on a parity with other obligations previously incurred by the City under the Installment Purchase Contract and designated as parity obligations (collectively, including the 2008 Payments, the "Parity Obligations"), including installment payments securing four outstanding series of certificates of participation (the "Prior Certificates" and, together with the 2008 Certificates, the "Certificates") and payments under certain swap agreements (described below). The currently outstanding Parity Obligations were entered into by the City in connection with the following:

1999 Certificates. The Authority's $21,630,000 original principal amount "Electric System Revenue Certificates of Participation, Series 1999," evidencing and representing proportionate interests of the owners thereof in the payments made under the 1999

Supplemental Contract (the "1999 Payments"); principal amount outstanding as of May 1, 2008: $570,000.

2002 Certificates. The Authority's $40,385,000 original principal amount of "Variable Rate Demand Electric System Revenue Certificates of Participation, Series 2002," evidencing and representing proportionate interests of the owners thereof in the payments made under the 2002 Supplemental Contract (the "2002 Payments"); principal amount outstanding as of May 1, 2008: $24,820,000. The 2002 Certificates were used in part to advance refund certain of the 1999 Certificates. The 1999 Certificates refunded were those that mature on February 1, 2010, February 1, 2011, February 1, 2012, February 1, 2013, February 1, 2017 and February 1, 2024. The 1999 Certificates advance refunded are scheduled to be called on August 1, 2009.

2004 Certificates. The Authority's $39,940,000 original principal amount of "Electric System Revenue Certificates of Participation, Series 2004," evidencing and representing proportionate interests of the owners thereof in the payments made under the 2004 Supplemental Contract (the "2004 Payments"); principal amount outstanding as of May 1, 2008: $39,275,000.

2005A Certificates. The Authority's $52,900,000 original principal amount of "Electric System Revenue Certificates of Participation, Series 2005A (Fixed Rate)," evidencing and representing proportionate interests of the owners thereof in certain payments made under the 2005 Supplemental Contract (the "2005 Payments"); principal amount outstanding as of May 1, 2008: $52,450,000.

2002 Payment Agreement. In connection with the 2002 Certificates, the City has entered into an interest rate swap agreement dated December 16, 2002, with a notional amount of $40,385,000 (the "2002 Payment Agreement") with Morgan Stanley Capital Services, under which the City makes payments that are calculated by reference to a fixed rate and receives payments that are calculated by reference to a variable rate. The 2002 Payment Agreement constitutes a "Parity Payment Agreement" under the Master Contract, payments on which are made on a parity with all Payments under the Master Contract.

Interest Rate Swap Agreements. In connection with the issuance of the 2008A Certificates, the City is entering into (i) an interest rate swap agreement with Morgan Stanley Capital Services, Inc., New York, an affiliate of Morgan Stanley & Co. Incorporated, and (ii) an interest rate swap agreement (together with the Morgan Stanley Capital Services, Inc. swap agreement, the "Swap Agreements") with Bank of America, N.A. (together with Morgan Stanley Capital Services, Inc., the "Swap Counterparties"). The payment obligations of the Swap Counterparties under the Swap Agreements will be general, unsecured obligations of the respective Swap Counterparties. The Swap Agreements have a term extending to the scheduled final maturity date of the 2008A Certificates (the "Scheduled Expiration Date") and require the City to pay a fixed rate of interest with respect to an initial notional amount equal to the principal amount of the related respective 2008A Certificates, which payments are payable on a parity with the 2008 Payments. In return, the Swap Counterparties will pay a variable rate of interest equal to a percentage of the London Interbank Offering Rate ("LIBOR") one month index on a like notional amount. The amounts payable by a party under the Swap Agreements are netted against the payments to be received by such party thereunder.

The Swap Agreements may be terminated sooner than the Scheduled Expiration Date upon the occurrence of certain events. Termination of a Swap Agreement requires payment of termination fees either to the City or the Swap Counterparty based upon a formula that includes an assessment of the then current market value of the Swap Agreement. The payments by the City under the Swap Agreements are secured by a pledge of the Net Revenues of the Electric System on a parity with the Parity Obligations (and the Swap Agreements provide that the City may insure its payment obligations under the Swap Agreements), except that any termination payment due under the Swap Agreement is secured and payable on a subordinate basis to the Parity Obligations.

Conditions for Issuing Additional Obligations

The City may at any time execute a Supplemental Contract or other Parity Obligation payable from the Net Revenues on a parity with the 1999 Payments, the 2002 Payments, the 2004 Payments, the 2005 Payments and the 2008 Payments, but only subject to the specific conditions set forth in the Master Contract, which are conditions precedent to the execution of any such Parity Obligations, including the condition that there be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18-calendar month period, the Adjusted Annual Net Revenues were at least equal to 110% of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; or

(2) An *Engineer's Report showing that projected Adjusted Annual Net* Revenues during the succeeding 5 complete Fiscal Years beginning with the first Fiscal Year following issuance of such Parity Obligations in which interest is not capitalized in whole or in part from the proceeds of Parity Obligations, is at least equal to 110% of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed.

Notwithstanding the foregoing, the Master Contract specifies that there are no limitations on the ability of the City to execute any Parity Obligation at any time to refund any outstanding Parity Obligations. See "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Flow of Funds

Deposit of Funds into Electric Revenue Fund. Under the Installment Purchase Contract, the City agrees and covenants that all Revenues it receives will be deposited when and as received in the Electric Revenue Fund, which the City is required to establish and maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid.

All money on deposit in the Electric Revenue Fund will be applied and used only as provided in the Installment Purchase Contract.

Payment of Maintenance and Operation Costs. The City is to pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable.

Disbursement of Remaining Funds. The Installment Purchase Contract requires the City to deposit and set aside all remaining money in the Electric Revenue Fund at the following times in the following order of priority:

(1) *Parity Obligation Payment Fund Deposits.* On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable under any Parity Payment Agreement, the City will, from the money in the Electric Revenue Fund, deposit in the Parity Obligation Payment Fund (which the City agrees and covenants to establish and maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid) a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date, plus the net payments due on all Parity Payment Agreements on such due date.

However, no such deposit need be made if there is money in the Parity Obligation Payment Fund available therefore at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such date on which interest or principal becomes due and payable under any Parity Obligations plus the net payments due on all Parity Payment Agreements on the next succeeding due date.

Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to the Trustee to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation at least one Business Day prior to such next applicable due date.

(2) *Parity Reserve Fund Deposits.* On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers under paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement.

The City will also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to the reserve fund or account for any Parity Obligations which are not Supplemental Contracts, without preference or priority between transfers made in accordance with this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

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

Limited Obligations

Special, Limited Obligation of the City. Except for the payment of 2008 Payments when due and the performance of the other covenants and agreements of the City contained in the Installment Purchase Contract, the City has no obligation or liability to the Owners of the 2008 Certificates with respect to the Trust Agreement or the execution, delivery or transfer of the 2008 Certificates, or the disbursement of Payments to the Owners by the Trustee.

The obligation of the City to make the 2008 Payments is a special obligation of the City secured by a pledge of Net Revenues and payable solely from the Net Revenues and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Notwithstanding anything contained in the Installment Purchase Contract, the City is not required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided in the Installment Purchase Contract for the payment of amounts due under the Installment Purchase Contract or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Contract.

Limited Obligations of the Authority. The Authority has no obligation or liability to the Owners of the 2008 Certificates with respect to the payment of the 2008 Payments when due, or with respect to the performance by the City of any other covenant made by it in the Installment Purchase Contract or the Trust Agreement.

Alternate Credit Facility

The Authority has the option, which can be exercised at any time, to provide for the delivery of an Alternate Credit Facility. An Alternate Credit Facility must be (i) an irrevocable letter of credit or other irrevocable credit facility, (ii) issued by a commercial bank, savings institution or other financial institution, and (iii) the terms of which must, to the extent dictated by the terms of the 2008 Certificates, be the same as or similar to the existing Credit Facility; provided, that the expiration date of such Alternate Credit Facility must be a date not earlier than one year from its date of issuance (subject to earlier termination upon payment of all 2008 Certificates in full or provision for such payment in accordance with the Trust Agreement).

The procedures and requirements for providing an Alternate Credit Facility are:

(1) at least 25 days prior to the expiration of the existing Credit Facility, the Authority or the City will cause to be provided to the Trustee:

(a) a draft of a Favorable Opinion of Special Counsel (as defined in the Trust Agreement; a signed opinion will be delivered on and dated the effective date of the Alternate Credit Facility), and

(b) a draft of an opinion of counsel to the provider of the Alternate Credit Facility to the effect that such Alternate Credit Facility is enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies, (a signed opinion will be delivered on and dated the effective date of the Alternate Credit Facility); and

(2) actual delivery to the Trustee of an Alternate Credit Facility, together with executed copies of the legal opinions in subsections (1)(a) and (1)(b) above, will be made on a Business Day at least 5 days prior to the expiration date of an existing Credit Facility; and

(3) notice thereof is given to the Owners of the applicable Series of 2008 Certificates in accordance with the provisions of the Trust Agreement.

When a Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility, the Trustee will immediately surrender such Credit Facility to the Bank. The Trustee will draw moneys under the Credit Facility in accordance with the terms thereof in an amount necessary to make full and timely payments of (i) principal of and interest with respect to and Prepayment Price of the 2008 Certificates (other than Bank Certificates) during a Weekly Rate Period or Daily Rate Period when due at maturity, redemption or acceleration and (ii) Purchase Price required to be made pursuant hereto. If at any time there will have been delivered to the Trustee an Alternate Credit Facility meeting the requirements of the Trust Agreement, then the Trustee will accept such Alternate Credit Facility, draw on the existing Credit Facility to the extent required pursuant to the provisions thereof and of the Trust Agreement for payment of the Purchase Price, and after such draw has been honored, surrender the existing Credit Facility to the Bank, in accordance with the terms of such Credit Facility, for cancellation. The existing Credit Facility will be returned to the Bank only after the Bank has honored any draws required to pay the Purchase Price in accordance with the terms of the Trust Agreement.

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

The following are brief outlines of certain provisions contained in the Letter of Credit established by the Bank in favor of the Trustee and the Reimbursement Agreement and are not to be considered a full statement pertaining thereto. Reference is made to the Letter of Credit and the Reimbursement Agreement on file with the Trustee for the complete texts thereof. Capitalized terms used in this section and not otherwise defined will have the meanings given such terms in the Reimbursement Agreement. No representation is made by the City or the Underwriter as to the accuracy, completeness or adequacy of the following information.

The Letter of Credit

The purchase price of, and principal and interest evidenced by the 2008 Certificates (other than the Bank Certificates or 2008 Certificates owned by the City or the Authority) will be payable from amounts available to be drawn by the Trustee under an irrevocable, transferable direct-pay Letter of Credit issued by the Bank concurrently with the execution and delivery of the 2008 Certificates. The Trustee will be permitted to draw an aggregate amount not to exceed the principal amount of the 2008 Certificates plus interest calculated at an assumed rate of 12% for 52 days, based upon a 365/366-day year, subject to reductions and reinstatements as provided in the Letter of Credit.

The Letter of Credit shall terminate (the "Stated Termination Date") on the close of banking business on May 13, 2011 (the "Maturity Date") unless terminated earlier in accordance with the provisions thereof or unless otherwise extended.

The Reimbursement Agreement

The Reimbursement Agreement, among other things, sets the terms and conditions whereby the City is required to repay to the Bank any amounts drawn by the Trustee under the Letter of Credit. The Bank has certain rights and the City has certain obligations under the Reimbursement Agreement. These rights of the Bank do not extend to the owners of the 2008 Certificates. In addition, the City's compliance with its obligations under the Reimbursement Agreement can be waived solely at the behest of the Bank. The Reimbursement Agreement provides for, among other things, repayment by the City of amounts drawn under the Letter of Credit. Although certain aspects of the Reimbursement Agreement are summarized herein, this summary does not purport to be complete or definitive, and is qualified in its entirety by reference to the full terms of the Reimbursement Agreement.

The following events are Events of Default under the Reimbursement Agreement unless waived by the Bank pursuant to the terms thereof:

(i) Failure to pay when due any amount payable under the Reimbursement Agreement (except as provided in subparagraph (ii) below) or under any Related Document to which the City is a party;

(ii) Failure to pay within thirty (30) days of the date when due any Draw Fees, Transfer Fees or Amendment Fees due under the Reimbursement Agreement;

(iii) Failure to observe or perform certain terms, covenants or agreements contained in the Reimbursement Agreement;

(iv) Failure to observe or perform any of the covenants contained in the Reimbursement Agreement (other than those covenants referenced in subparagraph (iii) above) and such failure is not remedied within thirty (30) days after written notice thereof from the Bank to the City and the Trustee, or failure to observe any covenant contained in any Related Document after the expiration of any applicable grace period contained in the relevant Related Document in the case of any covenant incorporated by reference into the Reimbursement Agreement;

(v) Any representation, warranty, certification or statement made by the City (including through incorporation by reference) in the Reimbursement Agreement or any Related Document or in any certificate, financial statement or other document delivered pursuant to the Reimbursement Agreement or to any Related Document shall have been inaccurate or incomplete in any material respect when made or deemed to have been made;

(vi) The City, or any Affiliate of the City, shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(vii) (A) An involuntary case or other proceeding shall be commenced against the City, or any Affiliate of the City, seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed, undischarged and unbonded for a period of thirty (30) days; or an order for relief shall be entered against the City or any Affiliate of the City under the federal bankruptcy laws as now or hereafter in effect; or (B) there shall be commenced against the City, or any Affiliate of the City, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or (C) the City, or any Affiliate of the City, shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A) or (B) above; or (D) the City, or any Affiliate of the City, shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its Indebtedness as the same becomes due;

(viii) (A) A Governmental Authority with jurisdiction to rule on the validity of the Reimbursement Agreement, the Trust Agreement or any Related Document shall find, announce or rule that (x) any material provision of the Reimbursement Agreement or any Related Document or (y) any provision of the Contract or the Trust Agreement relating to the security for the 2008 Certificates or the Required Bank Payments and Reimbursement Charges, the City's ability to pay the Required Bank Payments and the Reimbursement Charges from the Pledged Net Revenues or perform its obligations under the Reimbursement Agreement or the rights and remedies of the Bank, is not a valid and binding agreement of the City or (B) the City shall contest the validity or enforceability of the Reimbursement Agreement, any Related Document or any provision of the Contract or the Trust Agreement relating to the security for the 2008 Certificates or the Required Bank Payments, the City's ability to pay the Required Bank Payments and the Reimbursement Charges from the Pledged Net Revenues or perform its obligations under the Reimbursement Agreement or the rights and remedies of the Bank, or shall seek an adjudication that the Reimbursement Agreement, any Related Document or any provision of the Contract or the Trust Agreement relating to the security for the 2008 Certificates or the Required Bank Payments and the Reimbursement Charges, the City's ability to pay the Required Bank Payments and the Reimbursement Charges from the Pledged Net Revenues or perform its obligations under the Reimbursement Agreement or the rights and remedies of the Bank, is not valid and binding on the City;

(ix) A debt moratorium, debt adjustment, debt restructuring or comparable restriction with respect to any of the Indebtedness of the City which affects payment of amounts in connection with the Electric System, shall be declared or imposed by the City or any Governmental Authority having jurisdiction over the City;

(x) Any Lien created by the Reimbursement Agreement, the Contract or the Trust Agreement in favor of the Trustee or the Bank, shall at any time or for any reason (except as expressly permitted to be released by the terms of such governing document) not constitute a valid and perfected Lien or, except as permitted under the Contract, the City shall so assert in writing;

(xi) An event of default or termination event under the Trust Agreement, the Contract or the 2008 Certificates or any other Related Document shall at any time have occurred and be continuing, irrespective of whether said event of default is declared, undeclared or has been waived under the terms of such respective instrument, or a mandatory prepayment or acceleration shall have occurred with respect to the 2008 Certificates;

(xii) Any Parity Obligation, Senior Obligation or other Indebtedness of the City that ranks on a parity with or senior to the Parity Obligations shall not be paid when and as the same shall become due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise);

(xiii) The existence of one or more final, non-appealable judgments against the City for the payment of money payable out of Revenues and not covered by insurance, or the attachment or levy against the Electric System or other property of the City, the operation or result of which, individually or in the aggregate, equals or exceed $1,000,000, and such judgment, attachment or levy shall remain unpaid or the Lien created thereby shall remain undischarged or unbonded (by property other than any of the Pledged Net Revenues) for a period of thirty (30) days;

(xiv) a Material Adverse Change shall occur;

(xv) a Determination of Taxability shall occur; or

(xvi) payment of the principal of any Parity Obligation or any Senior Obligation is accelerated in accordance with its terms.

If an Event of Default under the Reimbursement Agreement occurs and is continuing, the Bank may, in its sole discretion, (i) notify the Trustee of such occurrence and may in such notice further (A) notify the Trustee that the Letter of Credit shall terminate and direct the Trustee to draw upon the Letter of Credit in accordance with its terms and purchase all of the outstanding 2008 Certificates for the account of the Bank, or (B) direct the Trustee to declare the entire principal amount of the unpaid 2008 Payments and the accrued interest with respect thereto to be due and payable pursuant to the Trust Agreement, (ii) at any time subsequent to any notice under (i), and the Bank has not already directed such action in such notice under (i), the Bank may direct the Trustee to declare the entire principal amount of the unpaid 2008 Payments and the accrued interest with respect thereto to be due and payable pursuant to the Trust Agreement, (iii) by notice to the City, declare the entire unpaid principal and interest amount of any advances outstanding as a result of any Tender Drawing together with accrued interest thereon, and all other amounts owing under the Reimbursement Agreement, to be, whereupon the same shall become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City; provided that in the case of any of the Events of Default specified in subparagraphs (vi), (vii), (viii) or (xvi) above, without any notice to the City or any other act by the Bank, the principal amount of any such advances, together with accrued interest thereon, shall be immediately due and payable and (iv) take any other action permitted to be taken by it under the Reimbursement Agreement, under any of the Related Documents, or under applicable law or otherwise. Upon receipt by the Trustee of any notice from the Bank pursuant to clause (i)(A) of this paragraph and to the extent it has not already done so, the Trustee shall immediately draw under the Letter of Credit pursuant to its terms in the amount required thereby and to the extent permitted by the Letter of Credit, whereupon the Letter of Credit shall terminate immediately upon distribution of the proceeds of such drawing to the Trustee. Upon receipt by the Trustee of a notice from the Bank pursuant to clause (i)(B) or (ii) of this paragraph directing the acceleration of all 2008 Payments, the Trustee shall immediately declare the entire principal amount of the unpaid 2008 Payments and the interest accrued with respect thereto immediately due and payable pursuant to the Trust Agreement.

THE BANK

THE FOLLOWING REPRESENTS ONLY A SUMMARY OF THE INFORMATION REFERRED TO HEREIN. EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN, THIS DOCUMENT DOES NOT ATTEMPT TO DESCRIBE THE BUSINESS OR ANALYZE THE CONDITION, FINANCIAL OR OTHERWISE, OF THE BANK OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH THE BANK. EACH BONDHOLDER MUST RELY ON THAT HOLDER'S OWN KNOWLEDGE, INVESTIGATION AND EXAMINATION OF THE BANK AND THE BANK'S CREDITWORTHINESS. NO REPRESENTATION IS MADE BY THE CITY OR THE UNDERWRITER AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE FOLLOWING INFORMATION.

Dexia Credit Local ("Dexia") is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of over 20 billion euros as of December 31, 2007, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group's first line of business – public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,500 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe, the United States of America and Canada. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in La Défense, France. In issuing the facility, Dexia will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of Dexia. Dexia is the leading local authority lender in Europe, funding its lending activities in 2007 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2007, total funding raised by Dexia and Dexia Municipal Agency was 18.2 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. ("FSA Holdings"), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2007, Dexia had total consolidated assets of 345 billion euros, outstanding medium and long-term loans to customers of 285.1 billion euros and shareholders' equity of over 6.29 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 991 million euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2007, the exchange rate was 1.0000 euro equals 1.4721 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa1 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Branch, 445 Park Avenue, 8th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

THE ELECTRIC SYSTEM

History and Background

The City, through Roseville Electric, has been providing electrical power to its residents, businesses, and the City's street and traffic lighting systems since 1912. In 1956, the City entered into a contract with the Federal Bureau of Reclamation for 69 megawatts ("MW"; a megawatt equals 1 million watts) of electric capacity from the Central Valley hydroelectric project, which consists of a system of dams, reservoirs and power plants within central and northern California (the contract is currently administered through the Western Area Power Administration ("Western")). In the early 1970s, the City's demand for electricity exceeded the Western resource allocation. To help meet this additional need, in 1968 the City became a charter member in the Northern California Power Agency (the "NCPA"), a consortium of municipal electrical utilities. The City participates in several resources developed by NCPA, including its geothermal, combustion turbine, steam-injected gas turbine, and hydroelectric projects. In addition, in 1984 the City became a member of the Transmission Agency of Northern California ("TANC") and participated in the California-Oregon Transmission Project ("COTP"). See "- Regional Transmission Facilities" below. Continuous high growth created more demand and until recently, the bulk of that demand was met through purchases on the open electricity market. See "– Sources of Power Supply" below.

The City recently completed construction of a 160 MW natural gas fired generation plant ("Roseville Energy Park") that commenced commercial operation in October of 2007. Roseville Energy Park has a base capacity of 120 MW and has the ability to be peak-fired up to 160 MW nominal during warranted conditions through the use of duct burners in the heat recovery steam generators. Roseville Energy Park includes two Siemens combustion turbine-generators ("CTGs"), two Vogt heat recovery steam generators ("HRSGs"), a single condensing steam turbine generator ("STG"), a de-aerating surface condenser; a four-cell mechanical draft cooling tower; and associated support equipment.

Organization and Management

Supervision by City Council and Roseville Public Utilities Commission. The City's Electric System is under the supervision of the Roseville City Council. The seven-member Roseville Public Utilities Commission serves as an advisory board to the City Council on matters relating to all utilities owned and operated by the City. The City Council appoints all seven members of the Public Utilities Commission. The Electric Utility Director manages the Electric System and reports to the Public Utilities Commission and the City Manager.

Senior Management. The Electric System's senior management consists of the following executives:

Tom Habashi, Electric Utility Director. Tom Habashi has served as Electric Utility Director since 1998. Mr. Habashi is a registered electrical engineer with a Bachelor of Science in Electrical Engineering and a Masters in Business Administration. He began his career as a junior engineering aide with the City of Burbank in 1981 and was promoted to assistant electrical engineer later that year. Mr. Habashi joined the Palo Alto Utilities Department as a Power Engineer in 1984 and was promoted to Senior Power Engineer in 1986, Senior Resource Planner in 1987, Manager of Resource Planning in 1992 and Assistant Director of Utilities, Resource Management in 1995.

David Brown, Assistant Electric Utility Director-Distribution. David Brown has served as Assistant Electric Utility Director-Distribution since 2001. He began working for Roseville Electric in 1987 after graduating from California State University, Sacramento with a Bachelor of Science degree in Electrical Engineering. He is responsible for the electric distribution system at Roseville Electric, including engineering, new services and system construction and maintenance. Mr. Brown is a registered electrical engineer in the State of California.

Tom Green, Assistant Electric Utility Director, Power Supply. Tom Green served as Power Supply Manager for Roseville Electric from 2001 until assuming his current position in 2005. Mr. Green is responsible for Roseville Electric's energy supply portfolio including power market assessment, risk management, power plant generation, power purchases and sales, regional transmission, and administration. He is also responsible for the management of contractual relations with Western NCPA and the California Independent System Operator ("ISO"). Prior to joining the City, Mr. Green was employed for 13 years by NCPA where he led marketing and contractual activities related to bulk electric power services to NCPA members. Previously, he was employed for 11 years by the State of California, Department of Water Resources in the Department's Energy Division. Mr. Green graduated from California State University, Sacramento with a Bachelor of Arts Degree in Government.

Michelle Bertolino, Assistant Electric Utility Director, Administrative and Retail Services. Michelle Bertolino has worked at Roseville Electric since 2002. She is responsible for Roseville Electric's administrative and retail energy services which include financial, energy and load forecasting and analysis, ratemaking, power supply settlements and reporting, budget development, demand side management, development of public benefits activities, energy efficiency programs and customer service activities. Prior to joining the City, Ms. Bertolino was employed by the Sacramento Municipal Utility District and San Francisco Public Utilities Commission. She graduated from the University of California, Santa Barbara and attended the Graduate School of Management at the University of California, Davis. She received her Certified Public Accountant license from the State of California.

Employees

General. As of June 30, 2007, 139 City employees were assigned specifically to the Electric System. Certain functions supporting the Electric System operations, including meter reading, customer billing, collections and accounting, are performed by the Finance Department of the City.

The bulk of the non-management City personnel working at Roseville Electric are represented by the International Brotherhood of Electrical Workers (IBEW). The current Memorandum of Understanding with IBEW will expire on December 31, 2010. There have been no strikes or other work stoppages at the City, including at the Electric System.

Retirement Benefits. Retirement benefits to City employees, including those assigned to the Electric System, are provided through the City's participation in the Public Employees Retirement System ("CALPERS") of California. As of June 30, 2007, the City had an unfunded pension liability of approximately $71.2 million (indicating the prior year's unfunded amount) including approximately $48.5 million in the miscellaneous category, of which approximately 16.5% was allocable to the Electric System. The City estimates that the unfunded pension liability was approximately $73 million as of March 1, 2008.

Other Post Employment Benefits. The City also provides post-retirement health care benefits ("OPEB Benefits") to its employees through CALPERS, including those assigned to the Electric System. Currently, 367 retirees receive OPEB benefits from the City ranging from $273 to $1,186 per month. The cost to the City in the year ended June 30, 2007 was $2,512,642. A portion of this cost was allocable to the Electric System.

The Governmental Accounting Standards Board has published Statement No. 45 which requires the City to account for OPEB Benefits in the fiscal year beginning after December 15, 2008. Statement No. 45 requires that the accrual basis measurement and recognition of the cost of postretirement healthcare benefits take place over a period that approximates the employee's years of service. Statement No. 45 also requires the periodic reporting of information about actuarial accrued liabilities associated with these benefits and whether and to what extent progress is being made in funding the plan. Funding the plan is not a requirement of Statement 45; however, the City established a fund in 2002 to set aside monies for the long-term liability for OPEB Benefits and has been transferring 3% of the total cost of salaries to the fund since that time. This amounted to $2.8 million in Fiscal Year 2008. At the end of Fiscal Year 2008, the City expects to have $28.7 million in the Post Retirement Health/Insurance Fund (the "OPEB Fund") to pay for the post-retirement liabilities.

In anticipation of, and in accordance with, Statement No. 45, the City has engaged Bartle Associates to conduct an actuarial study to determine the City's liability with respect to OPEB Benefits. The actuarial study is expected to be complete for inclusion in the City's audited financial statements for Fiscal Year 2007-08. Based on pervious estimates, the unfunded actuarial accrued liability without a trust will be around $140 million, a portion of which will be allocable to the Electric System. Staff is currently working on strategies to address post-retirement health costs on a long-term basis, including funding the OPEB Fund described above.

Service Area, Customer Base and Demand

Service Area. The Electric System serves an area of approximately 36 square miles, coterminous with the City's borders. During Fiscal Year 2006-07, it served 49,742 customers, as further described in Table 1 below. See "APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE" for background and demographic information about the City.

Customer Base. Between Fiscal Years 2002-03 and 2006-07 the Electric System's customer base increased by an average of 4.8% per year. During the same time, population growth increased about 4% each year but slowed to 2% as of January 1, 2008. Residential growth is slowing, but the commercial sectors remain strong. The City has added over 7,000 new residential units over the past five years. Major health care facilities (Kaiser-Permanente and Sutter/Roseville) and other businesses have expanded their facilities and operations in the community.

Projected Growth in Customer Base. By the end of Fiscal Year 2007-08, electricity use in the City is expected to increase by approximately 2% compared to Fiscal Year 2006-07 levels. See "THE ELECTRIC SYSTEM – Sources of Power Supply – Future Power Supply Resources."

Over the next five years growth is expected to continue. Retail, commercial, medical facilities and hotels are planned or are under construction, including The Fountains Lifestyle Center, the South Placer Justice Center, and an expansion of The Galleria at Roseville regional mall. Residential development also is expected, with approximately 4,800 new residences anticipated over the next five years. The City is currently reviewing proposed annexation projects, including Sierra Vista, Creekview and Placer Ranch. Sierra Vista is 2,100 acres with over 10,000 proposed residential units. Creekview is 570 acres with over 2,500 proposed residential units. Placer Ranch is 2,200 acres and includes a 300 acre university and about 5,000 proposed residential units.

The City anticipates that the effect of the annexation and expected growth of the revenues of the Electric System will be offset by increases in operating expenses in order to meet the increased electricity demand.

Historical Customers Sales and Peak Demand. The average number of customers, electricity sales measured in kilowatt-hours ("kWh") and in revenues, and peak demand during the past five fiscal years, are listed below.

Table 1
Customers, Sales and Peak Demand
Fiscal Years Ended June 30 (1)

	2003	2004	% Chg	2005	% Chg	2006	% Chg	2007	% Chg
# of Customers									
Residential	38,054	40,312	5.93	41,883	3.90	43,001	2.67	43,793	1.84
Commercial	4,720	5,101	8.07	5,410	6.06	5,523	2.08	5,950	7.73
Total	42,774	45,412	6.17	47,294	4.14	48,524	2.60	49,742	2.51
kWh Deliveries									
Residential	335,789,626	381,799,100	13.70	392,815,270	2.89	424,904,616	8.17	435,922,068	2.59
Commercial	686,404,562	717,219,609	4.49	733,576,815	2.28	767,580,974	4.63	797,143,850	3.85
Total	1,022,194,188	1,099,018,709	7.52	1,126,392,085	2.49	1,192,485,590	5.87	1,233,065,918	3.40
Revenues									
Residential	$29,062,613	$34,565,885	18.94	$36,306,339	5.04	$40,896,486	12.64	$44,302,447	8.32
Commercial	49,331,010	53,053,597	7.55	55,577,366	4.76	60,291,463	4.48	65,565,709	8.73
Total	$78,393,622	$87,619,483	11.77	$91,883,705	4.87	$101,187,949	10.13	$109,868,156	8.56
Peak Demand (kW)	274,650	294,600	7.26	282,090	(4.25)	319,260	13.18	342,970	7.43

(1) Numbers may not total due to rounding. Revenues listed are as billed. For booked revenues, see Table 8.
Source: City of Roseville.

Ten Largest Customers. The ten largest customers of the City's Electric System, as of June 30, 2007, are shown in Table 2 below.

Table 2
Ten Largest Customers
As of June 30, 2007

Customer	Type of Business	% of Total kWh	% of Revenues
NEC Electronics	Manufacturing	11.55	8.71
Hewlett-Packard	Office/Manufacturing	4.91	3.94
City of Roseville	Government and Utilities	2.84	2.60
Kaiser Hospital	Medical Care	1.85	1.58
Sutter Roseville Medical Center	Medical Care	1.44	1.22
Cassie Hill Center	Data Processing	1.24	1.00
Roseville Telephone Co.	Telecommunications	1.13	0.97
Hines	Property Management	1.07	1.09
Wal-mart	Retail	0.99	0.86
Safeway, Inc.	Grocery	0.86	0.84
TOTAL		27.89	22.81

Source: City of Roseville.

Sources of Power Supply

General. Prior to the operation of the Roseville Energy Park, the City acquired power supply from 3 major sources: a long-term contract with Western; entitlements to a percentage of the capacity and energy of certain NCPA generation projects; and the open market for electricity. Table 3 below provides a summary of the City's sources of power supply for the fiscal year ended June 30, 2007, which are further described in detail below. These sources of power supply will change significantly for Fiscal Year 2007-08 and beyond as a result of the Roseville Energy Park becoming operational. See "Future Power Supply Sources" below.

Table 3
Sources of Power Supply
Fiscal Year Ended June 30, 2007

Source	Capacity Available (MW)	Actual Power (GWh)*	% of Total
Western [1]	64	161	13%
NCPA [1]			
Geothermal Project	9	77	6
Hydroelectric Project	29	35	3
Combustion Turbine Project No. 1	16	1	0
Steam Injected Gas Turbine Generator Project	20	25	2
Seattle City Light [2]	20	32	2
Open Market Purchases [3]	201	944	74
TOTAL	359	1,275	100%

(1) Entitlements, firm allocations and contract amounts.
(2) This is a seasonal exchange agreement where the City receives more capacity and Seattle receives more energy on an annual basis.
(3) Net firm and non-firm energy purchases on the open market.
* One gigawatt-hour (GWh) equals one million kilowatt-hours ("kWh").
Source: City of Roseville.

In the fiscal year ended June 30, 2007, the City's average cost of power delivered to its Roseville electric system was 5.8 cents per kWh.

Western Area Power Administration.

The City has a long-term contract with Western that provides the City with up to 67 MW of the output of the Central Valley Project generation net of project use, first preference allocations and control area obligations. The contract provides varying amounts of capacity and energy depending on hydrology and water storage conditions. The term of the agreement extends through December 31, 2024.

NCPA Geothermal Project.

Description. NCPA developed a geothermal project (the "NCPA Geothermal Project") located on federal land in certain areas of Sonoma and Lake Counties, California. In addition to the geothermal leasehold, wells, gathering system and related facilities, the NCPA Geothermal Project consists of two electric generating stations (Geothermal Plant 1 and Geothermal Plant 2), each with two 55 MW (nameplate rating) turbine generating units utilizing low pressure, low temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tapline and other related facilities.

Geothermal steam for the NCPA Geothermal Project is derived from geothermal property; which includes wellpads, access roads, steam wells and reinjection wells.

Ownership and Management. NCPA formed two not-for-profit corporations controlled by its members to own the generating plants of the NCPA Geothermal Project. NCPA manages the NCPA Geothermal Project for the corporations and is entitled to all the capacity and energy generated by the NCPA Geothermal Project.

Financing. NCPA financed the NCPA Geothermal Project with NCPA Geothermal Project Number 3 Revenue Bonds, of which $76.91 million were outstanding as of June 30, 2007 (which represents total debt not including approximately $25 million in debt that has been economically defeased). The annual debt service on these bonds ranges from $3.0 million to $56.4 million, with a final maturity of July 1, 2010. The City's share of debt service is approximately $2.4 million per year.

City's Entitlement. The City has purchased from NCPA, pursuant to power sales contracts, a 7.88% entitlement share in the NCPA Geothermal Project and is obligated to pay a like percentage of all of the debt service and operating costs of the NCPA Geothermal Project. These obligations constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

Operation. Due to a decline in the steam field production, the NCPA Geothermal Project is currently being operated at an average of 126 MW rather than the base load of 238 MW. NCPA has implemented a number of strategies to reduce the rate of decline in steam field productions, such as lowering steam turbine operating pressures to improve mass flow, and augmenting mass flow by managing the injection of plant condensate and supplemental water. These changes have been effective in reducing the decline in steam production.

Due to current operating protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease, reaching approximately 113 MW by the year 2010, and remaining in excess of 72 MW through 2030, the end of the study period.

NCPA is contemplating issuing debt to fund capital improvements to the NCPA Geothermal Project. The improvements may include a 1 MW photovoltaic system to augment power for the pumping station and an additional low pressure rotor. If approved, Roseville will participate in the improvements, however, participation levels, costs and the scope of the improvements are not yet finalized.

NCPA Hydroelectric Project Number One.

Description. NCPA's Hydroelectric Project Number One (the "NCPA Hydroelectric Project") consists of (a) three diversion dams, (b) the 252 MW Collierville Powerhouse, (c) the Spicer Meadow Dam with a 5.5-MW powerhouse, and (d) associated tunnels located essentially on the North Fork of the Stanislaus River and on the Stanislaus River in Alpine, Tuolumne and Calaveras Counties, California, together with required transmission facilities.

Ownership and Management. The NCPA Hydroelectric Project (with the exception of certain transmission facilities discussed below) is owned by the Calaveras County Water District ("CCWD") and is licensed to CCWD by FERC under its license for Project No. 2409, which has a term of 50 years and expires in 2032.

Under a power purchase contract, NCPA (i) is entitled to the electric output of the NCPA Hydroelectric Project until Fiscal Year 2031-32, (ii) managed the construction of the NCPA Hydroelectric Project and (iii) operates the generating and recreational facilities of the NCPA Hydroelectric Project.

Under a separate FERC-issued license for Project No. 11197, with an expiration date coterminous with its license for Project No. 2409, NCPA holds the license to and owns two transmission lines from the NCPA Hydroelectric Project (the 230 kilovolt ("kV"; 1 kilovolt equals 1,000 volts) Collierville-Bellota and 21 kV Spicer Meadow-Cabbage Patch transmission lines).

Financing. NCPA financed the NCPA Hydroelectric Project through the issuance of the NCPA Hydroelectric Project Number One Revenue Bonds, of which approximately $483 million were outstanding as of June 30, 2007.

The City's nominal share of debt service is 12%, but the actual percentage share paid by the City is 9.9% due to certain economic defeasance portfolios established in 1998, under which a portion of the City's share of debt service was prepaid.. These obligations constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. The City's share of annual debt service (net of these economic defeasance portfolios) continues to the year 2032 and ranges from $2.4 million to $4.3 million. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

City's Entitlement. The City has a 12% entitlement share of the generating output of the NCPA Hydroelectric Project.

Operation. The operation of the NCPA Hydroelectric Project is determined by consideration of its storage capacity and available stream flows. The NCPA Hydroelectric Project's average production is estimated to be 550 GWh annually, based on the 108-year record (1895 to 2003) of stream flows on the two rivers supplying water to the project. Using the driest period on record (1976-1977), the NCPA Hydroelectric Project is estimated to produce 180 GWh annually.

NCPA Combustion Turbine Project Number One.

Description. NCPA has developed its Combustion Turbine Project Number One (the "NCPA Combustion Turbine Project") consisting of five combustion turbine units, each nominally rated 25 MW. Two of the units are located in the City, two are in the City of Alameda and one is in the City of Lodi.

Financing. NCPA financed the NCPA Combustion Turbine Project through the issuance of the NCPA Combustion Turbine Project Number One Revenue Bonds, of which $15.125 million was outstanding as of June 30, 2007. The debt service on these bonds is approximately $4.3 million annually with a final maturity of August 15, 2010. The City's share in the debt service on these bonds is 13.58%, and constitutes an operating expense of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. The City's share of annual debt service is approximately $600,000 per year. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

City's Entitlement. Under a power sale contract, the City has purchased from NCPA a 13.58% entitlement share in the NCPA Combustion Turbine Project. As is typical of reserve and peaking resources, the average cost per kWh of power delivered to participants in the NCPA Combustion Turbine Project is comparatively expensive.

Operation. The NCPA Combustion Turbine Project provides capacity (i) that is economically dispatched during the peak load period to the extent permitted by air quality restrictions and (ii) that is used to meet capacity reserve requirements (which is operated only during emergency periods when other resources are unexpectedly out of service).

NCPA Steam Injected Gas Turbine Generator Project, Unit One.

Description. In 1992, NCPA undertook its multiple capital facilities project consisting of one Steam Injected Gas Turbine (a "STIG"), Unit One, with a design rating of 49.9 MW located in Lodi, and owned and operated by NCPA.

For Fiscal Year 2006-07, the STIG Unit One's electricity generation was 11.4 GWh.

Financing. NCPA financed the NCPA Steam Injected Gas Turbine Generator Project through the issuance of $152.3 million of Multiple Capital Facilities Revenue Bonds, all of which have since been refunded or defeased with a subsequent issue of refunding bonds, approximately $65 million of which was outstanding as of June 30, 2007. The annual debt service on these refunding Bonds ranges from $485,000 to $5.9 million, with a final maturity in 2026. The City's share in the debt service on these bonds is 36.55%, and constitutes an operating expense of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. The City's share of annual debt service is approximately $2.0 million per year. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

City's Entitlement. The capacity and energy of STIG Unit One is purchased through a contractual arrangement among the City, Alameda, Lompoc and Lodi, under which the City has purchased from NCPA a 36.55% entitlement share in the NCPA Multiple Capital Facilities Project. NCPA has entered into arrangements on behalf of the NCPA Multiple Capital Facilities Project Participants to provide for a gas supply for Unit One.

Seattle City Light Power Capacity and Energy Exchange Agreement. NCPA, on behalf of Healdsburg, Palo Alto, Ukiah, Lodi and the City, has negotiated a seasonal exchange agreement with Seattle City Light for 60 MW of summer capacity and energy and a return of 46 MW of capacity and energy in the winter. Deliveries under the agreement began June 1, 1995 and will terminate no earlier than May 31, 2014. The City has a 33.33% share of the benefits and burdens of the seasonal exchange agreement.

Open Market Term Purchase and Sale Agreements. The City enters into various fixed-price purchase or sale contracts on the open market at various times to meet its power supply requirements and hedge its portfolio costs consistent with its risk management policies. Electricity is generally sold or acquired in 25 MW increments on a seasonal or annual basis. The City currently has one multi-year power purchase contract for 25 MW net of on-peak energy with Morgan Stanley Capital Group, Inc. that expires on December 31, 2010.

The City has also entered into several short-term purchases for varying terms from a number of power suppliers. The short-term purchase terms range from 1 to 3 months.

The City purchases physical natural gas at market index prices then financially fixes these prices using fixed-for-floating swap agreements. Approximately 16 million MMBTU of natural gas delivery between 2008 and 2011 has had its price fixed in this manner. These financial swaps are divided between BP Corporation, Constellation Energy Commodities, J Aron and Company, and JP Morgan Energy Ventures. No counterparty has more than a one third share in this total natural gas hedge.

Future Power Supply Resources. The City recently completed construction of the Roseville Energy Park, which became operational in fall of 2007. The Roseville Energy Park consists of a nominal 120 megawatt (MW) natural gas-fired generation facility located on 12 acres of a larger City-owned parcel adjacent to and north of the Pleasant Grove Wastewater Treatment Plant. The plant includes the ability to peak-fire up to 160 MW nominal during warranted conditions through the use of duct burners in the heat recovery steam generators. The project includes two Siemens combustion turbine-generators ("CTGs"), two Vogt heat recovery steam generators ("HRSGs"), a single condensing steam turbine generator ("STG"), a de-aerating surface condenser; a four-cell mechanical draft cooling tower; and associated support equipment.

PG&E owns and maintains the natural gas supply pipeline that serves the Roseville Energy Park. The City will contract with natural gas suppliers to supply natural gas to the Roseville Energy Park via the interstate pipeline network and the PG&E intrastate pipeline network. In January 2007 the Roseville Natural Gas Financing Authority entered into a 20-year pre-paid natural gas supply contract with Merrill Lynch Commodities Inc ("MLCI"). The natural gas purchased from MLCI is in turn sold to the City for use in the Roseville Energy Park. The natural gas the City is obligated to purchase under the prepaid gas supply agreement is expected to provide approximately 40% of the City's expected gas requirements for the Roseville Energy Park.

The City of Roseville subsequently acquired 34 MW of the NCPA Combustion Turbine Project from the City of Lodi, and swapped ownership positions with the other joint owners such that Roseville acquired full entitlements to the NCPA Combustion Turbine Project units located in the City of Roseville. The City of Roseville pays operations and maintenance costs and debt service on the acquisition. NCPA continues to operate the units on Roseville's behalf.

In addition to the above supply resources, the City expects that it will obtain additional resources from market purchases or investment in generation facilities, either independently, through NCPA or other agencies. In accordance with recent legislation, the City expects that future energy purchases will increasingly be made from renewable energy sources. See "-Energy Efficiency and Conservation" below.

Table 4 below sets forth the City's projected energy requirements and resources for the next 10 fiscal years.

Table 4
Projected Energy Requirements and Resources
Fiscal Years 2007-08 through 2016-2017
(GWh)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City-Owned Generation										
Roseville Energy Park	462	703	720	738	767	778	719	721	734	714
Joint Powers Facilities:										
Geothermal Project	75	73	70	68	66	64	62	60	59	57
Hydroelectric Project	60	65	67	67	67	65	66	66	66	66
Combustion Turbine Project No. 1	0	0	0	0	0	0	0	-0	0	0
STIG Generator Project	43	38	37	39	40	43	38	35	38	36
Subtotal:	641	879	894	911	941	950	885	883	897	873
Long-Term Purchases and Exchanges										
Western	117	138	155	155	155	155	155	155	155	155
Net Long Term Purchases	651	219	123	62	-	-	-	-	-	-
Other Contracts	13	19	19	19	19	6	-	-	-	-
Subtotal:	781	375	297	236	174	162	155	155	155	155
Net Short-Term Market Purchases (Sales)	(82)	164	293	399	492	541	659	704	741	804
Total Energy Resources	1,340	1,418	1,484	1,546	1,607	1,653	1,699	1,742	1,793	1,833
Total Energy Requirements	1,340	1,418	1,484	1,546	1,607	1,653	1,699	1,742	1,793	1,833

Source: City of Roseville.
Note: Subtotals and totals may not add due to rounding.

Power Supply Risk Management

The Electric System has in place a rigorous risk management program to ensure that customers will, to the best extent possible, be insulated from the volatility of supply prices. The Electric System established a Risk Oversight Committee (ROC), risk management policies and procedures. The ROC meets quarterly to review energy trading activities and to ensure their adherence to the risk management policies.

All energy purchases are made to supplement existing resources to meet forecasted load requirements. Generally, the City purchases or sells energy that is deficit or surplus to its retail customer needs independently within a 12-month horizon and by using the scheduling and load following services of ACES Power Marketing within a 30-day horizon. The City's risk management policies include short-term and long-term measures.

In general, short-term measures limit market price exposure for the fiscal budget year to 5 percent or less of the City's budgeted purchased power cost and limit portfolio open volume to no more than +/- 10 percent of forecast load.

The City's long-term risk management strategy encourages a balanced "layered" energy portfolio. The Energy Hedge Policy provides a ceiling and floor for the required hedged energy (electricity and natural gas) to meet expected loads as follows:

Rolling Year	Minimum Hedged Supply	Maximum Hedged Supply
1	90%	110%
2	80%	105%
3	70%	95%
4	55%	80%
5	40%	65%

The policy requires that the City purchase forward electric contracts and/or forward gas contracts to fulfill its long-term hedged supply requirement. In the event of decreases in expected sales levels, the policy may require that the City sell forward electric gas and/or electric contracts. Allowed instruments in the hedging program include:

- Electric forward sales or purchases with authorized counterparties
- Electric tolling arrangements with qualified counterparties
- Bi-lateral Gas contracts with qualified counterparties
- Gas futures, Floors and Caps through the NYMEX or other approved market
- Prepaid Gas Supply

The City's natural gas procurement strategy primarily involves purchasing natural gas for Roseville Energy Park's operation at a monthly index price. The City will manage daily dispatch variation through the purchase or sale of natural gas at the daily index price. The City expects to hedge its monthly index purchases with financial contracts in accordance with its Energy Hedge Policy described above. In addition, the Roseville Natural Gas Financing Authority entered into a 20-year pre-paid natural gas supply contract in January 2007. See "Sources of Power Supply – Future Power Supply Resources" above.

Regional Transmission Facilities

ISO Controlled Grid. NCPA Project generation and most market purchases are delivered over the ISO Controlled Grid to the electric system of Western, to which the City is physically interconnected. Western energy purchases are delivered to Roseville solely over Western transmission facilities.

NCPA Geysers Transmission Project.

Ownership and Description. In order to meet certain obligations required of NCPA to secure transmission and other support services for the NCPA Geothermal Project, NCPA and its transmission project participants (including the City) undertook the "Geysers Transmission Project," which includes (a) an ownership interest in PG&E's 230 kV line from Castle Rock Junction in Sonoma County to the Lakeville Substation, (b) additional firm transmission rights in this line, and (c) a central dispatch facility (see "– Dispatch and Scheduling" below).

Financing. NCPA financed the Geysers Transmission Project through the issuance of Transmission Project Number One Revenue Bonds, which were outstanding in the principal amount of approximately $3.3 million as of June 30, 2007. The City's share of debt service is approximately $60,000 per year.

City's Entitlement. The City is entitled to a 14.18% share of the Geysers Transmission Project transfer capability, and is responsible for 14.18% of debt service on the Transmission Project Number One Revenue Bonds, which constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

TANC California-Oregon Transmission Project.

Ownership and Description. Fourteen Northern California cities and districts and one rural electric cooperative, including the City, are members or associate members of a California joint powers agency known as the Transmission Agency of Northern California ("TANC").

TANC, together with the City of Vernon, California ("Vernon"), Western, three California districts and authorities and PG&E (collectively, the "COTP Participants") own the California-Oregon Transmission Project ("COTP"), a 339-mile long, 1,600 MW, 500 kV transmission power project between Southern Oregon and Central California. The COTP was placed in service on March 24, 1993, at a cost of approximately $430 million, and was financed through a combination of bonds and notes issued by TANC.

City's Entitlement. Under Project Agreement No. 3 for the COTP (the "TANC Agreement"), the City is entitled to 2.313% of TANC's share of COTP transfer capability (approximately 29.35 MW). In return, the City has severally agreed to pay, on an unconditional take or pay basis, 2.295% of the construction costs of the COTP, including debt service, and 2.313% of TANC's COTP operating and maintenance expenses. TANC is currently considering various financing plans to address negative impacts its debt portfolio has been experiencing due to recent market volatility surrounding variable rate and auction rate obligations. The City's share of annual debt service continues to the year 2024 and is approximately $700,000 per year. These obligations constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

City Use of COTP. The City uses its rights in the COTP to make economic power purchases for the Electric System and to deliver its share of the Seattle City Light contract energy.

Tesla-Midway Transmission Service. The southern physical terminus of the COTP is near PG&E's Tesla Substation in the San Francisco Bay Area. The COTP is connected to Western's Tracy and Olinda Substations. TANC has arranged for PG&E to provide TANC and its members with 300 MW of firm bi-directional transmission capacity in its transmission system between its Tesla Substation and the Midway Substation (the "Tesla-Midway Service") under an agreement known as the South of Tesla Principles.

The City's share of this Tesla-Midway Transmission Service is 5 MW. The City utilizes its allocation of Tesla-Midway Transmission Service for firm and non-firm power transactions when available and economic to do so.

City Distribution System

The City owns and operates the electrical distribution system serving retail customers within the City's boundaries. The distribution system is connected to the Western transmission system at the two connection points, the 230-kV Berry Street Receiving Station and the 230-kV Fiddyment Station. The distribution system consists of over 137 miles of overhead lines, over 597 miles of underground lines and 16 substations. The City performs continued maintenance on its distribution system to sustain service reliability.

Dispatch and Scheduling

Beginning July 1, 2006, the City contracted with ACES Power Marketing (APM) to provide scheduling services and discontinued its participation in the NCPA Power Pool. NCPA continues to dispatch the NCPA power plants to meet the schedules of energy delivery prepared and submitted by APM on the City's behalf. NCPA provides dispatch service from its dispatch control center located at its headquarters in the City.

Energy Efficiency and Conservation

AB 1890, the California electric utility deregulation law, required the establishment of public benefit programs for investor owned and public power utilities through 2001. On September 30, 2000, the governor signed into law SB 1194 and AB 995, which extended the requirement to support public benefit electricity programs through January 1, 2012. The City funds these programs at 5% of gross revenues (approximately $6 million per year based on *Fiscal Year 2006-07 gross retail revenues*).

Roseville Electric has developed a full portfolio of public benefits programs since 2001, addressing the four areas of concentration required by state law: low income assistance programs, renewable energy production, advanced electric technology demonstration and research and development, as well as energy efficiency programs. Residential and commercial energy efficiency offerings focus on summer period consumption reduction and include programs for both existing facilities and new construction.

In 2007 Roseville Electric implemented its BEST (Blueprint for Energy Efficiency and Solar Technology) Homes Program. The goal for the BEST Homes program is to ensure that 10-20 percent of all new homes built in Roseville utilize design criteria that substantially reduce the home's electricity bill. A typical BEST Home should create 40% less demand on the electric grid than the average single family home during the summer peak period. The BEST Homes program offers generous financial incentives to builders who integrate energy efficiency and solar generation technology into new home construction.

Additionally, in 2007, Roseville Electric began implementing a new residential load management program to reduce Roseville Electric's peak system load during the summer months of June, July, August, and September. The Load Control Program is a voluntary program for City of Roseville residents. Load control devices are installed on the customer's air conditioner or a programmable communicating thermostat is installed inside the customer's home. These devices allow Roseville Electric to send a signal to the device that will cycle the air conditioner off for short periods of time during system peak emergencies.

Under California Assembly Bill 2021, Roseville Electric is required to develop ten year plans for energy efficiency goals (in 2007) and report on these goals to the CEC with updates every three years. The CEC has the obligation to develop energy efficiency goals for the entire state, after consultation with utilities and others. Roseville Electric is participating in the state effort and has developed an energy efficiency plan, approved by City Council, with the goal of reducing customers' energy consumption.

California Senate Bill 1037, signed into law in September 2005, established several important policies regarding energy efficiency. Among the many provisions of the law is a statewide commitment to cost-effective and feasible energy efficiency, with the expectation that all utilities consider energy efficiency before investing in any other resources to meet growing demand. Roseville Electric is required to report annually to its customers and to the State Energy Resources Conservation and Development Commission, its investment in energy efficiency and demand reduction programs. Roseville continues its commitment to energy efficiency and is in compliance with these requirements.

For a more detailed discussion of recent California legislation relating to the electric energy market, see "DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation" below.

Insurance

The Electric System's insurance needs are handled by the Risk Management Division of the City's Human Resources Department. The City, including the Electric System, is self-insured for up to $500,000 for all insurance needs including casualty and liability and up to $250,000 for workers' compensation. The City has also joined with a group of other municipalities to participate in two joint powers authorities, the California Joint Powers Risk Management Authority, that provides excess coverage up to $40,000,000 for casualty and liability, and the Local Agency Workers' Compensation Excess Joint Powers Authority, for excess coverage up to $50,000,000 for workers' compensation.

Upon taking over operational control of the Roseville Energy Park from the general contractor, the City has continuously had a distinct "All Risk" property insurance policy in effect. Policy coverage includes Boiler and Machinery, Certified and Non-Certified Terrorism, Earthquake and Flood. The policy limit is $200,000,000 per occurrence with a variety of sub limits; the deductible for this policy is $250,000 generally, with a 60-day deductible for business interruption.

CAPITAL PLAN

Projected Capital Improvement Plan

The City's currently anticipated capital improvement plan for the Electric System encompasses both improvements to the City's electricity distribution system and the final construction phases of the Roseville Energy Park. As shown in the Capital Plan below, the City is forecasting electric system capital spending of approximately $122 million over the next five years.

Table 5
Capital Improvement Plan Summary

Fiscal Year Ending June 30	Capital Improvement Projects
2007-08	$39,796,051
2008-09	16,812,000
2009-10	20,099,000
2010-11	25,957,000
2011-12	19,393,000
Total	$122,057,051

The City is funding a portion of the capital improvement program with proceeds of its 2004 Certificates and 2005 Certificates. As of June 30, 2007, there were approximately $15,300,000 of unexpended construction proceeds available for such purpose. The remaining capital expenditures are expected to be financed with revenues collected from rates and development fees.

RATE SETTING

Electric Rates

Rate-Setting Procedure. Under the City Charter and State law, the City has the exclusive jurisdiction to set electric rates within its service area by ordinance, which requires a majority vote of the City Council. These rates are not currently subject to review by the California Public Utilities Commission or any other state or federal agency. See "RATE REGULATION" below.

The City Council reviews Electric System rates periodically and makes adjustments as necessary.

The City Council is also authorized by the City Charter to set charges, pay for and supply all electric power to be furnished to customers according to such schedules, tariffs, rules and regulations as are adopted by the City Council. The City Charter provides that the City Council will have the power to charge equitable rates for the electric services furnished and for building up the electric properties so as to conserve their value and increase their capacity as needed by the City.

In addition, the City Charter provides for the maintenance of the Electric Fund for the Electric System into which is deposited receipts from the operations of the Electric System and from which are payable the costs and expenses of the Electric System.

Service Charges and Demand Charge as of February 2008. The City's monthly residential electric rates currently include an $8.00 basic service charge; $4.00 climate change mitigation charge, plus $0.0841 per kWh consumed up to 500 kWh, $0.1197 per kWh consumed from 501-1000 kWh, and $0.1367 per kWh for consumption in excess of 1000 kWh.

For small and medium business customers, the monthly basic service charge ranges from $6.50 to $36.00, the monthly climate change mitigation charge varies from $4.00 to $25.00, plus $0.0913 to $0.0983 per kWh consumed. Medium business customers are also subject to a demand charge of $3.41/KW-month.

For large business customers, the monthly basic service charge is $150.00, the monthly climate change mitigation charge is $25.00; and depending on the season, day and hour, time of use energy charges vary from $0.0584 to $0.1158 per kWh. Large business customers are also subject to a seasonal demand charge of $2.50/KW-month in winter and $8.62/KW-month in summer.

Additionally, some large non-residential customers are eligible for a 2.0% rate discount when energy is delivered at primary service.

Recent History of Electric Rate Adjustments. Over the past five years, the City's retail electric rates have increased an average of approximately 5% annually. Following is the City's recent rate change history:

- February 2008 – two rate increases of six percent for all customers, effective February 2008 and February 2009 combined with a monthly climate change mitigation charge of $4.00 for residential and small commercial, and $25.00 for medium and large commercial users, effective February 2008.
- July 2007 –rate increase of six percent for all customers.
- July 2006 –rate increase of five percent for all customers.
- April 2005 –rate increase of five percent for all customers.
- January 2004 – revenue neutral rate changes; tiered rates for residential customers and customer rate class consolidation for commercial customers.

Additionally, on May 8, 1996, the City adopted Resolution No. 96-148, which provides for, among other policies, the establishment of a rate stabilization fund, in order to remain competitive under industry-wide restructuring of the electric industry. Such policies also provide for the recovery of capital costs of the City's electric generating assets.

Rate Comparison

The City's current retail electric rates are among the lowest in California and over 40% lower than other retail electric rates being charged in the Sacramento region. Table 6 below sets forth a comparison between average electric rates paid by City customers and PG&E customers.

Table 6
Electric Rate Comparison with PG&E
(cents/kWh)

Customer Type	Roseville Electric Rates [1]	PG&E Rates [2]	% Difference
Residential	11.05	14.90	35%
Small Commercial	10.03	16.12	61
Medium Commercial	9.96	13.84	39
Large Commercial/Industrial	7.58	10.84	43
System Average	9.67	13.72	42%

(1) Based on Fiscal Year 2007-08 midyear budget and retail sales forecast dated November 2007, which includes the City's February 1, 2008 rate adjustment.
(2) Based on average PG&E's approved rates, published January 1, 2008 and per Table 3 of the Advice Letter 3115-E-A dated February 7, 2008.
Source: City of Roseville.

Electricity Rate Regulation

No Current Direct Regulation. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not currently subject to the regulatory jurisdiction of the California Public Utilities Commission, and presently neither the California Public Utilities Commission nor any other regulatory authority of the State of California nor FERC limits or restricts such rates and charges. See also "RATE REGULATION."

California Energy Commission. The California Energy Commission is authorized to evaluate rate policies for electric energy as related to goals of the Energy Resources Conservation and Development Act and make recommendations to the Governor, the Legislature and publicly owned electric utilities.

ELECTRIC SYSTEM FINANCIAL INFORMATION

Significant Accounting Policies

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Electric System is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Electric Fund uses the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Investments are stated at cost. Inventories are valued at weighted average method. Capital assets are recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

Audited Financial Statements

The City's Annual Financial Report is audited by Maze & Associates, Walnut Creek, California (the "Auditor"), in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the City. The reports include certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements.

Copies of these reports for prior Fiscal Years are available on the City's website, www.roseville.ca.us. *The website address is given for reference and convenience only and the current accuracy of information contained therein cannot be assured; nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

The City's Annual Financial Report for Fiscal Year 2006-07 is attached as APPENDIX C to this Official Statement.

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the Electric System. In addition, the Auditor has not reviewed this Official Statement.

Outstanding Indebtedness

Parity Indebtedness.

Certificates of Participation. The 2008 Payments are secured on a parity with the 1999 Payments, the 2002 Payments, the 2004 Payments and the 2005A Payments, which are further described below:

	Original Date and Execution and Delivery	Original Principal Amount	Outstanding Principal Amount[1]	Debt Service Range	Final Maturity
1999 Payments	Aug. 18, 1999	$21,630,000	$ 570,000	$597,275	Feb. 1, 2009
2002 Payments	Dec. 18, 2002	40,385,000	24,820,000	1,328,726-2,920,521	Feb. 1, 2024
2004 Payments	July 13, 2004	39,940,000	39,275,000	1,640,225-4,234,500	Feb. 1, 2034
2005A Payments	June 30, 2005	52,900,000	52,450,000	760,113-5,574,613	Feb. 1, 2023
2005B Payments[2]	June 30, 2005	90,000,000	90,000,000	3,251,700-8,883,952	Feb. 1, 2035
2005C Payments[2]	June 30, 2005	60,000,000	60,000,000	2,656,535-3,251,116[3]	Feb. 1, 2035

(1) As of May 1, 2008.
(2) To be refunded entirely by the 2008 Certificates
(3) *Assumes unhedged variable rate debt trades at 2.65% (10-year average of the weekly SIFMA index)*

See "THE 2008 CERTIFICATES – Payment Schedule" for the schedule of combined 1999 Payments, 2002 Payments, 2004 Payments, 2005A Payments and 2008 Payments.

Payment Agreement. In connection with the 2002 Certificates (which represent interest calculated at a variable rate), the City entered into the 2002 Payment Agreement with Morgan Stanley Capital Services, which is an interest rate swap agreement under which the City makes payments that are calculated by reference to a fixed rate and receives payments that are calculated by reference to a variable rate, all in connection with making the 2002 Payments. The 2002 Payment Agreement constitutes a "Parity Payment Agreement" under the Installment Purchase Contract, payments on which are made on a parity with all Payments under the Installment Purchase Contract.

Senior Indebtedness. The City participates in certain joint powers agencies, including NCPA and TANC, through which the City owes a share of debt service on debt issued by those joint powers agencies. See "THE ELECTRIC SYSTEM – Sources of Power Supply" and "-Regional Transmission Facilities."

Obligations of the City, as well as its other agreements with TANC and NCPA, constitute operating expenses of the Electric System payable on a senior basis to any of the payments required to be made under the Installment Purchase Contract, including the 2008 Payments securing the 2008 Certificates and the Parity Obligations. See "SECURITY FOR THE 2008 Certificates – Outstanding Senior and Parity Obligations."

The agreements with NCPA and TANC are on a "take or pay" basis, which requires payments to be made whether or not projects are operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain "step up" provisions obligating the City to pay a share of the obligations of a defaulting participant and granting the City a corresponding increased entitlement to electricity (generally, the City's "step-up" obligation is limited to 25% of the City's scheduled payments on such obligations).

The City's participation and share of debt service obligation (without giving effect to any "step up" provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

Table 7
City Share of
Outstanding Joint Powers Agencies Debt
As of June 30, 2007
(Dollar Amounts in Millions)

	Outstanding Principal (1)	Roseville Participation	Roseville Share of Outstanding Principal	Roseville Appx. Annual Debt Service Range
NCPA				
Geothermal Project (2)	$76.9	7.9%	$6.06	$0.3 to 4.5
Geysers Transmission Project (3)	3.3	14.2	0.47	Constant at 0.06
Hydroelectric Project (4)	483.5	12.0	58.02	2.7 to 4.7
Combustion Turbine Project No. 1 (5)	15.1	13.6	2.05	Constant at 0.6
STIG Unit One (6)	65.0	36.6	23.72	1.5 to 2.2
TANC (7)	366.2	2.3	8.42	Constant at 0.8
TOTAL	$945.0		$98.74	

(1) Includes fixed-rate debt and variable-rate debt, a portion of which is subject to swap agreements.
(2) See "THE ELECTRIC SYSTEM – Sources of Power Supply – NCPA Geothermal Project."
(3) See "THE ELECTRIC SYSTEM – Regional Transmission Facilities – NCPA Geysers Transmission Project."
(4) Although the City's participation share in this debt is 12%, the actual share of debt service is 9.9% due to certain economic defeasance portfolios previously established with NCPA. See "THE ELECTRIC SYSTEM – Sources of Power Supply – NCPA Hydroelectric Project Number One."
(5) See "THE ELECTRIC SYSTEM – Sources of Power Supply – NCPA Combustion Turbine Project Number One."
(6) See "THE ELECTRIC SYSTEM – Sources of Power Supply – NCPA Steam Injected Gas Turbine Generator Project, Unit One."
(7) See "THE ELECTRIC SYSTEM – Regional Transmission Facilities – TANC California-Oregon Transmission Project." TANC is considering various financing plans to address negative impacts its debt portfolio has been experiencing due to recent market volatility surrounding variable rate and auction rate obligations.

Source: City of Roseville.

Rate Stabilization Fund

The City Council adopted a policy establishing, among other policies, a Rate Stabilization Fund to hedge for energy price volatility. Amounts in the Rate Stabilization Fund are anticipated to be used to pay down energy supply expenses to keep the City's electric rates stable. Amounts in the Rate Stabilization Fund are not pledged as security for the Bonds, but interest earnings on the Rate Stabilization Fund are considered Revenues under the Trust Agreement, and funds in the Rate Stabilization Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant. See "SECURITY FOR THE CERTIFICATES – Rate Covenant" for a further description of the Rate Stabilization Fund.

The Rate Stabilization Fund had a balance of approximately $67.1 million as of June 30, 2007. A five-year history of balances in the Rate Stabilization Fund is included in Table 8. The City estimates that under current annual revenue estimates, the Rate Stabilization Fund is expected to be sufficient to pay for currently anticipated contingencies related to power supply costs.

Historic Revenues, Expenses and Debt Service Coverage

Table 8 presents a five-year summary of the revenues, expenses, and debt service coverage for the City's Electric Fund for Fiscal Years 2002-03 through 2006-07 and a projection for Fiscal Year 2007-08. This table is based on historic operating results of the Electric System, but is presented on a cash basis consistent with the definitions of Revenues and Maintenance and Operation Costs as defined in the Installment Purchase Contract, and as such, does not match the audited financial statements of the Electric System.

Table 8 also includes a five-year history and current-year projection of balances in the Rate Stabilization Fund, and calculates debt service coverage both with and without taking into account the Rate Stabilization Fund balance.

Table 8
Electric Fund
Statement of Revenues and Expenses
Fiscal Years 2002-03 through 2006-07 (Audited)
Fiscal Year 2007-08 (Projected)
(Dollars in Thousands)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenues						
Charges for Services	$77,602	$87,719	$91,884	$101,342	$111,715	$123,852
Sale of Wholesale Power (1)	1,957	6,320	6,757	1,065	17,248	20,728
Other	346	349	308	365	1,301	1,006
Total Revenues	79,905	94,388	98,949	102,772	130,264	145,586
Operating Expenses						
Purchased Power (2)	51,962	49,816	67,179	68,659	102,414	110,128
Distribution/Operations (3)	11,917	11,244	14,946	14,258	14,330	15,640
Administration	2,137	2,504	2,910	2,164	2,462	2,496
Indirect Costs (4)	2,832	3,946	4,153	4,640	5,006	5,394
Other Administrative Transfers (5)	771	783	891	2,861	2,794	3,112
Total Operating Expenses	69,619	68,293	90,079	92,582	127,006	136,770
Net Revenue	10,286	26,095	8,870	10,190	3,258	8,816
Debt Service						
1997 Certificates	448	334	328	313	328	4
1999 Certificates	1,074	560	560	536	527	589
2002 Certificates	910	5,906	5,977	6,391	1,141	1,536
2004 Certificates	--	--	1,822	1,838	2,161	2,268
2005 Certificates (6)	--	--	--	--	--	7,715
2008 Certificates	--	--	--	--	--	239
Total Debt Service	2,432	6,800	8,687	9,078	4,157	12,351
Adjusted Net Revenue						
Net Revenue	10,286	26,095	8,870	10,190	3,258	8,816
Transfer from Rate Stabilization Fund (7)	2,826	507	4,000	9,000	--	6,833
Transfer from NCPA GOR (8)	--	--	--	--	9,999	-
Other Expense (9)	--	--	--	--	(2,723)	-
Plus Interest Revenue (10)	2,502	2,039	1,856	2,279	3,649	2,880
Plus subventions/grants	51	--	--	--	--	-
Adjusted Net Revenue	15,665	28,641	14,726	21,469	14,183	18,529
Debt Service Coverage Ratio	6.44	4.21	1.70	2.36	3.41	1.50
Rate Stabilization Fund Cash Balance	$47,544	$46,684	$71,404	$64,358	$67,118	$60,255
DSC Ratio including RSF (11)	25.99	11.37	9.91	9.45	19.56	6.38

(1) Represents sale of electricity on the open market. See "THE ELECTRIC SYSTEM – Sources of Power Supply".
(2) Increase in the cost of purchased power in 2004-05 due to reduced Western allocations and increased costs to replace the Western resource. Additionally, market priced energy increased approximately 18%. Increase in the cost of purchased power in 2006-07 resulted primarily from multi-year forward sale ($17 million - see "sale of wholesale power" - replacement energy was purchased and was partially offset by wholesale revenue), lower than normal hydro conditions ($13 million) and move to Western/SMUD control area ($2 million).
(3) Effective as of 2005-06, Traffic Signal expenses were no longer included in Electric System operating expenses. Traffic Signal expenses are now funded through administrative transfers, instead of included in Electric System operations.
(4) Represents payments to the City as reimbursement for the Electric System's share of certain overhead expenses such as payroll, human resources, meter reading, information technology, etc.
(5) Represents payments to the City for corporation yard rent, the Electric System's share of GIS system costs, and remodeling expenses. Effective 2005-06, Traffic Signal expenses are funded by administrative transfers (moved from Electric System Operations).
(6) Computed taking into account swap rate plus basis; excludes capitalized interest for Fiscal Year 2007-08.
(7) For Fiscal Years 2002-03 and 2003-04, Roseville used rate stabilization fund to fund one-time rebates to ratepayers. For Fiscal Years 2004-05, 2005-06 and 2007-08, transfers were used to offset energy costs, mitigating rate impact.
(8) The City periodically deposits funds in the General Operating Reserve ("GOR") maintained by NCPA in accordance with the contractual relationship between the City and NCPA. In Fiscal Year 2006-07, the City determined that amounts in the GOR exceeded its contractual requirement, and transferred $9.999 million from the GOR to the Electric System operating fund, leaving a balance of $1.5 million in the GOR.
(9) In Fiscal Year 1998-99, capitalization of infrastructure was inadvertently booked twice when infrastructure was updated for GASB 34 purposes. An audit adjustment was made in Fiscal Year 2006-07 to adjust fixed asset balances accordingly.
(10) Excluding unrealized gain/loss.
(11) Funds on deposit in the Rate Stabilization Fund may be counted for purposes of determining compliance with the Rate Covenant. See "- Rate Stabilization Fund" above and "SECURITY FOR THE CERTIFICATES – Rate Stabilization Fund".
Source: City of Roseville

Investment Policy

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

(1) Government obligations
(2) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments
(3) Forward Delivery Agreements
(4) Obligations of the State of California
(5) Repurchase Agreements
(6) Bankers' Acceptances
(7) Commercial paper
(8) Medium-term corporate notes
(9) FDIC insured or fully collateralized time certificates of deposit
(10) Negotiable certificates of deposit or deposit notes
(11) State of California's Local Agency Investment Fund
(12) Insured savings accounts
(13) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission
(14) Shares in a California common law trust

Criteria for selecting investments and the order of priority are:

- Safety-Preservation of principal and interest;
- Liquidity-Ability to convert investment to cash at any moment in time; and
- Yield-Potential dollar earnings on an investment.

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield when selecting an investment, provided the criteria for safety and liquidity are met.

The following tables show the investments in the pooled funds of the City as of February 29, 2008.

City of Roseville Pooled Investment Fund

	Par	Cost	Market Value
City Pooled Investment Fund			
Certificates of Deposit	$2,045,804	$2,045,804	$2,045,804
Commercial Paper	14,110,000	13,951,536	14,091,187
Corporate Notes	16,590,000	16,781,236	17,038,845
Federal Agency Coupon Securities	217,815,000	219,778,312	226,949,672
Treasury Coupon Securities	49,060,000	50,540,157	52,558,838
Money Market Funds	7,146,982	7,146,982	7,146,982
C.A.M.P.	5,202,263	5,202,263	5,202,263
L.A.I.F.	35,000,000	35,000,000	35,000,000
Total	$346,970,049	$350,446,290	$360,033,591

Distribution of Investments

	Investment Policy Limit	% of Portfolio Per Cost
Banker's Acceptances	30.0000%	0.000%
Commercial Paper	25.0000	4.623
Money Market Funds	10.0000	1.623
Medium-Term Corporate Notes	30.0000	5.012
Negotiable Certificates of Deposit	30.0000	0.464
U.S. Government & Agency Obligations	100.0000	65.435
U.S. Treasury Notes and Bills	100.0000	13.715
L.A.I.F. (Pooled Funds) - $40,000,000 Limit	100.0000	7.946
Other (C.A.M.P.)	100.0000	1.181
Total		100.000%

The pooled funds of the City include an amount allocable to the Electric System, as follows:

	Maturity	Par	Cost	Market Value
Commercial Paper	3	$2,300,000	$2,294,404	$2,299,076
Corporate Notes	726	1,825,000	1,800,471	1,859,707
Federal Agency Coupon Securities	561	46,740,000	47,174,331	48,552,497
Treasury Coupon Securities	882	8,255,000	8,581,600	8,938,801
City Pooled Fund	1	1,551,017	1,551,017	1,551,017
RSF Total	590	$60,671,017	$61,401,823	$63,201,098

DEVELOPMENTS IN THE ENERGY MARKETS

Background; Electric Market Deregulation

In 1996, California partially deregulated its electric energy market. An independent system operator of the transmission system, the California Independent System Operator (the "ISO"), was established, as well as an independent power exchange, the California Power Exchange (the "PX"). The PX was originally established to permit power generators to sell power on a competitive spot-market basis; however, the PX has ceased all power exchange operations and filed for bankruptcy protection.

Additional Developments

Financial Difficulties of the IOUs and Certain Other Market Participants. As a consequence of partial deregulation, the California investor-owned utilities (the "IOUs") sold a large portion of their generation resources. As a result, three major IOUs in California, PG&E, San Diego Gas & Electric Co. ("SDG&E") and Edison, were net buyers of electricity. Following the partial deregulation of the California energy markets, the IOUs were purchasing electricity at fluctuating short-term and spot wholesale prices while the retail prices that they could charge their residential and small business customers were capped at specified levels. During portions of 2000 and 2001, the market price of electricity in California significantly exceeded such capped retail prices, resulting in the deterioration of the creditworthiness of PG&E and Edison, with PG&E filing for bankruptcy on April 6, 2001. Certain other marketers, power suppliers and power plant developers experienced downgrades of their credit ratings. PG&E emerged from bankruptcy on April 12, 2004. The credit ratings of PG&E and Edison have improved since the dislocations of the California energy markets in 2000 and 2001.

State and Federal Investigations. State of California and federal authorities are conducting investigations and other proceedings concerning various aspects of the California energy markets. These include, for example, investigations by the Federal Energy Regulatory Commission ("FERC") into alleged overcharging for the sale of electricity (including sales by municipal utilities) and alleged manipulation of the electricity market. The City is unable to predict the outcome of existing investigations and proceedings regarding California's energy crisis or whether further investigations, proceedings, litigation or other actions will follow.

Shortages and Volatility. During 2000 and 2001, California experienced extreme fluctuations in the prices and supplies of natural gas and electricity in much of the State. Licenses for new power plants have been issued by the California Energy Commission (the "CEC"), construction on several power plants has been completed and construction of additional power plants is underway. Progress on new transmission line projects within California has been slow. There also has been a substantial rise in the cost of natural gas, which is the fuel source for many of California's electric generating units. State agencies have issued warnings that further power shortages are possible for Southern California. As a result of the foregoing and other factors, no assurance can be given that measures undertaken during the last several years, together with measures to be taken in the future, will prevent the recurrence of shortages, price volatility or other energy problems that have adversely affected the Electric System and other California electric utilities in the recent past. See "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—Recent ISO FERC Filings—Resource Adequacy Filing" herein.

State Legislation

A number of bills affecting the electric utility industry have been enacted by the California Legislature. In general, these bills provide for reduced greenhouse gas emission standards and greater investment in energy-efficient and environmentally friendly generation alternatives through more stringent renewable resource portfolio standards. The following is a brief summary of certain of these bills.

See also "THE ELECTRIC SYSTEM – Energy Efficiency and Conservation" above.

Greenhouse Gas Emissions. On June 1, 2005, the Governor signed Executive Order S-3-05, which placed an emphasis on such efforts to reduce greenhouse gas emissions by establishing Statewide greenhouse gas reduction targets. The targets are: (i) a reduction to 2000 emissions levels by 2010; (ii) a reduction to 1990 levels by 2020; and (iii) a reduction to 80% below 1990 levels by 2050. The Executive Order also called for the California Environmental Protection Agency to lead a multi-agency effort to examine the impacts of climate change on California and develop strategies and mitigation plans to achieve the targets. On April 25, 2006, the Governor also signed Executive Order S-06-06 which directs the State to meet a 20% biomass utilization target within the renewable generation targets of 2010 and 2020 for the contribution to greenhouse gas emission reduction.

On September 27, 2006 the Governor signed into law Assembly Bill 32 ("AB 32"), the Global Warming Solutions Act of 2006. AB 32 requires all California utilities to inventory and report greenhouse gas emissions beginning January 1, 2008 and requires the California Air Resources Board ("CARB") to adopt enforceable greenhouse gas emission limits and emission reduction measures by regulation in order to reduce greenhouse gas emissions to 1990 levels by 2020. The CARB regulations for greenhouse gas emissions limits and reduction measures will be enforceable beginning January 1, 2012.

On September 29, 2006, the Governor signed into law Senate Bill 1368 ("SB 1368"), the Greenhouse Gas Emissions Performance Standard. SB 1368 sets a greenhouse gas emission performance standard ("EPS") for baseload electric generating resources. Any new investment in baseload generation or contract for baseload generation with a term of over five years must have greenhouse gas emissions at or below that of a baseload, combined cycle power plant. The California Energy Commission was assigned the responsibility of establishing the EPS and associated compliance methodologies for the publicly-owned utilities, including the Participants. The CPUC has the similar responsibility for the IOUs. The revised proposed CEC regulations were approved by the Office of Administrative Law on October 16, 2007.

The regulations promulgated by the CEC prohibit any investments in baseload generation which does not meet the EPS of 1,100 pounds of CO_2 per MWh of electricity, with limited exceptions for routine maintenance, requirements of pre-existing contractual commitments, or threat of significant financial harm. The City does not anticipate that SB 1368 will have a material impact on current City or NCPA resources. The impact on future resources is unknown at this time.

The new legislation will impact all California electric utilities as the State begins to reduce its reliance on imported, out-of-state, coal-fired generation. The City is committed to renewable energy, demand side management and energy efficiency, however, it is widely recognized that there will still be a large demand for traditional, baseload fossil power plants in order to meet projected load growth. Currently there is a ban in California, prohibiting the development of nuclear power plants until there is a permanent storage solution for spent fuel rods. With the effective ban on new coal power imports under SB 1368, natural gas fired, combined cycle power plants would appear to be the primary viable option for fossil fuel based baseload power plant development absent the implementation of new technologies in connection with other resource options. The reliance on a single fuel source will continue to put pressure on the already volatile natural gas market in the United States. In January 2007 the Roseville Natural Gas Financing Authority entered into a 20-year pre-paid natural gas supply contract with Merrill Lynch Commodities Inc ("MLCI"). The natural gas purchased from MLCI is in turn sold to the City for use in the Roseville Energy Park. The natural gas the City is obligated to purchase under the prepaid gas supply agreement is expected to provide approximately 40% of the City's expected gas requirements for Roseville Energy Park. See "THE ELECTRIC SYSTEM — Sources of Power Supply."

There are a number of issues yet to be sorted out surrounding the State's mandatory reduction of greenhouse gas emissions. Under AB 32, CARB has delegated responsibility to the CPUC and the CEC to come up with solutions for the electric sector in order to meet the CO2 reduction targets identified (1990 levels by 2020). CARB has concluded that California's 1990 emissions level was 427 million metric tons of CO2, and thus this was adopted as the 2020 target in December 2007. Business-as-usual in 2020 was identified as being 600 million metric tons of CO2, requiring an overall reduction of 173 million metric tons of CO2. Regulations outlining the mandatory annual reporting of greenhouse gas emissions were also adopted in December 2007, and all retail providers will be required to report the emissions from their owned assets beginning in 2009 for the 2008 year as well as emissions from in-state and out-of-state purchases and sales. All unspecified purchases must be reported as having an emissions rate of 1,100 pounds of CO2 per MWh, in an effort to mimic SB 1368.

During 2008, CARB will be developing its formal scoping plan on "who" will be required to reduce "what" to reach the 1990 emissions goal of 427 million metric tons of CO2. CARB will be utilizing recommendations from the CEC and CPUC in its joint proceeding and it is already being discussed that some sectors will need to reduce more than their fair share in order to achieve this statewide, multi-sector effort. The scoping plan must be adopted by January 1, 2009, and each greenhouse gas reduction method within the plan will undergo its own individual rulemaking prior to being enforceable on January 1, 2012. The scoping plan will then be revised every 5 years as CARB proceeds with its next task of designing the mechanisms for returning the state to 80% below 1990 levels by 2050 as directed in Executive Order S-3-05.

Energy Procurement and Efficiency Reporting. Senate Bill 1037, signed by the Governor on September 29, 2005, requires that each municipal electric utility, including the City, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction and renewable resources that are cost effective, reliable and feasible. Senate Bill 1037 also requires each municipal electric utility to report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs. Further, California Assembly Bill 2021 ("AB 2021"), signed by the Governor on September 29, 2006 requires that the publicly-owned utilities establish, report, and explain the basis of the annual energy efficiency and demand reduction targets by June 1, 2007 and every three years thereafter for a ten-year horizon. Future reporting requirements per AB 2021 will include: (i) the identification of sources of funding for the investment in energy efficiency and demand reduction programs, (ii) the methodologies and input assumptions used to determine cost-effectiveness, and (iii) the results of an independent evaluation to measure and verify energy efficiency savings and demand reduction program impacts. The information obtained from local publicly-owned utilities will be used by the CEC to present the progress made by the publicly-owned utilities on the State's goal of reducing electrical consumption by 10% in ten years and amelioration with the greenhouse gas targets presented in Executive Order S-3-05 enacted by the Governor on June 1, 2005. In addition, a report will be developed by the CEC with recommendations for improvement to assist each local publicly-owned utility in achieving cost-effective, reliable, and feasible savings in conjunction with the established targets for reduction.

In March 2008, the City submitted its annual report to the CEC per Senate Bill 1037 which provided cost-effectiveness analyses of the City's energy efficiency programs for fiscal year 2006-2007. In September 2007, the City issued the first ten-year forecast of potential energy efficiency programs in the triennial cycle to the CEC in response to the requirement of AB 2021.

Renewable Portfolio Standards. In September 2002, the California Legislature enacted and the Governor signed into law Senate Bill 1078. Senate Bill 1078 required that the IOUs adopt a Renewable Portfolio Standard ("RPS") to meet a minimum of 1% of retail energy sales needs each year from renewable resources and to meet a goal of 20% of their retail energy needs from renewable energy resources by the year 2017. Senate Bill 1078 also directed the State's municipal electric utilities to implement and enforce an RPS that recognizes the intent of the Legislature to encourage development of renewable resources, taking into consideration the impact on a utility's standard on rates, reliability, financial resources, and the goal of environmental improvement. On September 26, 2006, the Governor signed Senate Bill 107 ("SB 107") into law, which requires IOUs to have 20% of their electricity come from renewable sources by 2010 and still prescribes that the local publicly-owned utilities meet the intent of the Legislature. The City currently has an RPS goal of 20% by 2017, in conformance with the intent of the Legislature.

Since the implementation of Senate Bill 1078, the California Public Utilities Commission (the "CPUC") and the California Energy Commission have taken a number of actions that have had an impact on the renewable energy goals set by the legislation. In order to overcome the challenges associated with meeting accelerated RPS goals, the CPUC and the CEC supported the implementation of a renewable energy certificate trading system to meet the accelerated RPS goals. SB 107 allows this flexibility, with the condition that the energy is delivered to an in-state trading hub.

In response to the adoption of SB 1078 in 2002, the City formally adopted an RPS in 2002 requiring 20% of retail sales to be supplied from renewable energy resources by 2017. In response to the subsequent passage of SB 107, the City is reviewing the requirement to accelerate the RPS requirement. The City expects up to 40% of retail sales to be served from renewable energy resources in the year 2008. This amount includes 10% of retail sales to be served from "California Eligible" renewable resources and an additional 30% of retail sales to be served from renewable large hydroelectric resources.

In parallel, pursuant to Senate Bill 1078, the CEC collaboratively with the Western Governors' Association and the Western Electricity Coordinating Council has undertaken the development and establishment of the Western Renewable Energy Generation Information System ("WREGIS"), which will be used to ensure the integrity of renewable energy certificates and prevent the double counting of the certificates. The electronic tracking system became operational in June of 2007. With the commercial operation of WREGIS, the City may establish an account and receive renewable energy certificates as they become available from yet to be determined sources.

Solar Power. California Senate Bill 1 ("SB 1") (originally known as the "Million Solar Roofs Initiative") was signed by the Governor on August 21, 2006. This legislation aims to have 3,000 MW of solar energy systems installed within ten years, and establishes requirements to have solar energy systems installed on 50% of new residential developments within 13 years. SB 1 requires that publicly owned utilities, including the City's Electric System, establish a program that adequately supports the efforts to install 3,000 MW of photovoltaic energy in California. In addition, the legislation established a January 1, 2008 deadline for the development of eligibility criteria for solar energy systems by the CEC in consultation with the CPUC, local publicly-owned utilities, and interested members of the public. Publicly owned utilities are required to commence a solar initiative program in order to establish the funding of solar energy systems receiving ratepayer funded incentives, which offering shall commence no later than January 1, 2008. A publicly-owned utility has the choice of selecting an incentive based on the installed capacity, starting at $2.80 per watt, or based on the energy produced by the solar energy system, measured in kilowatt-hours. Incentives are required to decrease at a minimum average rate of 7% per year. By June 1, 2008, the City will be required to provide the following information to customers, the CEC and the legislature: (i) the number of photovoltaic solar watts installed, (ii) the number of photovoltaic systems installed, (iii) the number of applicants for incentives, (iv) the amount of awarded incentives, and (v) the contribution towards the program's goals. The total statewide expenditures for local publicly-owned utilities are expected to be $522 million. The City is expected to offer a proportionate amount of incentives over the 10-year period based on the respective utility's share of statewide load served by local publicly-owned utilities. The City is meeting the requirements of SB 1 through its BEST Homes program and other solar incentive programs for both residential and business customers. See "THE ELECTRIC SYSTEM - Energy Efficiency and Conservation."

Impact of Developments on the City

The effect of these developments (including the state legislation) in the California energy markets on the City cannot be fully ascertained at this time. Volatility in energy prices in California may return due to a variety of factors which affect both the supply and demand for electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet peak demands, the availability and cost of renewable energy, the impact of greenhouse gas emission legislation and regulations, fuel costs and availability, weather effects on customer demand, transmission congestion, the strength of the economy in California and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest). This price volatility may contribute to greater volatility in the City's costs and revenues from the sale (and purchase) of electric energy and, therefore, could materially affect the financial condition of the City.

OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Energy Policy Act of 1992

The Energy Policy Act of 1992 (the "Energy Policy Act") made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access under Sections 211, 212 and 213 of the Federal Power Act. The purpose of these changes, in part, was to bring about increased competition in the electric utility industry.

As amended by the Energy Policy Act, Sections 211, 212 and 213 of the Federal Power Act provide FERC authority, upon application by any electric utility, federal power marketing agency or other person or entity generating electric energy for sale or resale, to require a transmitting utility to provide transmission services (including any enlargement of transmission capacity necessary to provide such services) to the applicant at rates, charges, terms and conditions set by FERC based on standards and provisions in the Federal Power Act. Under the Energy Policy Act, electric utilities owned by municipalities and other public agencies which own or operate electric power transmission facilities which are used for the sale of electric energy at wholesale are "transmitting utilities" subject to the requirements of Sections 211, 212 and 213.

Federal Energy Legislation

On August 8, 2005, President Bush signed the Energy Policy Act of 2005 ("EPACT 2005"). EPACT 2005 addresses a wide array of energy matters that could affect the entire electric utility industry, including the City's electric system. It expands FERC's jurisdiction to require open access transmission of municipal utilities that sell more than four million megawatt hours of energy and to order refunds under certain circumstances for municipal utilities that sell more than eight million megawatt hours of energy. The City is not able to predict when, if ever, its sales of electricity would reach four million megawatt hours. EPACT 2005 requires that FERC conclude its investigation into the allegations of overcharges during the California energy crisis in 2000 and 2001 and submit a report to Congress. It also provides for mandatory reliability standards to increase system reliability and minimize blackouts, criminal penalties for manipulative energy trading practices and the repeal of the Public Utility Holding Company Act of 1935, which prohibited certain mergers and consolidations involving electric utilities. Under EPACT 2005, by February 2007 investor-owned utilities were required to offer each of its customer classes a time-based rate schedule to enable customers to manage energy use through advanced metering and communications technology. It authorizes FERC to exercise eminent domain powers to construct and operate transmission lines if FERC determines a state has unreasonably withheld approval. EPACT 2005 contains provisions designed to increase imports of liquefied natural gas and incentives to support renewable energy technologies, including a new two-year program for tax credit bonds for local governments, such as the Participants, to finance certain renewable energy facilities. EPACT 2005 also extends for 20 years the Price-Anderson Act, which concerns nuclear power liability protection, and provides incentives for the construction of new nuclear plants.

The City is unable to predict at this time the impact that EPACT 2005 will have on the operations and finances of the Electric System or the electric utility industry generally.

Recent ISO FERC Filings

MRTU Filing. On February 9, 2006, the ISO filed with FERC its Market Redesign and Technology Upgrade ("MRTU") tariff amendment to implement a comprehensive overhaul of the electricity markets administered by the ISO. According to the ISO, the proposed comprehensive changes include, but are not limited to, the following: perform effective congestion management in the ISO day-ahead market by enforcing all transmission constraints so as to establish feasible forward transmission schedules; create a day-ahead market for energy; automate real-time dispatch so as to balance the system and manage congestion in an optimal manner with minimal need for manual intervention; and ensure consistency across market time frames in the allocation of transmission resources to grid users and the pricing of transmission service and energy. The MRTU also is intended to ensure that the ISO has sufficient capacity available to maintain reliability on the ISO grid. The MRTU requires that all scheduling coordinators for all load-serving entities ("LSEs") meet standards concerning forward capacity and energy procurements to meet their load requirements. The ISO has requested that its MRTU filing be approved by FERC, without modification, suspension or hearing, projected to go into effect on April 1, 2008. On September 21, 2006, FERC issued an order conditionally accepting the ISO's MRTU filing. At this time, the City is unable to predict the impact of this filing on the City or the California electric utility industry generally.

Resource Adequacy Filing. In September 2005, the California Legislature enacted and the Governor signed into law Assembly Bill 380, which requires the CPUC to establish resource adequacy requirements for all LSEs within the CPUC's jurisdiction. In addition, AB 380 requires publicly-owned utilities, including the City, to meet the most recent resource adequacy standard as adopted by the Western Electric Coordinating Council (WECC). In October 2005, the CPUC issued a decision stating that LSEs under its jurisdiction would be required, by June 2006, to demonstrate that they have acquired capacity sufficient to serve their forecast retail customer load plus a 15-17% reserve margin. The WECC has yet to formally adopt a resource adequacy requirement.

Fuel Risk

Increases in fuel supply, transmission and storage costs, or the failure of counterparties in its natural gas arrangements, pose a financial risk to the City. In addition, the City does not currently have firm gas supply and transmission arrangements in place to meet all of the Project's fuel supply needs and is therefore exposed to price volatility for such commodities and services. To mitigate such risks, the City has developed a fuel supply management strategy focused on reliability and price risk management. See "THE ELECTRIC SYSTEM – Power Supply Risk Management."

Other Factors

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. Such factors include, among others, the following:

(a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above;

(b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy;

(c) changes resulting from a national energy policy;

(d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;

(e) the proposed repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor owned utilities;

(f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies;

(g) "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and others;

(h) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations;

(i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities;

(j) changes from projected future load requirements;

(k) increases in costs and uncertain availability of capital;

(l) shifts in the availability and relative costs of different fuels (including the cost of natural gas);

(m) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has previously occurred in California;

(n) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;

(o) other legislative changes, voter initiatives, referenda and statewide propositions;

(p) other political risks impacting the City's rates or other operational or financial matters;

(q) effects of changes in the economy;

(r) effects of possible manipulation of electric markets; and

(s) natural disasters or other physical calamities, including, but limited to, so earthquake and flood.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the Electric System.

The City cannot predict what effects such factors will have on the business operations and financial condition of the Electric System, but the effects could be significant. The foregoing is a brief discussion of certain of these factors. The City has taken certain steps to mitigate the imports of these changes, including establishing the Rate Stabilization Fund and implementation of the climate mitigation fee. This Official Statement includes a brief discussion of certain of these steps. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain.

RATE REGULATION

The City sets rates, fees and charges for electric service. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the CPUC, and currently neither the CPUC nor any other regulatory authority of the State of California nor FERC approves such rates and charges. It is possible that future legislative and/or regulatory changes could subject the rates and/or service area of the City to the jurisdiction of the CPUC or to other limitations or requirements.

FERC potentially could assert jurisdiction over rates of licensees of hydroelectric projects (such as NCPA) and customers of such licensees (such as the City) under Part I of the Federal Power Act, although it as a practical matter has not exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged. There is a question as to whether FERC has jurisdiction at all to modify rates for municipalities which are authorized to set their own rates. NCPA is a licensee of hydroelectric projects under Part I, but no jurisdictional authority to regulate their rates has been asserted by FERC. In any event, the City's participation in the NCPA Hydroelectric Project represents 12% percent of the City's total power resources. FERC and its predecessor, the Federal Power Commission (the "FPC"), have indicated on a number of occasions that municipalities and other public agencies authorized to set their own rates are not subject to FERC's regulatory jurisdiction over rates. On the other hand, the FPC in at least one decision suggested a contrary result. Even if FERC were to assert jurisdiction over the services and charges associated with such hydroelectric projects, it is unlikely that any reasonable rates and charges would be found to be contrary to applicable federal regulatory standards.

Under EPACT 1992, FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at FERC-approved rates.

FERC also has jurisdiction to regulate those rates and has asserted that jurisdiction in Minnesota Municipal Power Agency v. Southern Minnesota Municipal Power Agency, 66 FERC ¶61,223 (1994) and 68 FERC ¶61,060 (1994). However, FERC's asserted jurisdiction over municipal rates does not extend to the rates for power sales and applies only to transmission service ordered by FERC pursuant to Section 211 of the Federal Power Act, as amended by EPACT 1992. Neither the City nor any joint powers agencies with which the City has contracted which developed the transmission assets are providing any such transmission service to others. No assurance can be given that such service will not be requested in the future.

Although its rates are not subject to approval by any federal agency, the City is subject to certain provisions of the Public Utility Regulatory Policies Act of 1978 ("PURPA") with respect to the purchase of the output of "qualified facilities" ("QFs") at prices determined in accordance with PURPA. EPACT 2005 repeals the mandatory purchase obligation for utilities (including the City) when FERC determines that the QF has access to a competitive sales market and open access transmission. The City is operating in compliance with PURPA.

The State Energy Resources Conservation and Development Commission is authorized to evaluate rate policies for electric energy as related to the goals of the Energy Resources Conservation and Development Act and to make recommendations to the Governor, the Legislature and publicly owned electric utilities.

OTHER RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2008 Certificates. However, the following does not purport to be an exclusive listing of risks and other considerations that may be relevant to investing in the 2008 Certificates, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

Security for the 2008 Certificates

Except as noted herein under "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT," the 2008 Certificates are payable solely from payments made under the Installment Purchase Contract. No representation or assurance can be made that revenues will be realized by the City in amounts sufficient to make payments required by the Installment Purchase Contract and thus to pay maturing principal, mandatory sinking fund requirements and interest with respect to the 2008 Certificates. Future economic and other conditions, including economic trends and events, technological developments and demographic changes, increases in insurance claims, as well as increased costs and changes in government regulations, including Internal Revenue Service (the "IRS") policy regarding tax exemption, may adversely affect the future financial condition of the City and, consequently, its ability to make payments of the principal of and premium, if any, and interest with respect to 2008 Certificates.

Expiration of the Letter of Credit

The initial scheduled expiration date of the Letter of Credit is May 13, 2011, subject to extension or earlier termination in certain circumstances as described therein. If the Letter of Credit is not extended or an Alternate Credit Facility is not obtained by the City, the 2008 Certificates will be subject to mandatory tender for purchase. There can be no assurance that the City will be able to obtain an extension of the Letter of Credit or an Alternate Credit Facility. The Bank is under no obligation to extend the Letter of Credit beyond the scheduled expiration thereof.

Bank's Obligations Unsecured

The ability of the Bank to honor draws upon the Letter of Credit is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Letter of Credit in the event of any deterioration in the financial condition of the Bank. Neither the Authority, the City or the Bank assumes any liability to any purchaser of the 2008 Certificates as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

General Factors Affecting the Bank

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

Prospective purchasers of the 2008 Certificates should evaluate the financial strength of the Bank based upon the information contained and referred to herein under the caption "THE BANK", and other information available upon request from the Bank and should not rely upon any governmental supervision by any regulatory entity.

Tax Exemption

The City has covenanted in the Installment Purchase Contract that it will take all actions necessary to assure the exclusion of interest with respect to the 2008 Certificates from the gross income of the Owners of the 2008 Certificates to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986. If the City fails to comply with this tax covenant, the interest component of the 2008 Payments evidenced by the 2008 Certificates may be includable in the gross income of the Owners thereof for federal tax purposes. See "TAX MATTERS."

Limited Obligations

The 2008 Payments under the Installment Purchase Contract are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to make the 2008 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Installment Purchase Contract to pay the 2008 Payments solely from Net Revenues. There is no assurance that the City can succeed in operating the Electric System such that Net Revenues in the future amounts projected in this Official Statement will be realized.

Limitations on Remedies and Limited Recourse on Default

The ability of the City to comply with its covenants under the Installment Purchase Contract and to generate Net Revenues sufficient to pay principal of and interest with respect to the 2008 Certificates may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Failure by the City to pay the 2008 Payments required to be made under the Installment Purchase Contract constitutes an event of default under the Installment Purchase Contract and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such 2008 Payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the 2008 Payments, there is no assurance that the City would have sufficient funds to pay the accelerated 2008 Payments.

Furthermore, the remedies available to the owners of the 2008 Certificates upon the occurrence of an event of default under the Installment Purchase Contract are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Purchase Contract and the Trust Agreement, the rights and obligations under the Installment Purchase Contract and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the 2008 Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the 2008 Certificates will be similarly qualified. See "APPENDIX D – PROPOSED FORM OF SPECIAL COUNSEL OPINION."

If the City fails to comply with its covenants under the Installment Purchase Contract, fails to pay principal of and interest due with respect to the 2005 Certificates or fails to pay the 2008 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2008 Certificates.

Seismic Considerations

The services area of the Electric System, like much of California, is subject to seismic activity that could result in interference with its operation of the Electric System. In addition, other active and potentially active seismic faults cross the regional transmission facilities through which the City obtains power.

No assurance can be given that a future seismic event will not materially adversely affect the operation of the Electric System.

Possible Future Federal Deregulation and Tax Legislation

Many bills have been introduced in the United States House of Representatives and the United States Senate to deregulate the electric utility industry on the federal or state level. Many of the bills provide for open competition in the furnishing of electricity to all retail customers (i.e., retail wheeling). In addition, various bills have been introduced which would impact the issuance of tax-exempt bonds for transmission and generation facilities.

No prediction can be made by the City as to whether any of these bills or any similar federal bills proposed in the future will become law or, if they become law, what their final form or effect would be. Such effect could be material to the City. However, the Internal Revenue Service has recently issued new rules that will preserve the tax-exempt status of bonds issued to finance transmission facilities, where control is turned over to an Independent System Operator ("ISO") or Regional Transmission Organization, subject to certain conditions.

Legal Proceedings

A number of legal proceedings are currently pending that relate to the deregulation of the California electric utility industry and other matters affecting the City and the electric utility industry in general. Adverse rulings in certain of these cases may affect the NCPA's and the City's power costs or result in refunds payable by NCPA and the City to the State or other entities. The City is unable to predict the outcome of such litigation, investigations and proceedings.

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

California Constitution Articles XIIIA and XIIIB

Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed one percent of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraisal value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed two percent or a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast by the voters voting on the proposition.

Under Article XIIIB of the California Constitution, state and local government entities have an annual "appropriations limit" which limits their ability to spend certain moneys called "appropriations subject to limitation", which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The City is of the opinion that the electric service and use charges imposed by the City do not exceed the costs the City reasonably bears in providing the electric service. In general terms, the "appropriations limit" is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIIIB, if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Constitutional Changes In California

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters of the State of California on November 5, 1996. Proposition 218 added Articles XIIIC and XIIID to the State Constitution. Article XIIID creates additional requirements for the imposition by most local governments (including the City) of general taxes, special taxes, assessments and "property-related" fees and charges. Article XIIID explicitly exempts fees for the provision of electric service from the provisions of such article. Article XIIIC expressly extends the people's initiative power to reduce or repeal previously-authorized local taxes, assessments, and fees and charges. The terms "fees and charges" are not defined in Article XIIIC, although the California Supreme Court held in Bighorn-Desert View Water Agency v. Verjil, 39 Cal. 4th 205 (2006), that the initiative power described in Article XIIIC may apply to a broader category of fees and charges than the property-related fee and charges governed by Article XIIID. Moreover, in the case of Bock v. City Council of Lompoc, 109 Cal. App. 3d 43 (1980), the Court of Appeal determined that an electric rate ordinance was not subject to the same constitutional restrictions that are applied to the use of the initiative process for tax measures so as to render it an improper subject of the initiative process. The City believes that even if the electric rates of the City are subject to the initiative power, under Article XIIIC or otherwise, the electorate of the City would be precluded from reducing electric rates and charges in a manner adversely affecting the payment of the 2008 Certificates by virtue of the "impairments clause" of the United States and California Constitutions.

Future Initiatives

Article XIIIA, Article XIIIB, and Articles XIIIC and XIIID, were each adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted by California voters. The adoption of any such initiatives might place limitations on the ability of the City to increase revenues or to increase appropriations.

THE AUTHORITY

The Authority was established under Sections 6500 et seq. of the California Government Code and a Joint Exercise of Powers Agreement originally entered into as of July 1, 1989 and amended and restated as of July 1, 1997, by and between the City and the Redevelopment Agency of the City of Roseville.

The Authority was established for the purpose of financing the acquisition, construction, improvement and equipping of public capital improvements. The governing board of the Authority is the City Council of the City.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of installment payments designated as and comprising interest and received by the owners of the 2008A Certificates and 2008B Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the delivery of the Installment Purchase Contract in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of execution and delivery of the 2008A Certificates and 2008B Certificates.

In the further opinion of Special Counsel, interest payable with respect to the 2008A Certificates and 2008B Certificates is exempt from California personal income taxes.

Owners of the 2008A Certificates and 2008B Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the 2008A Certificates and 2008B Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Installment Purchase Contract and the 2008A Certificates and 2008B Certificates other than as expressly described above.

OTHER INFORMATION

Certain Legal Matters

The validity of the Installment Purchase Contract and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Certain matters will also be passed upon for the City by Jones Hall as disclosure counsel. Certain legal matters will be passed upon for the Bank by Kutak Rock LLP, Atlanta, Georgia, for the City by the City Attorney, and for the Underwriter by Orrick, Herrington & Sutcliffe LLP.

Professional Fees

Payment of the compensation of Special Counsel, Disclosure Counsel, the Underwriter and the Trustee are contingent upon the execution and delivery of the 2008 Certificates.

Absence of Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution, delivery or sale of the 2008 Certificates or the execution of the Trust Agreement or the Installment Purchase Contract, or in any way contesting or affecting the validity of the foregoing or any proceedings of the City or the Authority taken with respect to any of the foregoing.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings ("Fitch") and Standard & Poor's Ratings Group ("S&P"), a division of the McGraw Hill Companies, Inc. have assigned the long-term ratings of "Aaa," "AAA" and "AAA", respectively, to the 2008 Certificates. The long-term ratings of the 2008 Certificates are based on the letter of credit support for the Bonds provided by the Bank, the underlying ratings of the City and the low credit correlation between the City and the Bank. Moody's, Fitch and S&P have assigned the short-term ratings of "VMIG1," "F1+" and "A-1+", respectively, to the 2008 Certificates based solely on the Letter of Credit provided by the Bank. Moody's, Fitch and S&P have assigned the underlying municipal bond ratings of "A1," "A+" and "A+", respectively, to the 2008 Certificates without regard to the Letter of Credit.

These ratings reflect only the views of the respective rating agencies, and an explanation of the significance of this rating should be obtained from the respective rating agencies. There is no assurance that these ratings will continue for any given period of time, or that these ratings will not be revised downward or withdrawn entirely by the respective rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the 2008 Certificates.

UNDERWRITING

Morgan Stanley & Co. Incorporated, as representative of the underwriters of the 2008 Certificates (the "Representative") has agreed, subject to certain conditions, to purchase the 2008A Certificates at a price of $89,735,886.59 (which is equal to the initial principal amount of the 2008A Certificates less underwriter's discount of $264,113.41), and the 2008B Certificates at a price of $64,310,718.71 (which is equal to the initial principal amount of the 2008B Certificates less underwriter's discount of $189,281.29).

The purchase contracts under which the Representative is purchasing the 2008 Certificates provides that the Underwriters will purchase all of the 2008 Certificates if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contracts of purchase.

The public offering prices of the 2008 Certificates may be changed from time to time by the Underwriters. The Underwriters may offer and sell 2008 Certificates to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement.

VERIFICATION

Chris D. Berens, CAP, P.C. (the "Verification Agent"), independent public accountants, upon delivery of the 2008 Certificates, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them relating to the sufficiency of (i) monies deposited with the Trustee to pay the principal and interest with respect to the 2005B Certificates on May 13, 2008 and (ii) monies deposited with the Trustee to pay the principal and interest with respect to the 2005C Certificates on May 15, 2008.

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

EXECUTION

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

CITY OF ROSEVILLE

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

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APPENDIX A

THE CITY OF ROSEVILLE

The financial and economic data for the City are presented for information purposes only. The Certificates are not a debt or obligation of the City or the County, but are a limited obligation of the City secured solely by the funds held pursuant to the Trust Agreement.

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 106,266 at January 1, 2007, is the largest city in Placer County, as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

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

Additional information about the City is available on the City's website, www.roseville.ca.us. *The website address is given for reference and convenience only and the current accuracy of information contained therein cannot be assured; nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

Municipal Government

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

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

Population

The following table shows population estimates for the City, the County and the State as of January 1 for the past five calendar years. Estimates for 2008 are not yet available.

PLACER COUNTY
Population Estimates
2003 through 2007

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

Source: California State Department of Finance.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2003 through 2007.

Effective Buying Income
As of January 1, 2003 through 2007

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2003	Placer County	$6,834,353	$50,504
	California	674,721,020	42,924
	United States	5,466,80,008	38,201
2004	Placer County	$7,318,021	$51,455
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Placer County	$7,979,745	$52,702
	California	720,798,106	44,681
	United States	5,894,663,750	40,529
2006	Placer County	$8,516,663,000	$53,746
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Placer County	$9,314,663	$57,097
	California	814,894,437	48,203
	United States	6,300,794,040	41,792

Source: Sales & Marketing Management Survey of Buying Power for 2003 and 2004; Claritas Demographics for 2005 and after.

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA (which includes Sacramento, Placer, Yolo and El Dorado Counties) was 6.5% in March 2008. This compares with an unadjusted unemployment rate of 6.4% for California and 5.1% for the nation during the same period. The unemployment rate was 6.6% in El Dorado County, 6.0% in Placer County, 6.4% in Sacramento County, and 7.6% in Yolo County.

The table below provides information about employment by industry type for the Sacramento MSA for calendar years 2003 through 2007.

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

	2003	2004	2005	2006	2007
Civilian Labor Force (1)	989,800	1,004,200	1,020,000	1,039,800	1,056,400
Employment	933,500	950,100	971,900	991,300	999,600
Unemployment	56,300	54,100	48,100	48,500	56,800
Unemployment Rate	5.7%	5.4%	4.7%	4.7%	5.4%
Wage and Salary Employment (2)					
Agriculture	7,500	7,400	7,400	7,500	8,000
Natural Resources and Mining	700	700	700	700	700
Construction	66,500	70,800	73,400	70,700	67,500
Manufacturing	41,500	42,600	43,100	42,800	40,700
Wholesale Trade	26,300	26,500	26,900	28,400	28,100
Retail Trade	94,900	96,700	98,700	100,700	99,900
Transportation, Warehousing and Utilities	21,900	22,900	23,400	24,500	25,400
Information	21,900	20,900	19,900	20,000	20,300
Finance and Insurance	44,800	45,400	47,000	47,700	46,500
Real Estate and Rental and Leasing	14,600	15,100	16,400	16,900	16,000
Professional and Business Services	100,600	103,100	108,600	112,500	111,400
Educational and Health Services	81,000	84,600	88,200	92,100	96,900
Leisure and Hospitality	77,300	79,900	82,100	85,300	86,800
Other Services	28,000	28,500	28,500	28,300	28,800
Federal Government	12,900	12,600	12,800	12,600	12,400
State Government	106,700	102,300	102,500	105,400	110,000
Local Government	106,600	106,800	108,800	110,400	112,700
Total, All Industries (3)	853,500	866,400	888,300	906,600	912,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The table below lists the top 10 major employers in the City as of January 1, 2007. Data for 2008 is not currently available.

CITY OF ROSEVILLE
Major Employers
2007

Business	No. of Employees	Product/Service
Hewlett-Packard	3,600	Technology
Kaiser Permanente	3,289	Health Care
Sutter Roseville Medical Center	1,922	Health Care
Union Pacific	1,500	Railroad
City of Roseville	1,248	Government
Roseville Joint Union High School District	975	Education
Roseville Elementary School District	840	Education
NEC Electronics	800	Technology
PRIDE Industries	800	Employment Service
Wal-Mart (2 Stores)	796	Retail

Source: City of Roseville.

The table below lists the largest employers in the County as of January 1, 2008.

PLACER COUNTY
Major Employers
January 1, 2008

Employer Name	Location	Industry
Adventist Health	Roseville	Health Services
Alpine Meadows	Alpine Meadows	Skiing Centers & Resorts
AT & T	Auburn	Telecommunications Services
Auburn Area Answering Svc	Auburn	Paging & Answering Service
Club Cruise Inc	Auburn	Travel Agencies & Bureaus
Coherent Inc	Auburn	Lasers-Medical-Manufacturers
Food Stamps	Auburn	County Government-Social/Human Resources
Hewlett-Packard	Roseville	Computer Services
Kaiser Permanente Laser Vision	Roseville	Laser Vision Correction
Nec Electronics Usa Inc	Roseville	Semiconductors & Related Devices (Mfrs)
Placer County Human Svc	Auburn	County Government-Social/Human Resources
Placer County Sheriff	Auburn	Sheriff
Placer County Superintendent	Auburn	Schools
Placer County Welfare To Work	Auburn	County Government-Social/Human Resources
Public Works	Auburn	Grading Contractors
Resort At Squaw Creek	Olympic Valley	Golf Courses-Public
Roseville Telephone Co	Roseville	Telecommunications Services
Sheriff's Training	Auburn	Sheriff
Sierra Community College Dist	Rocklin	Schools-Universities & Colleges Academic
Stein Mart	Rocklin	Department Stores
Sutter Auburn Faith Hospital	Auburn	Hospitals
Sutter Roseville Medical Ctr	Roseville	Hospitals
Tasq Technology	Rocklin	Nonclassifiable Establishments
Thunder Valley Casino	Lincoln	Casinos
United Natural Foods	Rocklin	Health & Diet Foods-Retail

Source: State of California Employment Development Department.

Construction Activity

The housing downturn continued to slow the County and City economies in 2007. Home building, home sales, and related retail sales all declined in the City and County. The problems with subprime mortgages and the related financial market volatility and credit tightening have worsened the housing sector downturn and raised the risk of further deterioration. The City of Roseville's Building Division issued 952 residential building permits for fiscal year 2006-07 with 942 of those for single-family dwellings. The number of building permits issued shows an increase from last year's total of 812, but still well below the peak of 2,500 permits issued in 2001. The slow housing market is a major factor affecting the number of building permits issued. The median home price in the City continues a two year downward trend. The average median home price for fiscal year 2006-07 was $415,690, a drop of just under 10%, from the fiscal year 2005-06 median of $466,690. The total valuation of new residential construction permits issued in the City was approximately $217 million in fiscal year 2006-07, representing a decrease of $877 million (80%) from the 2000 total valuation. Although the year-to-year median home prices dropped dramatically as compared to last fiscal year, the median home price did stabilize by the second half of the fiscal year. In fiscal year 2006-07, developers completed 197,215 square feet of office space. As of June 30, 2007, just over 1.2 million square feet was under construction and another 2 million square feet has been approved, but not yet constructed.

The following table shows a five-year summary of the valuation of building permits issued in the County. Data for 2007 is not currently available.

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

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

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows residential and non-residential building permits issued, for calendar years 2002 through 2006. Data for 2007 is not currently available.

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

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

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

During the first quarter of calendar year 2007, reported total taxable sales in the City were reported to be $915,705,000 a 2.6% decrease over total taxable transactions of $939,703,000 that were reported during the first quarter of calendar year 2006. A summary of taxable transactions in the City is shown below. Annual figures for 2007 are not yet available.

CITY OF ROSEVILLE
Taxable Transactions
Calendar Years 2002 through 2006
(Dollars in Thousands)

	2002	2003	2004	2005	2006
Apparel stores	$118,936	$128,694	$158,633	$167,693	$165,338
General merchandise stores	418,267	467,494	561,058	599,179	610,855
Food stores	75,978	93,286	95,389	101,410	99,355
Eating and drinking places	195,011	214,558	235,917	258,486	272,895
Home furnishing and appliances.	96,700	108,737	136,822	135,036	141,624
Building material and farm implements	217,298	251,148	288,940	293,684	267,374
Auto dealers and auto supplies	1,026,213	1,125,482	1,201,552	1,281,810	1,286,604
Service stations	89,200	114,336	130,953	152,008	179,957
Other retail stores	376,465	412,610	446,106	495,145	508,039
Retail Stores Totals	2,614,068	2,916,345	3,255,370	3,484,451	3,532,041
All Other Outlets	374,189	372,114	405,061	413,408	492,782
TOTAL ALL OUTLETS	$2,988,257	$3,288,459	$3,660,431	$3,897,859	$4,024,823
TOTAL NUMBER OF PERMITS	3,348	3,909	4,307	4,442	4,538

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

Total taxable transactions reported in the County during the first quarter of calendar year 2007 were reported to be to $1;743,381,000, a 2.2% increase over the total taxable transactions of $1,705,682,000 that were reported during the first quarter of calendar year 2006. A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table. Annual figures for 2007 are not yet available.

PLACER COUNTY
Taxable Transactions
Calendar Years 2002 through 2006
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2002	3,861	$4,161,204	9,559	$5,549,881
2003	4,389	4,539,346	10,543	5,973,818
2004	4,841	5,024,153	11,184	6,595,566
2005	5,055	5,539,337	11,488	7,232,568
2006	5,218	5,710,898	11,623	7,531,225

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

APPENDIX B

AUDITED FINANCIAL STATEMENTS

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Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

CITY OF ROSEVILLE CALIFORNIA

CITY OF ROSEVILLE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

Prepared by
FINANCE DEPARTMENT

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CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2007

INTRODUCTORY SECTION:

FINANCIAL SECTION:

FINANCIAL SECTION (Continued):

SUPPLEMENTAL INFORMATION SECTION:

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2007

STATISTICAL SECTION:

CITY OF ROSEVILLE CALIFORNIA

Finance
311 Vernon Street
Roseville, California 95678-2649

December 21, 2007

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

This document, the Comprehensive Annual Financial Report (CAFR) of the City of Roseville, is for the fiscal year ended June 30, 2007. The report was prepared by the Finance Department in conjunction with the City's independent auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The data, as presented, is accurate in all material aspects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The organization of the financial report follows the guidelines set forth by the Government Finance Officers' Association (GFOA) of the United States and Canada.

The report is divided into three sections:

I. Introductory section, including this letter of transmittal, list of City elected officials, and City's organizational chart.

II. Financial section, including the auditors' report by Maze & Associates, the City's independent certified public accountants, management's discussion and analysis, the basic financial statements, notes to the financial statements, required supplemental information and the combining financial statements for non-major funds.

III. Statistical section, including a number of tables and graphs of unaudited data depicting 10 years of financial history about the City and information on its overlapping governmental debt.

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

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

THE REPORTING ENTITY AND ITS SERVICES

This report reflects the entity concept prescribed by generally accepted accounting principles (GAAP). It combines the financial statements of the Redevelopment Agency of the City of Roseville (the "Agency"), the Roseville Finance Authority (the "Authority"), and the City of Roseville Housing Authority (the "Housing Authority") with those of the City to constitute a single reporting entity. In accordance with the criteria of the Government Accounting Standards Board (GASB) Statement 14, the basic financial statements include the financial activity of the City, the Agency, the Authority, and the Housing Authority. The Agency, the Authority, and the Housing Authority are separate legal entities from the City, are controlled by the City, and have the same governing board. The Agency issues it own component unit financial statements. Separate financial statements for the Authority and the Housing Authority are not issued.

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

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

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

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City of Roseville economic growth has been mixed this past year. While the housing slowdown continued to impact development-related departments in terms of permit and impact fee revenues, development in the commercial sector remained strong. Roseville's overall general fund revenues were at budgeted levels in total; however, there was a slowdown in sales tax revenues that may impact the City in the coming years. This slowdown was driven primarily by weaknesses in new car and retail hardware sales (see discussion below). Property-tax growth remained strong in FY 2007, bolstering the City's overall budget.

Even with the difficulty in the housing market and sales tax revenue, the City continues to provide a high quality of service. Efforts to diversify revenues sources are starting to have an impact and should strengthen the City's economic position in coming years. While the City's general fund primarily relies on sales taxes, property-related taxes, and user charges for a majority of its revenue, the hotel sector has grown and should provide revenue growth in the next several years. Additionally, the City has instituted a Mello-Roos Community Facilities District (CFD) special tax in new specific plans and for lands that have been rezoned from non-residential to residential land uses. These revenues are growing, and will be a major revenue source as the newer areas of the City develop.

Job growth remains a vital part of the City's economy. The City's well-diversified employer base helps keep the local economy strong. Employment growth increased by over 1,000 in 2007, to a total employment base of 78,900. The City remains strong in medical, manufacturing, regional office, and retail sectors.

The City-owned utilities continued to perform well throughout the year. The electric department neared completion of a gas-fired electric plant. This will serve to diversify resources needs and strengthen the reliability for delivery of electricity. In conjunction with this, the City pre-paid for 20 years of natural gas for the plant. This will provide index-priced gas at a fixed discount to the City and help control the plant's operating costs. The water utility is also nearing completion of an expansion of its water treatment plant to 100 million gallons per day (MGPD).

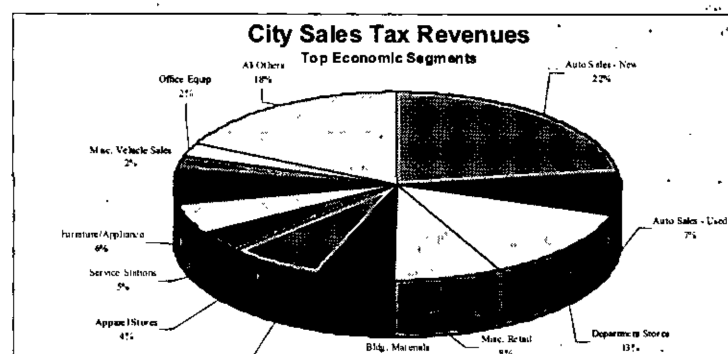
The long-term outlook for the City's economy is good. The housing market, while slow, continues to produce new housing, the non-residential sector remains strong, and the existing businesses continue to perform well overall.

The economic issues that are likely to affect City services include the length of time to recover sales tax growth and the impact of increased regional competition in the sales tax arena. Expansion of the regional mall and development of the Fountains shopping center should help to stabilize this sector.

Property taxes should continue to grow; however, at a lower pace than experienced in the last ten years. This is likely to require adjustments in the City's expenditures to match lowered growth in revenues. The City is responding to this challenge, and is unlikely to experience unplanned cutbacks in service.

Top Sales Tax Generators by Economic Segment

The chart below provides an overview of the City's sales tax revenue by economic segment. There were sectors that experienced increases as well as sectors that experienced decreases in fiscal year 2007. An important note is that while automobile sales represent a significant portion of the City's tax base, this segment is less dominant in total sales as the City continues to diversify its sales tax base. Additionally, used auto sales have become a larger part of total auto sales. Combined, new and used auto sales comprise 29.1 percent of total sales tax revenues.



Source: MBIA Muniservices Company, FY 2006

Major Activity in the City

Many of the major activities initiated and completed in fiscal year 2007 are consistent with the City Council's direction to focus on projects and funding that provide economic stability within the community and enhance the City's long-term financial condition while maintaining high levels of service to the older parts of the community. Projects were initiated, or neared completion, in:

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

Private development has continued at a growing pace in commercial development—up over 25 percent—and industrial development—slightly increased, but at a much slower pace in business professional development. This is due in part to the large amount of growth in the business professional area in 2006; absorption of that additional space is required before a significant amount of new space is added. On the residential side, single-family development permits are up over 2006. This reflects that commitment to the area by developers, and the continuing attractiveness of the area to home buyers. On the multi-family side, only 10 permits were pulled, reflecting a slowdown based on the current economy and reflective of the great number of multi-family units over the last several years. The table below provides a summary of the City's major development activity in the 2007 fiscal year.

Development Type	Number of Permits	New Square Feet Occupied
Single-Family Residential	942	
Multi-Family Development	10	
Industrial Development		340,523
Commercial Development		452,785
Business Professional		197,215

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

All internal control evaluations occur within the above framework. The Finance Department staff remains committed to improving the City's accounting system; to maintain the City's internal accounting controls to adequately safeguard assets; and to provide reasonable assurances of proper recording of financial transactions. Budgetary control is directed by the City Council by ordinance when the budget is adopted each year. Expenditures may not legally exceed appropriations at the department level by major summary category. The City utilizes the encumbrance system as a management control technique to

assist in controlling expenditures. Periodic reports of revenue, expense, and investment activity are prepared and distributed to the City Council and City departments to monitor spending in relation to the budget. At fiscal year-end, open encumbrances are reported as reservations of the fund balance. The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type:

Category	Fund Type
Governmental Funds:	General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Permanent Funds
Proprietary Funds:	Enterprise Funds and Internal Service Funds
Fiduciary Funds:	Agency Funds and Endowment Private-Purpose Trust Fund

Governmental Funds: The basic financial statements necessary to fairly present the financial position and operating results from major governmental funds are: the balance sheet, and the statement of revenues, expenditures and changes in fund balance. These funds are maintained using the modified accrual basis of accounting, which is more thoroughly explained in the Notes to the Financial Statements.

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

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

CASH MANAGEMENT

The City has a formal investment policy, which is subject to annual review and approval by the City Council. Permitted investments, restrictions on the maturity and percentage of the investments and categorization of credit risk are discussed in the Notes to the Basic Financial Statements. The City's portfolio is invested mainly in Federal Agency Issues and U.S. Treasury Coupons. The average annual yield was 4.77% on the City's month-end average investment balances. This compared with a return of 3.89% in the prior year. As of June 30, 2007, the yield to market of outstanding investments was 4.95%. This increase was the result of an overall rising interest rate environment. Investment income includes changes in the fair value of investments. Decreases in fair market value during the current year do not necessarily represent trends that will continue. The City's policy is to hold investments to maturity, and to limit sales of securities to those that show gains in market value.

LONG-TERM FINANCIAL PLANNING

The City of Roseville has consistently planned its budgets with an eye to the long-term needs of the City. This is accomplished through the establishment of several funds that serve to direct City revenues to long-term financial needs. This ensures that funding is available for needs as they arise. These funds include:

Operating Reserves: The City maintains an operating reserve in its General Fund of 10 percent of operating expenses. Additionally, the City attempts to maintain a similar operating reserve in all of the City-owned utilities. This guards against impacts from sudden changes in revenues.

Rate Stabilization Funds: The Electric Department maintains a rate stabilization fund targeted at a minimum of 60 percent of operating expenses. This allows the City time to react with major changes to the cost of electricity without having to impose an emergency rate increase. Rate stabilization funds are also used in the Environmental Utilities to help ease the impacts of rate increases over a period of years.

CIP Rehabilitation Fund: The City has set aside approximately $11 million in a CIP Rehabilitation Fund for the purpose of maintaining the City's investments in buildings and park facilities. These funds are used to provide necessary maintenance and improvements to City-owned facilities. The Council's goal is to increase this balance of this fund to at least $25 million, with the long-term purpose of creating an endowment that will not require annual budget contributions.

Automotive Replacement Fund: The City funds the cost of replacement vehicles over the useful life of the vehicle. This ensures that monies are available to keep the City's vehicle fleet properly and safely operating.

Strategic Improvement Fund: The City developed a fund several years ago that provides Council with funds that can be used for periodic, strategic investments on behalf of the City. This fund has been used to acquire land and has been targeted to fund a portion of a conference center in the City.

Post-Retirement Insurance/Accrual Fund: This fund was set up in 2002 to begin setting aside monies to address the City's long-term liability for post-retirement health benefits. In addition to one time money that was transferred into this fund, the City has transferred 3 percent of the total cost of salaries for the last several years.

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INDEPENDENT AUDIT

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

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roseville for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

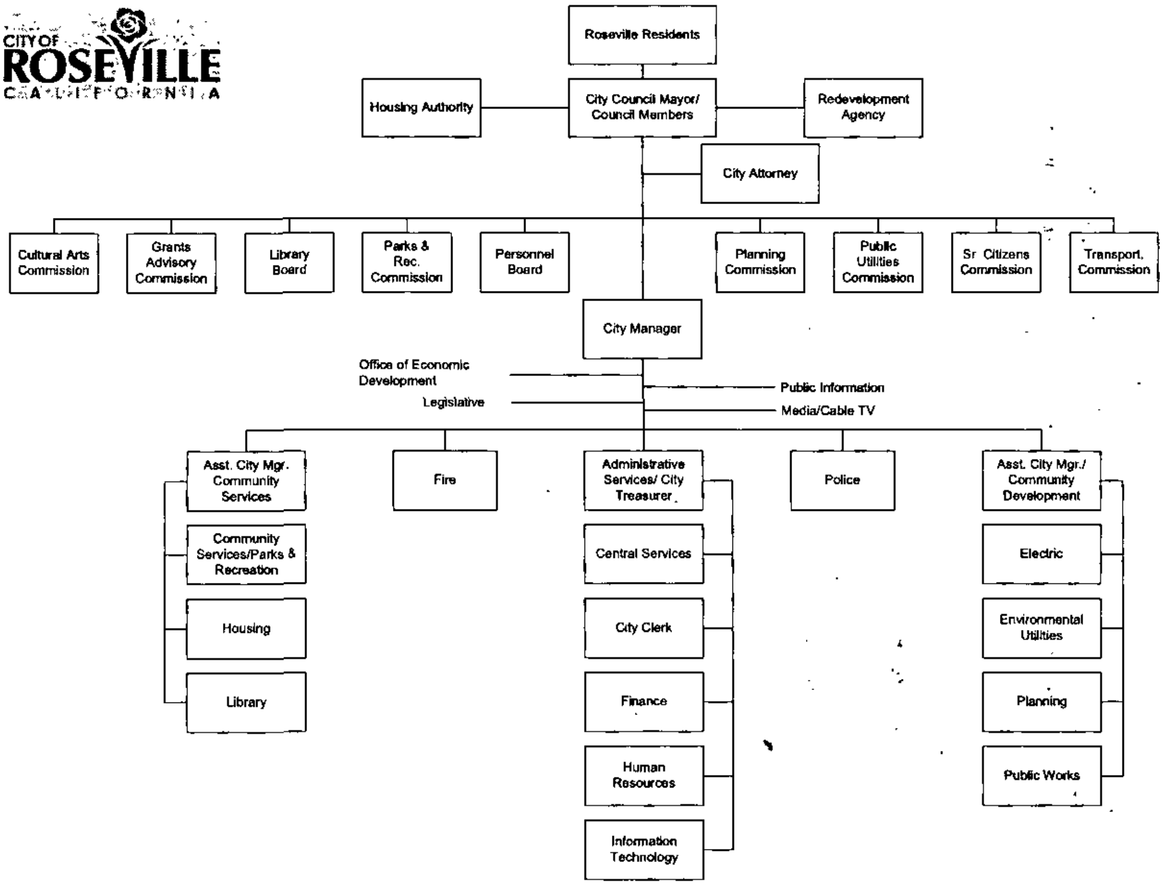
ACKNOWLEDGMENTS

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

Respectfully submitted,

Russ Branson

Russ Branson
Administrative Services Director/City Treasurer



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CITY OF ROSEVILLE

ELECTED OFFICIALS

JUNE 30, 2007

Mayor	Jim Gray
Mayor Pro-tem	Gina Garbolino
Council Member	John Allard
Council Member	Carol Garcia
Council Member	Richard Roccucci

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Roseville California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

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

President

Executive Director

MAZE & ASSOCIATES

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

INDEPENDENT AUDITOR'S REPORT ON
BASIC FINANCIAL STATEMENTS

Honorable Mayor and City Council
City of Roseville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, California (City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, California as of June 30, 2007 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

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

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

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

Maze & Associates

November 9, 2007

A Professional Corporation

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion provides readers of the City of Roseville's financial statements a narrative overview and analysis of the financial activities of the City of Roseville for the fiscal year ended June 30, 2007. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Even with the slowdown of the housing market, the City has sustained growth in tax revenues. Charges for services and commercial development continues to remain strong. The City's financial highlights are presented below:

FISCAL YEAR 2007 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2007 include the following:

Entity-wide:

- The City's total net assets were $2.3 billion as of June 30, 2007. Of this total, $1.0 billion were Governmental assets and $1.3 billion were Business-type assets.
- Governmental revenues include program revenues of $134.0 million and general revenues and transfers of $133.4 million for a total of $267.4 million.
- Governmental expenses were $163.6 million.
- Business-type program revenues, interest revenue and miscellaneous revenues were $329.1 million while Business-type expenses and transfers were $234.2 million.

Fund Level:

- Governmental Fund balances increased to $248.3 million in fiscal year 2007, up $30.1 million from the prior year.
- Governmental Fund revenues increased to $251.0 million in 2007, up $11.3 million from the prior year. This was primarily due to increases of tax revenues of $10.7 million, $9.0 million in charges for services, $9.2 million in use of money and property, $2.4 million in subventions and grants, and $1.4 million in miscellaneous revenues; while there was a decrease of $21.2 million in contributions of bond proceeds for Community Facility Districts and other developer contributions as there were fewer districts formed in 2007. Governmental Fund expenditures increased to $266.7 million in fiscal year 2007, up $37.1 million from the prior year. This increase was primarily due to increases of capital outlay of $18.1 million, public safety of $7.2 million, $2.9 in debt service, $1.6 million in public works, $1.1 million in community development and planning. $1.9 million in parks and recreation, and $4.8 million in general government.
- Other Financing Sources provided a net of $45.8 million in fiscal year 2007, up $22.4 million from 2006 due to Redevelopment bonds issued.

General Fund:

- General Fund revenues of $113.2 million were $12.4 million higher than the prior year, with the largest increases in taxes and use of money and property.
- General Fund expenditures of $125.6 million represented an increase of $15.7 million over the prior year. The largest increases were in general government, public safety, and parks and recreation.
- Other Financing Sources showed $13.8 million, a decrease of $2.3 million from 2006, which had included sale of property of $3.4 million.
- The General Fund balance of $65.8 million as of June 30, 2007 is up from fiscal year 2006's fund balance of $64.3 million.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is divided into six parts:

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

The Basic Financial Statements

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

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

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

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

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

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

The Entity-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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All eight of the City's Enterprise Funds are reported as Major Funds.

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

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

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

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

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

Fiduciary Statements

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

Governmental Activities

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

	2007	2006
Cash and Investments	$329.2	$298.5
Other Assets	41.6	36.7
Capital Assets	775.1	688.4
Total Assets	**1,145.9**	**1,023.6**
Long-Term Debt Outstanding	55.3	33.3
Other Liabilities	63.5	67.0
Total Liabilities	**118.8**	**100.3**
Net Assets:		
Invested in Capital Assets, Net of Debt	742.8	664.1
Restricted	177.2	149.8
Unrestricted	107.1	109.4
Total Net Assets	**$1,027.1**	**$923.3**

The City's governmental net assets amounted to $1.0 billion as of June 30, 2007, an increase of $103.8 million over 2006. This increase is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net assets as of June 30, 2007 comprised the following:

- Cash and investments comprised $263.0 million in the city treasury and $66.3 million of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

- Receivables comprised $16.1 million of which are current, along with deferred receivables of $2.5 million and notes receivable of $12.5 million that are due over longer periods of time, as explained in Notes 5 and 6 to the financial statements.

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- Capital assets of $775.1 million, net of depreciation charges, includes all of the City's infrastructure as well as other capital assets used in governmental activities, as discussed in Note 8.

- Current liabilities—including accounts payable, claims, and other amounts due currently—totaled $48.1 million.

- Accrued compensated absence liabilities payable to employees of $9.0 million, as explained in Note 1G to the financial statements.

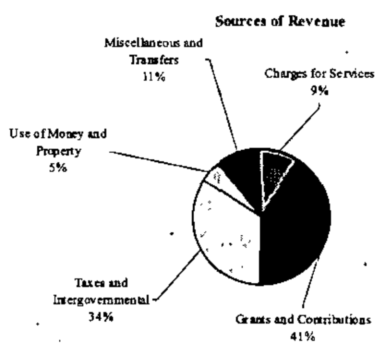
- Long-term debt of $55.3 million, of which $53.7 million is due in future years and $1.6 million is due currently, as detailed in Note 9.

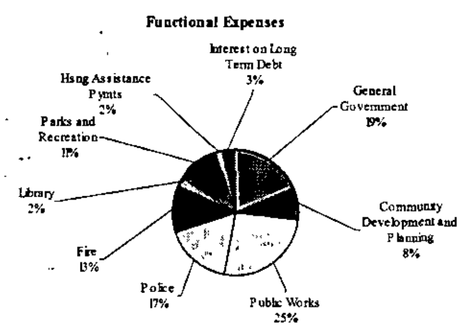
- Net assets invested in capital assets net of related debt of $742.8 million, representing the City's investment in infrastructure and other capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.

- Restricted net assets totaling $177.2 million, only may be used to construct specified capital projects, for debt service, or for community development projects. The restrictions on these funds cannot be changed by the City.

- Unrestricted net assets is that part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had $107.1 million of unrestricted net assets as of June 30, 2007. While these assets are technically unrestricted, most of these assets are designated for a specific use.

Fiscal Year 2007 Government Activities





As the Sources of Revenue Chart above shows, $91.0 million, or 34% of the City's fiscal year 2007 governmental activities revenue, came from taxes and unrestricted intergovernmental revenues (motor vehicle-in-lieu), while $109.0 million or 41% came from grants and contributions, $25.0 million, or 9%, came from charges for services, and the remainder came from a variety of sources, as shown above.

The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the Chart shows, general government is $30.9 million, or 19% of total government expenses, community development and planning is $13.2 million, or 8%, public works is $42.1 million, or 25%, police is $27.4 million, or 17%, fire is $20.6 million, or 13%, parks and recreation is $17.6 million, or 11%, and other governmental programs and functions are the remaining 7%.

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

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

	Governmental Activities	
	2007	2006
Expenses		
General Government	$30.9	$25.4
Community Development and Planning	13.2	11.9
Public Works	42.1	33.5
Police	27.4	24.5
Fire	20.6	16.4
Library	3.6	3.2
Parks and Recreation	17.6	16.1
Housing Assistance Payments	3.3	3.0
Interest on Long-Term Debt	4.9	1.9
Total Expenses	**163.6**	**135.9**
Revenues		
Program Revenues:		
Charges for Services	25.0	26.3
Operating Grants and Contributions	7.2	7.7
Capital Grants and Contributions	101.8	113.5
Total Program Revenues	**134.0**	**147.5**
General Revenues:		
Taxes/Intergovernmental	91.0	82.2
Use of Money and Property	14.2	8.1
Miscellaneous	3.0	1.7
Gain on Sale of Property	0	2.7
Total General Revenues	**108.2**	**94.7**
Total Revenues	**242.2**	**242.2**
Changes in Net Assets before Transfers	**78.6**	**106.3**
Transfers	25.2	23.6
Change in Net Assets	**$103.8**	**$129.9**

As the Sources of Revenue Chart and **Table 2** above show, $134.0 million, or 55.3% of the City's fiscal year 2007 governmental revenue, came from program revenues and $108.2 million, or 44.7%, came from general revenues such as taxes and interest.

Program revenues were composed of charges for services of $25.0 million that include permit revenues, fees, and charges used to fund expenses incurred in providing services; $7.2 million of operating grants and contributions which include gas tax revenues, housing, and police grants; and capital grants and contributions of $101.8 million that consist mainly of street project grants, developer impact fees restricted to capital outlay and contributions from community facilities districts to be used to build infrastructure in those districts.

General Revenues-Taxes/Intergovernmental showed an increase of $8.8 million. The majority of this increase was due to property and sales taxes. General revenues are not allocable to programs and are used to pay the net cost of governmental programs.

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

Table 3
Governmental Activities
June 30
(in Millions)

	Net (Expense)/Revenues from Services	
	2007	2006
General Government	($23.4)	($19.9)
Community Development and Planning	(7.9)	(6.1)
Public Works	(16.6)	(14.7)
Police	(23.1)	(21.3)
Fire	(15.8)	(13.6)
Library	(3.1)	(2.9)
Parks and Recreation	(8.2)	(4.6)
Community Facilities Districts	73.0	96.3
Housing Assistance Payments	0.4	0.4
Interest on Long-Term Debt	(4.9)	(1.9)
Totals	**$(29.6)**	**$11.7**

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Business-type Activities

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

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

	2007	2006
Cash and Investments	$185.4	$308.5
Other Assets	381.6	158.2
Capital Assets	1,333.4	1,156.4
Total Assets	**1,900.4**	**1,623.1**
Long-Term Debt Outstanding	610.5	390.8
Other Liabilities	48.0	85.3
Total Liabilities	**658.5**	**476.1**
Net Assets:		
Invested in Capital Assets, Net of Debt	938.9	838.4
Restricted	34.6	28.2
Unrestricted	268.4	280.4
Total Net Assets	**$1,241.9**	**$1,147.0**

The net assets of business-type activities increased to $1.242 billion in fiscal year 2007, an increase of $94.9 million. Cash and investments decreased $123.1 million, due to increased expenditures for capital projects; and correspondingly, capital assets have increased $177.0 million. Other assets increased by $223.4 million due to most part from entering into a prepaid gas contract. Correspondingly, long-term liabilities increased by $219.7 million, as bonds were sold for the prepaid gas. Other liabilities decreased $37.3 million, which includes decreases of $35.0 million for deposits, $4.4 million in unearned revenue, and $5.5 million in accounts payable; while increases to accrued liabilities of $4.1 million, due to other government agencies of $2.0 million, and current portion of compensated absences of $1.4 million offset the decreases.

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

	Business-Type Activities	
	2007	2006
Expenses		
Electric Fund	$131.2	$97.1
Water Fund	15.9	18.5
Wastewater Fund	28.9	27.2
Solid Waste Fund	15.2	14.2
Natural Gas	5.2	0
Golf Course Fund	2.4	2.5
Local Transportation Fund	5.4	4.4
School-Age Child Care Fund	4.8	4.5
Total Expenses	**209.0**	**168.4**
Revenues		
Program Revenues		
Charges for Services	195.0	161.0
Operating Grants and Contributions	14.3	2.3
Capital Grants and Contributions	108.4	68.9
Total Program Revenues	**317.7**	**232.2**
General Revenues		
Use of Property and Money	11.4	10.6
Total Revenues	**329.1**	**242.8**
Change in Net Assets before Special Items and Transfers	**120.1**	**74.4**
Provision for Disputed SCS Charges	0.0	0.0
Non-operating Expense (??)	0.0	1.8
Transfers	(25.2)	(23.6)
Changes in Net Assets	**$94.9**	**$52.6**

Business-type program revenues, interest revenue, and miscellaneous revenues were $329.1 million while Business-type expenses and transfers were $234.2 million 2007. Each program is discussed in the Proprietary Funds section below.

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

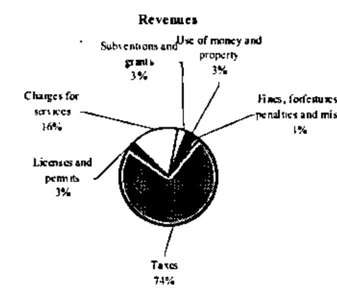
Table 6
Changes in Business-Type Net Assets
(in Millions)

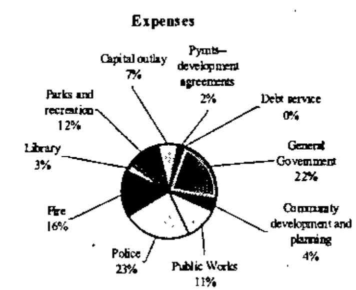
	Net (Expense)/Revenues From Services	
	2007	2006
Electric Fund	$13.8	$22.1
Water Fund	43.4	27.0
Wastewater Fund	43.5	13.6
Solid Waste Fund	4.7	3.3
Natural Gas	(5.1)	0
Golf Course Fund	0.8	0.3
Local Transportation Fund	7.4	(3.1)
School-Age Child Care Fund	0.3	0.6
Totals	**$108.8**	**$63.8**

Analyses of Major Governmental Funds

General Fund

Fiscal Year 2007 General Fund Activity





General Fund revenues increased $12.4 million this fiscal year due primarily to increases in taxes, use of money and property, and subventions and grants. Actual revenues were more than budgeted amounts by $3.3 million, with charges for services and use of money and property coming in over budget, but taxes came in less than targeted. Taxes increased in both property and sales taxes ($7.9 million and $2.1 million, respectively). Property taxes' assessed valuations rose 6.7%, driven by prior years' construction, which are now on the tax rolls. Sales tax revenues increased, in part from continued addition of new retail stores surrounding the Galleria regional mall and the Highway 65 corridor.

General Fund expenditures were $125.6 million, an increase of $15.8 million from the prior year. Expenditures were $29.2 million less than budget however, as most departments expended less than budgeted. The original budget was increased by $7.5 million, $5 million from encumbrances carried over from fiscal year 2006 and $2.5 million from budget adjustments. The sources of these budget savings included finance, information technology, planning, public works, police, fire, and central services which had delays in professional services; police, public works, and parks and recreation which had savings in salaries with salaries being budgeted at the top step; vacancies; and capital projects anticipated for 2007 that have been carried over to fiscal year 2008.

Other financing sources and uses reported net inflows of $13.8 million in fiscal year 2007, which is slightly less than the prior year due to a $3.4 million sale of property in 2006.

As of June 30, 2007, the General Fund's fund balance totaled $65.8 million, including $13.4 million reserved almost entirely for encumbrances and advances to other funds, $14.7 million designated for economic reserve and capital improvements and $37.7 million in unreserved, undesignated balances. Only the unreserved portion of fund balance represents available liquid resources, since the reserved portion is represented by non-cash assets or by open purchase orders. The designated portion of fund balance has been set aside by City Council, which may alter or reverse its decisions with respect to designated fund balances at any time.

Redevelopment Agency of the City of Roseville

This Fund accounts for the Redevelopment (RDA) activity including capital projects in the downtown redevelopment area funded by tax allocation bonds. The RDA issued $22.945 million in tax allocation bonds in 2006. In addition the RDA owes other City funds $13.5 million, which will be repaid from future tax increment revenues.

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Community Facilities District Projects

This Fund accounts for capital expenditures on community facilities districts in the City. The purpose of these districts is to finance the construction of capital improvements within the boundaries of each district, through the contribution of Mello-Roos bond proceeds. The improvements are contributed to the City, which in turn acquires and pays for these facilities from the developers who actually construct the improvements. In fiscal year 2007, the Fund received $71.5 million in such contributions from property-owners and developers, and expended $68.6 million in capital outlay on facilities in community facilities districts. The largest projects underway in fiscal year 2007 were improvements to the West Roseville area.

Other Governmental Funds

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

Proprietary Funds

Electric Fund

Net assets of the Electric Fund increased $7.2 million in fiscal year 2007 to a total of $282.4 million. Operating income for fiscal year 2007 is $4.6 million, a decrease of $7.7 million from 2006, due for the most part from higher purchased power costs. Electric retail sales increased by $10.4 million in 2007. However, purchased power expenses increased $33.8 million with a corresponding increase of $16.2 million of sale of wholesale power. Rates are anticipated to be increased in fiscal years 2008 and 2009.

Of the fund's Net Assets of $282.4 million, $156.0 million was invested in capital assets, $17.1 million was restricted and $109.3 million was unrestricted.

Water Fund

Net assets of the Water Fund increased $42.1 million in fiscal year 2007. Operating income is $0.3 million, an increase of $4.0 million from the $3.7 million loss in 2006, as a 10.5% rate increase was implemented in April 2007. Operating revenues increased $1.5 million in fiscal year 2007, while expenses decreased $2.4 million to a total of $14.6 million. Rates are anticipated to be increased in fiscal year 2008. Capital connection fees were $8.8 million (a decrease of $0.6 million, as growth has stabilized), and contributions from developers were $33.6 million in fiscal year 2007, an increase of $13.0 million, while net transfers out were $3.7 million.

As of June 30, 2007, the Fund's Net Assets were $413.3 million, of which $383.2 million was invested in capital assets, $2.6 million was restricted for debt service and $27.5 million was unrestricted as to use.

Wastewater Fund

Operating revenues increased in fiscal year 2007 $3.4 million to a total of $22.5 million. Operating expenses increased to $25.3 million, up $1.6 million. The net result was an operating loss of $2.8 million, of which $9.9 million was depreciation. Rates are anticipated to be increased in fiscal year 2008. Other items that affected net assets were: connection fees of $10.4 million (up $4.7 million as non-residential growth increased); capital contributions of $23.4 million and $7.4 million, respectively, from developers and South Placer Wastewater Authority; and net transfers out of $4.3 million. The total increase to net assets was $39.9 million for fiscal year 2007 to a total of $515.6 million. As of June 30, 2007, of the Fund's Net Assets, $377.1 million was invested in capital assets, and $138.5 million was unrestricted.

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Solid Waste Fund

Revenues increased $1.0 million to $18.6 million and expenses increased $0.9 million to $15.1 million in fiscal year 2007. As a result, net operating income increased minimally to $3.5 million. In addition, a new capital impact fee was established in fiscal year 2007. The fees collected totaled $1.2 million. Rates are anticipated to be increased in fiscal year 2008. Net transfers out were $2.6 million. As of June 30, 2007, total net assets were $4.3, an increase of $2.2 million.

Roseville Natural Gas Financing Authority

This fund was created as the financing mechanism to purchase pre-paid natural gas for the recently constructed Roseville Energy Park (REP), an electric power plant, through the issuance of revenue bonds. $224.1 million in bonds were issued, which includes $14.7 million in deferred premium, for the purchase of pre-paid natural gas of $212.7 million. $4.9 million in debt service were expensed as of 2007. The REP is expected to start receiving natural gas in early 2008.

Golf Course Fund

Revenues and expenses remained relatively flat in fiscal year 2007 at $3.2 million and $2.1 million, respectively. As a result, the Fund's net assets were stable at $9.2 million. The Fund is financed in part by advances from other City funds; as a result, it has a deficit in its unrestricted net assets, partially offsetting the $10.2 million it has invested in capital assets, net of the related debt.

Local Transportation Fund

Net assets of the Fund increased $7.6 million in fiscal year 2007 to a total of $21.1 million. Most of the increase was due to the increase of subventions and grants of $12.1 million. There was a $4.7 million operating loss in fiscal year 2007, but most of the loss was offset by the above mentioned subventions and grants. As of June 30, 2007, the Fund's Net Assets were $21.1 million, of which $6.9 million was invested in capital assets and $14.2 million was restricted for use in local transportation.

School-Age Child Care Fund

Net assets of the Fund remained relatively flat with a slight decrease of $0.04 million in fiscal year 2007 to a total of $0.84 million. Revenues stayed relatively flat and expenses were up $0.4 million. As of June 30, 2007, the Fund's Net Assets were $0.84 million. $0.95 million were invested in capital assets, which leaves a negative $0.11 million in unrestricted net assets.

CAPITAL ASSETS

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

Table 7
Capital Assets at Year End
(in Millions)

	Balance at June 30, 2007	Balance at June 30, 2006
Governmental Activities		
Land	$ 23.3	$ 22.6
Streets (modified)	209.7	166.9
Parks (modified)	68.9	60.3
Landscaping (modified)	35.6	29.1
Construction in Progress	131.7	126.8
Buildings	80.0	79.9
Improvements	4.7	4.7
Equipment	57.1	52.6
Bike Paths	7.7	7.2
Bridges	49.4	46.6
Culverts	19.7	18.9
Curb, Gutter, Sidewalk, & Median Curbs	129.8	120.7
Drain Inlets	20.0	18.9
Flood Control Improvements	17.3	17.3
Soundwall	24.2	21.4
Stormdrains	62.3	51.3
Traffic Signals	20.7	18.9
Less: Accumulated Depreciation	(187.0)	(175.7)
Governmental Activity Capital Assets, Net	**$775.1**	**$688.4**

	Balance at June 30, 2007	Balance at June 30, 2006
Business-Type Activities		
Land	$ 16.1	$ 16.1
Landscaping (modified)	0.6	0.6
Construction in Progress	269.8	163.4
Buildings	17.6	12.0
Improvements	11.2	11.0
Machinery and Equipment	17.1	16.2
Bike Paths	1.1	1.1
Plant and Substations	286.2	283.3
Distribution	929.1	846.5
Less: Accumulated Depreciation	(215.4)	(193.8)
Business-Type Activity Capital Assets, Net	**$1,333.4**	**$1,156.4**

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

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

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

At June 30, 2007, the City's streets averaged 7.7 PQI for arterial and collector roadways and 8.0 PQI for residential roadways. The City expended $9.2 million on preservation of its streets in fiscal year 2007, compared to the budgeted amount of $5.5, and plans to spend $5.9 million in fiscal year 2008.

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

At June 30, 2007, the City's parks and landscaping averaged 2 GMI. The City expended $5.0 million on preservation of its parks and landscaping in fiscal year 2007, compared to the $5.1 budgeted, and plans to spend $5.3 million in fiscal year 2008.

DEBT ADMINISTRATION

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

Table 8
Outstanding Debt
(in Millions)

	Balance at June 30, 2007	Balance at June 30, 2006
Governmental Activity Debt:		
Certificates of Participation:		
2003 Public Facilities Bond, 2.0%-5.0%, due 8/1/25	$16.49	$17.11
Tax Allocation Bonds		
2002 Roseville Redevelopment Project 3%-5.14% due 9/1/33	13.46	13.74
2006 Roseville Redevelopment Project, Series A 4.5%-5.00% due 9/1/40	13.15	0.0
2006 Roseville Redevelopment Project, Series A-T 5.31%-5.90% due 9/1/28	3.29	0.0
2006 Roseville Redevelopment Project, Series H-T 5.31%-6.07% due 9/1/40	6.51	0.0
Installment Purchase Obligations		
Equipment	2.39	2.40
Other Long Term Obligations:		
Foothill Blvd. Extension, due 4/1/07	0.0	0.0
Total Governmental Activity Debt:	**$55.29**	**$33.3**

	Balance at June 30, 2007	Balance at June 30, 2006
Business-type Activity Debt:		
Certificates of Participation:		
1997 Electric System Revenue, 3,6%-5.25%, due 2/1/17	$ 0.0	$ 0.33
1999 Electric System Revenue, 4.0%-5.5%, due 2/1/24	1.11	1.63
2002 Electric System Revenue, Variable Rate, due 2/1/24	25.39	25.62
Less deferred amount on refunding	(2.92)	(3.09)
2004 Electric System Revenue, 3.0-5.25%, due 2/1/34	39.61	39.94
2005 Electric System Revenue,Series A, 3.0-5.0%, due 2/1/23	52.90	52.90
2005 Electric System Revenue,Series B, Variable Rate, due 2/1/35	90.00	90.00
2005 Electric System Revenue,Series C, Variable Rate, due 2/1/35	60.00	60.00
2003 Golf Course Project, 2.0-5.0%, due 8/1/23	7.31	7.63
1997 Water Utility Revenue, 3.9%-5.2%, due 12/1/18	23.35	24.74
Total Certificates of Participation	**296.75**	**299.70**
Revenue Bonds:		
2000 Wastewater Revenue Bonds, Series A, 3.8%-5.5%, due 11/1/27	6.19	7.59
2000 Variable Rate Demand Wastewater Revenue Bonds, Series B, variable rate, due 11/1/35	37.92	37.92
2003 Wastewater Refunding Revenue Bonds, variable rate, due 11/1/27	50.66	51.01
Less deferred amount on refunding	(5.28)	(5.54)
2007 Gas Revenue Bonds variable rate, due 2/15/28	209.35	0.0
Add deferred bond premium cost	14.72	
Total Revenue Bonds	**313.56**	**90.98**
Other Long Term Obligations:		
Notes, 5%, due 10/1/17	0.16	0.17
Total Business-type Activity Debt:	**$610.47**	**$390.85**

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COMMUNITY FACILITIES/ASSESSMENT DISTRICTS DEBT

Community facilities districts and assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction in their respective districts. As of June 30, 2007, a total of $404.4 million in community facilities district and assessment district debt was outstanding, representing fourteen issues by community facilities districts and one issue by assessment districts. This debt is secured only by special tax liens and assessments on the real property in the district issuing the debt and is not the City's responsibility; however, the City does act as the agent in the collection and remittance of special taxes and assessments for these Districts. Further detail on this debt may be found in Note 10 to the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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CITY OF ROSEVILLE

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

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

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

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

CITY OF ROSEVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments in City Treasury (Note 3)	$262,962,965	$134,186,501	$397,149,466
Restricted cash and investments with fiscal agents (Note 3)	66,257,080	51,180,494	117,437,574
Receivables:			
Taxes	1,906,989	34,608	1,941,597
Accounts	1,996,162	24,108,682	26,104,844
Accrued interest	2,919,787	1,718,859	4,638,646
Due from other government agencies	9,327,978	13,091,806	22,419,784
Internal balances (Note 4D)	4,058,676	(4,058,676)	
Prepaids	86,355		86,355
Deferred receivables (Note 6)	2,518,298	639,064	3,157,362
Notes receivable (Note 5)	12,518,139		12,518,139
Notes receivable from NCPA (Note 15B)		176,054	176,054
Inventories (Note 1I)	1,520,803	8,891,446	10,412,249
Land held for redevelopment (Note 7D)	4,749,958		4,749,958
Prepaid purchased electricity (Note 14)		3,800,909	3,800,909
Prepaid purchased gas (Note 19)		212,661,363	212,661,363
Unamortized bond origination costs		1,316,330	1,316,330
Investment in NCPA reserves (Note 15)		3,786,593	3,786,593
Investment in SPWA reserves (Note 16)		115,434,780	115,434,780
Capital assets (Note 8):			
Land and construction in progress	469,163,009	286,508,252	755,671,261
Capital assets being depreciated, net	305,921,360	1,046,885,157	1,352,806,517
Total assets	1,145,907,559	1,900,362,222	3,046,269,781
LIABILITIES			
Accounts payable	29,274,881	15,363,004	44,637,885
Accrued liabilities	3,212,494	7,592,920	10,805,414
Developer agreement payable	51,346		51,346
Due to other governments	7,942,330	3,017,133	10,959,463
Deposits	*5,566,109*	*3,010,959*	*8,577,068*
Unearned revenues	2,098,760	8,613,466	10,712,226
Deferred liabilities		156,377	156,377
Landfill closure and post closure liability (Note 17)		3,546,209	3,546,209
Compensated absences (Note 1G):			
Due within one year	402,421	3,983,974	4,386,395
Due in more than one year	8,586,271	2,699,430	11,285,701
Self-insurance claims payable and litigation settlement (Note 13)			
Due within one year	621,500		621,500
Due in more than one year	5,789,500		5,789,500
Long-term liabilities (Note 9):			
Due within one year	1,590,991	6,068,755	7,659,746
Due in more than one year	53,694,716	604,409,303	658,104,019
Total liabilities	118,831,319	658,461,530	777,292,849
NET ASSETS (Note 11)			
Invested in capital assets, net of related debt	742,822,158	938,933,934	1,681,756,092
Restricted for:			
Capital projects:			
Expendable	134,436,899		134,436,899
Nonexpendable	16,833,979		16,833,979
Debt service	1,477,535	20,356,973	21,834,508
Community development projects	24,441,584		24,441,584
Local transportation		14,196,638	14,196,638
Total restricted net assets	177,189,997	34,553,611	211,743,608
Unrestricted net assets	107,064,085	268,413,147	375,477,232
Total net assets	$1,027,076,240	$1,241,900,692	$2,268,976,932

See accompanying notes to financial statements

CITY OF ROSEVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	$30,929,747	$3,980,445	$125,952	$3,463,172	($23,360,178)		($23,360,178)
Community development and planning	13,171,347	3,543,270	1,401,618	348,811	(7,877,648)		(7,877,648)
Public works	42,070,119	9,246,666	96,482	16,108,160	(16,618,811)		(16,618,811)
Police	27,440,631	2,346,493	689,444	1,266,689	(23,138,005)		(23,138,005)
Fire	20,572,207	1,505,547	910,790	2,314,147	(15,841,723)		(15,841,723)
Library	3,552,614	235,231	191,090	16,043	(3,110,250)		(3,110,250)
Parks and recreation	17,634,887	4,167,719	40,059	5,230,512	(8,196,597)		(8,196,597)
Community facilities districts				73,020,933	73,020,933		73,020,933
Housing assistance payments	3,328,656		3,790,886		462,230		462,230
Interest on long-term debt	4,920,776				(4,920,776)		(4,920,776)
Total Governmental Activities	163,620,984	25,025,371	7,246,321	101,768,467	(29,580,825)		(29,580,825)
Business-type Activities:							
Electric	131,224,885	130,264,098		14,792,387		$13,831,600	13,831,600
Water	15,855,579	14,938,665	1,868,419	42,457,157		43,408,662	43,408,662
Wastewater	28,948,611	22,455,645		50,023,669		43,530,703	43,530,703
Solid Waste	15,182,395	18,575,194	102,421	1,153,426		4,648,646	4,648,646
Natural Gas	5,152,447					(5,152,447)	(5,152,447)
Golf Course	2,351,603	3,162,637				811,034	811,034
Local Transportation	5,410,630	739,826	12,075,393	27,199		7,431,788	7,431,788
School-age Child Care	4,825,366	4,845,460	281,984			302,078	302,078
Total Business-type Activities	208,951,516	194,981,525	14,328,217	108,453,838		108,812,064	108,812,064
Total	$372,572,500	$220,006,896	$21,574,538	$210,222,305	(29,580,825)	108,812,064	79,231,239
General revenues:							
Taxes:							
Property taxes					38,737,491		38,737,491
Sales taxes					44,772,743		44,772,743
Franchise taxes					1,429,155		1,429,155
Motor fuel taxes					1,999,542		1,999,542
Other taxes					3,529,485		3,529,485
Intergovernmental, unrestricted:							
Motor vehicle in lieu					565,719		565,719
Use of money and property					14,208,032	11,359,783	25,567,815
Miscellaneous revenues					2,926,467		2,926,467
Transfers (Note 4)					25,223,297	(25,223,297)	
Total general revenues and transfers					133,391,931	(13,863,514)	119,528,417
Change in Net Assets					103,811,106	94,948,550	198,759,656
Net Assets-Beginning					923,265,134	1,146,952,142	2,070,217,276
Net assets-Ending					$1,027,076,240	$1,241,900,692	$2,268,976,932

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City in fiscal 2007. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE FUND

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

COMMUNITY FACILITIES DISTRICT PROJECTS FUND

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

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CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General	Redevelopment Agency	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments in City Treasury (Note 3)	$56,250,561	$8,547,664	$9,848,403	$127,589,411	$202,236,039
Restricted cash and investments with fiscal agents (Note 3)	-	23,676,458	39,713,778	2,826,844	66,217,080
Receivables:					
Taxes	1,558,162	348,827			1,906,989
Accounts	1,777,379			207,648	1,985,027
Accrued interest	2,296,653	160,293	242,063	1,956,930	4,655,939
Due from other government agencies	6,608,756			2,704,267	9,313,023
Due from other funds (Note 4B)	2,183,406			250,000	2,433,406
Advances to other funds (Note 4C)	7,655,536			4,250,000	11,905,536
Prepaids	86,355				86,355
Deferred receivables (Note 6)	1,615			2,516,683	2,518,298
Notes receivable (Note 5)	126,123	2,252,949		10,139,067	12,518,139
Inventories (Note 1I)	570,390				570,390
Land held for redevelopment (Note 7D)		4,749,958			4,749,958
Total Assets	$79,114,936	$39,736,149	$49,804,244	$152,440,850	$321,096,179
LIABILITIES					
Accounts payable	$4,507,003	$1,492,353	$16,255,426	$6,663,691	$28,918,473
Accrued liabilities	2,068,349	10,433		184,071	2,262,853
Due to other funds (Note 4B)		990,000		1,303,230	2,293,230
Due to other government agencies	20,286			7,922,044	7,942,330
Developer agreement payable		51,346			51,346
Advances from other funds (Note 4C)		12,534,737		500,000	13,034,737
Deposits	4,959,503	6,606		600,000	5,566,109
Deferred revenue	1,761,312	2,252,949		5,379,618	9,393,879
Deferred liabilities		3,011,620		359,467	3,371,087
Total Liabilities	13,316,453	20,350,044	16,255,426	22,912,121	72,834,044
FUND BALANCES (Note 11)					
Reserved for:					
Advances	7,655,536			4,250,000	11,905,536
Inventories	570,390				570,390
Encumbrances	4,983,242	326,819		4,990,369	10,300,430
Capital projects			33,548,818		33,548,818
Deferred receivables and notes receivable	126,123			26,992	153,115
Prepaids	86,355				86,355
Low and moderate income housing		3,385,277			3,385,277
Debt service		23,769,447		1,477,535	25,246,982
Unreserved.					
Designated for economic reserve	12,498,500				12,498,500
Reported in Capital Projects Funds:					
Designated for carryover of capital improvement projects	2,184,196			20,128,123	22,312,319
Unreserved, undesignated, reported in:					
General Fund	37,694,141				37,694,141
Special Revenue Funds		(8,095,438)		81,821,731	73,726,293
Permanent Funds				16,833,979	16,833,979
TOTAL FUND BALANCES	65,798,483	19,386,105	33,548,818	129,528,729	248,262,135
Total Liabilities and Fund Balances	$79,114,936	$39,736,149	$49,804,244	$152,440,850	$321,096,179

See accompanying notes to financial statements

CITY OF ROSEVILLE
Reconciliation of
GOVERNMENTAL FUNDS -- FUND BALANCE
with the Governmental Activities
NET ASSETS
JUNE 30, 2007

TOTAL FUND BALANCES -- TOTAL GOVERNMENTAL FUND	$248,262,135
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	775,084,369
ALLOCATION OF INTERNAL SERVICE FUND NET ASSET	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.	
Cash and investments	60,766,926
Accounts receivable	11,135
Accrued interest	1,634,935
Due from other government agencies	14,955
Inventories	950,413
Accounts payable	(588,865)
Accrued liabilities	(42,781)
Self-insurance claims payable	(6,411,000)
Compensated absences	(339,565)
Internal balances	5,047,701
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSE	
Revenues which are deferred on the Fund Balance Sheets, because they are not available currently, are taken into revenue in the Statement of Activities.	7,295,119
LONG-TERM ASSETS AND LIABILITIE	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Long-term debt	(55,285,707)
Interest payable and other accrued liabilities, included in accrued liabilities	(906,860)
Non-current portion of compensated absences	(8,416,670)
NET ASSETS OF GOVERNMENTAL ACTIVITIE	$1,027,076,240

See accompanying notes to financial statements

CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	General	Redevelopment Agency of the City of Roseville	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$80,837,720	$6,737,370		$5,925,137	$93,500,227
Licenses and permits	2,762,883				2,762,883
Charges for services	17,817,204			22,484,621	40,301,825
Subventions and grants	2,983,171	106,623		9,655,126	12,744,920
Use of money and property	3,549,717	1,353,209	$3,607,885	8,432,385	16,943,196
Fines, forfeitures and penalties	918,024			1,440,718	2,358,742
Contributions from property owners			71,488,795		71,488,795
Contributions from developers	605,891	845	3,984	980,339	1,591,059
Miscellaneous revenues	3,748,628	62,083	1,398,154	4,077,258	9,286,123
Total Revenues	113,223,238	8,260,130	76,498,818	52,995,584	250,977,770
EXPENDITURES					
Current:					
General government	28,021,122			1,699,757	29,720,879
Community development and planning	5,029,833	3,242,564		3,689,082	11,961,479
Public works	13,563,220			3,384,664	16,947,884
Public safety:					
Police	28,988,754				28,988,754
Fire	19,977,075			742,643	20,719,718
Library	3,508,834			12,000	3,520,834
Parks and recreation	14,885,622			3,069,460	17,955,082
Housing assistance payments				3,328,656	3,328,656
Capital outlay	9,035,596	11,614,800	68,606,144	36,169,534	125,426,074
Payments under development agreements (Note 7A)	2,396,314				2,396,314
Debt service:					
Principal retirement	154,893	275,000		776,910	1,206,803
Interest and fiscal charges	16,713	2,154,657		2,352,355	4,523,725
Total Expenditures	125,577,976	17,287,021	68,606,144	55,225,061	266,696,202
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,354,738)	(9,026,891)	7,892,674	(2,229,477)	(15,718,432)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of bonds (Note 9)	270,524	22,945,000			23,215,524
Transfers in (Note 4A)	23,944,594	5,597,668	400,000	24,284,966	54,227,228
Transfers (out) (Note 4A)	(10,374,335)	(230,933)	(3,112,936)	(17,932,052)	(31,650,256)
Total Other Financing Sources (Uses)	13,840,783	28,311,735	(2,712,936)	6,352,914	45,792,496
NET CHANGE IN FUND BALANCES	1,486,045	19,284,844	5,179,738	4,123,437	30,074,064
Fund balances at beginning of period	64,312,438	101,261	28,369,080	125,405,292	218,188,071
FUND BALANCES AT END OF PERIOD	$65,798,483	$19,386,105	$33,548,818	$129,528,729	$248,262,135

See accompanying notes to financial statements

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CITY OF ROSEVILLE
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$30,074,064
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	99,875,126
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of 3,798,375 which has already been allocated to serviced funds.)	(12,590,000)
Loss on retirement of capital assets (Internal service fund retirement of $32,037 has already been deducted from capital assets)	(2,906,319)
LONG-TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Proceeds from the issuance of debt and capital assets are deducted from fund balance	(23,215,524)
Repayment of debt principal is added back to fund balance	1,210,026
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Long-term compensated absences	(1,261,245)
Interest payable and accrued liabilities, included in accrued liabilities	(397,051)
Deferred revenues	1,684,900
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Assets - All Internal Service Funds	11,337,129
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$103,811,106

See accompanying notes to financial statements

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CITY OF ROSEVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Taxes	$80,480,790	$82,504,670	$80,837,720	($1,666,950)
Licenses and permits	4,917,810	2,917,810	2,762,883	(154,927)
Charges for services	14,664,817	16,250,317	17,817,204	1,566,887
Subventions and grants	1,805,917	3,385,183	2,983,171	(402,012)
Use of money and property	1,763,780	2,093,750	3,549,717	1,455,967
Fines, forfeitures and penalties	711,500	711,500	918,024	206,524
Contributions from developers	2,000	2,000	605,891	603,891
Miscellaneous revenues	1,647,170	2,090,244	3,748,628	1,658,384
TOTAL REVENUES	105,993,784	109,955,474	113,223,238	3,267,764
EXPENDITURES				
Current:				
General government				
Council				
Salaries and benefits	38,340	44,220	41,860	2,360
Operating services and supplies	424,110	415,110	358,626	56,484
City attorney				
Salaries and benefits	1,280,944	1,180,944	988,399	192,545
Operating services and supplies	196,715	192,077	218,706	(26,629)
City manager				
Salaries and benefits	1,700,186	1,700,186	1,594,734	105,452
Operating services and supplies	415,640	400,795	287,510	113,285
Finance				
Salaries and benefits	5,633,381	5,627,381	5,387,013	240,368
Operating services and supplies	2,068,160	2,042,690	1,541,601	501,089
Human resources				
Salaries and benefits	1,715,249	1,692,799	1,643,234	49,565
Operating services and supplies	772,190	771,915	657,137	114,778
Information technology				
Salaries and benefits	4,288,146	4,288,146	4,030,581	257,565
Operating services and supplies	2,992,742	2,920,627	2,072,149	848,478
City clerk				
Salaries and benefits	692,929	692,929	649,530	43,399
Operating services and supplies	273,586	272,186	174,626	97,560
Economic development				
Salaries and benefits	305,001	295,001	314,460	(19,459)
Operating services and supplies	177,524	184,999	187,143	(2,144)
Central services				
Salaries and benefits	3,518,679	3,509,339	3,297,506	211,833
Operating services and supplies	3,966,508	6,482,519	4,576,307	1,906,212
Community development and planning				
Housing				
Salaries and benefits	197,858	197,858	253,376	(55,518)
Operating services and supplies	152,430	150,080	108,247	41,833
Community development				
Salaries and benefits	1,337,722	1,337,722	1,162,739	174,983
Operating services and supplies	372,473	365,403	320,729	44,674
Planning				
Salaries and benefits	2,586,616	2,586,616	2,304,013	282,603
Operating services and supplies	1,184,182	1,437,737	880,729	557,008

(Continued)

CITY OF ROSEVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
Public works				
Salaries and benefits	$11,215,198	$11,202,448	$9,404,100	$1,798,348
Operating services and supplies	5,219,785	5,193,732	4,159,120	1,034,612
Public safety				
Police				
Salaries and benefits	23,904,172	24,381,859	23,854,743	527,116
Operating services and supplies	5,426,895	5,990,667	5,134,011	856,656
Fire				
Salaries and benefits	16,951,844	17,522,449	17,762,980	(240,531)
Operating services and supplies	2,915,718	2,972,622	2,214,095	758,527
Library				
Salaries and benefits	3,122,703	3,122,703	2,715,536	407,167
Operating services and supplies	1,040,245	1,107,985	793,298	314,687
Parks and recreation				
Salaries and benefits	10,760,445	10,715,865	9,835,805	880,060
Operating services and supplies	5,119,220	5,265,371	5,049,817	215,554
Capital outlay	21,446,518	25,302,800	9,035,596	16,267,204
Payments under development agreements	2,311,230	2,396,314	2,396,314	
Debt service:				
Principal	913,735	154,893	154,893	
Interest and fiscal charges	670,606	670,606	16,713	653,893
TOTAL EXPENDITURES	147,309,625	154,789,593	125,577,976	29,211,617
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	270,524	270,524	270,524	
Transfers in	22,865,470	26,398,931	23,944,594	(2,454,337)
Transfers (out)	(5,295,819)	(11,815,160)	(10,374,335)	1,440,825
Total Other Financing Sources (Uses)	17,840,175	14,854,295	13,840,783	(1,013,512)
NET CHANGE IN FUND BALANCE	($23,475,666)	($29,979,824)	1,486,045	$31,465,869
Fund balance at beginning of year			64,312,438	
Fund balance at end of yea			$65,798,483	

See accompanying notes to financial statements

CITY OF ROSEVILLE
REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance
	Original	Final	Final	Positive (Negative)
REVENUES				
Taxes	$6,118,890	$6,522,720	$6,737,370	$214,650
Subventions and grants	1,604,316	2,508,466	106,623	(2,401,843)
Use of money and property	158,310	158,310	1,353,209	1,194,899
Contributions from developers		850	845	(5)
Miscellaneous revenues		1,610	62,083	60,473
Total revenues	7,881,516	9,191,956	8,260,130	(931,826)
EXPENDITURES				
Community development and planning				
Community services				
Salaries and benefits	879,399	840,369	422,118	418,251
Operating services and supplies	1,587,109	553,990	972,242	(418,252)
Pass-through payments	1,806,940	1,620,540	1,848,204	(227,664)
Capital outlay		14,116,584	11,614,800	2,501,784
Debt service:				
Principal			275,000	(275,000)
Interest and fiscal charges	521,000	1,100,910	2,154,657	(1,053,747)
Total expenditures	4,794,448	18,232,393	17,287,021	945,372
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds		22,945,000	22,945,000	
Transfers in	1,223,780	1,850,000	5,597,668	3,747,668
Transfers out	(2,467,075)	(555,159)	(230,933)	324,226
Total Other Financing Sources (Uses)	(1,243,295)	24,239,841	28,311,735	4,071,894
NET CHANGE IN FUND BALANCE	$1,843,773	$15,199,404	19,284,844	$4,085,440
Fund balance at beginning of year			101,261	
Fund balance at end of yea:			$19,386,105	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2007.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

ELECTRIC FUND

This fund accounts for all financial transactions relating to the City's Electric service. Services are on a user charge basis to residents and business owners located in Roseville.

WATER FUND

This fund accounts for all financial transactions relating to the City's Water service. Services are on a user charge basis to residents and business owners located in Roseville.

WASTEWATER FUND

This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Roseville.

SOLID WASTE FUND

This fund accounts for all financial transactions relating to the City's Solid Waste service. Services are on a user charge basis to residents and business owners located in Roseville.

ROSEVILLE NATURAL GAS FINANCING AUTHORITY

This fund accounts for financing and purchasing pre-paid natural gas for the generation of power for the Roseville Energy Park.

GOLF COURSE FUND

This fund accounts for all financial transactions associated relating to the development, operation and maintenance of the City's public golf courses.

LOCAL TRANSPORTATION FUND

This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

SCHOOL-AGE CHILD CARE FUND

This fund accounts for the receipt of parent fees and State grants used to finance child development programs.

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Business-type Activities-Enterprise Funds									Governmental Activities-
	Electric	Water	Wastewater	Solid Waste	Roseville Natural Gas Financing Authority	Golf Course	Local Transportation	School-Age Child Care	Totals	Internal Service Funds
ASSETS										
Current Assets:										
Cash and investments in City Treasury (Note 3)	$79,276,615	$27,211,635	$13,251,406	$3,716,962		$1,812,246	$8,525,867	$391,770	$134,186,501	$60,726,926
Restricted cash and investments with fiscal agents (Note 3)	37,298,468	2,612,417			$10,645,177	624,432			51,180,494	40,000
Receivables:										
Taxes	34,608								34,608	
Accounts	15,705,683	3,032,021	2,265,898	2,291,058		162,234	2,485	649,303	24,108,682	11,135
Accrued interest	1,117,920	245,838	129,926	36,888		51,098	133,473	3,716	1,718,859	1,634,935
Due from other government agencies	6,535	73,002	5,614,484				7,333,578	64,207	13,091,806	14,955
Due from other funds (Note 4B)	1,504		205,500				28,806		235,810	934,099
Advance to other funds (Note 4C)							500,000		500,000	
Inventories (Note 1I)	7,404,805	1,318,152	71,084	97,405					8,891,446	950,413
Total Current Assets	140,846,138	34,493,065	21,538,298	6,142,313	10,645,177	2,650,010	16,524,209	1,108,996	233,948,206	64,312,463
Noncurrent Assets:										
Deferred receivables (Note 6)	598,669	37,227	3,168						639,064	
Notes receivable from NCPA (Note 15B)	176,054								176,054	
Prepaid purchased electricity (Note 14)	3,800,909								3,800,909	
Prepaid purchased gas (Note 19)					212,661,363				212,661,363	
Unamortized bond origination costs	554,841	507,864				253,625			1,316,330	
Investment in NCPA reserves (Note 15)	3,786,593								3,786,593	
Investment in SPWA reserves (Note 16)			115,434,780						115,434,780	
Advances to other funds (Note 4C)			1,339,890						1,339,890	4,648,201
Capital assets (Note 8):										
Land and construction in progress	207,310,403	46,869,130	22,152,540	1,344,274		6,007,666	2,380,913	443,326	286,508,252	
Capital assets being depreciated, net	217,665,548	359,654,738	449,744,589	3,269,359		11,491,015	4,555,083	504,825	1,046,885,157	16,180,584
Total Noncurrent Assets	433,893,017	407,068,959	588,674,967	4,613,633	212,661,363	17,752,306	6,935,996	948,151	1,672,548,392	20,828,785
Total Assets	574,739,155	441,562,024	610,213,265	10,755,946	223,306,540	20,402,316	23,460,205	2,057,147	1,906,496,598	85,141,248
LIABILITIES										
Current Liabilities:										
Accounts payable	10,571,031	3,110,835	604,496	604,033		23,882	411,228	37,499	15,363,004	588,865
Accrued liabilities	2,498,356	382,660	228,405	115,068	4,133,820	123,235	29,557	81,819	7,592,920	42,781
Due to other government agencies	16,464		3,000,669						3,017,133	
Due to other funds (Note 4B)	200,000			205,500	1,504	127,000		241,482	775,486	534,599
Current portion of compensated absences (Note 1G)	2,181,926	615,597	624,920	289,695			80,855	190,981	3,983,974	169,964
Current portion of long-term debt (Note 9)	2,455,000	1,471,351	1,817,404			325,000			6,068,755	
Deposits	2,943,887	52,000				1,437	135	13,500	3,010,959	
Unearned revenue	6,436,195						1,772,569	404,702	8,613,466	
Self-insurance claims payable (Note 13)										621,500
Total Current Liabilities	27,302,859	5,632,443	6,275,894	1,214,296	4,135,324	600,554	2,294,344	969,983	48,425,697	1,957,709
Long-Term Liabilities:										
Deferred liabilities	17,574			108,192				30,611	156,377	
Advances from other funds (Note 4C)	200,000			1,339,890		3,639,000		180,000	5,358,890	
Notes payable (Note 9)		149,895							149,895	
Certificates of participation (Note 9)	266,565,000	21,885,000				6,985,000			295,435,000	
Unamortized loss on refunding (Note 9)	(2,921,277)		(5,278,241)						(8,199,518)	
Revenue bonds (Note 9)			92,955,720		224,068,206				317,023,926	
Landfill closure and post closure liability (Note 17)				3,546,209					3,546,209	
Compensated absences (Note 1G)	1,188,589	556,036	622,861	259,217			33,227	39,500	2,699,430	169,601
Self-insurance claims payable (Note 13)										5,789,500
Total Long-Term Liabilities	265,049,886	22,590,931	88,300,340	5,253,508	224,068,206	10,624,000	33,227	250,111	616,170,209	5,959,101
Total Liabilities	292,352,745	28,223,374	94,576,234	6,467,804	228,203,530	11,224,554	2,327,571	1,220,094	664,595,906	7,916,810
NET ASSETS (Note 11)										
Invested in capital assets, net of related debt	155,955,951	383,167,517	377,124,005	4,613,633		10,188,681	6,935,996	948,151	938,933,934	16,180,584
Restricted for debt service	17,120,633	2,612,320				624,020			20,356,973	
Restricted for local transportation							14,196,638		14,196,638	
Unrestricted	109,309,826	27,558,813	138,513,026	(325,491)	(4,896,990)	(1,634,939)		(111,098)	268,413,147	61,043,854
Total Net Assets (Deficit)	$282,386,410	$413,338,650	$515,637,031	$4,288,142	($4,896,990)	$9,177,762	$21,132,634	$837,053	$1,241,900,692	$77,224,438

See accompanying notes to financial statements

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds									Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Solid Waste	Roseville Natural Gas Financing Authority	Golf Course	Local Transportation	School-Age Child Care	Totals	
OPERATING REVENUES										
Charges for services	$111,715,490	$13,623,055	$22,312,214	$18,144,018		$3,148,566	$631,633	$4,845,460	$174,420,436	$21,919,180
Sale of wholesale power	17,247,459								17,247,459	
Other	1,301,149	1,315,610	143,431	431,176		14,071	108,193		3,313,630	2,587,208
Total Operating Revenues	130,264,098	14,938,665	22,455,645	18,575,194		3,162,637	739,826	4,845,460	194,981,525	24,506,388
OPERATING EXPENSES										
Purchased power	102,413,597								102,413,597	
Operations	14,330,023	4,531,198	14,790,805	14,317,013		1,604,474	4,191,390	4,797,282	58,562,185	13,748,421
Administration	2,461,590	4,045,133	626,647	606,492			494,953		8,234,815	
Depreciation and amortization	6,496,179	6,054,317	9,870,725	193,112		447,990	724,287	14,523	23,801,133	3,789,375
Claims expense										1,516,411
Total Operating Expenses	125,701,389	14,630,648	25,288,177	15,116,617		2,052,464	5,410,630	4,811,805	193,011,730	19,054,207
Operating Income (Loss)	4,562,709	308,017	(2,832,532)	3,458,577		1,110,173	(4,670,804)	33,655	1,969,795	5,452,181
NONOPERATING REVENUES (EXPENSES)										
Interest and rents revenue	7,007,226	2,334,244	720,053	169,933	$255,457	216,658	652,110	4,102	11,359,783	2,985,944
Interest and fiscal charges (expense)	(2,800,756)	(1,224,931)	(3,660,434)	(65,778)	(4,135,505)	(299,139)		(13,561)	(12,200,104)	
Cost of issuance					(1,752,852)				(1,752,852)	
Amortization of bond premium					735,910				735,910	
Subventions and grants		1,868,419		102,421			12,075,393	281,984	14,328,217	
Increase (decrease) in NCPA reserves	1,777,634								1,777,634	
Increase (decrease) in SPWA reserves			8,866,468						8,866,468	
Other	(2,722,740)								(2,722,740)	252,679
Net Nonoperating Revenues (Expenses)	3,261,364	2,977,732	5,926,087	206,576	(4,896,990)	(82,481)	12,727,503	272,525	20,392,316	3,238,623
Income (Loss) Before Contributions and Transfers	7,824,073	3,285,749	3,093,555	3,665,153	(4,896,990)	1,027,692	8,056,699	306,180	22,362,111	8,690,804
Capital contributions - connection/impact fees		8,820,363	10,408,763	1,153,426					20,382,552	
Contribution in aid of construction	7,409,833								7,409,833	
Capital contributions from developers	5,604,920	33,636,794	23,398,144				27,199		62,667,057	
Capital contributions from SPWA member agencies			7,350,294						7,350,294	
Transfers in (Note 4A)	30,000	1,284,676		623,743			1,112,300	28,528	3,079,247	5,359,712
Transfers (out) (Note 4A)	(13,671,556)	(4,963,841)	(4,341,427)	(3,211,040)		(169,043)	(1,570,547)	(375,090)	(28,302,544)	(2,713,387)
Change in net assets	7,197,270	42,063,741	39,909,329	2,231,282	(4,896,990)	858,649	7,625,651	(40,382)	94,948,550	11,337,129
Total net assets-beginning	275,189,140	371,274,909	475,727,702	2,056,860		8,319,113	13,506,983	877,435	1,146,952,142	65,887,309
Total net assets-endin[g]	$282,386,410	$413,338,650	$515,637,031	$4,288,142	($4,896,990)	$9,177,762	$21,132,634	$837,053	$1,241,900,692	$77,224,438

See accompanying notes to financial statements

B-29

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds									Governmental Activities-
	Electric	Water	Wastewater	Solid Waste	Roseville Natural Gas Financing Authority	Golf Course	Local Transportation	School-Age Child Care	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	$91,410,867	$14,059,865	$21,944,318	$17,889,819		$3,056,826	($3,813,037)	$4,818,197	$149,366,855	$21,922,882
Payments to suppliers	(116,129,714)	(939,335)	(10,127,982)	(10,774,831)	($208,527,543)	(1,732,407)	(3,930,948)	(759,902)	(352,922,662)	(11,297,876)
Payments to employees	(9,448,330)	(6,395,873)	(4,967,483)	(4,318,103)			(726,495)	(4,004,345)	(29,860,629)	(1,943,046)
Claims paid										(3,575,411)
Other receipts	1,301,149	1,315,610	143,431	431,176		14,071	108,193		3,313,630	2,587,208
Net cash provided by operating activities	(32,866,028)	8,040,267	6,992,284	3,228,061	(208,527,543)	1,338,490	(8,362,287)	53,950	(230,102,806)	7,693,757
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
(Increase) decrease in due from other funds	(1,504)		(7,890)				(28,806)		(38,200)	(594,599)
Increase (decrease) in due to other funds	200,000			7,890	1,504			219,233	428,627	133,737
(Increase) decrease in advance to other funds			205,500				(500,000)		(294,500)	459,500
Increase (decrease) in advances from other funds	200,000			(205,500)		(127,000)		(120,000)	(252,500)	
Transfers in	30,000	1,284,676		623,743			1,112,300	28,528	3,079,247	5,359,712
Transfers (out)	(13,671,556)	(4,963,841)	(4,341,427)	(3,211,040)		(169,043)	(1,570,547)	(375,090)	(28,302,544)	(2,713,387)
Cash Flows from Noncapital Financing Activities	(13,243,060)	(3,679,165)	(4,143,817)	(2,784,907)	1,504	(296,043)	(987,053)	(247,329)	(25,379,870)	2,644,963
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Capital contributions	13,014,753	33,636,794					27,199		46,678,746	
Acquisition and construction of capital assets, net	(84,999,604)	(71,665,940)	(309,384)	(960,981)		(283,123)	(1,776,583)		(159,995,615)	(6,100,929)
Transfer of connection fees to SPWA			(7,624,321)						(7,624,321)	
Change in restricted assets	118,667,989	79			(10,645,177)	(219)			108,022,672	
Principal payments on capital debt	(1,400,000)	(1,405,811)				(320,000)			(3,125,811)	
Interest paid on capital debt	(2,628,915)	(1,224,930)		(65,778)		(299,139)			(4,218,762)	
Subventions and grants	(69,625)	1,863,839	(4,376,024)	210,814			5,055,715	243,366	2,928,085	
Connection fees		8,820,363	10,408,763	1,153,426					20,382,552	
Other	(2,722,740)								(2,722,740)	252,679
Cash Flows from Capital and Related Financing Activities	39,861,858	(29,975,606)	(1,900,966)	337,481	(10,645,177)	(902,481)	3,306,331	243,366	324,806	(5,848,250)
CASH FLOWS FROM INVESTING ACTIVITIES										
Proceeds from non-capital debt					224,804,116				224,804,116	
Interest paid on non-capital debt					(5,888,357)				(5,888,357)	
Interest and dividends	6,768,085	2,504,134	675,907	155,137	255,457	200,923	578,693	3,007	11,141,343	2,692,386
Cash Flows from Investing Activities	6,768,085	2,504,134	675,907	155,137	219,171,216	200,923	578,693	3,007	230,057,102	2,692,386
Net increase (decrease) in cash and cash equivalents	520,855	(23,110,370)	1,623,408	935,772		340,889	(5,464,316)	52,994	(25,100,768)	7,182,856
Cash and investments at beginning of period	78,755,760	50,322,005	11,627,998	2,781,190	-	1,471,357	13,990,183	338,776	159,287,269	53,584,070
Cash and investments at end of period	$79,276,615	$27,211,635	$13,251,406	$3,716,962		$1,812,246	$8,525,867	$391,770	$134,186,501	$60,766,926
NONCASH TRANSACTIONS:										
Contribution of SPWA capital assets to City			$15,698,823						$15,698,823	
Principal retirement of SPWA Revenue Bonds			(1,746,982)						(1,746,982)	
Interest on SPWA Revenue Bonds			(3,670,198)						(3,670,198)	
Contribution of capital assets from developers			23,398,144						23,398,144	
Retirement of capital assets	($138,762)	($1,448,248)	(22,508)	($30,648)					(1,640,166)	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:										
Operating income (loss)	$4,562,709	$308,017	($2,832,532)	3,458,577		$1,110,173	($4,670,804)	$33,655	1,969,795	$5,452,181
Adjustments to reconcile operating income to net cash provided by operating activities:										
Depreciation and amortization	6,496,179	6,054,317	9,870,725	193,112		447,990	724,287	14,523	23,801,133	3,789,375
Change in assets and liabilities:										
Receivables, net	(2,557,044)	432,810	(367,896)	(254,199)		(82,855)	10,202	(80,855)	(2,899,837)	(69,917)
Inventories	(1,713,766)	670,648	(4,092)	29,747					(1,017,463)	
Prepaids purchased gas					($212,661,363)				(212,661,363)	620,524
Accounts and other payables	(39,634,328)	574,475	326,079	(199,176)	4,133,820	(136,818)	28,945	33,938	(34,873,065)	(2,098,406)
Deferred revenue	(19,778)						(4,454,917)	52,689	(4,422,006)	
Net cash provided by operating activities	($32,866,028)	$8,040,267	$6,992,284	$3,228,061	($208,527,543)	$1,338,490	($8,362,287)	$53,950	($230,102,806)	$7,693,757

See accompanying notes to financial statements

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FIDUCIARY FUNDS

Fiduciary funds are presented separately from the Government-wide and Fund financial statements. The City had the following types of fiduciary funds in Fiscal 2007:

Endowment Private-Purpose Trust funds are used to account for trust arrangements under which principal and income benefit private organizations.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

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CITY OF ROSEVILLE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Endowment Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments in Treasury (Note 3)	$2,251,422	$196,546,701
Restricted cash and investments with fiscal agents (Note 3)		51,685,766
Accounts receivable		160,654
Accrued interest receivable	27,021	2,090,470
Due from other government agencies		4,624,110
Deferred receivable		62,966
Total Assets	2,278,443	$255,170,667
LIABILITIES		
Accounts payable		$5,133,092
Accrued liabilities		306,288
Due to other government agencies		13,014
Due to member agencies		185,290,250
Due to bondholders		62,337,426
Due to others		2,090,597
Total Liabilities		$255,170,667
NET ASSETS		
Held in trust for private purpose	$2,278,443	

See accompanying notes to financial statements

CITY OF ROSEVILLE
ENDOWMENT PRIVATE-PURPOSE TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

ADDITIONS	
Contributions from developers	$108,653
Contributions from the City	36,940
Investment income	106,498
Total additions	252,091
DEDUCTIONS	
Payments in accordance with trust agreements	2,243
Change in net assets	249,848
Net assets - beginning	2,028,595
Net assets - end	$2,278,443

See accompanying notes to financial statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Roseville was incorporated on April 10, 1909 under provisions of Act 279, P.A. 1909, as amended (Home Rule City). The City operates under the Council Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, water, solid waste, electric, local transportation, school-age child care, golf course, parks recreation, public improvements, planning and zoning, library, general administration services, redevelopment and housing.

The financial statements and accounting policies of the City conform with generally accepted accounting principles in the United States of America applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. This City's component units which are described below are all blended.

The **Redevelopment Agency of the City of Roseville** is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Agency of the City of Roseville Special Revenue Fund.

The **Roseville Finance Authority** is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Roseville Finance Authority Debt Service Fund and Capital Projects Fund.

The **City of Roseville Housing Authority** is a separate government entity whose purpose is to assist with the housing for the City's low and moderate income residents. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Housing Authority Section 8 Special Revenue Fund.

Financial statements for the Redevelopment Agency may be obtained from the City of Roseville at 311 Vernon Street, Roseville, California, 95678. Separate financial statements for the Roseville Finance Authority and Roseville Housing Authority are not issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The California Joint Powers Risk Management Authority, the Local Agency Workers' Compensation, Excess Joint Powers Authority, the Roseville-Placer County Civic Center Improvement Authority, the Highway 65 Joint Powers Authority, the Disaster Recovery Joint Powers Authority, and the South Placer Wastewater Authority are not included in the accompanying basic financial statements because they do not meet the above financial accountability criteria as these entities are administered by governing boards separate from and wholly independent of the City.

B. Basis of Presentation

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

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government, the City and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary,* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

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

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

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

The City reported all its enterprise funds as major funds in the accompanying financial statements:

Electric Fund - This fund accounts for all financial transactions relating to the City's Electric service. Services are on a user charge basis to residents and business owners located in Roseville.

Water Fund - This fund accounts for all financial transactions relating to the City's Water service. Services are on a user charge basis to residents and business owners located in Roseville.

Wastewater Fund - This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Roseville.

Solid Waste Fund - This fund accounts for all financial transactions relating to the City's Solid Waste service. Services are on a user charge basis to residents and business owners located in Roseville.

Roseville Natural Gas Financing Authority - This fund accounts for financing and purchasing pre-paid natural gas for the generation of power for the Roseville Energy Park.

Golf Course Fund – This fund accounts for all financial transactions associated relating to the development, operation and maintenance of the City's public golf courses.

Local Transportation Fund – This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School-age Child Care Fund – This fund accounts for the receipt of parent fees and State grants used to finance child development programs.

The City also reports the following fund types:

Internal Service Funds. The funds account for automotive services, automotive replacement, worker's compensation, general liability, unemployment reserve, vision, dental, section 125, post retirement, and central stores; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. The Endowment Private-Purpose Trust Fund and the Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. *Basis of Accounting*

The government-wide, proprietary, and private-purpose trust fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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Those revenues susceptible to accrual are property, sales and franchise taxes, certain other intergovernmental revenues, certain charges for services and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

E. *Revenue Recognition For Electric, Water, Wastewater, and Solid Waste Funds*

Revenues are recognized based on cycle billings rendered to customers. All residential and commercial utility customers are billed once per month. There are twenty billing cycles per month which include all types of customers, based on their location within the City. Revenues for services provided but not billed at the end of a fiscal year are accrued.

Contributions of cash or assets to proprietary funds from state and federal agencies, developers and others are recorded as revenue.

F. *Property Tax*

Placer County assesses properties and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the county, which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

G. *Compensated Absences*

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, a liability of these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. The remaining portion is recorded as a liability in the Statement of Net Assets. Proprietary funds' liability for compensated absences is recorded in each proprietary fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$7,594,950	$5,113,984	$12,708,934
Additions	1,626,199	1,632,525	3,258,724
Payments	(232,457)	(63,105)	(295,562)
Ending Balance	$8,988,692	$6,683,404	$15,672,096
Current Portion	$402,421	$3,983,974	$4,386,395

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund and the Redevelopment Agency of the City of Roseville Special Revenue Fund.

H. Postemployment Heath Care Benefits

The City provides health care benefits for 347 retired employees and spouses based on negotiated employee bargaining unit contracts. Substantially, all of the City's employees hired before January 1, 2004 may become eligible for those benefits if they reach the normal retirement age and have a minimum five years of service while working for the City. Employees hired after January 1, 2004 may become eligible for those benefits if they reach the normal retirement age and have years of service credit that range from 10 to 20 years with the City's contributions ranging from 50% to 100%, respectively. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the year ending June 30, 2007, those costs totaled $2,512,642.

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I. Inventories

Inventories are valued at cost, using the weighted-average method. Inventories of the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the General Fund at the time individual inventory items are consumed. Reported General Fund inventories are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets. Inventories of the Enterprise Funds consist primarily of merchandise held for internal consumption.

J. New Funds

The FEMA Special Revenue Fund, the Bike Trail/Open Space Maintenance Fund, the Roseville Natural Gas Authority Enterprise Fund, the Diamond Creek Community Facilities District #1 Agency Fund, and the Fountains Community Facilities District #1 Agency Fund were established in fiscal year 2007.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgeting Procedures

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted through passage of a minute order and ordinance.

4. The City Manager or designee is authorized to apply prudent monitoring procedures to assure that actual expenditures/expenses of the City do not exceed the appropriations by department of the major summary categories (salaries and benefits, operating services and supplies, capital outlay, and capital improvement projects) in conformance with the adopted policies set by the City Council. Additional appropriations or interfund transfers not included in the original budget ordinance require approval by the City Council.

5. Expenditures may not legally exceed budgeted appropriations at the department level by major summary category within each fund.

6. Formal budgetary integration is employed as a management control device during the year.

7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. Budgets are adopted for all governmental funds.

   The following funds are budgeted on a project basis. Such budgets are based on a project time frame, rather than a fiscal year "operating" time frame, whereby unused appropriations continue until project completion:

   i. Special Revenue Funds
      1. Traffic Mitigation
      2. State Gasoline Tax
      3. Park Development
      4. Pleasant Grove Drain Basin
      5. Tree Propagation

   ii. Capital Project Funds
      1. Community Facilities District
      2. Building

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. *Encumbrances*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

C. *Excess of Expenditures or Expenses over Appropriations*

The Funds below incurred expenditures in excess of their budgets in the amounts below. Sufficient resources were available within each department to finance these overages.

Fund	Department	Amount
General Fund:		
	Housing	
	Salaries and benefits	$55,518
	Economic development	
	Salaries and benefits	19,459
	Operating services & supplies	2,144
	Fire	
	Salaries and benefits	240,531
	City attorney	
	Operating services & supplies	26,629
Redevelopment Agency Special Revenue Fund:		
	Community development and planning	
	Pass-through payments	227,664
	Debt service:	
	Principal	275,000
	Interest and fiscal charges	1,549,547
Community Block Grant/HOME Special Revenue Fund:		
	Community services	
	Operating services & supplies	433,994
	Housing	
	Salaries and benefits	13,527
Housing Authority Section 8 Special Revenue Fund:		
	Housing	
	Salaries and benefits	390,863
	Operating services & supplies	44,241
	Housing assistance payments	3,328,656
Affordable Housing Special Revenue Fund:	Housing	
	Operating services & supplies	53,386
Roseville Financing Authority Special Revenue Fund:		
	Debt service:	
	Interest and fiscal charges	1,537,912
	General government	936,494

NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

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

A. *Classification*

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

Cash and investments in City Treasury	$397,147,962
Restricted cash and investments with fiscal agents	117,439,078
Total City cash and investments with primary government	514,587,040
Cash and investments in Fiduciary Funds (Separate statement)	250,483,890
Total Cash and Investments	$765,070,930

Cash and investments as of June 30, 2007 consist of the following:

Cash in bank and on hand	$35,236,082
Investments	729,834,848
Total Cash and Investments	$765,070,930

Cash and investments with original maturities of three months or less are treated as cash and equivalents for purpose of preparing Proprietary Fund statements of cash flows. Also, each Proprietary Funds' portion of the City's overall cash and investment pool is treated as cash and equivalents since these amounts are in substance demand deposits.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 Years	None	None	None
U.S. Agency Securities	5 Years	None	None	None
Mortgage Pass-Through Securities	5 Years	None	20%	None
Forward Delivery Agreements (A)	N/A	A	None	None
Local Agency Bonds	5 Years	None	None	None
Repurchase Agreements	30 days	None	None	None
Bankers' Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	A-1	25%	10% (B)
Medium-Term Notes	5 Years	AA	30%	None
Collateralized Time Deposits	5 Years	None	None	None
Negotiable Certificates of Deposit	5 Years	AA	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None
Insured Saving Accounts	N/A	None	None	None
Money Market Mutual Funds	N/A	None	20%	10%
Shares in a California Common Law Tr	N/A	None	None	None
Interest Rate Swaps (C)	N/A	None	None	None

(A) In specified fund accounts where liquidity is not the primary investment objective, the maximum maturity can be up to ten years with granted express authority by the City Council. Such investments cannot be made less than three months following the approval of extended investment terms. All longer-term investments must be Federal Treasury or Agency securities. The specified fund accounts are:

- Citizens Benefit Permanent Fund
- Roseville Aquatics Complex Maintenance Permanent Fund
- Endowment Private-purpose Trust Fund
- All future trust and/or endowment funds established by the City with no anticipated use of principal

(B) Eligible Commercial Paper may not represent more than 10% of the outstanding paper of an issuing corporation.

(C) Interest rate swaps may only be used in conjunction with enterprise fund debt or investments, not the General Fund. Currently, the City does not participate in any Forward Delivery Agreements. Pursuant to its function as custodian and investment manager of the South Placer Wastewater Authority, the City invested certain Authority funds in Forward Delivery Agreements which are investments with fixed maturities and which bear interest at a variable rate. To hedge against changes in short-term interest rates, the Authority entered into a swap agreement to create a synthetic fixed interest rate on one of the Forward Delivery Agreements. Risks associated with the Forward Delivery Agreement and associated swap agreement are those of the Authority and not those of the City. Details of the swap agreement and associated risks may be found in the Basic Financial Statements of the Authority.

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	N/A	None
U.S. Agency Securities	N/A	None
Certificates of Deposit	N/A - 30 days	None to A-1
Time Deposits	N/A - 30 days	None to A-1
Repurchase Agreements	N/A	None to A
Bankers' Acceptances	N/A - 270 days	None to A-1
Money Market Funds	N/A	None to Aam-G
Taxable Governmental Money Market Portfolio	N/A	None
Commercial Paper (A)	180-270 days	A-1 to AA
Special Revenue Bonds	N/A	AA
Pre-refunded Municipal Obligations	N/A	AAA
Municipal Obligations	N/A	AAA
Common Law Trust	N/A	None
California Asset Management Pool (CAMP)	N/A	None
Lawful Investment	N/A	None
Investment Agreements	N/A	A+ to AA
Local Agency Investment Fund (LAIF)	N/A	None
Placer County Investment Pool	N/A	None

(A) Maximum investment in one issuer of Commercial Paper is 10% of the outstanding bond proceeds.

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City also manages its interest rate risk by holding most investments to maturity, thus reversing unrealized market gains and losses.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	Remaining Maturity (in Months)				
	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months	Total
U.S. Government Securities	$10,426,299	$42,925,445	$12,360,760		$65,712,504
Federal Agency Securities	85,462,187	172,858,675	113,060,629	$11,099,152	382,480,643
Corporate Notes	9,309,945	19,677,169	4,923,010		33,910,124
Forward Delivery Agreement			56,013,059	8,908,460	64,921,519
Forward Purchase Agreement				10,644,515	10,644,515
Commercial Paper	15,843,305				15,843,305
Guaranteed Investment Contracts	54,151,583	14,086,690	3,024,659	26,163,922	97,426,854
Repurchase Agreement				4,905,395	4,905,395
Money Market Mutual Funds (U.S. Securities)	23,707,335				23,707,335
Local Agency Investment Fund	16,355,741				16,355,741
California Asset Management Pool	11,852,902				11,852,902
Collateralized Time Deposits	2,074,011				2,074,011
Total Investments	$229,183,308	$249,547,979	$189,382,117	$61,721,444	$729,834,848

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. At June 30, 2007 the fair value was $7,444 less than the City's cost. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2007 for each investment type as provided by Standard and Poor's investment rating system:

	AAA	AA	AA-	A+	A-1+	Total
Investments:						
Federal Agency Securities	$382,480,643					$382,480,643
Corporate Notes	2,758,062	$13,537,427	$17,614,635			33,910,124
Forward Delivery Agreement		56,013,059	7,169,494	$1,738,966		64,921,519
Forward Purchase Agreement		10,644,515				10,644,515
Commercial Paper					$15,843,305	15,843,305
Guaranteed Investment Contracts	68,396,189	11,540,578		17,490,087		97,426,854
Repurchase Agreements		4,905,395				4,905,395
Money Market Mutual Funds (U S. Securities)	23,707,335					23,707,335
Totals	$477,342,229	$96,640,974	$24,784,129	$19,229,053	$15,843,305	633,839,690
Exempt from Credit Rate Disclosure:						
U.S. Government Securities						65,712,504
Not Rated:						
Local Agency Investment Fund						16,355,741
California Asset Management Pool						11,852,902
Collateralized Time Deposits						2,074,011
Total Investments						$729,834,848

F. *Concentration of Credit Risk*

Investments in any one issuer, other than U. S. Treasury securities, money market mutual funds, California Local Agency Investment Fund, and California Asset Management Pool, that represent 5% or more of total Entity-wide investments are as follows at June 30, 2007:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agency Securities	$137,220,680
Federal National Mortgage Association	Federal Agency Securities	121,713,275
Federal Home Loan Mortgage Corporation	Federal Agency Securities	96,990,702

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments in any one issuer that represent 5% or more of total investments by individual funds were as follows at June 30, 2007:

Fund	Issuer	Investment Type	Amount
Major Governmental Funds:			
Redevelopment Agency of City of Roseville	Wells Fargo	Investment Agreement	$23,023,496
Major Enterprise Funds:			
Electric	AIG	Investment Agreement	10,916,558
	FSA Capital Management	Investment Agreement	17,523,225
	Federal Home Loan Mortgage Corporation	Federal Agency Securities	10,786,643
	Federal Home Loan Bank	Federal Agency Securities	20,285,559
	Federal National Mortgage Association	Federal Agency Securities	14,055,063
Roseville Natural Gas Financing Authority	Wachovia Bank	Investment Agreement	10,644,515
Water	Trinity Plus Finding	Investment Agreement	2,612,320
	Federal Home Loan Mortgage Corporation	Federal Agency Securities	2,309,691
	UBS Finance Corporation	Commercial Paper	2,421,078
	Bank of America	Commercial Paper	2,338,111
	Dexia	Commercial Paper	2,686,538
Golf Course	AIG	Investment Contract	624,020
Fiduciary Funds:	Morgan Stanley	Investment Contract	17,490,087
	J.P. Morgan	Forward Delivery Agreement	56,013,059
	Federal Home Loan Mortgage Corporation	*Federal Agency Securities*	*14,194,670*
	Federal Home Loan Bank	Federal Agency Securities	19,256,748

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NOTE 4 - INTERFUND TRANSACTIONS

A. *Transfers Among Funds*

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2007 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
General Fund	Redevelopment Agency of the City of Roseville	$111,320	(A)
	Community Facilities District Projects	531,111	(F)
	Non-Major Governmental Funds	4,546,190	(B),(C)
	Electric Enterprise Fund	10,427,244	(D)
	Water Enterprise Fund	3,183,558	(E)
	Wastewater Enterprise Fund	1,946,675	(E)
	Solid Waste Enterprise Fund	1,561,108	(E)
	Golf Course Enterprise Fund	162,917	(C)
	Local Transportation Enterprise Fund	178,111	(C)
	School-Age Child Care Enterprise Fund	375,090	(C)
	Internal Service Funds	921,270	(C)
Redevelopment Agency of the City of Roseville Fund	General Fund	4,847,668	(F)
	Non-Major Governmental Funds	750,000	(F)
Community Facilities District Projects Fund	Non-Major Governmental Funds	400,000	(F)
Non-Major Governmental Funds	General Fund	3,248,186	(A)
	Redevelopment Agency of the City of Roseville	119,613	(A)
	Community Facilities District Capital Projects Fund	1,498,331	(F)
	Non-Major Governmental Funds	10,819,371	(F)
	Electric Enterprise Fund	2,706,593	(B)
	Water Enterprise Fund	1,137,545	(D)
	Wastewater Enterprise Fund	1,063,996	(D)
	Solid Waste Enterprise Fund	617,327	(D)
	Local Transportation Enterprise Fund	1,377,550	(E)
	Internal Service Funds	1,696,454	(F)
Electric Enterprise Fund	Water Enterprise Fund	30,000	(B)
Water Enterprise Fund	Wastewater Enterprise Fund	860,838	(C)
	Solid Waste Enterprise Fund	423,838	(C)
Solid Waste Enterprise Fund	Non-Major Governmental Funds	7,595	(B)
	Water Enterprise Fund	308,074	(F)
	Wastewater Enterprise Fund	308,074	(F)
Local Transportation Enterprise Fund	Community Facilities District Capital Projects Fund	1,083,494	(F)
	Non-Major Governmental Funds	28,806	(F)
School-Age Child Care Enterprise Fund	Non-Major Governmental Funds	28,528	(F)
Internal Service Funds	General Fund	2,278,481	(E)
	Non-Major Governmental Funds	1,351,562	(E)
	Electric Enterprise Fund	537,719	(E)
	Water Enterprise Fund	304,664	(E)
	Wastewater Enterprise Fund	161,844	(E)
	Solid Waste Enterprise Fund	608,767	(E)
	Golf Course Enterprise Fund	6,126	(E)
	Local Transportation Enterprise Fund	14,886	(E)
	Internal Service Funds	95,663	(E)
Total Interfund Transfers		$62,666,187	

(A) To fund operation and fund indirect costs.
(B) Transfer to fund operations and indirect costs.
(C) To pay for indirect costs.
(D) To transfer in lieu franchise fees and fund indirect costs.
(E) Recurring transfers.
(F) To fund various projects in the capital funds or pay debt service.

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2007 interfund balances comprised the following:

Due From Other Funds	Due To Other Funds	Amount	
General Fund	Redevelopment Agency of the City of Roseville Special Revenue Fund	$940,000	(A)
	School-Age Child Care Enterprise Fund	181,482	(B)
	Traffic Safety Special Revenue Fund	192,641	(B)
	FEMA Special Revenue Fund	588,781	(B)
	Community Development Block Grant/HOME Special Revenue Fund	274,044	(B)
	Roseville Aquatics Complex Maintenance Permanent Fund	6,458	(B)
Special Revenue Fund:			
Affordable Housing	Redevelopment Agency of the City of Roseville Special Revenue Fund	50,000	(A)
Traffic Mitigation	Electric Enterprise Fund	200,000	(A)
Enterprise Funds:			
Electric Fund	Roseville Natural Gas Financing Authority Enterprise Fund	1,504	(B)
Wastewater Fund	Solid Waste Enterprise Fund	205,500	(A)
Local Transportation Fund	FEMA Special Revenue Fund	28,806	(B)
Internal Service Fund:			
Automotive Replacement	Traffic Mitigation Special Revenue Fund	212,500	(A)
	Golf Course Enterprise Fund	127,000	(A)
	School-Aged Child Care Enterprise Fund	60,000	(A)
	Automotive Services Internal Service Fund	534,599	(A)
		$3,603,315	

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C. *Long-Term Interfund Advances*

At June 30, 2007 the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
Special Revenue Funds:		
Redevelopment Agency of the City of Roseville	General Fund	$7,655,536
	State Gasoline Tax Special Revenue Fund	3,900,000
	Affordable Housing Special Revenue Fund	150,000
	Automotive Replacement Internal Service Fund	829,201
State Gasoline Tax	Local Transportation Enterprise Fund	500,000
Enterprise Funds:		
Electric	Traffic Mitigation Fund	200,000
Solid Waste	Wastewater Enterprise Fund	1,339,890
Golf Course	Automotive Replacement Internal Service Fund	3,639,000
School-Age Child Care	Automotive Replacement Internal Service Fund	180,000
		$18,393,627

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Redevelopment Agency advance consists of three advances: (1) Advances in the amount of $7,634,737 will be repaid in fiscal year 2029. This advance bears interest at the average interest rate of the City's pooled investments. (2) Advance in the amount of $1,000,000 bears interest at 3.15% and will be repaid in fiscal year 2023. (3) Advances in the amount of $3,900,000 bear no interest and will be repaid in fiscal year 2029.

State Gasoline Tax advance bears interest at the average interest rate of the City's pooled investments. It will be repaid in fiscal year 2008.

Electric advance bears interest at the average interest rate of the City's pooled investments. It will be repaid over a period of two years and will be repaid in fiscal year 2009.

Solid Waste advance bears interest at 3.94%. It will be repaid over a period of 10 years and will be repaid in 2016.

Golf Course advance bears interest from 3.5-4.0%. It will be repaid over a period of 27 years and will be repaid in 2029.

School-Age Child Care advance will be repaid over five years beginning in fiscal year 2007. This advance bears interest at the average interest rate of the City's pooled investments and interest is to be paid at the end of the loan.

D. *Internal Balances*

Internal balances are presented in the City-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 - NOTES RECEIVABLE

The City and Agency engage in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these notes are expected to be repaid in full, their balance has been offset in the fund financial statements by deferred revenue or a reservation of fund balance as they are not expected to be repaid during fiscal year 2007. These notes receivable comprised the following at June 30, 2007:

Notes	$468,777
Employee Notes	111,771
Housing Rehabilitation and Affordable Housing Notes	5,110,681
First Time Home-Buyer Notes	6,797,932
Housing Elevation Notes	28,978
Total	$12,518,139

NOTE 5 - NOTES RECEIVABLE (Continued)

A. *Notes Receivable*

The City has provided loans to various homeowners and businesses for rehabilitation due to flood damage. The maximum loan amount is $5,000 carrying various interest rates and payment dates. Although these notes are expected to be repaid in full, their balance has been offset by a reservation of fund balance. The balance of these notes receivable at June 30, 2007 was $6,633.

In fiscal year 1989, the City made a loan to a property owner in the amount of $7,719, secured by a first deed of trust. The note did not bear interest and payment was deferred. The balance of this note has been offset by a reservation of fund balance.

The Agency engages in a commercial rehabilitation program designed to aid small business owners in renovating and rehabilitating commercial property in need of repair. These notes will be forgiven at the end of the Owner Participation Agreement term, which is five to fifteen years, if the property has not been sold. If the property is sold prior to the completion of the agreement term, a proportionate amount of the note will be forgiven. The notes are secured by a deed of trust on the property. At June 30, 2007, $454,425 in notes had been issued to thirteen property owners.

B. *Employee Notes Receivable*

All full-time and part-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to $2,500 to purchase a computer. All requests for loans are subject to review by the Information Technology Department and must be approved by the Human Resources Director. Repayment of these loans is handled through payroll deductions which are spread out equally over a two year period. Employees must pay off any outstanding balance on their loans upon ending employment with the City. As of June 30, 2007, 93 employees had $111,771 in notes due to the City.

C. *Housing Rehabilitation and Affordable Housing Notes Receivable*

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset with the liability, Due to Other Governments, as they are not expected to be repaid during fiscal year 2007 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the notes receivable arising from these programs at June 30, 2007 was $5,110,681.

D. *First Time Home-Buyer Notes Receivable*

The City and the Agency engage in a first time home-buyer program designed to encourage home ownership among low-income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by due to other governments and deferred revenue as they are not expected to be repaid during fiscal year 2007 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the notes receivable arising from this program at June 30, 2007 was $6,797,932.

NOTE 5 - NOTES RECEIVABLE (Continued)

E. *Housing Elevation Notes Receivable*

In fiscal 1997, the Federal Emergency Management Agency (FEMA) approved Hazard Mitigation Grant Program funds to be used for residential home elevation projects in the City at a maximum of $33,934 per household, with the total federal share not to exceed $1,493,096. The City provides matching funds to each eligible household at a maximum of $5,000 in the form of a zero percent, deferred loan payable upon sale, change of title or change of use (See Note 4A above). As of June 30, 2007, eleven loans funded through the FEMA Hazard Mitigation Grant Program were outstanding with a total balance of $28,978.

NOTE 6 - DEFERRED RECEIVABLES

The City has entered into a number of agreements with developers to defer permit fees for various projects within the City. The terms of these agreements call for various interest rates and payment dates. Although these fees are expected to be repaid in full, their balance has been offset by deferred revenue in governmental funds, as they are not expected to be repaid early enough to be treated as a current asset. The long-term portion of these receivables at June 30, 2007 was $3,157,362, which has been classified as deferred receivables, and the short-term portion of these receivables, which totaled $526,749 at June 30, 2007, is included in accounts receivable.

NOTE 7 – DEVELOPMENT AGREEMENTS AND LAND HELD FOR REDEVELOPMENT

The City may enter into development agreements in an effort to provide incentives to develop new businesses and new tax revenues. The substance of these agreements is that developers or other public agencies will be paid a portion of future sales tax or traffic mitigation fee revenues produced by their developments. These payments are conditioned on the generation of sales tax revenues or traffic mitigation fee revenues by these developments and the City is not required to use any other resources to pay these amounts.

A. *Galleria at Roseville*

In fiscal 2001, the City entered into a lease agreement with the Galleria at Roseville regional mall. The purpose of this agreement was to share revenue with the mall developers based on the generation of certain levels of sales tax. The Developer agreed to construct the mall, along with water and storm sewer mains, a bike trail, pedestrian walks, landscaping, parking areas and infrastructure improvements to surrounding streets. The mall opened for business in August 2000 and the term of the revenue sharing agreement commenced on that date. The remaining portion of sales tax revenues to be returned approximated $15 million at June 30, 2007. The agreement terminates in 2017, regardless of whether this amount has been returned; after that date all future sales tax revenues remain with the City. During fiscal year 2007 payments made to the developer under the agreement totaled $2,396,314.

NOTE 7 – DEVELOPMENT AGREEMENTS AND LAND HELD FOR REDEVELOPMENT (Continued)

B. Civic Plaza Project

In fiscal 2004, the Agency agreed to sell four parcels of land to Vernon Street Associates, LLC for $150,000, for the purpose of the construction of an office complex and public parking garage. Two of the parcels were owned by the Agency and two by the City. The City parcels were conveyed to the Agency in fiscal 2007 and subsequently all four parcels were sold to the Developer. The office complex is being built on the land sold to the Developer and is funded by the Developer. The developer has agreed to construct the parking garage for the Agency funded by $5,817,000 of bond proceeds from the Agency's 2002 Tax Allocation Bonds, a $360,000 contribution from the Developer, and a $900,000 contribution from the General Fund. In addition, the Developer has agreed to contribute $20,000 annually, plus an inflationary escalator beginning in 2010, towards the maintenance and operation costs of the parking garage. The Agency increased the project contract amount in fiscal 2007 by $2.2 million, funded by an additional $111,415 from the 2002 Tax Allocation Bonds and $2.1 million from the City's General Fund. Construction is expected to be completed in October 2007.

C. Loan for 112 Pacific Street

In fiscal 2007, the Agency entered into an Owner Participation Agreement with MSR Properties, LLC. The Agency agreed to loan MSR Properties, LLC, $200,000 for the redeveloped residential property located at 112 Pacific Street in Historic Old Town. The loan bears 5.25% interest and payment is deferrable for 15 years, subject to certain conditions The loan will be repaid inclusive of the principal amount, plus the greater of the deferred accumulated interest or proportionate share of the appreciation if the property. The loan is secured by a deed of trust. The Developer has agreed to maintain the second story residential units as efficiency units through the duration of the loan.

D. Land held for resale

In April 2007, the Agency purchased a parcel located at 8051 Washington Boulevard. On June 30, 2007, the Agency also owned the parcel located at 238 Vernon Street. Both parcels are held by the Agency for resale in the future. They are accounted for the lower of cost or net realizable value. On June 30, 2007, total value of these parcels amounted to $4,749,958.

CITY OF ROSEVILLE
Notes to Basic Financial Statements

NOTE 8 – CAPITAL ASSETS

A. Policies

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the "modified approach" is used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives and capitalization thresholds listed below to capital assets:

	Useful Lives	Capitalization Thresholds
Buildings	20-40 years	$10,000
Improvements	40 years	10,000
Machinery and Equipment	3-12 years	5,000
Bike Paths	20 years	10,000
Bridges	90 years	10,000
Culverts	75 years	10,000
Curb, Gutter, Sidewalks & Median Curbs	20 years	10,000
Drain Inlets	50 years	10,000
Flood Control Improvements	75 years	10,000
Soundwall	35 years	10,000
Stormdrains	75 years	10,000
Traffic Signals	20 years	10,000
Plants and Substations:		
Electric	10-120 years	10,000
Sewer	15-60 years	10,000
Water	15-75 years	10,000
Electric Improvements:		
Electric	7-100 years	10,000
Sewer	75 years	10,000
Water	75 years	10,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

NOTE 8 - CAPITAL ASSETS (Continued)

B. *Capital Asset Additions and Retirements*

Capital assets at June 30 comprise:

	Balance at June 30, 2006	Additions	Retirements	Transfers	Balance at June 30, 2007
Governmental activities					
Capital assets not being depreciated:					
Land	$22,583,531	$744,228			$23,327,759
Streets (modified)	166,849,987	7,065,421	($828,282)	$36,601,723	209,688,849
Parks (modified)	60,252,352	5,112,589		3,512,496	68,877,437
Landscaping (modified)	29,138,661	2,557,694		3,905,727	35,602,082
Construction in progress	126,843,367	65,590,235	(1,990,179)	(58,776,541)	131,666,882
Total capital assets not being depreciated	405,667,898	81,070,167	(2,818,461)	(14,756,595)	469,163,009
Capital assets being depreciated:					
Buildings	79,895,972	117,322			80,013,294
Improvements	4,747,378				4,747,378
Equipment	52,578,388	9,232,838	(5,217,131)	543,978	57,138,073
Bike paths	7,233,994			467,910	7,701,904
Bridges	46,590,903	109,802		2,697,565	49,398,270
Culverts	18,927,555	49,740		681,815	19,659,110
Curb, gutter, sidewalk, & median curbs	120,717,966	4,097,622		4,981,184	129,796,772
Drain inlets	18,893,305	490,190		586,547	19,970,042
Flood control improvements	17,292,946				17,292,946
Soundwall	21,363,476	1,406,039		1,384,543	24,154,058
Stormdrains	51,310,310	9,434,370		1,578,564	62,323,244
Traffic signals	18,920,469			1,834,489	20,754,958
Total capital assets being depreciated	458,472,662	24,937,923	(5,217,131)	14,756,595	492,950,049
Less accumulated depreciation for:					
Buildings	(29,605,891)	(1,966,234)			(31,572,125)
Improvements	(926,666)	(129,449)	10,332		(1,045,783)
Equipment	(33,507,113)	(5,194,912)	5,086,904	13,192	(33,601,929)
Bike paths	(3,618,784)	(371,130)			(3,989,914)
Bridges	(5,349,838)	(533,273)			(5,883,111)
Culverts	(3,405,512)	(257,245)			(3,662,757)
Curb, gutter, sidewalk, & median curbs	(70,353,573)	(5,030,236)			(75,383,809)
Drain inlets	(5,343,961)	(388,632)			(5,732,593)
Flood control improvements	(1,290,653)	(230,573)			(1,521,226)
Soundwall	(3,908,337)	(650,251)			(4,558,588)
Stormdrains	(8,032,771)	(757,556)			(8,790,327)
Traffic signals	(10,403,453)	(869,882)		(13,192)	(11,286,527)
Total accumulated depreciation	(175,746,552)	(16,379,373)	5,097,236		(187,028,689)
Net capital assets being depreciated	282,726,110	8,558,550	(119,895)	14,756,595	305,921,360
Governmental activity capital assets, net	$688,394,008	$89,628,717	($2,938,356)		$775,084,369

NOTE 8 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2006	Additions	Retirements	Transfers	Balance at June 30, 2007
Business-type activities					
Capital assets, not being depreciated:					
Land	$16,125,746		($63)		$16,125,683
Landscaping	550,000				550,000
Construction in progress	163,411,509	118,345,983	(1,665,076)	($10,259,847)	269,832,569
Total capital assets not being depreciated	180,087,255	118,345,983	(1,665,139)	(10,259,847)	286,508,252
Capital assets, being depreciated:					
Buildings	12,003,030	4,056,997		1,525,114	17,585,141
Improvements	11,035,099	72,646		112,053	11,219,798
Machinery and equipment	16,224,909	987,467	(118,688)	(3)	17,093,685
Bike paths	1,064,167				1,064,167
Drain inlets	18,500				18,500
Storm drains	30,863				30,863
Plant and substations	283,324,200	1,648,060	(3,197,890)	4,385,920	286,160,290
Distribution	846,463,181	78,641,809	(256,405)	4,236,763	929,085,348
Total capital assets being depreciated	1,170,163,949	85,406,979	(3,572,983)	10,259,847	1,262,257,792
Less accumulated depreciation for:					
Buildings	(3,615,679)	(321,047)			(3,936,726)
Improvements	(2,973,205)	(329,181)			(3,302,386)
Machinery and equipment	(8,050,163)	(1,908,744)	118,683		(9,840,224)
Bike paths	(133,020)	(53,209)			(186,229)
Drain inlets	(925)	(370)			(1,295)
Storm drains	(1,030)	(410)			(1,440)
Plant and substations	(49,441,960)	(6,745,811)	475,142		(55,712,629)
Distribution	(129,614,463)	(12,886,099)	108,856		(142,391,706)
Total accumulated depreciation	(193,830,445)	(22,244,871)	702,681		(215,372,635)
Net capital assets being depreciated	976,333,504	63,162,108	(2,870,302)	10,259,847	1,046,885,157
Business-type activity capital assets, net	$1,156,420,759	$181,508,091	($4,535,441)		$1,333,393,409

NOTE 8 - CAPITAL ASSETS (Continued)

C. *Depreciation Allocation*

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities	
General government	$1,526,739
Community development and planning	153,234
Public works	9,355,674
Police	660,399
Fire	377,757
Library	138,746
Parks and recreation	377,449
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	3,789,375
Total Governmental Activities	$16,379,373
Business-Type Activities	
Electric	$5,393,407
Water	6,011,995
Wastewater	9,342,901
Solid Waste	324,996
Golf Course	432,762
Local Transportation	724,287
School-age Child Care	14,523
Total Business-Type Activities	$22,244,871

D. *Streets, Parks and Landscaping Covered By the Modified Approach*

The City has elected to use the modified approach discussed above with respect to its roads, most of which are relatively new. The City's policy based on current funding is to maintain the arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.5 and residential roadways at an average PQI of 6.5, instead of providing depreciation. During fiscal 2007 the City expended $9,206,007 to preserve its roads. The City estimates that it will be required to expend approximately $ 5,929,683 in fiscal 2008 to maintain its roads at this condition level.

The City has also elected to use the modified approach with respect to its parks and landscaping, most of which are relatively new. The City's policy based on current funding is to maintain the parks and landscape at an average Ground Management Index (GMI) of Level 2, instead of providing depreciation. During fiscal 2007 the City expended $5,028,402 to preserve its parks and landscaping. The City estimates that it will be required to expend approximately $5,309,367 in fiscal 2008 to maintain its parks at this condition level.

NOTE 9 - LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

A. *Current Year Transactions and Balances*

	Original Issue Amount	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Current Portion
Governmental Activity Debt:						
Certificates of Participation:						
2003A Public Facilities Refunding Bond, 2.0%-5.0%, due 8/1/25	$18,275,000	$17,105,000		$615,000	$16,490,000	$630,000
Tax Allocation Bonds						
2002 Roseville Redevelopment Project 3%-5.14%, due 9/1/33	14,500,000	13,735,000		275,000	13,460,000	280,000
2006 Roseville Redevelopment Project, Series A 4.5%-5.00%, due 9/1/40	13,155,000		$13,155,000		13,155,000	
2006 Roseville Redevelopment Project, Series A-T 5.31%-5.90%, due 9/1/28	3,285,000		3,285,000		3,285,000	240,000
2006 Roseville Redevelopment Project, Series H-T 5.31%-6.07%, due 9/1/40	6,505,000		6,505,000		6,505,000	140,000
Installment Purchase Obligations:						
Equipment	3,351,714	2,436,986	270,524	316,803	2,390,707	300,991
Other Long-Term Obligations:						
Foothill Blvd. Extension, due 4/1/07	114,423	3,223		3,223		
Total Governmental Activity Debt:	$59,186,137	$33,280,209	$23,215,524	$1,210,026	$55,285,707	$1,590,991
Business-type Activity Debt:						
Certificates of Participation:						
1997 Electric System Revenue, 3.6%-5.25%, due 2/1/17	$11,880,000	$325,000		$325,000		
1999 Electric System Revenue, 4.0%-5.5%, due 2/1/24	21,630,000	1,635,000		520,000	$1,115,000	$545,000
2002 Electric System Revenue, variable rate, due 2/1/24	40,385,000	25,620,000		225,000	25,395,000	575,000
Less: deferred amount on refunding	(3,780,476)	(3,093,118)		(171,841)	(2,921,277)	
2004 Electric System Revenue, 3.00%-5.25%, due 2/1/34	39,940,000	39,940,000		330,000	39,610,000	335,000
2005 Electric System Revenue, Series A 3.00%-5.00%, due 2/1/23	52,900,000	52,900,000			52,900,000	450,000
2005 Electric System Revenue, Series B variable rate, due 2/1/35	90,000,000	90,000,000			90,000,000	
2005 Electric System Revenue, Series C variable rate, due 2/1/35	60,000,000	60,000,000			60,000,000	550,000
2003B Golf Course Refunding Bond, 2.0%-5.0%, due 8/1/23	8,240,000	7,630,000		320,000	7,310,000	325,000
1997 Water Utility Revenue, 3.9%-5.2%, due 12/1/18	33,000,000	24,740,000		1,395,000	23,345,000	1,460,000
Total Certificates of Participation	354,194,524	299,696,882		2,943,159	296,753,723	4,240,000
Revenue Bonds:						
2000 Wastewater Revenue Bonds, Series A, 3.8%-5.5%, due 11/1/27	59,465,118	7,586,502		1,394,877	6,191,625	1,451,756
2000 Variable Rate Demand Wastewater Revenue Bonds, Series B, variable rate, due 11/1/35	37,919,000	37,919,000		-	37,919,000	
2003 Wastewater Refunding Revenue Bonds, variable rate, due 11/1/27	52,544,900	51,014,604		352,105	50,662,499	365,648
Less deferred amount on refunding	(6,333,890)	(5,542,144)		(263,903)	(5,278,241)	
2007 Gas Revenue Bonds variable rate, due 2/15/28	209,350,000		$209,350,000		209,350,000	
Add deferred bond premium cost	15,454,116		15,454,116	735,910	14,718,206	
Total Revenue Bonds	368,399,244	90,977,962	224,804,116	2,218,989	313,563,089	1,817,404
Other Long-Term Obligations:						
Notes, 5%, due 10/1/17	333,108	172,056		10,810	161,246	11,351
Total Business-type Activity Debt:	$722,926,876	$390,846,900	$224,804,116	$5,172,958	$610,478,058	$6,068,755

NOTE 9 - LONG-TERM DEBT (Continued)

B. *2003A Public Facilities Refunding Bonds*

On July 17, 2003 the City issued $18,275,000 of Public Facilities Refunding COPs to advance refund the outstanding 1993 Public Facilities COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. Principal payments are payable annually and interest payments are due semi-annually on February 1 and August 1 through 2025.

C. *2002 Roseville Redevelopment Project Tax Allocation Bonds*

On October 23, 2002 the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of $14,500,000 to fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033.

D. *2006 Roseville Redevelopment Project Tax Allocation Bonds*

On October 26, 2006, the Redevelopment Agency issued Tax Allocation Bonds Series 2006 A, Taxable Tax Allocation Bonds Series 2006 A-T, and Taxable Tax Allocation Bonds, Series 2006 H-T in the amounts of $13,155,000, $3,285,000, and $6,505,000, respectively, for a total principal amount of $22,945,000. The Series A bonds bear interest at 4.50%-5.00%, the Series A-T at 5.31%-5.90%, and the Series H-T at 5.31%-6.07%. The proceeds for the Series A and Series A-T bonds will be used to fund redevelopment activities of benefit to property within the Agency's Redevelopment Project Area. The proceeds for the Series H-T bonds will be used to pay the costs of low- and moderate-income housing projects of the Agency's Redevelopment Project Area. The Series A and Series A-T bonds are secured by tax revenues, which are allocated to the Agency from the Project Area. The Series H-T bonds are secured by the tax increment revenue deposited in the Agency's Low and Moderate Income Housing Fund. Interest on the bonds is payable semiannually on March 1 and September 1. Principal for the Series A and Series H-T bonds is payable annually on September 1 through 2040. Principal for the Series A-T is payable annually on September 1 through 2028.

E. *Installment Purchase Obligations*

The City is purchasing various pieces of computer equipment on the installment basis. The City has also entered into long-term contracts for the lease/purchase of various public safety equipment.

F. *Foothill Boulevard Extension*

The City acquired several parcels of land, in August of 1989, within the Foothill Boulevard Extension Assessment District to build the Corporation Yard. Upon acquisition, the City took over the assessment debt in the amount of $114,423, due on these parcels. This debt was repaid in fiscal 2006-07.

G. *1997 Electric System Revenue Certificates of Participation*

The City issued Certificates of Participation in the original principal amount of $11,880,000 on November 1, 1997 to finance a substation for the Electrical System and to refinance its 1985 COP's and is repayable from net revenue of the Electric Utility System. Principal payments are payable annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2017.

NOTE 9 - LONG-TERM DEBT (Continued)

In December of 2002 the City defeased a portion of the 1997 COP's by placing proceeds from the 2002 Electric System Revenue Certificates of Participation in an irrevocable trust to provide amounts sufficient to pay on February 1, 2008 the prepayment price of 101% of the principal amount and accrued interest. Accordingly, the trust account assets and the liability for the defeased COP's are not included in the financial statements. At June 30, 2007 the 1997 Electric System Revenue Certificates of Participation outstanding in the amount of $4,290,000 are considered defeased.

H. *1999 Electric System Revenue Certificates of Participation*

On August 3, 1999, the City issued $21,630,000 of Certificates of Participation to finance a portion of the cost of capital improvements and is repayable from net revenue of the Electric Utility System. The Certificates bear interest at 4.0% - 5.5% and are due semi-annually on February 1 and August 1. Principal payments are due annually on February 1 and interest payments are due semi-annually on February 1 and August 1. through February 1, 2024.

In December of 2002 the City defeased a portion of the 1999 COP's by placing proceeds from the 2002 Electric System Revenue Certificates of Participation in an irrevocable trust to provide amounts sufficient to pay on August 1, 2009 the prepayment price of 101% of the principal amount and accrued interest. Accordingly, the trust account assets and the liability for the defeased COP's are not included in the financial statements. At June 30, 2007 the 1999 Electric System Revenue Certificates of Participation outstanding in the amount of $17,685,000 are considered defeased.

I. *2002 Electric System Revenue Certificates of Participation*

On December 17, 2002 the City issued $40,385,000 of Certificates of Participation to defease portions of the 1997 and 1999 Electric System Revenue Certificates of Participation above and financed a portion of the cost of capital improvements. The COP's are repayable from net revenue of the Electric Utility System. Principal payments are due annually on February 1 and interest payments are due monthly, through February 1, 2024.

The 2002 Electric System Revenue Certificates of Participation were issued as variable rate COP's, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the City entered into a 22-year interest rate swap agreement for the entire amount of its 2002 Electric System Revenue Certificates of Participation as discussed in R. below. The combination of the variable rate COPs and a floating rate swap creates synthetic fixed-rate debt for the City. The synthetic fixed rate for the COPs was 3.18% at June 30, 2007.

J. *2004 Electric System Revenue Certificates of Participation*

On July 1, 2004 the City issued $39,940,000 of Certificates of Participation to finance capital improvements to the City's Electric System. The COP's are repayable from net revenue of the Electric Utility System. The COPs bear interest at 3.00%-5.25% and are due semi-annually on February 1 and August 1 of each year beginning February 1, 2005. Principal payments are due annually on February 1 through February 2034, commencing February 1, 2007.

NOTE 9 - LONG-TERM DEBT (Continued)

K. ***2005 Electric System Revenue Certificates of Participation, Series A; 2005 Electric System Revenue Certificates of Participation, Series B; and 2005 Electric System Variable Rate Revenue Certificates of Participation, Series C;***

On May 26, 2005 the City issued Certificates of Participation Series A, Series B, and Series C in the original principal amounts of $52,900,000, $90,000,000, and $60,000,000 respectively, to finance certain Electric System improvements, primarily including construction of the Roseville Energy Park.

The Series A COPs bear interest at 3.00%-5.00% and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually beginning February 1, 2008 through 2023.

The Series B COPs were issued as auction rate securities with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the City entered into a 30-year interest rate swap agreement for the entire amount of the Series B COPs as discussed in R. below. The combination of the variable rate Series B COPs and a floating rate swap creates synthetic fixed-rate debt for the City. The synthetic fixed rate for the Series B COPs was 3.38% at June 30, 2007. Principal payments are due annually on February 1 beginning February 1, 2023 through 2035.

The Series C were issued as variable rate bonds, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. Interest payments are due weekly. Principal payments are due annually on February 1 beginning February 1, 2008 through 2035.

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L. ***2003B Golf Course Refunding Certificates of Participation***

On July 17, 2003 the City issued $8,240,000 of Golf Course Refunding COPs, the proceeds of which are to be used to advance refund the outstanding 1993 Golf Course COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. Interest payments are due semi-annually on February 1 and August 1. Principal payments are due annually on August 1 through 2024.

M. ***1997 Water Utility Revenue Certificates of Participation***

The City issued Certificates of Participation in the original principal amount of $33,000,000 on September 1, 1997 to finance the acquisition, construction, and installation of additions to the water utility system, and is repayable from net revenue from the Water Utility System. Principal payments are payable annually on December 1 and interest payments are due semi-annually on December 1 and June 1, through December 1, 2018.

NOTE 9 - LONG-TERM DEBT (Continued)

N. ***2000 South Placer Wastewater Authority Wastewater Revenue Bonds, Series A; and 2000 South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B***

In November 2000, the South Placer Wastewater Authority issued Revenue Bonds Series A and Series B in the original principal amounts of $109,775,000 and $70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. Upon completion, this Plant will benefit the City of Roseville, the South Placer Municipal Utility District, and the County of Placer. These three entities in return share the obligation of the Revenue Bonds. The City's share of this obligation was determined to be 54.17%. As a result, this portion of the debt was recorded on the City's financial statements.

The South Placer Wastewater Authority Wastewater Revenue Bonds, Series A were issued as fixed rate bonds. On September 17, 2003, $84,525,000 of the Series A Bonds were defeased by the 2003 Wastewater Refunding Revenue Bonds as mentioned below. Remaining principal payments are payable annually on November 1 and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027. At June 30, 2007 the outstanding balance of the defeased portion of the Series A Bonds was $84,525,000.

The South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B were issued as variable rate bonds, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. The average monthly interest paid in fiscal year 2007 was $211,024. Beginning in fiscal year 2029, principal payments will be made in addition to the variable interest payments.

O. ***2003 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds***

On September 17, 2003 the South Placer Wastewater Authority issued $97,000,000 of Refunding Wastewater Revenue Bonds to defease a portion of the Series A Wastewater Revenue Bonds, as discussed above. The City's share of this obligation was determined to be 54.17%. These proceeds were placed in an irrevocable trust to provide for all future debt service payments on the Refunded Bonds. Principal and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027.

The 2003 Wastewater Refunding Revenue Bonds were issued as auction rate bonds with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the Authority entered into a 24-year interest rate swap agreement for the entire amount of its 2003 Refunding Revenue bonds as discussed in R. below. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Authority. The synthetic fixed rate for the Bonds was 3.51% at June 30, 2007.

P. ***2007 Roseville Natural Gas Financing Authority Gas Revenue Bonds***

On January 24, 2007, the Authority issued $209,350,000 of Gas Revenue Bonds, Series 2007, to finance a lump sum prepayment to a Gas Supplier (See Note 19A) in order to acquire a supply of natural gas to be delivered over a period of twenty-years. The gas purchased by the Authority will be sold to the City pursuant to a Natural Gas Supply Agreement (See Note 19B) to produce revenues to be used for debt service on the Bonds.

Principal payments are due annually commencing on February 15, 2009 through 2028 and interest is payable semiannually on February 15 and August 15, commencing August 15, 2007.

NOTE 9 - LONG-TERM DEBT (Continued)

Q. *Notes Payable*

The City borrowed $333,108 original principal amount, on November 9, 1977, from the U. S. Department of Commerce to aid in financing drought emergency projects. The debt is repayable from the surplus revenue account of the Water Revenue Bonds. Principal and interest payments are payable annually on October 1, through October 1, 2017.

R. *Interest Rate Swap Agreements*

The City entered into interest swap agreements in connection with the 2002 Electric System Revenue Certificates of Participation and the 2005 Electric Revenue Certificates of Participation, Series B. The City has a 54.17% interest in the Authority which entered into an interest swap agreement in connection with the 2003 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds.

These transactions allow the City to create synthetic fixed rates on the COPs and Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreements are disclosed below.

Terms. The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2007, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the associated bond issues.

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Related Bond Issue	Notional Amount	Effective Date	Counterparty	Credit Rating	Fixed Rate Paid	Variable Rate Received	Termination Date
2002 Electric System Revenue COP	$25,620,000	12/18/2002	Morgan Stanley Capital Services Inc.	A+	2.980%	62% of 30-day LIBOR	2/1/2024
2005 Electric System Revenue COP, Series B	36,000,000	6/30/2005	Bear Stearns Financial Products Inc.	AAA	3.613%	70.5% of 30 day LIBOR	2/1/2035
2005 Electric System Revenue COP, Series B	54,000,000	6/30/2005	Morgan Stanley Capital Services Inc.	A+	3.613%	70.5% of 30 day LIBOR	2/1/2035
2003 Wastewater Refunding Revenue Bonds (City portion)	51,014,604 (A)	9/17/2003	Morgan Stanley Capital Services Inc.	A+	3.433%	62% of 30-day LIBOR	11/1/2027
	$166,634,604						

(A) The Authority's swap agreement is based on the notional amount of $94,175,000 equivalent to the outstanding balance on the 2000B Bonds The City's share of these underlying Bonds is 54.17%, or $51,014,604. Only the City's portion of the swap agreement is shown above.

Based on the swap agreements, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that approximates the rate required by the associated COPs and Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

NOTE 9 - LONG-TERM DEBT (Continued)

Fair value. Fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by each swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. As of June 30, 2007, the fair value of the swaps were in favor of the City as follows:

Related Bond Issue	Fair Value
2002 Electric System Revenue COP	$832,731
2005 Electric System Revenue COP, Series B	
Bear Stearns Financial Products Inc.	1,907,330
Morgan Stanley Capital Services Inc.	2,860,995
2003B Wastewater System Refunding	
Revenue Bonds	578,405
	$6,179,461

Credit risk. As of June 30, 2007, the City was exposed to credit risk on the outstanding swaps because the swaps had positive fair values. These amounts may increase if interest rates increase in the future. However, if interest rates decline and fair values of the swaps were to become negative, the City would no longer be exposed to credit risk. The City will be exposed to interest rate risk only if a counterparty to a swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rates received from the applicable counterparty. The City bears basis risk on the swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying COPs and Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

NOTE 9 - LONG-TERM DEBT (Continued)

Termination risk. The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2007, debt service requirements of the City's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at Q:

For the Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swap, Net Interest	Total
2008	$927,105	$6,082,028	($135,737)	$6,873,396
2009	960,648	6,047,374	(134,372)	6,873,650
2010	1,599,190	6,002,289	(132,319)	7,469,160
2011	1,652,733	5,942,786	(128,914)	7,466,605
2012	1,711,275	5,881,246	(125,395)	7,467,126
2013-2017	18,684,041	27,522,143	(602,180)	45,604,004
2018-2022	22,260,638	23,754,257	(563,243)	45,451,652
2023-2027	50,215,596	17,678,196	(474,251)	67,419,541
2028-2032	39,531,475	12,287,427	(475,370)	51,343,532
2033-2037	25,075,000	5,828,213	(246,052)	30,657,161
	$162,617,701	$117,025,959	($3,017,833)	$276,625,827

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S. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2008	$1,590,991	$2,636,062	$6,068,755	$26,438,189
2009	1,356,302	2,583,475	13,920,160	25,956,102
2010	1,324,016	2,534,072	15,149,303	25,427,060
2011	1,325,813	2,485,449	17,351,176	24,883,406
2012	1,378,714	2,433,837	18,158,512	24,169,541
2013-2017	7,780,464	11,264,406	103,585,365	108,728,163
2018-2022	8,649,407	9,330,991	120,963,730	84,656,570
2023-2027	9,475,000	6,899,256	142,576,466	52,527,723
2028-2032	6,255,000	4,960,356	103,494,438	27,911,770
2033-2037	8,060,000	3,109,530	62,691,465	10,129,724
2038-2042	8,090,000	816,535		
Total	$55,285,707	$49,053,969	603,959,370	$410,828,248
Reconciliation of long-term debt				
Add deferred bond premium costs			14,718,206	
Less deferred amount on refunding			(8,199,518)	
Net long-term debt			$610.478,058	

NOTE 10 – DEBT WITHOUT CITY COMMITMENT

A. Special Assessment Districts

Special Assessment Districts, including Mello Roos Districts, in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not recorded as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2007 is as follows:

North Roseville-Rocklin Sewer Refunding District	$395,000
Northeast Roseville Community Facilities District #1 & #2	14,355,000
North Roseville Community Facilities District #1	20,825,000
North Central Roseville Community Facilities District #1	38,840,000
Northwest Roseville Community Facilities District #1	23,815,000
Woodcreek West Community Facilities District #1, Series 2005	20,185,000
Stone Point Community Facilities District # 1	10,770,000
Fiddyment Ranch Community Facilities District # 1	80,000,000
Longmeadow Parkside Community Facilities District # 1	9,165,000
Westpark Community Facilities District # 1	80,000,000
Roseville Finance Authority Revenue Bonds, Series 2006 A and B	39,240,000
Stone Point Community Facilities District #5, Series 2006	5,310,000
Diamond Creek Community Facilities District #1, Series 2007	7,075,000
Special Tax Revenue Refunding Bonds, Series 2007 A Senior Lien Bonds	44,075,000
Special Tax Revenue Refunding Bonds, Series 2007 B Junion Lien Bonds	10,350,000
Total	$404,400,000

In May 2007, the Roseville Finance Authority issued Special Tax Revenue Refunding Bonds, Series 2007 A Senior Lien Bond in the principal amount of $44,0075,000 and Series B Junior Lien Bonds in the principal amount of $10,350,000, to refund the Stoneridge Parcel 1 Community Facilities District #1 Series 2000 Special Tax Bonds, the Stoneridge West Community Facilities District #1 Series 2001 Special Tax Bonds, the Stoneridge East Community Facilities District #1 Series 2001 Special Tax Bonds, the Crocker Ranch Community Facilities District #1 Series 2002 Special Tax Bonds, and the Crocker Ranch Community Facilities District #1 Series 2003 Special Tax Bonds. District property owners pay assessments on their property under the respective Stoneridge Parcel 1, Stoneridge West, Stoneridge East, and Crocker Ranch Bond indentures to the Trustee as owner of these Bonds. The Trustee then uses these assessments to pay debt service on the Revenue Bonds. Neither the faith and credit nor the general taxing power of the City of Roseville have been pledged to the payment of the Bonds. Therefore, the investment and the Bonds have not been included in the accompanying financial statements.

NOTE 11 – NET ASSETS AND FUND BALANCES

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in capital assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects (expended) or contributions received in permanent funds (unexpended), debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

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

B. Fund Balances, Reserves and Designations

In the Fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

C. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity, which provided the funds. The City cannot modify or remove these restrictions or reserves. At June 30, 2007, reservations included:

Reserves for **advances, inventories, deferred receivables and notes receivable, and prepaids** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserve for **capital projects** is the portion of fund balance to be used for projects approved by the Council.

Reserve for **low and moderate income housing** is the portion of redevelopment fund balance legally required to be set-aside for low and moderate income housing expenditures.

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)

D. Designations

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period. Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action.

Designated for economic reserve is the portion of fund balance which represents 10% of the original adopted operating expenditure budget to be used in the event of fiscal need.

Designated for carryover of capital improvement projects is the portion of fund balance to be used for approved capital projects.

E. Fund Balance and Net Assets Deficits

The Roseville Natural Gas Financing Authority Enterprise Fund and Automotive Services Internal Service Fund had deficit fund balances at June 30, 2007 in the amounts of $4,895,486 and $57,270, respectively. Future revenues are expected to offset these deficits.

NOTE 12 - PENSION PLAN

CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service; one year of credited service is equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2007, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	27.393%	14.790%
Actuarially required contributions	$7,157,144	$14,625,385

The City's labor contracts require it to pay employee contributions as well as its own.

NOTE 12 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2007, 2006 and 2005 amounted to $21,782,529, $14,201,560 and $16,350,444 respectively. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30:

Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2004	$80,707,509	$66,152,912	$14,554,597	82.0%	$12,799,408	113.713%
2005	97,938,304	75,260,002	22,678,302	76.8%	15,457,592	146 713%
2006	110,611,333	89,817,398	20,793,935	81.2%	17,469,043	119.033%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2004	$166,048,078	$124,996,283	$41,051,795	75.3%	$46,309,329	88.647%
2005	194,259,046	145,741,567	48,517,479	75.0%	52,630,299	92.185%
2006	223,055,880	177,980,691	45,075,189	79.8%	58,688,647	76.804%

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 13 - RISK MANAGEMENT

The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks. The City maintains insurance coverage from a commercial carrier for its long-term disability and dental benefit plan.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member agencies. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

A. *Risk Coverage*

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to $40,000,000, property damage up to $5,000,000, and boiler and machinery up to $21,250,000. The City has a self-insured retention or deductible of $500,000, $25,000, and $5,000, respectively, per claim. Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for payment of all claims up to the limit. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. During the fiscal year ended June 30, 2007, the City contributed $795,295 for liability, $297,790 for property and $37,294 for boiler and machinery for coverage during the current year and received a refund of $165,925 of prior year excess contributions.

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which covers workers' compensation claims up to $4,750,000 and provides additional coverage up to $195,000,000. The City has a self-insured retention of up to $250,000 per claim. During the fiscal year ended June 30, 2007, the City contributed $566,175 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Financial statements for the risk pools may be obtained from CJPRMA, 2333 San Ramon Valley Blvd., Suite 250, San Ramon, CA 94583 and LAWCX, c/o James P. Marta, CPA, 5921 Landis Avenue, Suite 1, Carmichael, CA 95608.

B. *Insurance Internal Service Funds*

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

NOTE 13 - RISK MANAGEMENT (Continued)

The change in the Workers' Compensation Internal Service Fund's claims liability, including claims incurred but not reported is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	2007	2006
Claims liability, beginning of year	$6,544,000	$5,432,000
Current year claims	1,000,000	2,000,000
Change in prior year claims	(2,282,000)	(477,000)
Claims paid, current year claims	(109,000)	(330,000)
Claims paid, prior year claims	(406,000)	(81,000)
Claims liability, end of year	$4,747,000	$6,544,000
Current Claims Liabilities	$463,000	$577,000

The City's liability for uninsured general liability claims, including claims incurred but not reported is reported in the General Liability Internal Service Fund. The liability is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	2007	2006
Claims liability, beginning of year	$1,926,000	$2,043,000
Current year claims	800,000	1,200,000
Change in prior year claims	(863,000)	(1,199,000)
Claims paid, current year claims	(82,000)	(85,000)
Claims paid, prior year claims	(117,000)	(33,000)
Claims liability, end of year	$1,664,000	$1,926,000
Current claims liabilities	$158,500	$994,500

The Unemployment Reserve and Vision Internal Service Funds had no outstanding claims liability at June 30, 2007.

NOTE 14 - PREPAID PURCHASED ELECTRICITY

During fiscal 1999 the City paid $6,138,335 to the Northern California Power Agency (NCPA) (see Note 15) as a capital contribution for the Geothermal and Hydroelectric Projects debt refinancing. This contribution has been capitalized on the City's balance sheet and will be amortized in conjunction with the related debt service savings. The amount amortized for fiscal year 2007 was $888,577.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. *General*

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among twenty-one public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

The City receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine The City's equity in NCPA as a whole. NCPA reports only The City's share of its General Operating Reserve, comprised of cash and investments, and The City's share of those Projects in which the City is a participant. These amounts are reflected in the financial statements as Investment in NCPA Reserve.

During the year ended June 30, 2007, the City incurred expenses totaling $17,259,759 for purchased power and assessments and prepaid assets paid to NCPA.

The City's interest in certain NCPA Projects and Reserve, as computed by NCPA using unaudited information, is set forth below.

	June 30, 2007
General Operating Reserve (including advances)	$1,547,923
Associated Member Services (including advances)	722,580
Undivided equity interest, at cost, in certain NCPA Power Projects:	
Geothermal Projects	441,082
Calaveras Hydroelectric Project	933,179
Combustion Turbine Project No. 1	7,694
Geothermal Public Power Line	Nil
Combustion Turbine Project No. 2	134,135
Graeagle Hydroelectric Project	Nil
	$3,786,593

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

The General Operating Reserve represents the City's portion of funds which resulted from the settlement with third parties of issues with financial consequences and reconciliations of several prior years' budgets for programs. It is recognized that all the funds credited to the City are linked to the collection of revenue from the City's ratepayers, or to the settlement of disputes relating to electric power supply and that the money was collected from the City's ratepayers to pay power bills. Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employees post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam field depletion which will require funding to cover debt service and operational costs in excess of the expected value of the electric power. The General Operating Reserve is intended to minimize the number and amount of individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City has left them with NCPA as a reserve against these contingencies identified by NCPA.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

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B. Projects

Geothermal Projects

A purchased power agreement with NCPA obligates the City for 7.880% of the operating costs and debt service of the two NCPA 110-megawatt geothermal steam powered generating plants, Plant Number 1 and Plant Number 2.

NCPA's Geothermal Project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. NCPA has continued to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and has evaluated a number of alternatives to increase water reinjection at strategic locations. NCPA, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

NCPA will continue to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and is attempting to increase water reinjection at strategic locations. NCPA, other steam developers, and the Lake County Sanitation District have constructed a wastewater pipeline project that greatly increased the amount of water available for reinjection.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, when compared to local investor-owned utility rates, while meeting all electric system obligations including those to NCPA. In January 1996, NCPA issued $167,940,000 (1996 Refunding Series B), and $5,420,000 (1996 Taxable Series C) in variable rate revenue bonds, the proceeds of which were used to refund a portion of the 1987 Refunding Series A Revenue Bonds. In August 1998, NCPA remarketed $121,590,000 (1996 Refunding Series A) of revenue bonds changing the interest rate from a weekly interest rate to a long term rate. The City is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2007, the book value of this Project's plant, equipment and other assets was $144,795,307, while its long-term debt totaled $101,055,554 and other liabilities totaled $43,739,753. The City's share of the Project's long-term debt amounted to $7, 963,178 at that date.

On October 28, 2004 NCPA approved a resolution to finance the expansion and remodeling of NCPA main office building located in Roseville. The expansion is included as part of the Geothermal Projects funded by the bonds mentioned above. The City will recover its 7.880% share of the cost of the expansion which was $204,958, with a 5% return on the investment over a ten year period. As of June 30, 2007 the City was owed $176,054.

Calaveras Hydroelectric Project

In July 1981, NCPA agreed with Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project and to finance its construction. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants. Under its power purchase agreement with NCPA, the City is obligated to pay 12% of this Project's debt service and operating costs. On April 16, 2002, NCPA completed the $86,620,000 refunding of revenue bonds at a weekly variable interest rate, initially set at 5.097%, and a net present value savings of $10,160,431. During fiscal year 2002 the City paid $11.6 million to NCPA for its share of refunding the 1992 Refunding Series A Bonds and costs of issuance related to the 2002 Refunding Series A, B and C Bonds. At June 30, 2007, the book value of this Project's plant, equipment and other assets was $508,146,517 while its long-term debt totaled $480,611,061 and other liabilities totaled $27,535,456. The City's share of the Project's long-term debt amounted to $57,673,327 at that date.

Combustion Turbine Project No. 1

In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities, began full commercial operation in June 1986, providing reserve and peaking power. In December 1989, NCPA issued $68,958,257 in fixed rate revenue bonds, the proceeds of which were used to defease the bonds then outstanding. Under the NCPA power purchase agreement, the City is obligated to pay 13.5840% of this Project's debt service and operating costs. At June 30, 2007, the book value of this Project's plant, equipment and other assets was $18,212,266, while its long-term debt totaled $15,210,893 and other liabilities totaled $3,001,373. 7The City's share of the Project's long-term debt amounted to $2,065,639 at that date.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Geothermal Public Power Line

In 1983, NCPA, Sacramento Municipal Utility District, the City of Santa Clara and the Modesto Irrigation District (joint owners) initiated studies for a Geothermal Public Power Line (GPPL) which would carry power generated at several existing and planned geothermal plants in the Geysers area to a location where the joint owners could receive it for transmission to their load centers. NCPA has an 18.5% share of this Project and the City has a 14.1756% participation in NCPA's share. In 1989, the development of the proposed Geothermal Public Power Line was discontinued because NCPA was able to contract for sufficient transmission capacity to meet its needs in the Geysers. However, because the project financing provided funding for an ownership interest in a PG&E transmission line, a central dispatch facility and a performance bond pursuant to the Interconnection Agreement with PG&E, as well as an ownership interest in the proposed GPPL, NCPA issued $16,000,000 in long-term, fixed-rate revenue bonds in November 1989 to defease the remaining variable rate refunding bonds used to refinance this project. The City is obligated to pay its 14.1756% share of the related debt service, but debt service costs are covered through NCPA billing mechanisms that allocate the costs to members based on use of the facilities and services.

At June 30, 2007, the book value of this Project's plant, equipment and other assets was $3,346,061, while its long-term debt totaled $3,298,170 and other liabilities totaled $47,891. The City's share of the Project's long-term debt amounted to $467,680 at that date.

Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)

The City is a participant in a 49.8 megawatt Steam Injected Gas Turbine project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued $152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project, a similar project for the Turlock Irrigation District in Ceres, and Lodi system facilities. Under the NCPA power purchase agreement, the City is obligated to pay 36.50% of the debt service and operating costs for the Lodi unit.

The City's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, the City and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. The City is obligated to pay 17.9218%.

At June 30, 2007, the book value of this Project's plant, equipment and other assets was $67,749,862, while its long-term debt totaled $65,067,009 and other liabilities totaled $2,682,853. The City's share of the Project's long-term debt amounted to $23,749,458 at that date.

Graeagle Hydroelectric Project

The City's participation in this small hydroelectric project was approved in 1993. Although this project does not involve any financing, it does involve a long-term contractual commitment to purchase the power produced by the project.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

C. NCPA Financial Information

NCPA's financial statements can be obtained from NCPA, 180 Cirby Way, Roseville, CA 95678.

NOTE 16 – SOUTH PLACER WASTEWATER AUTHORITY

The City is a member of the South Placer Wastewater Authority (SPWA), a joint powers agency which operates under a joint powers agreement among three public agencies, the City of Roseville, South Placer Municipal Utility District and Placer County. The purpose of SPWA is to provide for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities.

Under the terms of a funding agreement, the City will own and operate the Regional Wastewater Facilities. Under the terms of this agreement the member agencies will share the operating costs of the Facilities after construction is complete. The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant. In November 2000, the SPWA issued Revenue Bonds Series A and Series B in the original principal amounts of $109,775,000 and $70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. On September 2003, the SPWA issued Refunding Revenue Bonds in the original principal amounts of $97,000,000. The purpose of these bonds is to advance refund the 2000 Revenue Bonds Series A. The three agencies are responsible for the repayment of the Revenue Bonds. The City's share of this obligation was determined to be 54.17%. As a result, this portion of the debt was recorded on the City's financial statements, as discussed in Note 9.

During the year ended June 30, 2007, the City paid $9,677,804 to SPWA based on connection fees collected during the fiscal year.

The City records its share of income and expenses from SPWA in the Wastewater Enterprise Fund and these changes are reflected in the Statement of Revenues, Expenses and Changes in Retained Earnings. The City's Interest in SPWA Reserves at June 30, 2007 was $115,434,780.

SPWA's financial statements can be obtained from the City of Roseville, 311 Vernon Street, Roseville, California, 95678.

NOTE 17 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the Roseville sanitary landfill site, which is closed, through the year 2024. Accordingly, the City has recorded a liability and expense in the Enterprise Solid Waste Fund for the estimated postclosure care cost. The recorded amount is based on applicable state and local laws and regulations concerning closure and postclosure care. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users or the usage of future tax revenues. As of June 30, 2007, landfill closure liability was $3,546,209.

NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 15. The City's estimated share of such debt outstanding at June 30, 2007 was $91,919,282. Under certain circumstances, the City may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, other than disclosed above, which is likely to have a material adverse effect on the financial position of the City.

On September 30, 2005 the City signed a Lease and Sublease Agreement with Roseville Investments, LLC for the development of two hotels and a conference center within the North Central Roseville Specific Plan Area. According to the terms of the Agreement, the City will lease the property in an aggregate amount of $10 million from the Developer. The City will advance the lease payments for the public improvements at the site. The Developer will then sublease the public improvements from the City commencing upon the issuance of a certificate of occupancy for the first hotel for a term of ten years. At the end of the 10-year period, the Developer is required to make a balloon payment for any remaining rental payments up to the $10 million.

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NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Construction and Other Commitments

The City has the following outstanding construction commitments at June 30, 2007:

Projects	Amounts
Roseville Energy Park	$9,862,077
WTP Expansion Phase III	3,000,000

NOTE 19 – GAS SUPPLY ACQUISITION AND RESALE

The City operates certain electrical generating plants which provide power for sale to the public and needs reliable, economic supplies of natural gas to generate the needed electricity. In pursuit of that objective the City and its component unit, the City of Roseville Redevelopment Agency formed the Authority for the purpose of acquiring, financing and supplying natural gas to the City. Summarized below are various agreements entered into by the Authority to achieve its purpose.

A. Prepaid Gas Agreement

Pursuant to an Agreement for the Purchase and Sale of Natural Gas dated January 24, 2007, the Authority used a portion of the proceeds of its $209,350,000 of Gas Revenue Bonds, Series 2007 (the Bonds) to prepay Merrill Lynch Commodities, Inc. (Gas Supplier) for a twenty year supply of natural gas. Commencing January 1, 2008 and continuing through December 31, 2027, the Gas Supplier is obligated to deliver daily contract quantities of natural gas on a firm basis to the designated delivery point. Daily contract quantities vary from month to month but not from year to year. This commitment totals 2,352,000 MMBtus (millions of British thermal units) per year or 47,040,000 MMBtus for the twenty year contract period. The Authority has recorded a Prepaid Natural Gas asset which is to be amortized as daily contract quantities are delivered. During the period ended June 30, 2007, the Seller had not commenced delivery of gas and amortization of the prepaid had not commenced.

The agreement provides for payments to be made by the Gas Supplier if it fails to deliver the daily contract quantities and may be terminated by the Authority in the event of non-performance by the Supplier. The Agreement will automatically terminates if there is a termination of the Commodity Swap (See note 3 C below) which is not due to default by the Authority or if there is an event of default under the swap agreement entered into by the Gas Supplier and a third party. Upon early termination, whether due to the above or due to any other optional termination event as defined in the agreement, the Gas Supplier is required to make a termination payment to the Authority that is expected to be sufficient, together with other available funds, to redeem the Bonds. The Gas Supplier's commitments under this agreement are guaranteed by its parent company, Merrill Lynch & Co. Inc. under a guarantee agreement with the Authority.

NOTE 19 – GAS SUPPLY ACQUISITION AND RESALE (Continued)

B. *Funding Agreement*

Under certain conditions specified in a Funding and Assignment Agreement dated January 24, 2007 between the Authority and Gas Supplier, the Gas Supplier has agreed to advance funds to the Trustee to pay debt service when due or to redeem bonds in the event of early termination. Advances are required under covered swap deficiencies and covered termination deficiencies and optional advances may also be made. Advances are repayable from by the responsible party causing the deficiency requiring an advance under this agreement. This agreement is coterminous with the Bonds. The Gas Supplier's commitment under this agreement is guaranteed by its parent company, Merrill Lynch & Co. Inc. under a guarantee agreement with the Authority.

There were no advances outstanding as of June 30, 2007.

C. Supply Agreement

Pursuant to a Natural Gas Supply Agreement dated February 1, 2007, the Authority has agreed to sell to the City a twenty year supply of natural gas. This Supply Agreement is coterminous with and provides for the delivery of natural gas in quantities which are matched to the Prepaid Gas Agreement, discussed above. For each MMBtu delivered (sold) to the City, the Authority will receive a variable revenue stream based on a first of the month index for the delivery location.

The Agreement terminates upon termination of the Prepaid Gas Agreement or upon the City's failure to make any required payment within two business days of the due date.

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D. Commodity Swap Agreement

In order to have its gas price exposure consistent with prevailing market rates, the Authority entered into a natural gas Commodity Swap Agreement with JPMorgan Chase Bank (Counterparty). For the term of deliveries under the Prepaid Gas Agreement and the Supply Agreement, the Authority will pay an index price per MMBtu to the Counterparty, and the Counterparty will pay a fixed price to the Authority. The index price paid by the Authority is expected to approximate the price paid by the City under the Supply Agreement.

The monthly quantity and term of the Commodity Swap Agreement are matched to those of the Supply Agreement

MODIFIED APPROACH TO REPORTING STREET PAVEMENT COSTS AND PARKS AND LANDSCAPING COSTS

GASB Statement 34 allows the City to use the Modified Approach with respect to infrastructure assets instead of depreciating these assets. The Modified Approach may be used if two requirements are met:

1) The City must have an asset management system (AMS) with certain features.

- ✓ It must maintain an up-to-date inventory of the infrastructure assets.
- ✓ It must estimate the annual costs to maintain and preserve those assets at the condition level the City has established and disclosed through administrative or executive policy or legislative action.
- ✓ The AMS must be used to assess the condition of the assets periodically, using a measurement scale.
- ✓ The condition assessments must be replicable as those that are based on sufficiently understandable and complete measurement methods such that different measurers using the same methods would reach substantially similar results.

2) The City must document that the roads, parks and landscaping are being preserved approximately at or above the condition level the City has established and disclosed. This documentation must include the results of the three most recent complete condition assessments and must provide reasonable assurance that the assets are being preserved approximately at or above the intended condition level.

Street Pavement

The City has elected to use the Modified Approach to report street pavement costs. The City uses a computerized Pavement Management System to track the condition levels of each of the street sections.

The condition of the pavement is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 10 for pavement with perfect condition. The condition index is used to classify pavement in good or better condition (7.0-10.0), fair condition (5.5–6.9), and substandard condition (less than 5.5).

The City's maintenance costs are budgeted to be $5,929,683 in fiscal 2008. The Pavement Quality Index (PQI) for the City's street pavement for the last nine years is as follows:

Year	PQI Arterial/ Collector	PQI Residential	Maintenance Budget	Actual Maintenance
99/00	N/A	N/A	$3,967,410	$2,386,645
00/01	7.7	7.6	3,615,450	1,240,576
01/02	7.8	7.5	2,784,660	3,730,265
02/03	7.8	7.9	4,766,980	2,665,863
03/04	7.6	7.6	5,733,500	2,925,909
04/05	7.5	7.9	6,499,729	4,284,993
05/06	7.5	7.9	7,794,196	7,213,261
06/07	7.7	8.0	5,521,428	9,206,007
07/08	7.9	8.0	5,929,683	N/A

The City's policy based on current funding is to maintain arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.5 and residential roadways at an average PQI of 6.5. This rating allows for minor cracking and revealing of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended $9,206,007 for street preservation in fiscal 2007.

Parks and Landscaping

The City has also elected to use the Modified Approach to report parks and landscaping costs. The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping.

The condition of the parks and landscaping is based on a weighted average of six levels of condition. The ground management system uses a measurement scale that is based on various levels ranging from six for an undeveloped natural area to one for parks and landscaping with high-quality, diverse landscaping with state-of-the art maintenance. The condition index is used to classify parks and landscaping in the following levels: state-of-the-art to high-level maintenance (1-2), moderate to moderately low level maintenance (3-4), minimum-level maintenance (5), and natural area that is not developed (6).

The City's maintenance costs are budgeted to be $5,309,367 in fiscal 2008. The Ground Management Index (GMI) for the City's parks and landscaping maintenance for the last ten years is as follows:

Fiscal Year	GMI (Level) Parks and Landscaping	Maintenance Budget	Actual Maintenance
98/99	N/A	N/A	N/A
99/00	N/A	N/A	N/A
00/01	N/A	N/A	N/A
01/02	2	$3,213,790	$3,078,263
02/03	2	3,796,952	3,439,081
03/04	2	3,946,547	3,648,683
04/05	2	4,349,147	3,879,242
05/06	2	4,633,558	4,309,606
06/07	2	5,111,124	5,028,402
07/08	2	5,309,367	N/A

The City's policy based on current funding is to maintain parks and landscape at an average Ground Management Index (GMI) of Level 2. This rating allows for high-level maintenance and is the recommended level for most organizations. The City expended $5,028,402 for maintenance for fiscal 2007.

SPECIAL REVENUE FUNDS

Lighting and Landscape and Service Districts Fund. To account for the collection of assessment revenue from property owners for the maintenance of surrounding park and landscaping improvements within the boundaries of each district.

State Gasoline Tax Fund. To account for revenue apportioned to the City from the State-collected gas tax revenues and spent for construction and maintenance of City streets.

Home Improvement Fund. To account for loan activities for the production of affordable housing.

California Library Services Fund. To account for revenues and grants from the State to be expended for library related materials

Traffic Safety Fund. To account for the City's share of fines generated from violations of the State Motor Vehicle Code.

FEMA Fund. To record revenues received from FEMA and OES for federal and/or state recognized disaster claims.

Trench Cut Recovery Fund. *To account for the collection of fees charged by the City for cutting* trenches in paved roadway and spent for maintaining the street if useful life is decreased.

Law Enforcement Block Grants Fund. To account for the collection of grants from the Federal Department of Justice Assistance and expended for front line law enforcement.

Fire Facilities Fund. To account for fees applied to new construction and expended for construction or repair of fire facilities and equipment for which it creates a need.

Public Facilities Fund. To account for fees applied to new construction and expended for the development of public facilities for which it creates a need.

Park Development Fund. To account for collection fees applied to new construction and expended for neighborhood and community park and recreation facilities.

Pleasant Grove Drain Basin Fund. To account for collection of fees applied to new construction and expended for mitigation of developmental impacts on the Pleasant Grove watershed.

Tree Propagation Fund. To account for fees assessed on oak tree removal and expended on the continuation and preservation of tree planting within the City.

Air Quality Mitigation Fund. To account for mitigation fees to fund future emission reduction projects for air quality.

Community Development Block Grant/HOME Fund. To account for monies received from the Department of Housing & Urban Development and expended for programs and activities to benefit low-income residents, and to account for funds received from the Federal government used to produce affordable housing and rehabilitate existing residential units.

Housing Authority Section 8 Fund. To account for monies received from the U.S. Department of Housing and Urban Development and expended for rental assistance to low income households within the Roseville and Rocklin areas.

Affordable Housing Fund. To account for monies received from property whose land use was changed from residential to commercial and from affordable housing agreements. These monies are then used to fund other affordable housing projects.

Park and Recreation Donation Fund. To account for donations and revenues received by Park and Recreation Facilities and for Olympus Pointe Sculpture Park maintenance.

Forfeited Property Fund. To account for revenues received from confiscated property.

Storm Water Management Fund. To accumulate expenditures for future storm water mandates.

Traffic Signal Fund. To account for traffic signal coordination and maintenance funded by developers and the Electric Fund.

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South Placer Animal Control Shelter. To account for the collection of fees for the construction of an animal shelter.

Bike Trail/Open Space Maintenance. To account for the accumulation of funding for the maintenance of the City's bike trails and open spaces.

Traffic Mitigation. To account for revenues and expenses related to major roadways and related structures such as bridges or interchanges.

DEBT SERVICE FUND

Roseville Finance Authority Fund. To account for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Finance Authority.

CAPITAL PROJECTS FUNDS

Building Fund. To account for approved capital projects within the City funded by various fees and sources.

General Capital Improvement Projects Rehabilitation Fund. To account for the approved rehabilitation of existing City property funded by the General Fund.

PERMANENT FUNDS

Roseville Aquatics Complex Maintenance Fund. A permanent fund established to account for contribution from the High School District. Only the interest earnings can be spent on helping maintain the Aquatics Complex.

Citizens Benefit Fund. A permanent fund established to account for the proceeds from the sale of any municipally owned Hospital and interest earnings expended for improving the quality of life for the citizens of the City of Roseville.

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
ASSETS					
Cash and investments in City Treasury	$4,538,577	$6,114,564	$741,454	$684,227	
Restricted cash and investments with fiscal agents					
Receivables:					
Accounts	166,249	4,213			
Accrued interest	35,624	653,740	26,440	6,213	
Due from other government agencies		907,385		24,556	$192,742
Due from other funds					
Advances to other funds		3,900,000			
Deferred receivables					
Notes receivables			55,970		
Total Assets	$4,740,450	$11,579,902	$823,864	$714,996	$192,742
LIABILITIES					
Accounts payable	$338,642	$2,674,966		$303	
Accrued liabilities					$100
Due to other funds					192,641
Due to other government agencies					
Advances from other funds		500,000			
Deposits					
Deferred revenue		337,448	$28,978		
Deferred liabilities		21,968			
Total Liabilities	338,642	3,534,382	28,978	303	192,741
FUND BALANCES					
Reserved for:					
Advances		3,900,000			
Encumbrances	524,433	1,967,783		400,000	
Deferred receivables and notes receivable			26,992		
Debt service					
Unreserved:					
Designated for carryover of capital improvement projects					
Undesignated	3,877,375	2,177,737	767,894	314,693	1
TOTAL FUND BALANCES	4,401,808	8,045,520	794,886	714,693	1
Total Liabilities and Fund Balances	$4,740,450	$11,579,902	$823,864	$714,996	$192,742

	SPECIAL REVENUE FUNDS						
	FEMA	Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Public Facilities	Park Development	Pleasant Grove Drain Basin
ASSETS							
Cash and investments in City Treasury		$64,037	$213,880	$7,710,571	$8,594,125	$22,078,176	$5,915,539
Restricted cash and investments with fiscal agents				1,389,610			
Receivables:							
Accounts						250	
Accrued interest		652	2,917	87,774	90,266	271,044	58,607
Due from other government agencies	$617,587						
Due from other funds							
Advances to other funds							
Deferred receivables				357,685	367,178	55,467	198,875
Notes receivables							
Total Assets	$617,587	$64,689	$216,797	$9,545,640	$9,051,569	$22,404,937	$6,173,021
LIABILITIES							
Accounts payable				$29,132	$277,436	$442,317	$103,170
Accrued liabilities							
Due to other funds	$617,587						
Due to other government agencies							
Advances from other funds							
Deposits							
Deferred revenue			$203,697	357,594	$367,178	55,467	198,875
Deferred liabilities						243,164	
Total Liabilities	617,587		203,697	386,726	644,614	740,948	302,045
FUND BALANCES							
Reserved for:							
Advances							
Encumbrances				684,685		164,142	8,112
Deferred receivables and notes receivable							
Debt service							
Unreserved:							
Designated for carryover of capital improvement projects							
Undesignated		$64,689	13,100	8,474,229	8,406,955	21,499,847	5,862,864
TOTAL FUND BALANCES		64,689	13,100	9,158,914	8,406,955	21,663,989	5,870,976
Total Liabilities and Fund Balances	$617,587	$64,689	$216,797	$9,545,640	$9,051,569	$22,404,937	$6,173,021

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	SPECIAL REVENUE FUNDS					SPECIAL REVENUE FUNDS						
	Tree Propagation	Air Quality Mitigation	Community Development Block Grant/HOME	Housing Authority Section 8	Affordable Housing	Park and Recreation Donation	Forfeited Property	Storm Water Management	Traffic Signal	South Placer Animal Control Shelter	Bike Trail/ Open Space Maintenance	Traffic Mitigation
ASSETS												
Cash and investments in City Treasury	$5,151,659	$115,241	$24,232	$657,256	$3,518,510	$355,257	$102,207	$267,426	$2,777,050	$30,864	$104,509	$19,223,546
Restricted cash and investments with fiscal agents				41,553								
Receivables:												
Accounts				4,884					29,446		2,051	555
Accrued interest	53,267	935			98,471	3,598	914	2,515	30,254	176	1,374	177,080
Due from other government agencies			508,651	25,403								427,087
Due from other funds					50,000							200,000
Advances to other funds					150,000							200,000
Deferred receivables												1,537,478
Notes receivables			7,922,044		2,161,053							
Total Assets	$5,204,926	$116,176	$8,454,927	$729,096	$5,978,034	$358,855	$103,121	$269,941	$2,836,750	$31,040	$107,934	$21,765,746
LIABILITIES												
Accounts payable	$708		$49,974	$294,289		$57		$6,806	$12,490		$15,470	$1,300,379
Accrued liabilities			2,184	154,984	$1,589			4,888	17,648			
Due to other funds			274,044									212,500
Due to other government agencies			7,922,044									
Advances from other funds												
Deposits												
Deferred revenue				20,500	2,181,856							1,628,025
Deferred liabilities												94,335
	708		8,248,246	469,773	2,183,445	57		11,694	30,138		15,470	3,235,239
FUND BALANCES												
Reserved for:												
Advances					150,000							$200,000
Encumbrances	$1,041		1,900		51,675			116,238	$15,414			863,161
Deferred receivables and notes receivable												
Debt service												
Unreserved:												
Designated for carryover of capital improvement projects												
Undesignated	5,203,177	$116,176	204,781	259,323	3,592,914	$358,798	$103,121	142,009	2,791,198	$31,040	$92,464	$17,467,346
TOTAL FUND BALANCES	5,204,218	116,176	206,681	259,323	3,794,589	358,798	103,121	258,247	2,806,612	31,040	92,464	18,530,507
Total Liabilities and Fund Balances	$5,204,926	$116,176	$8,454,927	$729,096	$5,978,034	$358,855	$103,121	$269,941	$2,836,750	$31,040	$107,934	$21,765,746

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		PERMANENT FUNDS		
	Roseville Finance Authority	Building	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance	Citizens Benefit	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments in City Treasury	$53,649	$5,420,078	$15,802,820	$597,375	$16,732,582	$127,589,411
Restricted cash and investments with fiscal agent	1,395,681					2,826,844
Receivables						
Accounts						207,648
Accrued interest	28,205	42,062	174,322	10,946	99,534	1,956,930
Due from other government agencies		856				2,704,267
Due from other funds						250,000
Advances to other funds						4,250,000
Deferred receivables						2,516,683
Notes receivables						10,139,067
Total Assets	$1,477,535	$5,462,996	$15,977,142	$608,321	$16,832,116	$152,440,850
LIABILITIES						
Accounts payable		$1,117,552				$6,663,691
Accrued liabilities		2,678				184,071
Due to other funds				$6,458		1,303,230
Due to other government agencies						7,922,044
Advances from other funds						500,000
Deposits				600,000		600,000
Deferred revenue						5,379,618
Deferred liabilities						359,467
Total Liabilities		1,120,230		606,458		22,912,121
FUND EQUITY						
Reserved for:						
Advances						4,250,000
Encumbrances		191,785				4,990,369
Deferred receivables and notes receivable						26,992
Debt service	$1,477,535					1,477,535
Unreserved:						
Designated for carryover of capital improvement projects		4,150,981	$15,977,142			20,128,123
Undesignated				1,863	$16,832,116	98,655,710
TOTAL FUND BALANCES	1,477,535	4,342,766	15,977,142	1,863	16,832,116	129,528,729
Total Liabilities and Fund Balances	$1,477,535	$5,462,996	$15,977,142	$608,321	$16,832,116	$152,440,850

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CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
REVENUES					
Taxes	$3,907,828				
Charges for services				$99,735	
Subventions and grants		$1,999,542		60,417	
Use of money and property	165,899	470,803	$37,746	56,456	
Fines, forfeitures and penalties					$1,440,468
Contributions from developers					
Miscellaneous revenues	34,078	1,071,282		20,819	
Total Revenues	4,107,805	3,541,627	37,746	237,427	1,440,468
EXPENDITURES					
Current:					
General government					
Community development and planning					
Public works		965,958			
Public safety:					
Fire					
Library				12,000	
Parks and recreation	2,819,533				
Housing assistance payments					
Capital outlay		11,189,319		11,225	
Debt service:					
Principal retirement					
Interest and fiscal charges		21,968			
Total Expenditures	2,819,533	12,177,245		23,225	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,288,272	(8,635,618)	37,746	214,202	1,440,468
OTHER FINANCING SOURCES (USES)					
Transfers in		3,655,715			
Transfers (out)	(340,999)	(445,938)		(340)	(1,564,320)
Total Other Financing Sources (Uses)	(340,999)	3,209,777		(340)	(1,564,320)
Net change in fund balances	947,273	(5,425,841)	37,746	213,862	(123,852)
Fund balances at the beginning of the period	3,454,535	13,471,361	757,140	500,831	123,853
Fund balances at the end of period	$4,401,808	$8,045,520	$794,886	$714,693	$1

	SPECIAL REVENUE FUNDS						
	FEMA	Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Public Facilities	Park Development	Pleasant Grove Drain Basin
REVENUES							
Taxes				$2,017,309			
Charges for services					$3,337,905	$4,854,512	$865,738
Subventions and grants	$628,206		$147,450	60,814		376,000	
Use of money and property		$3,146	11,948	542,950	490,250	1,130,070	381,788
Fines, forfeitures and penalties							
Contributions from developers							
Miscellaneous revenues		3,580		256,932		2,836	471
Total Revenues	628,206	6,726	159,398	2,878,005	3,828,155	6,363,418	1,247,997
EXPENDITURES							
Current:							
General government					6,876		1,172
Community development and planning							132,281
Public works							
Public safety:							
Fire				742,643			
Library							
Parks and recreation						248,405	
Housing assistance payments							
Capital outlay				445,153		3,335,885	218,240
Debt service:							
Principal retirement				161,910			
Interest and fiscal charges				97,175			
Total Expenditures				1,446,881	6,876	3,584,290	351,693
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	628,206	6,726	159,398	1,431,124	3,821,279	2,779,128	896,304
OTHER FINANCING SOURCES (USES)							
Transfers in				1,696,454		696,224	
Transfers (out)	(628,206)	(410)	(146,755)	(4,621,294)	(4,171,200)	(2,132,886)	(240,493)
Total Other Financing Sources (Uses)	(628,206)	(410)	(146,755)	(2,924,840)	(4,171,200)	(1,436,662)	(240,493)
Net change in fund balances		6,316	12,643	(1,493,716)	(349,921)	1,342,466	655,811
Fund balances at the beginning of the period		58,373	457	10,652,630	8,756,876	20,321,523	5,215,165
Fund balances at the end of period		$64,689	$13,100	$9,158,914	$8,406,955	$21,663,989	$5,870,976

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CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Tree Propagation	Air Quality Mitigation	Community Development Block Grant/HOME	Housing Authority Section 8	Affordable Housing
REVENUES					
Taxes					
Charges for services	$254,086	$48,231			$561,401
Subventions and grants			$1,119,705	$3,730,019	
Use of money and property	257,932	4,097	11,664	38,123	183,830
Fines, forfeitures and penalties					
Contributions from developers					899,645
Miscellaneous revenues			668,672	22,744	
Total Revenues	512,018	52,328	1,800,041	3,790,886	1,644,876
EXPENDITURES					
Current:					
General government	2,564				
Community development and planning			2,199,036	435,104	922,661
Public works					
Public safety:					
Fire					
Library					
Parks and recreation					
Housing assistance payments				3,328,656	
Capital outlay	15,169				
Debt service:					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	17,733		2,199,036	3,763,760	922,661
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	494,285	52,328	(398,995)	27,126	722,215
OTHER FINANCING SOURCES (USES)					
Transfers in			119,613		
Transfers (out)	(5,900)			(35,710)	(1,260)
Total Other Financing Sources (Uses)	(5,900)		119,613	(35,710)	(1,260)
Net change in fund balances	488,385	52,328	(279,382)	(8,584)	720,955
Fund balances at the beginning of the period	4,715,833	63,848	486,063	267,907	3,073,634
Fund balances at the end of perio	$5,204,218	$116,176	$206,681	$259,323	$3,794,589

	SPECIAL REVENUE FUNDS							DEBT SERVICE FUND
	Park and Recreation Donation	Forfeited Property	Storm Water Management	Traffic Signal	South Placer Animal Control Shelter	Bike Trail/ Open Space Maintenance	Traffic Mitigation	Roseville Finance Authority
REVENUES								
Taxes								
Charges for services				$58,692	$26,550		$12,377,771	
Subventions and grants							1,515,612	
Use of money and property	$17,289	$3,702	$12,070	144,870	589	$4,720	866,630	$1,652,522
Fines, forfeitures and penalties			250					
Contributions from developers				52,002		28,692		
Miscellaneous revenues	15,375	56,134	1,276	45,800		2,051	856,576	906,807
Total Revenues	32,664	59,836	13,596	301,364	27,139	35,463	15,616,589	2,559,329
EXPENDITURES								
Current:								
General government						150,697		936,494
Community development and planning								
Public works			498,305	1,183,821			736,580	
Public safety:								
Fire								
Library								
Parks and recreation	1,057	465						
Housing assistance payments								
Capital outlay				143,121			8,559,172	
Debt service:								
Principal retirement								615,000
Interest and fiscal charges								2,233,212
Total Expenditures	1,057	465	498,305	1,326,942		150,697	9,295,752	3,784,706
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,607	59,371	(484,709)	(1,025,578)	27,139	(115,234)	6,320,837	(1,225,377)
OTHER FINANCING SOURCES (USES)								
Transfers in			506,792	1,689,770		207,698	800,000	1,357,514
Transfers (out)			(19,740)	(131,046)			(1,111,420)	
Total Other Financing Sources (Uses)			487,052	1,558,724		207,698	(311,420)	1,357,514
Net change in fund balances	31,607	59,371	2,343	533,146	27,139	92,464	6,009,417	132,137
Fund balances at the beginning of the period	327,191	43,750	255,904	2,273,466	3,901		12,521,090	1,345,398
Fund balances at the end of perio	$358,798	$103,121	$258,247	$2,806,612	$31,040	$92,464	$18,530,507	$1,477,535

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CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	CAPITAL PROJECTS FUNDS		PERMANENT FUNDS		
	Building	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance	Citizens Benefit	Total Nonmajor Governmental Funds
REVENUES					
Taxes					$5,925,137
Charges for services					22,484,621
Subventions and grants	$17,361				9,655,126
Use of money and property	211,117	$833,347	$3,649	$895,178	8,432,385
Fines, forfeitures and penalties					1,440,718
Contributions from developers					980,339
Miscellaneous revenues	718			111,107	4,077,258
Total Revenues	229,196	833,347	3,649	1,006,285	52,995,584
EXPENDITURES					
Current:					
General government				601,954	1,699,757
Community development and planning					3,689,082
Public works					3,384,664
Public safety:					
Fire					742,643
Library					12,000
Parks and recreation					3,069,460
Housing assistance payments					3,328,656
Capital outlay	12,252,250				36,169,534
Debt service:					
Principal retirement					776,910
Interest and fiscal charges					2,352,355
Total Expenditures	12,252,250			601,954	55,225,061
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,023,054)	833,347	3,649	404,331	(2,229,477)
OTHER FINANCING SOURCES (USES)					
Transfers in	12,055,186	1,500,000			24,284,966
Transfers (out)	(13,250)	(2,320,885)			(17,932,052)
Total Other Financing Sources (Uses)	12,041,936	(820,885)			6,352,914
Net change in fund balances	18,882	12,462	3,649	404,331	4,123,437
Fund balances at the beginning of the period	4,323,884	15,964,680	(1,786)	16,427,785	125,405,292
Fund balances at the end of period	$4,342,766	$15,977,142	$1,863	$16,832,116	$129,528,729

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CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	LIGHTING AND LANDSCAPE SERVICE DISTRICTS			HOME IMPROVEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	$3,793,084	$3,907,828	$114,744			
Charges for services						
Subventions and grants						
Use of money and property	93,820	165,899	72,079	$27,740	$37,746	$10,006
Fines, forfeitures and penalties						
Contributions from developers						
Miscellaneous revenues		34,078	34,078			
Total Revenues	3,886,904	4,107,805	220,901	27,740	37,746	10,006
EXPENDITURES						
Current:						
General government						
Council						
Operating services and supplies						
Central services						
Operating services and supplies						
Community development and planning						
Community services						
Operating services and supplies						
Housing						
Salaries and benefits						
Operating services and supplies						
Public works						
Salaries and benefits						
Operating services and supplies						
Public safety						
Fire						
Operating services and supplies						
Library						
Operating services and supplies						
Parks and recreation						
Operating services and supplies	3,526,796	2,819,533	707,263			
Housing assistance payments						
Capital outlay						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	3,526,796	2,819,533	707,263			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	360,108	1,288,272	928,164	27,740	37,746	10,006
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(346,860)	(340,999)	5,861			
Total Other Financing Sources (Uses)	(346,860)	(340,999)	5,861			
NET CHANGE IN FUND BALANCES	$13,248	947,273	$934,025	$27,740	37,746	$10,006
Fund balances at beginning of year		3,454,535			757,140	
Fund balances at end of year		$4,401,808			$794,886	

	CALIFORNIA LIBRARY SERVICES			TRAFFIC SAFETY			FEMA		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes									
Charges for services	$35,000	$99,735	$64,735						
Subventions and grants	40,100	60,417	20,317					$628,206	$628,206
Use of money and property	41,200	56,456	15,256						
Fines, forfeitures and penalties				$900,000	$1,440,468	$540,468			
Contributions from developers									
Miscellaneous revenues	26,800	20,819	(5,981)				$600,000		(600,000)
Total Revenues	143,100	237,427	94,327	900,000	1,440,468	540,468	600,000	628,206	28,206
EXPENDITURES									
Current:									
General government									
Council									
Operating services and supplies									
Central services									
Operating services and supplies									
Community development and planning									
Community services									
Operating services and supplies									
Housing									
Salaries and benefits									
Operating services and supplies									
Public works									
Salaries and benefits									
Operating services and supplies									
Public safety									
Fire									
Operating services and supplies									
Library	412,000	12,000	400,000						
Operating services and supplies									
Parks and recreation									
Operating services and supplies									
Housing assistance payments									
Capital outlay	11,405	11,225	180						
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	423,405	23,225	400,180						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(280,305)	214,202	494,507	900,000	1,440,468	540,468	600,000	628,206	28,206
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers (out)	(340)	(340)		(900,000)	(1,564,320)	(664,320)	(600,000)	(628,206)	(28,206)
Total Other Financing Sources (Uses)	(340)	(340)		(900,000)	(1,564,320)	(664,320)	(600,000)	(628,206)	(28,206)
NET CHANGE IN FUND BALANCES	($280,645)	213,862	$494,507		(123,852)	($123,852)			
Fund balances at beginning of year		500,831			123,853				
Fund balances at end of year		$714,693			$1				

(Continued)

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CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	TRENCH CUT RECOVERY			LAW ENFORCEMENT BLOCK GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Charges for services						
Subventions and grants				$147,450	$147,450	
Use of money and property	$2,290	$3,146	$856	8,620	11,948	$3,328
Fines, forfeitures and penalties						
Contributions from developers						
Miscellaneous revenues	1,000	3,580	2,580			
Total Revenues	3,290	6,726	3,436	156,070	159,398	3,328
EXPENDITURES						
Current:						
General government						
Council						
Operating services and supplies						
Central services						
Operating services and supplies						
Community development and planning						
Community services						
Operating services and supplies						
Housing						
Salaries and benefits						
Operating services and supplies						
Public works						
Salaries and benefits						
Operating services and supplies						
Public safety						
Fire						
Operating services and supplies						
Library						
Operating services and supplies						
Parks and recreation						
Operating services and supplies						
Housing assistance payments						
Capital outlay						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,290	6,726	3,436	156,070	159,398	3,328
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(410)	(410)			(146,755)	(146,755)
Total Other Financing Sources (Uses)	(410)	(410)			(146,755)	(146,755)
NET CHANGE IN FUND BALANCES	$2,880	6,316	$3,436	$156,070	12,643	($143,427)
Fund balances at beginning of year		58,373			457	
Fund balances at end of year		$64,689			$13,100	

	FIRE FACILITIES			PUBLIC FACILITIES			COMMUNITY DEVELOPMENT BLOCK GRANT/ HOME		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes	$2,500,000	$2,017,309	($482,691)						
Charges for services				$2,800,000	$3,337,905	$537,905			
Subventions and grants		60,814	60,814				$1,114,247	$1,119,705	$5,458
Use of money and property	352,420	542,950	190,530	487,800	490,250	2,450		11,664	11,664
Fines, forfeitures and penalties									
Contributions from developers	3,000,000		(3,000,000)						
Miscellaneous revenues		256,932	256,932				910,930	668,672	(242,258)
Total Revenues	5,852,420	2,878,005	(2,974,415)	3,287,800	3,828,155	540,355	2,025,177	1,800,041	(225,136)
EXPENDITURES									
Current:									
General government									
Council									
Operating services and supplies									
Central services									
Operating services and supplies					6,876	6,876			
Community development and planning									
Community services									
Operating services and supplies								433,994	(433,994)
Housing									
Salaries and benefits							73,888	87,415	(13,527)
Operating services and supplies							2,188,888	1,677,627	511,261
Public works									
Salaries and benefits									
Operating services and supplies									
Public safety									
Fire									
Operating services and supplies	991,183	742,643	248,540						
Library									
Operating services and supplies									
Parks and recreation									
Operating services and supplies									
Housing assistance payments									
Capital outlay	1,262,524	445,153	817,371	1,464,447		1,464,447			
Debt service:									
Principal retirement	161,910	161,910							
Interest and fiscal charges	103,710	97,175	6,535						
Total Expenditures	2,519,327	1,446,881	1,072,446	1,464,447	6,876	1,471,323	2,262,776	2,199,036	63,740
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,333,093	1,431,124	(1,901,969)	1,823,353	3,821,279	1,997,926	(237,599)	(398,995)	(161,396)
OTHER FINANCING SOURCES (USES)									
Transfers in		1,696,454	1,696,454				200,000	119,613	(80,387)
Transfers (out)	(8,604,510)	(4,621,294)	3,983,216	(9,974,542)	(4,171,200)	5,803,342			
Total Other Financing Sources (Uses)	(8,604,510)	(2,924,840)	5,679,670	(9,974,542)	(4,171,200)	5,803,342	200,000	119,613	(80,387)
NET CHANGE IN FUND BALANCES	($5,271,417)	(1,493,716)	$3,777,701	($8,151,189)	(349,921)	$7,801,268	($37,599)	(279,382)	($241,783)
Fund balances at beginning of year		10,652,630			8,756,876			486,063	
Fund balances at end of year		$9,158,914			$8,406,955			$206,681	

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CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	HOUSING AUTHORITY SECTION 8			AFFORDABLE HOUSING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Charges for services				$1,316,000	$561,401	($754,599)
Subventions and grants	$3,655,270	$3,730,019	$74,749			
Use of money and property		38,123	38,123	90,710	183,830	93,120
Fines, forfeitures and penalties						
Contributions from developers					899,645	899,645
Miscellaneous revenues	9,388	22,744	13,356			
Total Revenues	3,664,658	3,790,886	126,228	1,406,710	1,644,876	238,166
EXPENDITURES						
Current:						
General government						
Council						
Operating services and supplies						
Central services						
Operating services and supplies						
Community development and planning						
Community services						
Operating services and supplies						
Housing						
Salaries and benefits	450,997	390,863	60,134	40,445	30,495	9,950
Operating services and supplies	86,119	44,241	41,878	838,780	892,166	(53,386)
Public works						
Salaries and benefits						
Operating services and supplies						
Public safety						
Fire						
Operating services and supplies						
Library						
Operating services and supplies						
Parks and recreation						
Operating services and supplies						
Housing assistance payments	3,218,870	3,328,656	(109,786)			
Capital outlay						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	3,755,986	3,763,760	(7,774)	879,225	922,661	(43,436)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91,328)	27,126	118,454	527,485	722,215	194,730
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(35,710)	(35,710)		(1,260)	(1,260)	
Total Other Financing Sources (Uses)	(35,710)	(35,710)		(1,260)	(1,260)	
NET CHANGE IN FUND BALANCES	($127,038)	(8,584)	$118,454	$526,225	720,955	$194,730
Fund balances at beginning of year		267,907			3,073,634	
Fund balances at end of year		$259,323			$3,794,589	

	STORM WATER MANAGEMENT			TRAFFIC SIGNAL			BIKE TRAIL/OPEN SPACE MAINTENANCE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes									
Charges for services					$58,692	$58,692			
Subventions and grants									
Use of money and property	$9,730	$12,070	$2,340	$84,950	144,870	59,920		4,720	4,720
Fines, forfeitures and penalties		250	250						
Contributions from developers				75,000	52,002		85,300	28,692	(56,608)
Miscellaneous revenues		1,276	1,276	1,000	45,800	44,800		2,051	2,051
Total Revenues	9,730	13,596	3,866	160,950	301,364	163,412	85,300	35,463	(49,837)
EXPENDITURES									
Current:									
General government									
Council									
Operating services and supplies									
Central services									
Operating services and supplies							251,440	150,697	100,743
Community development and planning									
Community services									
Operating services and supplies									
Housing									
Salaries and benefits									
Operating services and supplies									
Public works									
Salaries and benefits	351,860	289,736	62,124	824,522	665,008	159,514			
Operating services and supplies	395,142	208,569	186,573	660,543	518,813	141,730			
Public safety									
Fire									
Operating services and supplies									
Library									
Operating services and supplies									
Parks and recreation									
Operating services and supplies									
Housing assistance payments									
Capital outlay				527,949	143,121	384,828			
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	747,002	498,305	248,697	2,013,014	1,326,942	686,072	251,440	150,697	100,743
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(737,272)	(484,709)	252,563	(1,852,064)	(1,025,578)	826,486	(166,140)	(115,234)	50,906
OTHER FINANCING SOURCES (USES)									
Transfers in	759,654	506,792	(252,862)	1,689,770	1,689,770		297,160	207,698	(89,462)
Transfers (out)	(19,740)	(19,740)		(126,605)	(131,046)	(4,441)			
Total Other Financing Sources (Uses)	739,914	487,052	(252,862)	1,563,165	1,558,724	(4,441)	297,160	207,698	(89,462)
NET CHANGE IN FUND BALANCES	$2,642	2,343	($299)	($288,899)	533,146	$822,045	$131,020	92,464	($38,556)
Fund balances at beginning of year		255,904			2,273,466				
Fund balances at end of year		$258,247			$2,806,612			$92,464	

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CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	ROSEVILLE FINANCE AUTHORITY			GENERAL CAPITAL IMPROVEMENT PROJECTS REHABILITATION			CITIZENS BENEFIT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes									
Charges for services									
Subventions and grants									
Use of money and property		$1,652,522	$1,652,522	$568,310	$833,347	$265,037	$711,670	$895,178	$183,508
Fines, forfeitures and penalties									
Contributions from developers									
Miscellaneous revenues		906,807	906,807				90,750	111,107	20,357
Total Revenues		2,559,329	2,559,329	568,310	833,347	265,037	802,420	1,006,285	203,865
EXPENDITURES									
Current:									
General government		936,494	(936,494)						
Council									
Operating services and supplies							617,750	601,954	15,796
Central services									
Operating services and supplies									
Community development and planning									
Community services									
Operating services and supplies									
Housing									
Salaries and benefits									
Operating services and supplies									
Public works									
Salaries and benefits									
Operating services and supplies									
Public safety									
Fire									
Operating services and supplies									
Library									
Operating services and supplies									
Parks and recreation									
Operating services and supplies									
Housing assistance payments									
Capital outlay									
Debt service:									
Principal retirement	615,000	615,000							
Interest and fiscal charges	695,300	2,233,212	(1,537,912)						
Total Expenditures	1,310,300	3,784,706	(2,474,406)				617,750	601,954	15,796
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,310,300)	(1,225,377)	84,923	568,310	833,347	265,037	184,670	404,331	219,661
OTHER FINANCING SOURCES (USES)									
Transfers in	1,246,300	1,357,514	111,214	1,500,000	1,500,000				
Transfers (out)				(7,068,526)	(2,320,885)	4,747,641			
Total Other Financing Sources (Uses)	1,246,300	1,357,514	111,214	(5,568,526)	(820,885)	4,747,641			
NET CHANGE IN FUND BALANCES	($64,000)	132,137	$196,137	($5,000,216)	12,462	$5,012,678	$184,670	404,331	$219,661
Fund balances at beginning of year		1,345,398			15,964,680			16,427,785	
Fund balances at end of year		$1,477,535			$15,977,142			$16,832,116	

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Automotive Services Fund. To account for the maintenance of vehicles used by City departments. Funds are received by means of a rental fee charged to the various departments.

Automotive Replacement Fund. To accumulate resources and account for the purchase of vehicles used by City departments. The source of revenue for this fund is replacement fees charged to City vehicles.

Workers' Compensation Fund. To account for the City's self-insurance program for Workers' Compensation benefits and for the administration of various preventative programs.

General Liability Fund. To account for the cost of claims and administrative costs of the City's self-insured general liability program.

Unemployment Reserve Fund. To account for State and Federal mandated unemployment insurance benefits for employees.

Vision Fund. To account for the City's insurance program for Vision benefits.

Dental Fund. To account for the City's insurance program for Dental benefits.

Section 125 Fund. To account for the assets and liabilities of the employer's flexible benefits plan established under Internal Revenue Code Section 125.

Post Retirement Fund. To account for the contributions and benefits paid in relation to accrued employee retirement compensation.

Central Stores Fund. To account for stores inventory that gets allocated out at year-end to the General Fund and Enterprise Funds.

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2007

	Automotive Services	Automotive Replacement	Self Insurance Funds: Workers' Compensation	Self Insurance Funds: General Liability	Self Insurance Funds: Unemployment Reserve	Self Insurance Funds: Vision	Self Insurance Funds: Dental	Self Insurance Funds: Section 125	Self Insurance Funds: Post Retirement	Central Stores	Total
ASSETS											
Current Assets											
Cash and investments in City Treasury		$15,114,064	$11,303,176	$7,573,073	$81,165	$263,094	$600,724	$15,922	$25,561,091	$214,617	$60,726,926
Restricted cash and investments with fiscal agents				40,000							40,000
Receivables:											
Accounts	$8,467	2,668									11,135
Accrued interest		1,198,497	105,887	71,630	1,007	2,707	5,773	66	249,368		1,634,935
Due from other government agencies	14,955										14,955
Due from other funds		934,099									934,099
Inventories	904,777									45,636	950,413
Total Current Assets	928,199	17,249,328	11,409,063	7,684,703	82,172	265,801	606,497	15,988	25,810,459	260,253	64,312,463
Non Current Assets											
Advances to other funds		4,648,201									4,648,201
Capital assets, net of accumulated depreciation	67,513	16,113,071									16,180,584
Total Assets	995,712	38,010,600	11,409,063	7,684,703	82,172	265,801	606,497	15,988	25,810,459	260,253	85,141,248
LIABILITIES											
Current Liabilities											
Accounts payable	136,037	50,663	98,053	30,542	23,844		21,562			228,164	588,865
Accrued liabilities	42,781										42,781
Due to other funds	534,599										534,599
Compensated absences	169,964										169,964
Self-insurance claims payable			463,000	158,500							621,500
Total Current Liabilities	883,381	50,663	561,053	189,042	23,844		21,562			228,164	1,957,709
Long-term Liabilities											
Compensated absences	169,601										169,601
Self-insurance claims payable			4,284,000	1,505,500							5,789,500
Total Liabilities	1,052,982	50,663	4,845,053	1,694,542	23,844		21,562			228,164	7,916,810
NET ASSETS											
Invested in capital assets	67,513	16,113,071									16,180,584
Unrestricted	(124,783)	21,846,866	6,564,010	5,990,161	58,328	265,801	584,935	15,988	25,810,459	32,089	61,043,854
Total Net Assets	($57,270)	$37,959,937	$6,564,010	$5,990,161	$58,328	$265,801	$584,935	$15,988	$25,810,459	$32,089	$77,224,438

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CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

			Self Insurance Funds	
	Automotive Services	Automotive Replacement	Workers' Compensation	General Liability
OPERATING REVENUES				
Charges for services	$7,274,194	$5,101,651	$3,090,000	$2,011,792
Other	139,241	5,909	2,301,754	140,128
Total Operating Revenues	7,413,435	5,107,560	5,391,754	2,151,920
OPERATING EXPENSES				
Operations	6,546,671	66,911	1,585,827	730,729
Depreciation and amortization	6,596	3,782,779		
Claims expense			616,436	899,975
Total Operating Expenses	6,553,267	3,849,690	2,202,263	1,630,704
Operating Income (Loss)	860,168	1,257,870	3,189,491	521,216
NONOPERATING (EXPENSES)				
Interest revenue	97,887	802,621	496,819	346,345
Other		252,679		
Net Nonoperating Revenues (Expenses)	97,887	1,055,300	496,819	346,345
Income (Loss) Before Transfers	958,055	2,313,170	3,686,310	867,561
Transfers in		2,519,588		
Transfers (out)	(906,793)	(1,711,874)	(31,830)	(19,960)
Change in Net Assets	51,262	3,120,884	3,654,480	847,601
Net assets (deficit)-beginning	(108,532)	34,839,053	2,909,530	5,142,560
Net assets (deficit)-ending	($57,270)	$37,959,937	$6,564,010	$5,990,161

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	Self Insurance Funds						
	Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
OPERATING REVENUES							
Charges for services	$111,434	$161,587	$1,360,583	$309,552	$2,498,387		$21,919,180
Other		176					2,587,208
Total Operating Revenues	111,434	161,763	1,360,583	309,552	2,498,387		24,506,388
OPERATING EXPENSES							
Operations	158,100	179,903	1,311,034	299,190	2,870,056		13,748,421
Depreciation and amortization							3,789,375
Claims expense							1,516,411
Total Operating Expenses	158,100	179,903	1,311,034	299,190	2,870,056		19,054,207
Operating Income (Loss)	(46,666)	(18,140)	49,549	10,362	(371,669)		5,452,181
NONOPERATING (EXPENSES)							
Interest revenue	5,378	13,567	27,346	442	1,195,539		2,985,944
Other							252,679
Net Nonoperating Revenues (Expenses)	5,378	13,567	27,346	442	1,195,539		3,238,623
Income (Loss) Before Transfers	(41,288)	(4,573)	76,895	10,804	823,870		8,690,804
Transfers in					2,840,124		5,359,712
Transfers (out)	(960)	(1,550)	(12,360)	(3,500)	(24,560)		(2,713,387)
Change in Net Assets	(42,248)	(6,123)	64,535	7,304	3,639,434		11,337,129
Net assets (deficit)-beginning	100,576	271,924	520,400	8,684	22,171,025	$32,089	65,887,309
Net assets (deficit)-ending	$58,328	$265,801	$584,935	$15,988	$25,810,459	$32,089	$77,224,438

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

			Self Insurance Funds		Self Insurance Funds						
	Automotive Services	Automotive Replacement	Workers' Compensation	General Liability	Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
CASH FLOWS FROM OPERATING ACTIVITIES											
Receipts from customers	$7,279,959	$5,098,983	$3,090,605	$2,011,792	$111,434	$161,587	$1,360,583	$309,552	$2,498,387		$21,922,882
Payments to suppliers	(4,738,722)	483,513	(1,514,799)	(724,891)	(159,599)	(179,903)	(1,306,786)	(317,124)	(2,870,056)	$30,491	(11,297,876)
Payments to employees	(1,943,046)										(1,943,046)
Claims paid			(2,413,436)	(1,161,975)							(3,575,411)
Other receipts (payments)	139,241	5,909	2,301,754	140,128		176					2,587,208
Net cash provided by operating activities	737,432	5,588,405	1,464,124	265,054	(48,165)	(18,140)	53,797	(7,572)	(371,669)	30,491	7,693,757
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES											
(Increase) decrease in due from other funds		(594,599)									(594,599)
Increase (decrease) in due to other funds	133,737										133,737
(Increase) decrease in advances to other funds		459,500									459,500
Transfers in		2,519,588							2,840,124		5,359,712
Transfers (out)	(906,793)	(1,711,874)	(31,830)	(19,960)	(960)	(1,550)	(12,360)	(3,500)	(24,560)		(2,713,387)
Cash Flows from Noncapital Financing Activities	(773,056)	672,615	(31,830)	(19,960)	(960)	(1,550)	(12,360)	(3,500)	2,815,564		2,644,963
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES											
Acquisition of capital assets, net	(62,263)	(6,038,666)									(6,100,929)
Other		252,679									252,679
Cash Flows from Capital and Related Financing Activities	(62,263)	(5,785,987)									(5,848,250)
CASH FLOWS FROM INVESTING ACTIVITIES											
Interest and dividends	97,887	668,954	455,882	323,169	5,109	12,919	25,163	419	1,102,884		2,692,386
Cash Flows from Investing Activities	97,887	668,954	455,882	323,169	5,109	12,919	25,163	419	1,102,884		2,692,386
Net increase (decrease) in cash and cash equivalents		1,143,987	1,888,176	568,263	(44,016)	(6,771)	66,600	(10,653)	3,546,779	30,491	7,182,856
Cash and investments at beginning of period		13,970,077	9,415,000	7,044,810	125,181	269,865	534,124	26,575	22,014,312	184,126	53,584,070
Cash and investments at end of perio		$15,114,064	$11,303,176	$7,613,073	$81,165	$263,094	$600,724	$15,922	$25,561,091	$214,617	$60,766,926
Reconciliation of operating income (loss) to net cash provided by operating activities:											
Operating income (loss)	$860,168	$1,257,870	$3,189,491	$521,216	($46,666)	($18,140)	$49,549	$10,362	($371,669)		$5,452,181
Adjustments to reconcile operating income to net cash provided by operating activities:											
Depreciation	6,596	3,782,779									3,789,375
Change in assets and liabilities:											
Receivables, net	(23,094)	(2,668)	605							($44,760)	(69,917)
Prepaid		620,524									620,524
Accounts and other payables	(106,238)	(70,100)	(1,725,972)	(256,162)	(1,499)		4,248	(17,934)		75,251	(2,098,406)
Net cash provided by operating activitie	$737,432	$5,588,405	$1,464,124	$265,054	($48,165)	($18,140)	$53,797	($7,572)	($371,669)	$30,491	$7,693,757

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AGENCY FUNDS

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Special Assessments/Community Facility Districts (CFDs)

These funds account for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

Payroll Revolving Fund

This fund accounts for the payroll deductions and contributions that are held in transit.

Highway 65 JPA (Bizz Johnson JPA)

This JPA, which consists of the City, City of Rocklin and Placer County, was formed to fund interchanges off of Highway 65. The City acts as lead agency and treasurer. The fees are collected via building permits.

Dry Creek Drainage Basin

Fees are collected via building permits for the Dry Creek area and submitted quarterly to Placer County for drainage mitigation.

Disaster Recovery JPA (DRJPA)

The DRJPA was formed to provide disaster recovery for computer services. The members are the City, Yolo County of Education, City of West Sacramento, City of Alameda and Yolo County. The City of Woodland pays just for services (non-voting member). The City is acting as lead agency and treasurer. The agencies pay annual membership dues for maintenance of backup computer servers and capital outlay.

County Capital Facilities Fee

This fee was established by the County to fund future county capital facilities from development. It is collected via building permits and submitted quarterly to the County.

South Placer Wastewater Authority (SPWA)

SPWA is a Joint Powers Authority comprised of the City, Placer County and South Placer Public Utilities District. The City is acting as the treasurer and construction manager. This JPA was formed to issue debt to facilitate the construction of the regional wastewater infrastructure. The agencies collect regional wastewater connection fees and submit them to SPWA which is used for debt service payments and for the future expansion of facilities.

Special Sewer Benefit Area #3

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the northeast portion of the City. The reimbursements are made to various project participants.

Special Sewer Benefit Area #4

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the southeast portion of the City. The reimbursements are made to Southfork Partnership.

South Placer County Tourism Business Improvement District (SPCTBID)

All hotels in the region are assessed fees for the purpose of promoting tourism in the area. These fees are forwarded to the City quarterly and then submitted quarterly to the SPCTBID.

South Placer County Safe Kids Coalition

The fess are collected for and submitted to an organization in Placer County for child safety programs.

South Placer Regional Traffic Fee

This fee is collected via building permits and submitted quarterly to Placer County Transportation Authority to fund regional traffic mitigation.

City/County Traffic Mitigation Fund (TMF)

The fee is collected via building permits and submitted quarterly to Placer County to fund regional traffic mitigation due to new development.

Placer County Air Pollution Control Fund

The fee is collected to contribute towards construction of a future animal shelter in South Placer County.

Sierra College Boulevard Fund

To account for contributions to provide maintenance of bike trails and open space.

Other

To account for fees collected for Placer County's administration of the City's Special Assessments.

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CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Foothills Boulevard Special Assessment District				
Cash and investments in City Treasury	$15,875			$15,875
Due to bondholders	$15,875			$15,875
Hilltop Special Assessment District				
Cash and investments in City Treasury	$1,015	$1	$12	$1,004
Total Assets	$1,015	$1	$12	$1,004
Due to bondholders	$1,015	$1	$12	$1,004
North Roseville/Rocklin Sewer Special Assessment District				
Cash and investments in City Treasury	$392,482	$39,924	$73,162	$359,244
Accrued interest receivable	2,004	1,507	2,004	1,507
Total Assets	$394,486	$41,431	$75,166	$360,751
Accounts payable	$289	$5,264	$289	$5,264
Due to bondholders	394,197	36,167	74,877	355,487
Total Liabilities	$394,486	$41,431	$75,166	$360,751
Rocky Ridge/Harding Special Assessment District				
Cash and investments in City Treasury	$45,559	$2,675	$8,027	$40,207
Accrued interest receivable	1,730	13	1,730	13
Total Assets	$47,289	$2,688	$9,757	$40,220
Due to bondholders	$47,289	$2,688	$9,757	$40,220
Total Liabilities	$47,289	$2,688	$9,757	$40,220
Champion Oaks Special Assessment District				
Cash and investments in City Treasury	$19,287			$19,287
Due to bondholders	$19,287			$19,287

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Foothills Boulevard Extension Special Assessment District				
Cash and investments in City Treasury	$1,051,755	$25,243	$872,446	$204,552
Accrued interest receivable	5,297	7,662	5,297	7,662
Total Assets	$1,057,052	$32,905	$877,743	$212,214
Accounts payable	$462		$462	
Due to bondholders	1,056,590	$32,905	877,281	$212,214
Total Liabilities	$1,057,052	$32,905	$877,743	$212,214
Northeast Roseville Community Facilities District #1				
Cash and investments in City Treasury	$2,702,702	$2,435,929	$2,450,306	$2,688,325
Restricted cash and investments with fiscal agents	841,118	30,603	113,116	758,605
Accrued interest receivable	20,613	24,319	20,613	24,319
Total Assets	$3,564,433	$2,490,851	$2,584,035	$3,471,249
Accounts payable	$1,466	$1,529	$1,466	$1,529
Due to bondholders	3,562,967	2,489,322	2,582,569	3,469,720
Total Liabilities	$3,564,433	$2,490,851	$2,584,035	$3,471,249
Northwest Roseville Community Facilities District #1				
Cash and investments in City Treasury	$1,755,278	$2,679,917	$2,470,585	$1,964,610
Restricted cash and investments with fiscal agents	2,426,475		44	2,426,431
Accrued interest receivable	47,222	48,880	47,222	48,880
Total Assets	$4,228,975	$2,728,797	$2,517,851	$4,439,921
Accounts payable	$2,288	$2,265	$2,288	$2,265
Due to bondholders	4,226,687	2,726,532	2,515,563	4,437,656
Total Liabilities	$4,228,975	$2,728,797	$2,517,851	$4,439,921
Stoneridge East Community Facilities District #1				
Cash and investments in City Treasury	$831,915	$3,253,499	$3,189,841	$895,573
Restricted cash and investments with fiscal agents	1,188,956		15,616	1,173,340
Accrued interest receivable	22,313	8,824	22,313	8,824
Total Assets	$2,043,184	$3,262,323	$3,227,770	$2,077,737
Accounts payable	$1,987	$4,023	$1,987	$4,023
Due to bondholders	2,041,197	3,258,300	3,225,783	2,073,714
Total Liabilities	$2,043,184	$3,262,323	$3,227,770	$2,077,737

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CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Northeast Roseville Community Facilities District #2

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$832,640	$953,425	$992,035	$794,030
Restricted cash and investments with fiscal agents	1,118,553	55,512	81,703	1,092,362
Accrued interest receivable	22,455	23,047	22,455	23,047
Total Assets	$1,973,648	$1,031,984	$1,096,193	$1,909,439
Accounts payable	$1,465	$1,528	$1,465	$1,528
Due to bondholders	1,972,183	1,030,456	1,094,728	1,907,911
Total Liabilities	$1,973,648	$1,031,984	$1,096,193	$1,909,439

North Central Roseville Community Facilities District #1

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$6,955,199	$5,422,051	$5,191,328	$7,185,922
Restricted cash and investments with fiscal agents	4,968,636	66,433		5,035,069
Accrued interest receivable	72,495	135,338	72,495	135,338
Total Assets	$11,996,330	$5,623,822	$5,263,823	$12,356,329
Accounts payable	$2,913	$5,677	$2,913	$5,677
Due to bondholders	11,993,417	5,618,145	5,260,910	12,350,652
Total Liabilities	$11,996,330	$5,623,822	$5,263,823	$12,356,329

North Roseville Community Facilities District #1

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$1,884,234	$1,932,423	$2,040,989	$1,775,668
Restricted cash and investments with fiscal agents	1,787,945	56,091	104,456	1,739,580
Accrued interest receivable	5,163	12,637	5,163	12,637
Total Assets	$3,677,342	$2,001,151	$2,150,608	$3,527,885
Accounts payable	$2,376	$2,210	$2,376	$2,210
Due to bondholders	3,674,966	1,998,941	2,148,232	3,525,675
Total Liabilities	$3,677,342	$2,001,151	$2,150,608	$3,527,885

Woodcreek West Community Facilities District #1

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$626,172	$1,507,133	$1,169,873	$963,432
Restricted cash and investments with fiscal agents	1,446,142	68,225	111,802	1,402,565
Accrued interest receivable	24,311	25,844	24,311	25,844
Total Assets	$2,096,625	$1,601,202	$1,305,986	$2,391,841
Accounts payable	$2,077	$2,068	$2,077	$2,068
Due to bondholders	2,094,548	1,599,134	1,303,909	2,389,773
Total Liabilities	$2,096,625	$1,601,202	$1,305,986	$2,391,841

Highland Reserve North Community Facilities District #1

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$2,158,790	$933,492	$710,815	$2,381,467
Restricted cash and investments with fiscal agents	2,989,551	1,251,855	1,577,523	2,663,883
Accrued interest receivable	32,591	57,864	32,591	57,864
Total Assets	$5,180,932	$2,243,211	$2,320,929	$5,103,214
Accounts payable	$2,780	$4,965	$2,780	$4,965
Due to bondholders	5,178,152	2,238,246	2,318,149	5,098,249
Total Liabilities	$5,180,932	$2,243,211	$2,320,929	$5,103,214

Stoneridge Parcel 1 Community Facilities District #1

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$98,006		$19,156	$78,850
Restricted cash and investments with fiscal agents	166,838	$310,309	339,603	137,544
Accrued interest receivable	100	432	100	432
Total Assets	$264,944	$310,741	$358,859	$216,826
Accounts payable	$917	$2,899	$917	$2,899
Due to bondholders	264,027	307,842	357,942	213,927
Total Liabilities	$264,944	$310,741	$358,859	$216,826

Woodcreek East Community Facilities District #1

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$229,254	$596,073	$458,317	$367,010
Restricted cash and investments with fiscal agents	598,403		103,978	494,425
Accrued interest receivable	6,291	8,924	6,291	8,924
Total Assets	$833,948	$604,997	$568,586	$870,359
Accounts payable	$1,721	$2,797	$1,721	$2,797
Due to bondholders	832,227	602,200	566,865	867,562
Total Liabilities	$833,948	$604,997	$568,586	$870,359

Stoneridge West Community Facilities District #1

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$636,915	$178,669	$68,301	$747,283
Restricted cash and investments with fiscal agents	925,357	2,415,677	2,422,602	918,432
Accrued interest receivable	17,836	7,926	17,836	7,926
Total Assets	$1,580,108	$2,602,272	$2,508,739	$1,673,641
Accounts payable	$1,977	$4,056	$1,977	$4,056
Due to bondholders	1,578,131	2,598,216	2,506,762	1,669,585
Total Liabilities	$1,580,108	$2,602,272	$2,508,739	$1,673,641

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CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Crocker Ranch Community Facilities District #1	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$877,963	$39,698	$77,206	$840,455
Restricted cash and investments with fiscal agents	1,439,986	3,995,485	4,048,478	1,386,993
Accrued Interest receivable	21,651	11,334	21,651	11,334
Total Assets	$2,339,600	$4,046,517	$4,147,335	$2,238,782
Accounts payable	$4,638	$3,785	$4,638	$3,785
Due to bondholders	2,334,962	4,042,732	4,142,697	2,234,997
Total Liabilities	$2,339,600	$4,046,517	$4,147,335	$2,238,782

Stone Point Community Facilities District #1	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$709,796	$220,100	$132,336	$797,560
Restricted cash and investments with fiscal agents	913,225	625,742	601,696	937,271
Accrued interest receivable	11,501	11,325	11,501	11,325
Total Assets	$1,634,522	$857,167	$745,533	$1,746,156
Accounts payable	$3,282	$1,367	$3,282	$1,367
Due to bondholders	1,631,240	855,800	742,251	1,744,789
Total Liabilities	$1,634,522	$857,167	$745,533	$1,746,156

Stone Point Community Facilities District #5	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury		$15,547	$48,315	($32,768)
Restricted cash and investments with fiscal agents		1,090,344	457,609	632,735
Total Assets		$1,105,891	$505,924	$599,967
Accounts payable	$5,142	$2,500	$5,142	$2,500
Due to bondholders	(5,142)	1,103,391	500,782	597,467
Total Liabilities		$1,105,891	$505,924	$599,967

Westpark Community Facilities District #1	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury		$3,056,168	$625,814	$2,430,354
Restricted cash and investments with fiscal agents	$6,619,854	3,145,332	4,246,116	5,519,070
Accrued interest receivable	96,513	108,744	96,513	108,744
Total Assets	$6,716,367	$6,310,244	$4,968,443	$8,058,168
Accounts payable	$1,571		$1,571	
Due to bondholders	6,714,796	$6,310,244	4,966,872	$8,058,168
Total Liabilities	$6,716,367	$6,310,244	$4,968,443	$8,058,168

Fiddyment Ranch Community Facilities District #1	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$2,201	$3,374,420	$730,757	$2,645,864
Restricted cash and investments with fiscal agents	4,245,965	5,813,975	3,868,389	6,191,551
Accrued interest receivable	65,479	142,640	65,479	142,640
Total Assets	$4,313,645	$9,331,035	$4,664,625	$8,980,055
Accounts payable	$2,299	$363	$2,299	$363
Due to bondholders	4,311,346	9,330,672	4,662,326	8,979,692
Total Liabilities	$4,313,645	$9,331,035	$4,664,625	$8,980,055

Longmeadow Community Facilities District #1	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury		$467,721	$111,807	$355,914
Restricted cash and investments with fiscal agents	$843,715	200,322	439,960	604,077
Accrued interest receivable	6,816	8,172	6,816	8,172
Total Assets	$850,531	$676,215	$558,583	$968,163
Accounts payable				
Due to bondholders	$850,531	$676,215	$558,583	$968,163
Total Liabilities	$850,531	$676,215	$558,583	$968,163

NC SP PAR 44 CFD	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$5,780	$78	$5,263	$595
Accrued interest receivable		12		12
Total Assets	$5,780	$90	$5,263	$607
Accounts payable	$5,780		$5,780	
Due to others		$90	(517)	$607
Total Liabilities	$5,780	$90	$5,263	$607

Diamond Creek Community Facilities District #1	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury		$20,758	$12,853	$7,905
Restricted cash and investments with fiscal agents		1,464,732	380,900	1,083,832
Accrued interest receivable		4,575		4,575
Total Assets		$1,490,065	$393,753	$1,096,312
Due to bondholders		$1,490,065	$393,753	$1,096,312
Total Liabilities		$1,490,065	$393,753	$1,096,312

Fountains Community Facilities District #1	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury		$10,000		$10,000
Accrued interest receivable		2		2
Total Assets		$10,002		$10,002
Accounts payable		$675		$675
Due to bondholders		9,327		9,327
Total Liabilities		$10,002		$10,002

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CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Payroll Revolving	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$1,659,823	$2,033,213	$1,846,518	$1,846,518
Accounts payable	$1,659,823	$1,576	$1,659,823	$1,576
Due to others		2,031,637	186,695	1,844,942
Total Liabilities	$1,659,823	$2,033,213	$1,846,518	$1,846,518

Highway 65 JPA	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$9,812,800	$3,329,081	$26,634	$13,115,247
Accrued interest receivable	63,809	568,253	501,245	130,817
Due from other government agencies	948,162	855,580	948,162	855,580
Total Assets	$10,824,771	$4,752,914	$1,476,041	$14,101,644
Due to member agencies	$10,824,771	$4,752,914	$1,476,041	$14,101,644
Total Liabilities	$10,824,771	$4,752,914	$1,476,041	$14,101,644

Dry Creek Drainage Basin	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$12,591	$30,059	$13,287	$29,363
Accrued interest receivable	412	121	412	121
Total Assets	$13,003	$30,180	$13,699	$29,484
Accounts Payable	$13,287	$29,390	$13,287	$29,390
Due to others	(284)	790	412	94
Total Liabilities	$13,003	$30,180	$13,699	$29,484

Disaster Recovery JPA	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$39,365	$22,115	$6,882	$54,598
Accounts receivable	887		887	
Accrued interest receivable	294	540	294	540
Total Assets	$40,546	$22,655	$8,063	$55,138
Accounts payable		$495		$495
Due to member agencies	$40,546	22,160	$8,063	54,643
Total Liabilities	$40,546	$22,655	$8,063	$55,138

County Capital Facilities Fee	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$505,694	$826,058	$469,900	$861,852
Accrued interest receivable	3,118	4,721	3,118	4,721
Deferred receivables		62,966		62,966
Total Assets	$508,812	$893,745	$473,018	$929,539
Accounts payable	$452,066	$809,702	$452,066	$809,702
Due to others	56,746	84,043	20,952	119,837
Total Liabilities	$508,812	$893,745	$473,018	$929,539

South Placer Wastewater Authority	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$144,183,054	$151,837,280	$144,183,054	$151,837,280
Restricted cash and investments with fiscal agents	26,281,641	17,488,001	26,281,641	17,488,001
Accrued interest receivable	684,162	1,297,774	684,162	1,297,774
Due from other government agencies	1,751,864	3,768,530	1,751,864	3,768,530
Total Assets	$172,900,721	$174,391,585	$172,900,721	$174,391,585
Accounts payable	$303,990	$2,951,334	$303,990	$2,951,334
Accrued liabilities	326,561	306,288	326,561	306,288
Due to member agencies	172,270,170	171,133,963	172,270,170	171,133,963
Total Liabilities	$172,900,721	$174,391,585	$172,900,721	$174,391,585

Special Sewer Benefit Area #3	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$895	$15,795	$897	$15,793
Accrued interest receivable	1	11	1	11
Total Assets	$896	$15,806	$898	$15,804
Accounts payable		$15,774		$15,774
Due to others	$896	32	$898	$30
Total Liabilities	$896	$15,806	$898	$15,804

Special Sewer Benefit Area #4	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Cash and investments in City Treasury	$122,828	$124,512	$118,415	$128,925
Accrued interest receivable	892	1,337	892	1,337
Total Assets	$123,720	$125,849	$119,307	$130,262
Accounts payable	$117,971	$117,971	$117,971	$117,971
Due to others	5,749	7,878	1,336	12,291
Total Liabilities	$123,720	$125,849	$119,307	$130,262

(continued)

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CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
South Placer County Tourism Business Improvement District (SPCTBID)				
Cash and investments in City Treasury	$2,770	$616,585	$614,008	$5,347
Accounts receivable	159,604	160,654	159,604	160,654
Accrued interest receivable	252	363	252	363
Total Assets	$162,626	$777,602	$773,864	$166,364
Accounts payable	$158,704	$160,654	$158,704	$160,654
Due to others	3,922	616,948	615,160	5,710
Total Liabilities	$162,626	$777,602	$773,864	$166,364
South Placer County Safe Kids Coalition				
Cash and investments in City Treasury	$13,824	$19,354	$18,302	$14,876
Accrued interest receivable	120	144	120	144
Total Assets	$13,944	$19,498	$18,422	$15,020
Accounts payable	$326	$1,275	$326	$1,275
Due to others	13,618	18,223	18,096	13,745
Total Liabilities	$13,944	$19,498	$18,422	$15,020
South Placer Regional Traffic Fee				
Cash and investments in City Treasury	$427,896	$798,735	$425,130	$801,501
Accrued interest receivable	1,563	3,295	1,563	3,295
Total Assets	$429,459	$802,030	$426,693	$804,796
Accounts payable	$423,100	$797,172	$423,100	$797,172
Due to others	6,359	4,858	3,593	7,624
Total Liabilities	$429,459	$802,030	$426,693	$804,796
City/County TMF				
Cash and investments in City Treasury	$112,917	$206,139	$119,605	$199,451
Accrued interest receivable	552	759	552	759
Total Assets	$113,469	$206,898	$120,157	$200,210
Accounts payable	$119,399	$199,778	$119,399	$199,778
Due to others	(5,930)	7,120	758	432
Total Liabilities	$113,469	$206,898	$120,157	$200,210

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Placer County Air Pollution Control				
Cash and investments in City Treasury	$8,849	$30,889		$39,738
Accounts receivable	402		$402	
Accrued interest receivable	1	305	1	305
Total Assets	$9,252	$31,194	$403	$40,043
Due to others	9,252	$31,194	$403	$40,043
Total Liabilities	$9,252	$31,194	$403	$40,043
Sierra College Boulevard				
Cash and investments in City Treasury	$5,848	$39,132		$44,980
Accrued interest receivable	2	262	$2	262
Total Assets	$5,850	$39,394	$2	$45,242
Due to others	$5,850	$39,394	$2	$45,242
Total Liabilities	$5,850	$39,394	$2	$45,242
Other				
Cash and investments in City Treasury	$13,014			$13,014
Total Assets	$13,014			$13,014
Due to other government agencies	$13,014			$13,014
Total Liabilities	$13,014			$13,014
Total Agency Funds				
Cash and investments in City Treasury	$178,754,986	$187,093,891	$169,302,176	$196,546,701
Restricted cash and investments with fiscal agents	58,802,360	38,078,638	45,195,232	51,685,766
Accounts receivable	160,893	160,654	160,893	160,654
Accrued interest receivable	1,237,559	2,527,906	1,674,995	2,090,470
Due from other government agencies	2,700,026	4,624,110	2,700,026	4,624,110
Deferred receivable		62,966		62,966
Total Assets	$241,655,824	$232,548,165	$219,033,322	$255,170,667
Accounts payable	$3,294,096	$5,133,092	$3,294,096	$5,133,092
Accrued liabilities	326,561	306,288	326,561	306,288
Due to other government agencies	13,014			13,014
Due to member agencies	183,135,487	175,909,037	173,754,274	185,290,250
Due to bondholders	54,790,488	48,357,541	40,810,603	62,337,426
Due to others	96,178	2,842,207	847,788	2,090,597
Total Liabilities	$241,655,824	$232,548,165	$219,033,322	$255,170,667

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STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:.

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and electric revenue:

1. Assessed Value and Estimated Value of Taxable Property
2. Property Tax Rates, All Direct Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections
5. Electric Customers, Rates and Revenues

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 2000 Wastewater Revenue Bonds – Series A
3. Revenue Bond Coverage – 2000 Variable Rate Demand Wastewater Revenue Bonds – Series B
4. Revenue Bond Coverage – 2003 Refunding Auction Rate-Synthetic Fixed Wastewater Revenue Bonds
5. Bonded Debt Pledged Revenue Coverage – 2002 Redevelopment Tax Allocation Bonds
6. Bonded Debt Pledged Revenue Coverage –2006A Redevelopment Tax Allocation Bonds
7. Bonded Debt Pledged Revenue Coverage –2006AT Redevelopment Tax Allocation Bonds
8. Bonded Debt Pledged Revenue Coverage –2006HT Redevelopment Tax Allocation Bonds
9. Computation of Direct and Overlapping Debt
10. Computation of Legal Bonded Debt Margin

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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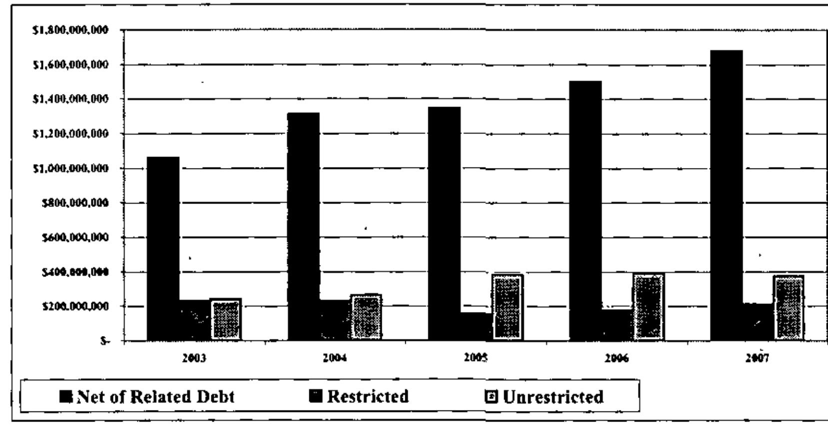
CITY OF ROSEVILLE
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(accrual basis of accounting)



	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets,					
net of related debt	$501,785,076	$540,714,647	$579,757,919	$664,131,414	$742,822,158
Restricted	148,067,075	142,404,742	124,527,445	149,738,041	177,189,997
Unrestricted	63,933,275	73,230,549	89,038,317	109,395,679	107,064,085
Total governmental activities net assets	$713,785,426	$756,349,938	$793,323,681	$923,265,134	$1,027,076,240
Business-type activities					
Invested in capital assets,					
net of related debt	$560,136,358	$774,624,921	$767,628,987	$838,373,690	$938,933,934
Restricted	85,285,040	89,408,729	31,082,339	28,178,946	34,553,611
Unrestricted	180,828,388	191,964,333	295,600,560	280,399,506	268,413,147
Total business-type activities net assets	$826,249,786	$1,055,997,983	$1,094,311,886	$1,146,952,142	$1,241,900,692
Primary government					
Invested in capital assets,					
net of related debt	$1,061,921,434	$1,315,339,568	$1,347,386,906	$1,502,505,104	$1,681,756,092
Restricted	233,352,115	231,813,471	155,609,784	177,916,987	211,743,608
Unrestricted	244,761,663	265,194,882	384,638,877	389,795,185	375,477,232
Total primary government net assets	$1,540,035,212	$1,812,347,921	$1,887,635,567	$2,070,217,276	$2,268,976,932

The City of Roseville implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Source: The City's Comprehensive Annual Financial Report

CITY OF ROSEVILLE
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General Government	$19,464,175	$19,299,495	$22,350,454	$25,437,535	$30,929,747
Community Development and Planning	9,250,195	10,370,403	10,131,568	11,893,312	13,171,347
Public Works	31,259,219	21,567,351	39,391,505	33,498,385	42,070,119
Police	17,630,323	19,351,991	22,761,768	24,500,396	27,440,631
Fire	11,601,885	12,768,918	15,226,498	16,435,774	20,572,207
Library	2,792,317	2,639,727	2,996,795	3,156,087	3,552,614
Parks and recreation	12,742,186	13,257,771	14,001,045	16,052,655	17,634,887
Community facilities districts	23,792,411				
Payments under developer agreements	2,406,806	2,607,608	3,093,615		
Housing assistance payments	2,541,178	3,127,150	3,050,762	2,974,236	3,328,656
Interest on long term debt	2,278,540	1,813,647	1,760,833	1,933,654	4,920,776
Total Governmental Activities Expenses	135,759,235	107,003,459	134,764,243	135,882,034	163,620,984
Business-Type Activities:					
Electric	71,539,423	69,630,286	93,061,537	97,101,941	$131,224,885
Water	12,822,705	15,748,289	16,719,257	18,510,040	15,855,579
Wastewater	18,632,682	18,050,409	23,885,474	27,207,717	28,948,611
Solid Waste	10,927,735	11,614,060	12,749,998	14,220,731	15,182,395
Natural Gas					5,152,447
Golf Course	2,545,069	2,365,048	2,473,835	2,479,378	2,351,603
Local Transportation	3,374,680	3,768,970	4,106,631	4,415,411	5,410,630
School-age Child Care	3,761,228	3,824,316	4,211,285	4,430,801	4,825,366
Total Business-Type Activities Expenses	123,603,522	125,001,378	157,208,017	168,366,019	208,951,516
Total Primary Government Expenses	$259,362,757	$232,004,837	$291,972,260	$304,248,053	$372,572,500
Program Revenues					
Governmental Activities					
Charges for Services:					
General Government	$1,337,514	$1,318,112	$1,570,571	$3,364,921	$3,980,445
Community development and planning	1,753,229	2,988,881	3,652,829	4,312,464	3,543,270
Public Works	6,362,355	6,612,890	6,814,277	7,959,770	9,246,666
Police	1,698,465	1,581,324	2,009,281	1,900,144	2,346,493
Fire	554,019	945,366	1,082,211	1,253,881	1,505,547
Library	75,753	136,710	162,479	188,738	235,231
Parks and recreation	4,402,180	5,508,574	6,224,464	7,315,217	4,167,719
Community facilities districts	47,335				
Operating Grants and Contributions	7,007,583	8,476,255	9,449,752	7,717,503	7,246,321
Capital Grants and Contributions	72,499,797	35,094,840	41,143,945	113,531,406	101,768,467
Total Government Activities Program Revenues	95,738,230	62,662,952	72,109,809	147,544,044	134,040,159
Business-Type Activities:					
Charges for Services:					
Electric	79,906,500	94,387,590	98,949,341	102,772,594	130,264,098
Water	8,869,111	11,804,088	13,163,434	13,450,264	14,938,665
Wastewater	13,103,088	14,739,888	16,355,694	19,025,742	22,455,645
Solid Waste	13,859,409	14,678,394	15,244,048	17,558,492	18,575,194
Natural Gas					
Golf Course	2,468,170	2,436,735	2,564,469	2,747,851	3,162,637
Local Transportation	936,121	526,204	530,516	601,087	739,826
School-age Child Care	3,615,963	3,810,089	4,193,923	4,833,884	4,845,460
Operating Grants and Contributions	4,359,680	6,717,432	7,104,895	2,299,189	14,328,217
Capital Grants and Contributions	88,803,680	52,603,696	49,828,229	68,914,968	108,453,838
Total Business-Type Activities Program Revenue	215,921,722	201,704,116	207,934,549	232,204,071	317,763,580
Total Primary Government Program Revenues	$311,659,952	$264,367,068	$280,044,358	$379,748,115	$451,803,739
Net (Expense)/Revenue					
Governmental Activities	($40,021,005)	($44,340,507)	($62,654,434)	$11,662,010	($29,580,825)
Business-Type Activities	92,318,200	76,702,738	50,726,532	63,838,052	108,812,064
Total Primary Government Net Expense	$52,297,195	$32,362,231	($11,927,902)	$75,500,062	$79,231,239

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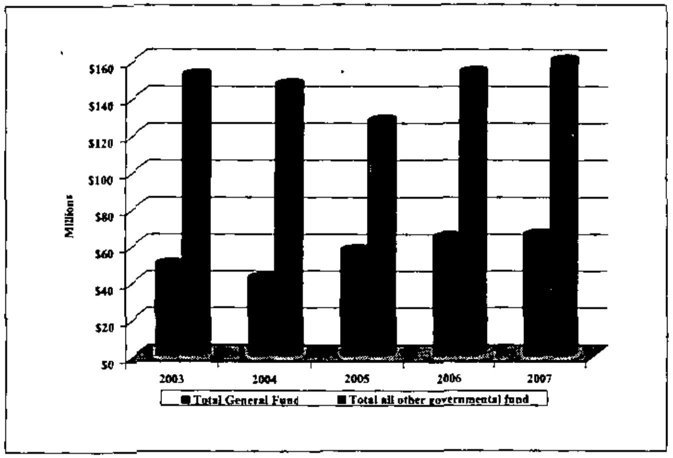
CITY OF ROSEVILLE
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes:	(a)				
Licenses and permits					
Property taxes	$16,812,259	$20,101,838	$26,548,498	$30,867,256	$38,737,491
Less Education Revenue Augmentation Fund Payment	(55,417)	(143,182)	(260,676)		
Sales taxes	34,678,592	38,031,918	40,973,365	42,642,034	44,772,743
Franchise taxes	657,865	954,396	1,060,903	1,267,707	1,429,155
Motor fuel taxes	1,880,505	1,775,122	1,897,211	3,116,638	1,999,542
Motor vehicle in lieu (Intergovernmental - unrestricted)	5,360,094	4,152,209	2,123,202	710,510	565,719
Utility Users Taxes	6,006,269	(b)			
Other Taxes	2,692,573	2,978,450	3,671,924	3,630,534	3,529,485
Use of money and property	6,856,853	2,992,312	5,631,061	8,077,599	14,208,032
Miscellaneous revenues	1,356,471	12,975	664,191	1,680,851	2,926,467
Transfers	12,024,203	15,605,538	17,318,498	23,582,576	25,223,297
Gain/(Loss) from sales of capital assets		92,324		2,703,738	
Bond issuance premium		351,119			
Total Government Activities	88,270,267	86,905,019	99,628,177	118,279,443	133,391,931
Business-Type Activities:					
Use of money and property	5,539,231	1,096,493	4,487,348	10,559,581	11,359,783
Miscellaneous revenues				1,825,199	
Provision for disputed SCS charges			418,521		
Transfers	(12,024,203)	(15,605,538)	(17,318,498)	(23,582,576)	(25,223,297)
Gain/(Loss) from sales of capital assets		(227,334)			
Special Item	(13,300,000)	(7,394,906)			
Total Business-Type Activities	(19,784,972)	(22,131,285)	(12,412,629)	(11,197,796)	(13,863,514)
Total Primary Government	$68,485,295	$64,773,734	$87,215,548	$107,081,647	$119,528,417
Change in Net Assets					
Governmental Activities	$48,249,262	$42,564,512	$36,973,743	$129,941,453	$103,811,106
Business-Type Activities	72,533,228	54,571,453	38,313,903	52,640,256	94,948,550
Total Primary Government	$120,782,490	$97,135,965	$75,287,646	$182,581,709	$198,759,656

The City of Roseville implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

(a) In 2002 the taxes were combined as one total on the Statement of Activities.
(b) 2003 was the last year the City of Roseville collected a Utility Users Tax.

CITY OF ROSEVILLE
FUND BALANCES OF GOVERNMENT FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,				
	1998	1999	2000	2001	2002
General Fund					
Reserved	$1,403,098	$8,548,817	$17,748,596	$10,686,999	$9,127,227
Unreserved	7,412,609	8,961,165	8,068,863	18,902,395	31,843,500
Total General Fund	$8,815,707	$17,509,982	$25,817,459	$29,589,394	$40,970,727
All Other Governmental Funds					
Reserved	$2,838,584	$3,091,753	$3,690,269	$4,844,613	$22,018,851
Unreserved, reported in					
Special Revenue Funds	43,784,006	45,776,454	35,810,147	61,189,946	57,998,370
Capital Projects	8,548,642	23,119,340	46,830,294	28,561,048	11,448,839
Permanent Funds					16,014,323
Total all other governmental funds	$55,171,232	$71,987,547	$86,330,710	$94,595,607	$107,480,383

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
General Fund					
Reserved	$18,553,213	$18,414,069	$18,449,612	$16,669,748	$13,421,646
Unreserved	31,034,445	23,647,906	38,788,181	47,642,690	52,376,837
Total General Fund	$49,587,658	$42,061,975	$57,237,793	$64,312,438	$65,798,483
All Other Governmental Funds					
Reserved	$47,532,457	$23,989,841	$27,132,041	$53,194,568	$71,775,257
Unreserved, reported in:					
Special Revenue Funds	73,713,153	87,880,374	66,266,786	64,447,245	73,726,593
Capital Projects	14,958,485	19,522,248	17,733,928	19,807,821	20,128,123
Permanent Funds	16,061,477	15,725,381	16,318,672	16,425,999	16,833,979
Total all other governmental funds	$152,265,572	$147,317,844	$127,451,427	$153,875,633	$182,463,652

The City of Roseville has elected to show only five years of data in the graph for this schedule

Source: The City's Comprehensive Annual Financial Report

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CITY OF ROSEVILLE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	$35,431,655	$39,152,089	$46,414,028	$56,621,766	$61,361,572	$64,866,117	$65,815,061	$75,900,403	$82,770,691	$93,500,227
Less Educational Revenue Augmentation						(55,417)	(143,182)	(260,676)	(323,743)	
Licenses, permits and fees	2,365,373	2,274,709	2,210,596	2,431,091	2,787,695	2,913,664	2,784,570	2,591,354	2,020,467	2,762,883
Charges for services	15,860,923	21,211,092	25,878,364	27,841,157	29,589,733	30,198,984	27,343,649	26,814,640	31,295,267	40,301,825
Subventions and grants	8,230,879	8,911,568	16,785,739	15,518,284	16,109,594	16,583,320	13,758,850	12,630,086	10,351,281	12,744,920
Use of money and property	4,618,397	4,267,319	6,779,306	9,064,978	5,946,919	6,361,032	3,455,309	4,922,685	7,784,975	16,943,196
Fine, forfeitures and penalties	250,569	345,121	354,984	465,239	1,093,381	1,842,340	1,471,716	1,803,562	1,953,405	2,358,742
Contributions from property owners							2,574,635	7,841,639	92,645,369	71,488,795
Contributions from developers							2,662,371	4,373,481	3,337,645	1,591,059
Miscellaneous revenues	317,954	727,239	434,172	1,302,877	1,557,781	6,500,778	3,331,708	4,213,970	7,899,568	9,286,123
Total Revenues	67,075,750	76,889,137	98,857,189	113,245,392	118,446,675	129,210,818	123,054,687	140,831,144	239,734,925	250,977,770
Expenditures										
Current:										
General government	12,879,952	19,144,670	19,020,015	16,185,257	17,714,229	25,734,538	20,919,559	20,248,180	24,938,856	29,720,879
Community development and planning				5,623,597	6,812,834	9,605,904	10,807,567	9,751,722	10,888,062	11,961,479
Public works	8,330,762	9,691,170	16,652,261	10,873,585	10,991,887	11,880,167	10,956,006	10,817,148	15,396,696	16,947,884
Public safety:	17,908,183	19,579,783	20,551,250							
Police				13,868,406	14,647,683	18,003,412	19,051,384	21,547,825	25,567,869	28,988,754
Fire				9,197,433	9,631,469	11,772,858	12,602,614	13,753,902	16,915,393	20,719,718
Library	1,787,070	1,971,818	2,014,063	2,345,854	2,504,890	2,792,063	2,842,537	2,762,274	3,133,367	3,520,834
Parks and recreation	6,300,621	6,810,633	7,095,673	9,679,890	10,481,015	12,731,251	13,249,576	13,507,359	16,007,377	17,955,082
Housing assistance payments	1,460,151	1,495,145	1,496,176	1,737,541	2,027,930	2,541,178	3,127,150	3,050,762	2,974,236	3,328,656
Capital outlay	20,443,080	31,175,155	62,874,445	52,834,535	60,046,961	23,432,869	41,149,143	58,729,356	108,314,784	125,426,074
Payments under development agreements				1,603,838	5,214,902	6,131,086	2,607,608	5,389,110	2,592,039	2,396,314
Debt service:										
Principal repayment	1,854,205	1,759,209	2,642,740	1,081,040	1,077,202	1,152,517	1,439,690	1,264,702	941,946	1,206,803
Interest and fiscal charges	1,374,491	1,334,312	1,262,038	1,295,452	1,195,978	2,071,634	1,912,196	1,789,098	1,941,002	4,523,725
Total Expenditures	72,338,515	92,961,895	133,608,661	126,326,428	142,346,980	127,849,477	140,665,030	162,611,438	229,611,627	266,696,202
Excess (deficiency) of revenues over (under) expenditures	(5,262,765)	(16,072,758)	(34,751,472)	(13,081,036)	(23,900,305)	1,361,341	(17,610,343)	(21,780,294)	10,123,298	(15,718,432)
Other Financing Sources (Uses)										
Proceeds from capital lease	153,520	2,273,169	78,368	271,598	142,889	0	0	147,266	2,239,765	
Proceeds from issuance of bonds										23,215,524
Proceeds from sale of property		69,456		1,200,000					3,503,467	
Proceeds from debt issuance						14,745,063	18,275,000			
Transfers in	22,129,322	28,270,229	29,356,569	39,124,451	27,126,928	38,559,850	27,934,748	26,116,934	38,439,158	54,227,228
Transfers (out)	(13,323,930)	(19,086,499)	(20,521,671)	(29,175,395)	(14,588,595)	(27,405,095)	(23,543,935)	(8,974,505)	(20,806,837)	(31,650,256)
Payment to refunded bond escrow							(18,080,000)			
Contributions from property owners	1,622,414	25,669,689	45,162,789	8,224,249	34,173,448	3,568,579				
Contributions from developers	554,532	4,387,304	3,326,057	2,186,771	4,699,675	22,572,382				
Bond issuance premium							351,119			
Total other financing sources (uses)	11,135,858	41,583,348	57,402,112	21,831,674	51,554,345	52,040,779	4,936,932	17,289,695	23,375,553	45,792,496
Net Change in fund balances	$5,873,093	$25,510,590	$22,650,640	$8,750,638	$27,654,040	$53,402,120	($12,673,411)	($4,490,599)	$33,498,851	$30,074,064
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	2.8%	3.2%	3.5%	3.0%	2.4%	4.2%

(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.

Source: *The City's Comprehensive Annual Financial Report*

Source: *The City's Comprehensive Annual Financial Report*

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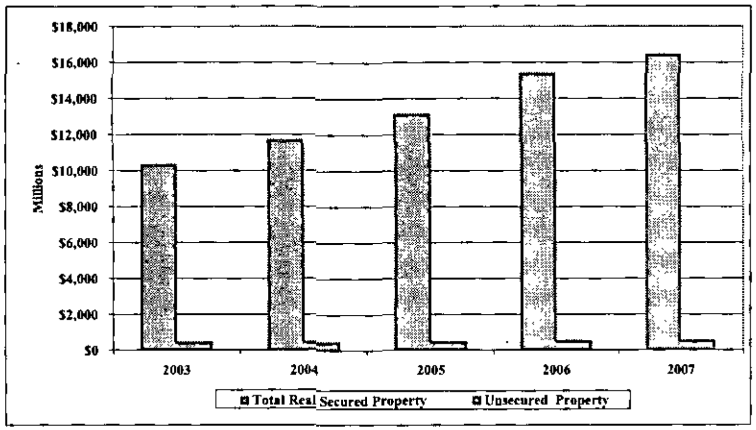
CITY OF ROSEVILLE
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Five Fiscal Years



Fiscal Year	Real Property: Residential Property	Real Property: Commercial Property	Real Property: Industrial Property	Real Property: Other	Total Real Secured Property
2003	$6,466,979,581	$2,219,573,719	$1,101,028,754	$583,119,381	$10,370,701,435
2004	8,100,569,492	2,525,160,445	1,084,291,005	3,495,616	11,713,516,558
2005	9,317,201,508	2,820,484,542	997,687,641	38,320,792	13,173,694,483
2006	11,085,891,082	3,201,617,042	1,096,921 025	29,783,011	15,414,212,160
2007	11,747,275,826	3,564,607,500	1,157,610,812	6,059,860	16,475,553,998

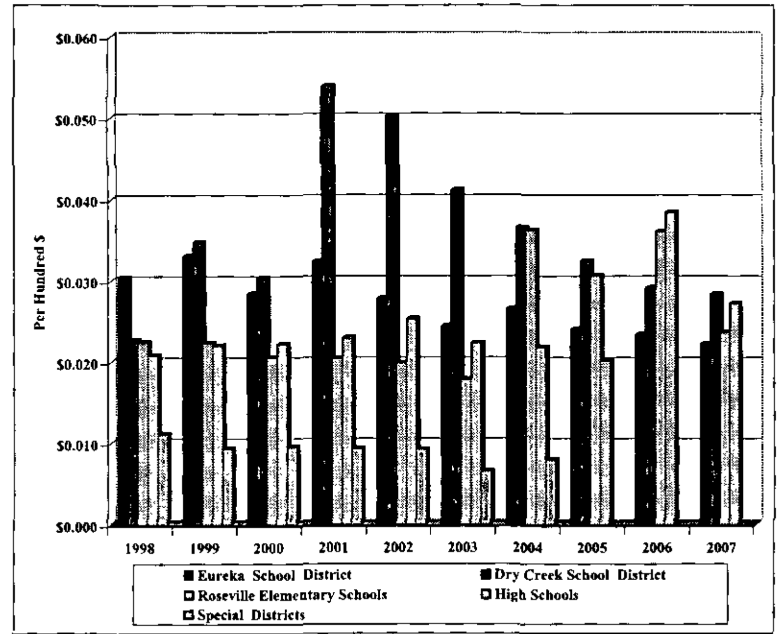
Fiscal Year	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2003	$440,976,929	$10,811,678,364	$10,811,678,364	1%
2004	458,621,280	12,172,137,838	12,172,137,838	1%
2005	463,111,057	13,636,805,540	13,636,805,540	1%
2006	529,989,522	15,944,201,682	15,944,201,682	1%
2007	538,066,948	17,013,620,946	17,013,620,946	1%

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Source: Placer County Assessor's Office

CITY OF ROSEVILLE
PROPERTY TAX RATES
ALL DIRECT OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years



Fiscal Year	Basic County Wide Levy	Eureka School District	Dry Creek School District	Roseville Elementary Schools	High Schools	Special Districts	Total
1998	1.0000	0.0304	0.0227	0.0224	0.0208	0.0111	1.1074
1999	1.0000	0.0330	0.0347	0.0223	0.0220	0.0093	1.1213
2000	1.0000	0.0284	0.0303	0.0205	0.0222	0.0095	1.1109
2001	1.0000	0.0323	0.0539	0.0204	0.0229	0.0093	1.1388
2002	1.0000	0.0278	0.0502	0.0198	0.0253	0.0092	1.1323
2003	1.0000	0.0244	0.0411	0.0178	0.0223	0.0065	1.1121
2004	1.0000	0.0265	0.0365	0.0362	0.0218	0.0079	1.1289
2005	1.0000	0.0240	0.0324	0.0306	0.0201	N/A*	1.1071
2006	1.0000	0.0234	0.0291	0.0360	0.0384	N/A*	1.1269
2007	1.0000	0.0222	0.0283	0.0236	0.0272	N/A*	1.1013

* San Juan Water bond matured and paid in 2004/05

Source: Placer County Tax Rates and Information
http://www.placer.ca.gov/Auditor/Property_tax.aspx

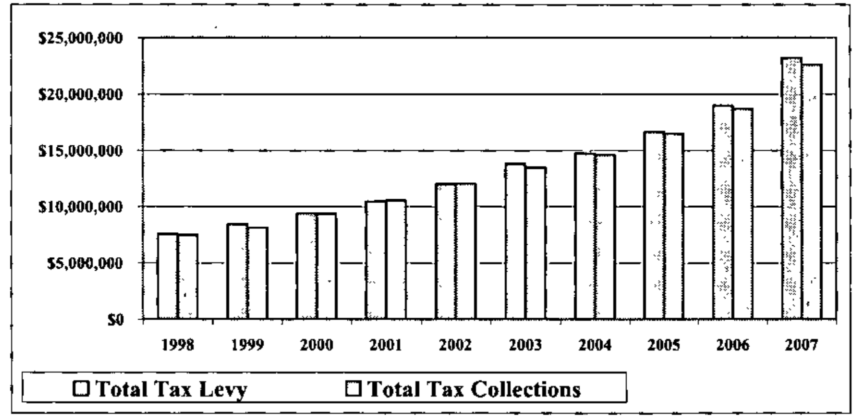
CITY OF ROSEVILLE
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago

Taxpayer	2007 Taxable Assessed Value	2007 Percent of Total City Taxable Assessed Value	1998 Taxable Assessed Value	1998 Percent of Total City Taxable Assessed Value
PL Roseville LLC	$357,509,644.00	2.29%		0.00%
Hewlett Packard Co.	328,036,807.00	2.11%	$267,194,570.00	5.14%
NEC Electronics USA Inc.	309,105,242.00	1.98%	645,461,558.00	12.42%
Roseville Shoppingtown LLC	198,422,197.00	1.27%		0.00%
Kobra Properties	137,451,533.00	0.88%		0.00%
Donahue Schriber Realty Group LP	94,434,929.00	0.61%		0.00%
John Mourier Construction Inc.	88,406,401.00	0.57%		0.00%
NNN Parkway Corporate Plaza LLC	66,221,460.00	0.42%		0.00%
SI VII LLC	57,508,490.00	0.37%		0.00%
Walmart Stores Inc.	55,317,403.00	0.36%		0.00%
Del Webb California Corporation		0.00%	54,241,384.00	1.04%
Albertsons, Inc.		0.00%	40,440,202.00	0.78%
Johnson Ranch Limited		0.00%	29,995,360.00	0.58%
Lincoln National Life Insurance		0.00%	26,822,134.00	0.52%
Spieker Properties LP		0.00%	21,105,447.00	0.41%
H.C. Elliott, Inc.		0.00%	17,759,963.00	0.34%
Minnesota Mining & Manufacturing Company		0.00%	16,750,675.00	0.32%
Olympus Corporate Center Associates		0.00%	16,350,952.00	0.31%
	$1,334,904,462	8.6%	$1,136,122,245	21.86%

2006-2007 Local Secured Assessed Valuation: $15,581,643,348
1997-1998 Local Secured Assessed Valuation: $5,197,710,017

Source: California Municipal Statistics, Inc.

CITY OF ROSEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS



Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (b)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1998	7,579,293	7,480,287	98.69%	$0	7,480,287	98.69%
1999	8,464,546	8,114,689	95.87%	0	8,114,689	95.87%
2000	9,411,328	9,367,744	99.54%	0	9,367,744	99.54%
2001	10,457,636	10,552,003	100.90%	0	10,552,003	100.90%
2002	11,995,194	12,056,708	100.51%	0	12,056,708	100.51%
2003	13,800,915	13,460,448	97.53%	0	13,460,448	97.53%
2004	14,747,241	14,582,072	98.88%	0	14,582,072	98.88%
2005	16,653,884	16,469,026	98.89%	0	16,469,026	98.89%
2006	18,987,819	18,695,407	98.46%	0	18,695,407	98.46%
2007	23,231,927	22,616,281	97.35%	0	22,616,281	97.35%

Note: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California.
(a) Levies include real and personal property.
(b) During fiscal year 1995 the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

Source: Placer County Department of Finance

CITY OF ROSEVILLE
ELECTRIC CUSTOMERS, REVENUES AND RATES
June 30, 2007

Ten Largest Electric Customers as of 6/30/2007

Customer	Type of Business	% Total kWh
NEC Electronics	Manufacturing	11.55%
Hewlett-Packard	Office/Manufacturing	4.91%
City of Roseville	Government	2.84%
Kaiser Hospital	Medical	1.85%
Sutter Roseville Medical Center	Medical	1.44%
Cassie Hill Center	Data Processing	1.24%
Roseville Telephone Co.	Communications	1.13%
Hines	Property Management	1.07%
Wal-Mart	Grocery/Super Store	0.99%
Safeway, Inc.	Grocery	0.86%

Electric Sales Revenue as of 6/30/2007

Residential	$44,302,447.00
Commercial	65,565,709.00
Total Electric Revenue	$109,868,156 00

Current Electric Rates as of 6/30/2007

Rate Description	RATE per kWh	RATE per kW	Comm Base Rate	Subrate per kWh 0.01000	Subrate per kWh 0.01500	Subrate (Flat) $15
Commercial Small School Rate	0.07806		n/a			
Commercial Medium School Rate	0.07095	2.59	n/a			
Commercial School Rate PV	0.07095		n/a			
Commercial Metered GS1	0 08690		6.50			
Commercial GS1 w/Green Fund	0 08690		6.50	X		
Commercial GS1 w/Green Rsvl	0 08690		6 50		X	
Commercial GS2 w/100% Green	0.07920		6.50	X		
Commercial GS2 Energy	0.07030	2.59	n/a			
Commercial Metered GS2	0 08240	2.59	36.00			
Commercial GS2 w/Green Fund	0 08240	2.59	36.00	X		
Commercial GS2 w/Green Rsvl	0 08240	2.59	36 00		X	
Commercial GS2 w/Green Rsvl Block	0.08240	2.59	36 00			X
Commercial GS2 w/Net Metering	0 08240	2.59	36 00			
Commercial GS2 w/Co-Energy	(0.05859)		n/a			
Commercial GS3 Energy	0.06570	3.79	150 00			
Commercial GS3 Energy w/Primary Discount	0.06439	3.714	150 00			
Commercial GS3 w/Prim Disc + Green Rsvl Bl)	0.06439	3.714	150.00			X

Rate Description	RATE per kWh	Res. Base Rate	Subrate per kWh 0.01000	Subrate per kWh 0.01500	Discount Medical	Discount ERAP	Discount Senior
Residential Metered	0-500kWh = 0.0809; 501-99999kWh = 0.108	6.50					
Residential Medical	0-500kWh = 0.0809, 501-99999kWh = 0.108	6 50			X		
Residential Medical + Green Fund	0-500kWh = 0.0809; 501-99999kWh = 0.108	6.50	X		X		
Residential Medical + Green Rsvl	0-500kWh = 0.0809; 501-99999kWh = 0 108	6.50		X	X		
Residential ERAP	0-500kWh = 0.0809; 501-99999kWh = 0.108	6.50				X	
Residential ERAP + Green Fund	0-500kWh = 0.0809; 501-99999kWh = 0.108	6 50	X			X	
Residential ERAP + Green Rsvl	0-500kWh = 0.0809; 501-99999kWh = 0.108	6 50		X		X	
Residential ERAP + Green Rsvl + Fund	0-500kWh = 0.0809; 501-99999kWh = 0.108	6.50	X	X		X .	
Residential Senior	0-500kWh = 0.0809; 501-99999kWh = 0.108	6 50					X
Residential Senior Green Fund	0-500kWh = 0.0809; 501-99999kWh = 0.108	6.50	X				X
Residential Senior + Green Rsvl	0-500kWh = 0.0809; 501-99999kWh = 0.108	6 50					X
Residential Senior + Green Rsvl + Fund	0-500kWh = 0.0809; 501-99999kWh = 0.108	6.50	X	X			X
Residential Green Fund	0-500kWh = 0.0809; 501-99999kWh = 0.108	6 50	X				
Residential Green Rsvl	0-500kWh = 0.0809, 501-99999kWh = 0.108	6.50		X			
Residential Green Rsvl + Fund	0-500kWh = 0.0809; 501-99999kWh = 0.108	6.50	X	X			
Residential PV	0-500kWh = 0.0809, 501-99999kWh = 0.108	6.50					
Residential PV + Green Rsvl	0-500kWh = 0.0809; 501-99999kWh = 0.108	6.50		X			
Residential PV + Green Rsvl + Fund	0-500kWh = 0.0809, 501-99999kWh = 0.108	6.50	X	X			
Medical Discount	0-500kWh = -0.04045; 501-99999kWh = -0.0162						
ERAP Discount	0-500kWh = -0.01214; 501-99999kWh = -0 0162						
Senior Discount	0-500kWh = -0.0971; 501-99999kWh = -0 01296						

Source: City of Roseville Electric Department

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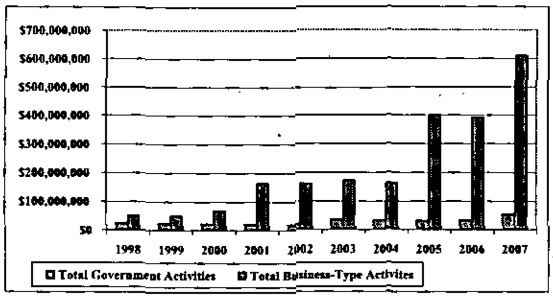
CITY OF ROSEVILLE
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years



Fiscal Year	Governmental Activities: Tax Allocation Bonds	Certificates of Participation	Installment Purchase Obligations	Other Long Term Obligations	Total
1998		$21,755,000	$2,838,564	$106,451	$24,700,015
1999		21,200,000	3,915,965	98,010	25,213,975
2000		20,625,000	1,935,971	88,632	22,649,603
2001		20,025,000	1,582,504	78,779	21,686,283
2002		19,405,000	1,278,976	67,994	20,751,970
2003	$14,500,000	18,755,000	1,077,800	11,716	34,344,516
2004	14,180,000	18,275,000	635,743	9,083	33,099,826
2005	13,960,000	17,710,000	306,140	6,250	31,982,390
2006	13,735,000	17,105,000	2,436,986	3,223	33,280,209
2007	36,405,000	16,490,000	2,390,707	0	55,285,707

Fiscal Year	Business-Type Activities: Electric System Revenue	Golf Course Refunding Bonds	Water Utility Revenue	Wastewater Revenue Bonds	Gas Revenue Bond	Other Long Term Obligations	Total	Total Primary Government	Percentage of Placer County Personal Income [a]	Debt Per Capita [a]
1998	$10,395,000	$9,095,000	$33,000,000			$241,925	$52,731,925	$77,431,940	10.25%	1,081
1999	8,995,000	8,930,000	33,000,000			234,607	51,159,607	76,373,582	9.15%	996
2000	29,175,000	8,755,000	31,960,000			226,924	70,116,924	92,766,527	10.14%	1,170
2001	27,665,000	8,575,000	30,875,000	$97,384,118		218,857	164,717,975	186,404,258	18.99%	2,268
2002	26,980,000	8,385,000	29,750,000	96,346,762		210,387	161,672,149	182,424,119	17.87%	2,126
2003	40,774,524	8,185,000	28,575,000	95,155,022		201,493	172,891,039	207,235,555	18.93%	2,285
2004	35,808,204	8,240,000	27,350,000	93,738,248		192,155	165,328,607	198,428,433	16.63%	2,054
2005	273,325,043	7,945,000	26,075,000	92,390,603		182,351	399,917,997	431,900,387	33.04%	4,226
2006	267,326,882	7,630,000	24,740,000	90,977,962		172,056	390,846,900	424,127,109	[b]	4,053
2007	266,098,723	7,310,000	23,345,000	89,494,883	$224,068,206	161,246	610,478,058	665,763,765	[b]	6,265

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.
[a] These ratios are calculated using personal income and population as shown on the Demographics Statistics page.
[b] Total personal income information not available.

Sources: *The City's Comprehensive Annual Financial Reports*
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

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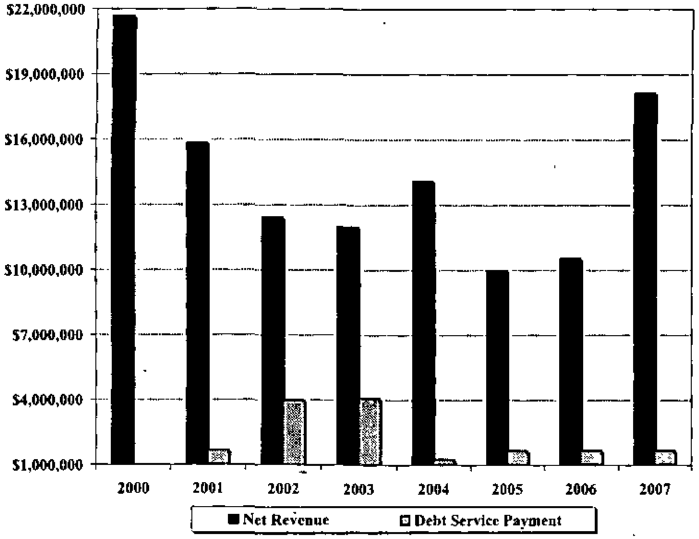
CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2000 WASTEWATER REVENUE BONDS - SERIES A
LAST EIGHT FISCAL YEARS



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
2000	$28,429,548	$6,733,043	$21,696,505	$0	$0	$0	
2001	25,428,386	9,573,817	15,854,569	-	1,687,679	1,687,679	9.39
2002	24,695,978	12,245,420	12,450,558	1,037,356	2,955,498	3,992,854	3.12
2003	25,349,107	13,323,621	12,025,486	1,191,740	2,908,817	4,100,557	2.93
2004	24,313,564	10,199,806	14,113,758	1,237,785	50,867 *	1,288,652	10.95
2005	23,385,997	13,383,537	10,002,460	1,286,546	401,434	1,687,980	5.93
2006	25,000,567	14,436,863	10,563,704	1,337,999	347,589	1,685,588	6.27
2007	33,584,461	15,417,452	18,167,009	1,394,878	290,123	1,685,000	10.78

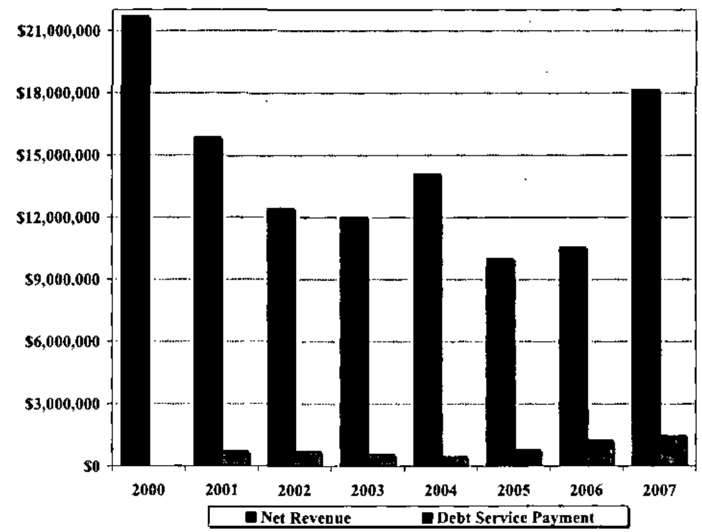
Notes: (1) *Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees at* other Non-operating Revenu

(2) Includes all Wastewater Operating Expenses less Depreciation and Interest

* Refinanced with the 2003 Refunding Variable Rate Wastewater Revenue Bonds

Source: City of Roseville's Annual Financial Statements

CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2000 VARIABLE RATE DEMAND WASTEWATER REVENUE BONDS - SERIES B
LAST EIGHT FISCAL YEARS



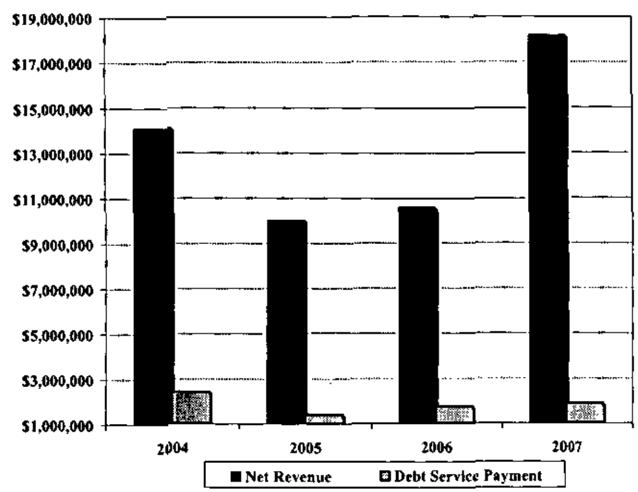
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
2000	$28,429,548	$6,733,043	$21,696,505	$0	$0	$0	
2001	25,428,386	9,573,817	15,854,569	0	709,607	709,607	22.34
2002	24,695,978	12,245,420	12,450,558	0	699,238	699,238	17.81
2003	25,349,107	13,323,621	12,025,486	0	562,542	562,542	21.38
2004	24,313,564	10,199,806	14,113,758	0	464,168	464,168	30.41
2005	23,385,997	13,383,537	10,002,460	0	805,182	805,182	12.42
2006	25,000,567	14,436,863	10,563,704	0	1,252,978	1,252,978	8.43
2007	33,584,461	15,417,452	18,167,009	0	1,465,264	1,465,264	12 40

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees anc other Non-operating Revenue

(2) Includes all Wastewater Operating Expenses less Depreciation and Interes

Source: City of Roseville's Annual Financial Statements

CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2003 REFUNDING AUCTION RATE-SYNTHETIC FIXED WASTEWATER REVENUE BONDS
LAST FOUR FISCAL YEARS

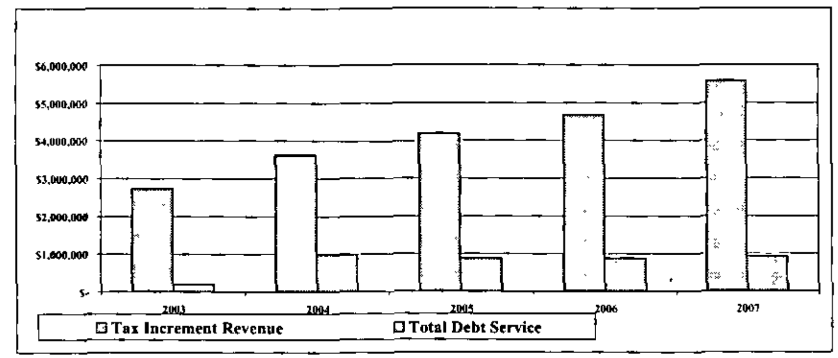


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
2004	$24,313,564	$10,199,806	$14,113,758	$866,720	$1,579,805	$2,446,525	5.77
2005	23,385,997	13,383,537	10,002,460	325,020	1,120,561	1,445,581	6.92
2006	25,000,567	14,436,863	10,563,704	338,563	1,441,948	1,780,511	5.93
2007	33,584,461	15,417,452	18,167,009	352,105	1,575,651	1,927,756	9.42

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees ar other Non-operating Revenues
(2) Includes all Wastewater Operating Expenses less Depreciation and Interest

Source: City of Roseville's Annual Financial Statements

CITY OF ROSEVILLE
2002 REDEVELOPMENT TAX ALLOCATION BONDS
Last Five Fiscal Years

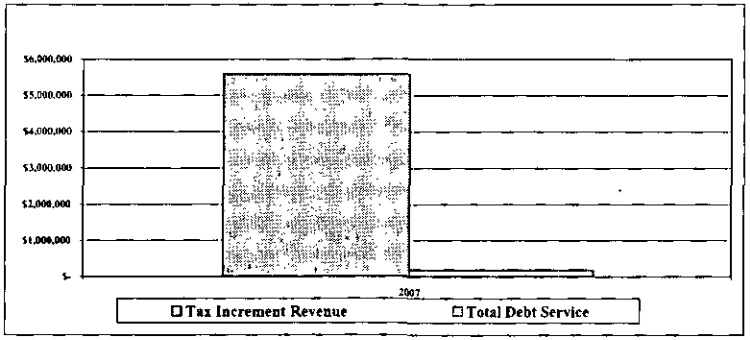


Fiscal Year	Tax Increment Revenue		Debt Service Requirements: Principal Payment	Interest Due	Total Debt Service	Principal Outstanding	Coverage
2003	$2,740,656.14		-	$205,692.08	$205,692.08	$14,500,000.00	0.13
2004	3,630,050.00		$320,000.00	674,550.00	994,550.00	14,180,000.00	0.04
2005	4,190,987.00		220,000.00	666,450.00	886,450.00	13,960,000.00	0.05
2006	4,673,904.00		225,000.00	659,775.00	884,775.00	13,735,000.00	0.05
2007	5,581,407.00	(a)	275,000.00	651,875.00	926,875.00	13,460,000.00	0.06

(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

Source: City of Roseville Redevelopment Department

CITY OF ROSEVILLE
2006A REDEVELOPMENT TAX ALLOCATION BONDS



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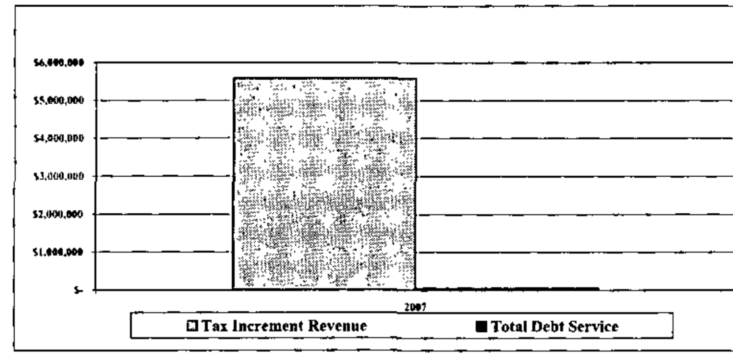
Fiscal Year	Tax Increment Revenue	Principal Payment	Interest Due	Total Debt Service	Principal Outstanding	Coverage
	Debt Service Requirements					
2007	$5,581,407.00 (a)	-	$190,407.99	$190,407.99	$13,155,000.00	0.29

(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

Source: City of Roseville Redevelopment Department

CITY OF ROSEVILLE
2006AT REDEVELOPMENT TAX ALLOCATION BONDS

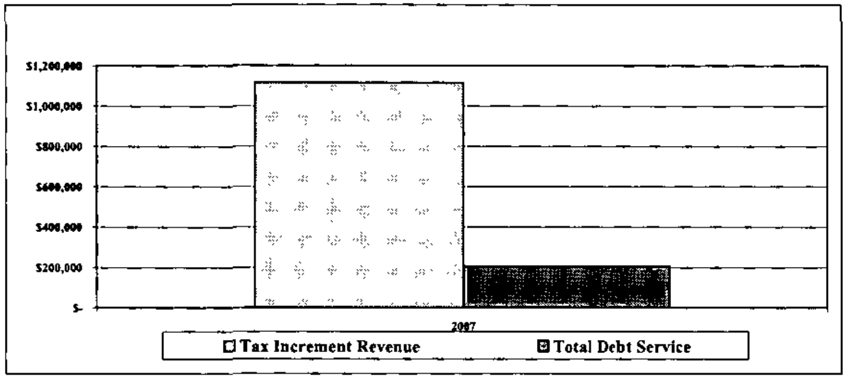


Fiscal Year	Tax Increment Revenue	Principal Payment	Interest Due	Total Debt Service	Principal Outstanding	Coverage
	Debt Service Requirements					
2007 (a)	$5,581,407.00	-	$56,168.16	$56,168.16	$3,285,000.00	0.99

(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

Source: City of Roseville Redevelopment Department

CITY OF ROSEVILLE
2006HT REDEVELOPMENT TAX ALLOCATION BONDS



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Fiscal Year	20% Set Aside	Debt Service Requirements: Principal Payment	Interest Due	Total Debt Service	Principal Outstanding	Coverage
2007	$1,116,281.00	-	$114,894.97	$114,894.97	$6,505,000.00	0.10

Source: City of Roseville Redevelopment Department

CITY OF ROSEVILLE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2007

2006-07 Assessed Valuation:	$16,123,028,725
Redevelopment Incremental Valuation:	653,294,954
Adjusted Assessed Valuation:	$15,469,733,771

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2007	Percentage Applicable To City of Roseville (1)	Amount Applicable To City of Roseville
Roseville Joint Union High School District	$109,170,343	73.562%	$80,307,888
Rocklin Unified School District	86,622,312	0.012%	10,395
Dry Creek Joint School District	16,823	56.835%	9,561,376
Eureka Union School District	8,686,931	37.936%	3,295,474
Roseville City School District	37,917,378	98.088%	37,192,398
City of Roseville Community Facilities Districts	406,010,000	100 000%	406,010,000
City of Roseville 1915 Act Bonds	935,000	100.000%	935,000
California Statewide Communities Development Authority Assessment District No. 04-01	1,553,906	55.216%	858,005
California Statewide Communities Development Authority Assessment District No. 05-01	3,168,624	6.701%	212,329
California Statewide Communities Development Authority Roseville Granite Bay Assessment District	319,312	100.000%	319,312
California Statewide Communities Development Authority Roseville Woodlake Village	1,915,875	100.000%	1,915,875
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$540,618,052
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Placer County Certificates of Participation	$22,000,000	30.549%	$6,720,780
Placer County Office of Education Certificates of Participation	2,770,000	30.549%	846,207
Sierra Joint Community College District Certificates of Participati	10,050,000	22.472%	2,258,436
Roseville Joint Union High School District Certificates of Particip	5,165,000	73.562%	3,799,477
Rocklin Unified School District Certificates of Participation	19,890,000	0.012%	2,387
Eureka Union School District Certificates of Participation	6,795,000	37.936%	2,577,751
Roseville City School District Certificates of Participation	18,000,000	98.088%	17,655,840
City of Roseville Certificates of Participation	23,800,000	**100.000%**	23,800,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			$ 57,660,878
COMBINED TOTAL DEBT			$ 598,278,930 (2)

(1) Percentage of each overlapping agency's assessed valuation located within the boundaries of the city.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-07 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.35%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ($24,735,000)	**0.15%**
Combined Total Debt	3.87%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $0

KD: ($425)

Source: California Municipal Statistics, Inc.

CITY OF EXAMPLE
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2007

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	$15,581,643,348	
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)		$584,311,626
AMOUNT OF DEBT SUBJECT TO LIMIT:		
Total Bonded Debt	$663,211,812	
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	663,211,812	
Amount of debt subject to limit		0
LEGAL BONDED DEBT MARGIN		$584,311,626

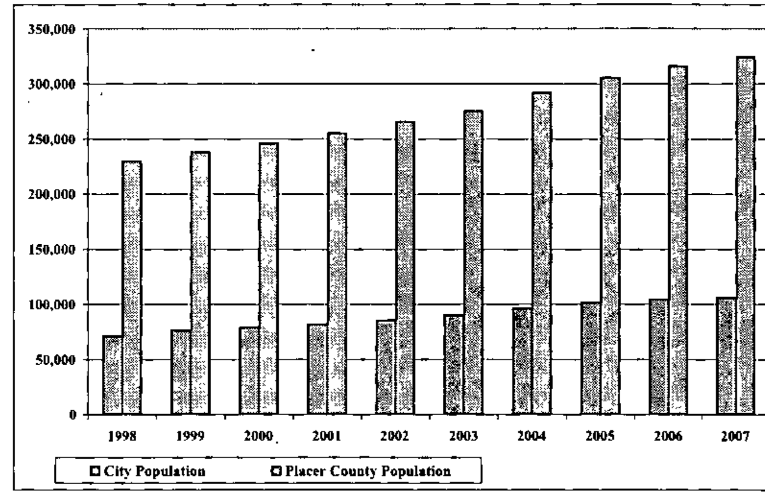
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2003	$358,392,538	0	$358,392,538	0.00%
2004	394,584,662	0	394,584,662	0.00%
2005	445,276,653	0	445,276,653	0.00%
2006	500,173,479	0	500,173,479	0.00%
2007	584,311,626	0	584,311,626	0.00%

NOTE: The City of Roseville began preparing a CAFR in fiscal year 2003.

(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: City of Roseville Finance Department

CITY OF ROSEVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years



Fiscal Year	City of Roseville Population	County Total Personal Income (a)	County Per Capita Personal Income	Unemployment Rate (%)	Placer County Population	City Population % of County
1998	71,600	$7,551,358	$32,665	4.3%	229,700	31.17%
1999	76,700	8,346,248	34,642	3.4%	238,300	32.19%
2000	79,300	9,153,080	36,419	3.6%	246,100	32.22%
2001	82,200	9,815,673	37,066	3.9%	255,100	32.22%
2002	85,800	10,209,270	36,604	4.8%	265,700	32.29%
2003	90,700	10,946,842	37,303	4.9%	275,600	32.91%
2004	96,600	11,933,069	38,958	4.5%	292,235	33.06%
2005	102,191	13,070,082	41,248	4.0%	305,675	33.43%
2006	104,655	(b)	(b)	4.2%	316,508	33.07%
2007	106,266	(b)	(b)	(b)	324,495	32.75%

(a) In thousands of dollars
(b) Information not available.

Source: Bureau of Economic Analysis and
State of California Department of Finance
State of California Employment Development Department

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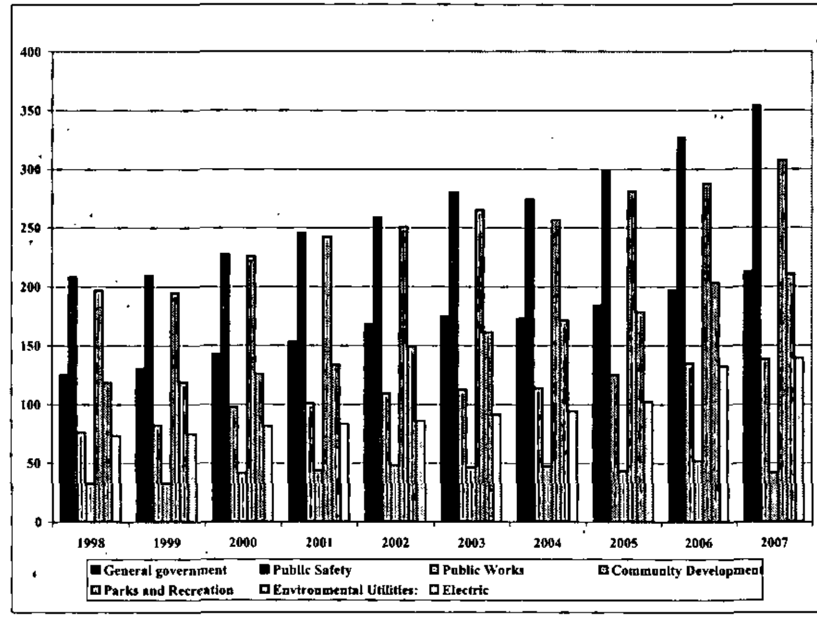
CITY OF ROSEVILLE
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2007			1998		
Employer	Number of Employees	Rank	Percentage of Total City Employees	Number of Employees	Rank	Percentage of Total City Employees
Hewlett-Packard	3,600	1	4.6%	4,200	1	9.3%
Kaiser Permanente	3,289	2	4.2%	844	7	1.9%
Sutter Roseville Medical Center	1,922	3	2.4%	1,300	3	2.9%
Union Pacific Railroad	1,500	4	1.9%	1,300	4	2.9%
City of Roseville	1,248	5	1.6%	751	5	1.7%
Roseville Joint Union High School District	975	6	1.2%	555	8	1.2%
Roseville Elementary School District	840	7	1.1%	531	9	1.2%
NEC Electronics	800	8	1.0%	2,200	2	4.9%
PRIDE Industries	800	9	1.0%	413	-	-
Wal-Mart	796	10	1.0%	-	-	-
Subtotal	15,770		20.0%	12,094		26.9%
Total Employment*	79,000			45,000		

*Total Employment as used above represents the total employment of all employees located within the City limits.

Source: City of Roseville Economic and Community Services Department

CITY OF ROSEVILLE
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
Last Ten Fiscal Years



	Adopted for Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Function										
General government	125.44	130.69	142.92	153.42	167.81	175.06	172.95	184.23	197.23	212.71
Public Safety	208.64	209.64	227.59	246.07	259.07	280.07	274.24	298.43	327.46	353.69
Public Works	76.50	82.50	97.31	101.29	109.29	112.54	114.29	125.29	134.77	138.77
Community Development	33.50	33.00	41.50	44.00	48.00	46.74	47.63	43.63	52.63	42.25
Parks and Recreation	197.39	194.84	225.81	242.50	251.09	265.33	256.83	281.12	287.86	307.65
Environmental Utilities:	118.42	119.42	125.92	133.84	149.09	161.47	171.57	178.82	203.74	211.03
Electric	73.50	75.00	81.46	83.46	85.80	91.46	94.46	102.46	132.46	139.46
Total	833.39	845.09	942.51	1,004.58	1,070.15	1,132.67	1,131.97	1,213.98	1,336.15	1,405.56

Source: City of Roseville Annual Budget

CITY OF ROSEVILLE
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Five Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Function/Program					
Public safety:					
Fire:					
Number of medical emergencies answered	5,063	5,234	5,228	6,458	6,622
Number of Haz-Mat alarms answered	151	126	134	413	330
Total Number of alarms answered	7,730	8,390	8,023	9,784	10,065
Police:					
Law violations:					
Physical arrests (adult and juvenile)	4,652	4,120	5,578	7,602	7,360
Traffic citations	19,432	11,382	15,260	18,587	19,893
Public works:					
Total building permits issued	5,663	5,718	4,434	5,703	4,272
Total square feet of street maintenance performed	5,202,440	3,174,672	9,529,760	3,763,328	7,707,910
Park and recreation:					
Community Services.					
Number of participants in Cultural Art classes	4,767	6,582	3,029	3,447	1,926
Total attendance to aquatic facilities	331,561	361.104	271,377	234,542	243,429
Library:					
Number of materials checked out	508,809	510,421	554,174	627,317	685,097
Water:					
Average Daily Consumption (in gallons)	26.6M	28.77M	26.82M	27.26M	30 43M
Number of meters sold	1,720	1,870	1,987	1,800	1,031
Number of backflow devices tested	3,644	3,817	4,122	3,836	4,348
Wastewater:					
Number of miles of sewer mains flushed	401	419	448	427	218
Total preventative work orders completed	2,599	2,192	3,107	7,065	9.247
Solid Waste:					
Number of incoming phone calls	37,954	37,943	22,684	23,672	26,870
Tons of solid waste collected	95,151	99,082	98,910	102,370	100,148
Electric:					
Number of customers participating in energy efficiency programs	1,231	2,124	2,793	3,123	3,663
Number of trees planted (Shade Tree Program)	1.065	836	625	621	628

Note: The Library totals include Main Library, Maidu Library and Bookmobile
In 2002 & 2003 the wastewater treatment plant was still under construction

Source: City of Roseville Quarterly Performance Report

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CITY OF ROSEVILLE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Four Fiscal Years

	2004	2005	2006	2007
Function/Program				
Public safety:				
Fire stations	6	7	7	8
Police stations	1	1	1	1
Police patrol units	75	97	110	107
Public works:				
Miles of streets	428	432	455	475
Number of Traffic Lights	133	135	141	150
Park and recreation:				
Community services:				
City parks	40	48	53	56
Miles of creek	57	57	60	60
Golf courses (18 holes)	2	2	2	2
Swimming pools	4	4	4	4
Tennis courts	12	12	12	12
Library:				
City Libraries	2	3	3	3
Water				
Miles of water mains	480	494	506	540
Fire hydrants	4,499	3,881	3,978	4,278
Wastewater				
Miles of sanitary sewers	600	460	447	472
Miles of storm drain	420	352	435	474
Solid Waste:				
Number of new residential refuse customers	1.490	1,062	705	809
Electric:				
Number of residential customers	40,312	41,883	43,001	43,793
Number of commercial customers	5,101	5,410	5,523	5,788

Source: City of Roseville Department Staff

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS

The following is a brief summary of certain provisions of the Trust Agreement and Master Contract not fully described elsewhere in the Official Statement. This summary is not intended to be definitive. Reference is made to the actual documents (copies of which are available from the Authority) for the complete terms thereof.

See 2008 CERTIFICATES – [Redemption], SECURITY FOR THE SERIES 2008 CERTIFICATES - General, - Flow of Funds, - Parity Reserve Fund, for a description of the portions of the Trust Agreement relating to said topics. The provisions in the Trust Agreement relating to said topics and certain others are not summarized or repeated below.

CERTAIN DEFINITIONS

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

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

"Adjusted Annual Revenues" means, for any Fiscal Year or any designated 12-month period in question, the Revenues during such Fiscal Year or 12-month period plus, for the purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, the amounts on deposit in the Rate Stabilization Fund (or any other unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Maintenance and Operation Costs and/or Annual Debt Service for such Fiscal Year or 12-month period) as of the first day of such Fiscal Year or 12-month period minus, for the purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, earnings from the investments in the Parity Reserve Fund that are deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period.

"Annual Debt Service" means, for any Fiscal Year or any designated 12-month period in question, the required payments scheduled to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided that for purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, the Reserve Fund Requirement and conditions for the execution of Parity Obligations:

(A) *Generally.* Except as otherwise provided by subparagraph (B) with respect to Variable Interest Rate Parity Obligations and by subparagraph (C) with respect to Parity Obligations with respect to which a Payment Agreement is in force, interest on any Parity Obligation will be calculated based on the actual amount of interest that is payable under that Parity Obligation;

(B) *Interest on Variable Interest Rate Parity Obligations.* The amount of interest deemed to be payable on any Variable Interest Rate Parity Obligation will be calculated on the assumption that the interest rate on that Parity Obligation would be equal to the rate (the "assumed RBI-based rate") that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which the calculation is made;

(C) *Interest on Parity Obligations with Respect to Which a Payment Agreement Is in Force.* The amount of interest deemed to be payable on any Parity Obligations with respect to which a Payment Agreement is in force will, so long as the Qualified Counterparty thereto is not in default thereunder, be based on the net economic effect on the City expected to be produced by the terms of such Parity Obligation and such Payment Agreement, including but not limited to the effects that (i) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead will be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead will be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Parity Obligation with respect to which a Payment Agreement is in force will, so long as the Qualified Counterparty thereto is not in default thereunder, be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Parity Obligation plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating Payment Agreement Receipts and Payment Agreement Payments under such Payment Agreement, the following assumptions will be made:

(1) *Counterparty Obligation to Pay Actual Variable Interest Rate on Variable Interest Rate Parity Obligations.* If the Payment Agreement obligates a Qualified Counterparty to make payments to the City based on the actual Variable Interest Rate on a Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation and obligates the City to make payments to the Qualified Counterparty based on a fixed rate, payments by the City to the Qualified Counterparty will be assumed to be made at the fixed rate specified by the Payment Agreement and payments by the Qualified Counterparty to the City will be assumed to be made at the actual Variable Interest Rate on such Parity Obligation, without regard to the occurrence of any event that, under the provisions of the Payment Agreement, would permit the Qualified Counterparty to make payments on any basis other than the actual Variable Interest Rate on such Parity Obligation, and such Parity Obligation will set forth a debt service schedule based on that assumption;

(2) *Variable Interest Rate Parity Obligations and Payment Agreements Having the Same Variable Interest Rate Components.* If both a Payment Agreement and the related Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation, include a variable interest rate payment component that is required to be calculated on the same basis (including, without limitation, on the basis of the

same variable interest rate index), it will be assumed that the variable interest rate payment component payable pursuant to the Payment Agreement is equal in amount to the variable interest rate component payable on such Parity Obligation;

(3) *Variable Interest Rate Parity Obligations and Payment Agreements Having Different Variable Interest Rate Component.* If a Payment Agreement obligates either the City or the Qualified Counterparty to make payments of a variable interest rate component on a basis that is different (including, without limitation, on a different variable interest rate index) from the basis that is required to be used to calculate interest on the Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation it will be assumed:

(a) *City Obligated to Make Payments Based on Variable Interest Rate Index.* If payments by the City under the Payment Agreement are based on a variable interest rate index and payments by the Qualified Counterparty are based on a fixed interest rate, payments by the City to the Qualified Counterparty will be based upon an interest rate equal to the assumed RBI-based rate, and payments by the Qualified Counterparty to the City will be based on the fixed rate specified by the Payment Agreement; and

(b) *City Obligated to Make Payment Based on Fixed Interest Rate.* If payments by the City under the Payment Agreement are based on a fixed interest rate and payments by the Qualified Counterparty are based on a variable interest rate index, payments by the City to the Qualified Counterparty will be based on an interest rate equal to the rate (the "assumed fixed payor rate") that is one hundred and five percent (105%) of the fixed interest rate specified by the Payment Agreement to be paid by the City, and payments by the Qualified Counterparty to the City will be based on a rate equal to the actual variable interest rate on the Variable Interest Rate Parity Obligation,

(4) *Certain Payment Agreements May Be Disregarded.* Notwithstanding the provisions of subparagraphs (C)(1), (2) and (3) of this definition, the City will not be required to (but may at its option) take into account as set forth in subparagraph (C) of this definition (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(D) *Debt Service on Parity Payment Agreements.* No interest will be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on a related Parity Obligation under subparagraph (C) of this definition; provided, that for any period during which Payment Agreement Payments are not taken into account in calculating Annual Debt Service on any Parity Obligation because the Parity Payment Agreement is not then related to any Parity Obligation, interest on that Parity Payment Agreement will be taken into account by assuming:

(1) *City Obligated to Make Payments Based on Fixed Interest Rate.* If the City is obligated to make Payment Agreement Payments based on a fixed interest rate and the Qualified Counterparty is obligated to make payments based on a variable interest rate index, payments by the City will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made; and

(2) *City Obligated to Make Payments Based on Variable Interest Rate Index.* If the City is obligated to make Payment Agreement Payments based on a variable interest rate index and the Qualified Counterparty is obligated to make payments based on a fixed interest rate, payments by the City will be based on an interest rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement; and

(3) *Certain Payment Agreements May be Disregarded.* Notwithstanding the provisions of subparagraphs (D)(1) and (2) of this definition, the City will not be required to (but may at its option) take into account (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(D) *Balloon Parity Obligations.* For purposes of calculating Annual Debt Service on any Balloon Parity Obligations, it will be assumed that the principal of those Balloon Parity Obligations, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a term of thirty (30) years from the date of issuance.

"Alternate Credit Facility" means an alternate irrevocable letter of credit or similar credit facility issued by a commercial bank or savings institution, the terms of which will be to the extent dictated by the terms of the 2008 Certificates, the same as or similar to those of the initial Credit Facility, delivered to the Trustee pursuant to the terms of the Trust Agreement. The Alternate Credit Facility may include a bond insurance policy and a liquidity facility combined or such other similar credit arrangement as may be customary in the future for certificates similar to the 2008 Certificates.

"Auction Rate" means the interest rate to be determined for a Series of the 2008 Certificates pursuant to the Auction Procedures.

"Authority" means the Roseville Finance Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

"Authorized Denominations" means, as to each respective Series, denominations of $5,000 or any integral multiple thereof, provided that if the Interest Rate Mode for the 2008 Certificates is the Daily Rate, the Weekly Rate or the Commercial Paper Rate, the 2008 Certificates may be issued only in denominations of $100,000 and any larger denomination constituting an integral multiple of $1,000, and provided further that if the Interest Rate Mode for the 2008 Certificates is the Auction Rate, the 2008 Certificates may be issued only in denominations of $25,000 and any integral multiple thereof.

"Average Annual Debt Service" means the sum of the Annual Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of Parity Obligations) and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations, divided by the number of such Fiscal Years.

"Balloon Parity Obligation" means any Parity Obligation described as such in such Parity Obligation.

"Bank" means, with respect to the initial Credit Facility, Dexia Crédit Local, New York Branch, and thereafter the commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institution so obligated under) a Credit Facility then in effect.

"Bank Certificates" means 2008 Certificates purchased with moneys drawn under (or otherwise obtained pursuant to the terms of the Credit Facility, but excluding 2008 Certificates no longer considered to be Bank Certificates under the terms of the Credit Facility).

"Business Day" means (i) any day other than (a) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the Trust Office of the Trustee is located are authorized by law or executive order to close or (b) a day on which the New York Stock Exchange is closed, or (c) a day on which the offices of the Tender Agent at which the duties hereunder are to be performed or the office of the Bank at which draws under the Credit Facility are presented are authorized or required by law to close; or (ii) during an Auction Period, solely for purposes of conducting an Auction, any other day or days as may be agreed to in writing by the Auction Agent, the Broker-Dealers, the Trustee and the Authority.

"Certificates" means certificates of participation executed and delivered by the Authority in 1999, 2002, 2004, 2005 and the 2006 Certificates, in connection with Contracts.

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

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

"Contract" means the Master Contract, as supplemented by the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract, the 2005 Supplemental Contract and the 2008 Supplemental Contract and as otherwise amended or supplemented from time to time.

"Conversion" means, any conversion from time to time in accordance with the terms of the Trust Agreement of the 2008 Certificates from one Interest Rate Mode to another Interest Rate Mode.

"Conversion Date" means the date on which any Conversion becomes effective.

"Costs of Issuance" means all the costs of executing and delivering any 2008 Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, any 2008 Certificates and any preliminary official statement and final official statement pertaining to any 2008 Certificates; rating agency fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel to the City and the Authority; any computer and other expenses incurred in connection with any 2008 Certificates; fees and expenses of the Bank, the fees and expenses of the Trustee, the Remarketing Agent, fees related to the Credit Facility, and any Broker-Dealer and Auction Agent; and other fees and expenses incurred in connection with the execution of the 2008 Certificates or the refunding of the 2008 Certificates to be refunded with proceeds of the 2008 Certificates, to the extent such fees and expenses are approved by the Authority or the City.

"Credit Facility" means, initially the irrevocable direct pay letter of credit, and any extension and renewal thereof, issued by the initial Bank naming the Trustee beneficiary and delivered on the date of issuance and delivery of the 2008 Certificates pursuant to the Letter of Credit Reimbursement Agreement for the account of the Authority, and in the event such Credit Facility is no longer available for either respective Series of the 2008 Certificates, any subsequent Alternate Credit Facility issued for such Series.

"Daily Rate" means the Interest Rate Mode in which the interest rate on a Series of the 2008 Certificates is determined on each Business Day in accordance with the Trust Agreement.

"Daily Rate Period" means any period, each consisting of one Business Day, beginning on, and including, the Conversion Date for a Conversion to the Daily Rate until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the maturity of the 2008 Certificates.

"Defeasance Obligations" means (a) cash; (b) non-callable direct obligations of the United States of America ("Treasuries"), or (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated (or any combination thereof).

"Fair Market Value" means the price at which a willing buyer would purchase the 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, (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, or (iv) any commingled investment fund in which the

Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Electric Revenue Fund" means the City of Roseville Electric Utility Fund continued pursuant to the Master Contract.

"Electric Service" means the service furnished, made available or provided by the Electric System.

"Electric System" means the electric public utility system of the City, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto now owned by the City and all other properties, structures or works for the generation, transmission or distribution of electricity hereafter acquired by the City, including all contractual rights for electricity or the transmission thereof, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired.

"Event of Default" means an event of default described in the Master Contract and the Trust Agreement.

"Federal Securities" 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:

(a) 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); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period prescribed by law for local public agencies in the State of California.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures selected by the City, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Improvement Fund" means the City of Roseville Electric System Improvement Fund established pursuant to the Master Contract.

"Independent Certified Public Accountant" means any certified public accountant or firm of such 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 identity of interest, direct or indirect, with the Authority or the City; and

(c) is not and no member of which is 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.

"Interest Payment Date" means, with respect to the 2008 Certificates,

(a) (i) if the Interest Rate Mode for the 2008 Certificates is the Daily Rate or the Weekly Rate, the first Business Day of each month, (ii) if the Interest Rate Mode for the 2008 Certificates is the Commercial Paper Rate, the first Business Day following the last day of each Commercial Paper Rate Period for such 2008 Certificates and (iii) if the Interest Rate Mode for such 2008 Certificates is the Long-Term Rate, February 1 and August 1, provided, however, that if any February 1 and August 1 which is a Conversion Date for Conversion to the Daily Rate, the Weekly Rate or the Commercial Paper Rate, is not a Business Day, then the first Business Day immediately succeeding such February 1 and August 1, as applicable;

(b) if the Interest Rate Mode for the 2008 Certificates is the Auction Rate, "Interest Payment Date" will be as defined in the Trust Agreement;

(c) the Conversion Date or the effective date of a change to a new Long-Term Rate Period; and

(d) with respect to Bank Certificates, any date designated as an interest payment date in the Reimbursement Agreement.

In any case, the final Interest Payment Date will be the maturity date of the 2008 Certificates.

"Interest Period" means the period from, and including, each Interest Payment Date for such 2008 Certificates to, and including, the day next preceding the next Interest Payment Date for such 2008 Certificates, provided, however, that the first Interest Period for any 2008 Certificates will begin on (and include) the Issue Date of the 2008 Certificates and the final Interest Period will end the day next preceding the maturity date of the 2008 Certificates.

"Interest Rate Calculation Date" means the date or dates on which the Interest Rate(s) for the next succeeding Interest Payment Date(s) are determined.

"Interest Rate Mode" means the Commercial Paper Rate, the Daily Rate, the Auction Rate, the Weekly Rate and the Long-Term Rate.

"Interest Requirement" means the amount of interest due and payable on the 2008 Certificates on the next occurring Interest Payment Date.

"Issue Date" means, as to any 2008 Certificates, the date on which such 2008 Certificates are delivered to the Purchaser thereof.

"Long-Term Rate" means the Interest Rate Mode in which the interest rate on a Series of the 2008 Certificates is determined in accordance with the applicable provisions of the Trust Agreement.

"Long-Term Rate Period" means any period established by the Authority pursuant to the Trust Agreement and beginning on, and including, the Conversion Date for a Conversion to the Long-Term Rate and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period, if any, of substantially the same duration as that established period until the day preceding the earliest of the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the 2008 Certificates.

"Mandatory Purchase Date" means any date upon which any 2008 Certificates have been called for mandatory tender for purchase in accordance with the Trust Agreement.

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including,.but not limited to, (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, (b) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Master Contract or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, remarketing agent or surety costs for any such Contracts or Parity Obligations, letter of credit fees for any such Contracts or Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. Anything contained in the Master Contract to the contrary notwithstanding, "Maintenance and Operation Costs" will include all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

"Master Contract" means the Master Installment Purchase Contract executed and entered into as of November 1, 1997, by and between the City and the Authority, as the same may be amended or supplemented from time to time.

"Maximum Annual Debt Service" means the greatest Annual Debt Service payable on Parity Obligations in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

"Maximum Annual Payments" means the greatest total Payments payable in any Fiscal Year during the period commencing with the then current Fiscal Year and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

"Maximum Rate" means, (a) as to 2008 Certificates bearing interest at a rate other than an Auction Rate, and other than Bank Bonds, 12%, (b) as to 2008 Certificates bearing interest at an Auction Rate, the meaning assigned to such term in the Auction Procedures, and (c) with respect to Bank Certificates, the maximum rate allowed by the Reimbursement Agreement.

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

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

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

"1997 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, by and between the City and First Trust of California, National Association, as original trustee thereunder.

"Opinion of Special Counsel" means a written opinion of Special Counsel.

"Outstanding", when used as of any particular time with reference to 2008 Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed, issued and delivered by the Authority under the Trust Agreement except –

(a) 2008 Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) 2008 Certificates paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement regarding defeasance; and

(c) 2008 Certificates in lieu of or in substitution for which other Bonds will have been executed, issued and delivered by the Authority pursuant to the Trust Agreement or any Parity Obligations Instrument.

"Owner" means any person who will be the registered owner of any Outstanding 2008 Certificate as indicated in the registration books of the Trustee.

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

"Parity Obligation Payment Fund" means the City of Roseville Electric System Parity Obligation Payment Fund established pursuant to the Master Contract.

"Parity Obligations" means all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity with the charge and lien upon the Net Revenues for the payment of the Payments, including, except for purposes of application of the provisions of the Master Contract regarding the execution of parity obligations and other obligations, (i) Parity Payment Agreements and (ii) Parity Bank Agreements (provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City).

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

"Parity Reserve Fund" means the City of Roseville Electric System Parity Reserve Fund established pursuant to the 1997 Trust Agreement.

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

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

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

"Payment Date" means any date on which Payments are scheduled to be paid by the City under and pursuant to any Supplemental Contract.

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

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

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

a) Federal Home Loan Mortgage Corporation (FHLMC);

b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations;

c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes;

d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations;

e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

g) Financing Corporation (FICO) Debt obligations;

h) Resolution Funding Corporation (REFCORP) Debt obligations.

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P, including those of the Trustee and its affiliates.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million, including the Trustee and its affiliates.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

7. Money market funds rated "AAm" or "AAm-G" by S&P, or better, including funds for which the Trustee and its affiliates provide investment advisory or other management services.

8. "State Obligations", which means:

a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "MIG-1" by Moody's;

c) Special Revenue Certificates (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

a) the municipal obligations are (1) not subject to prepayment prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and prepayment and the issuer of the municipal obligations has covenanted not to prepay such municipal obligations other than as set forth in such instructions;

b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c) the principal of and interest with respect to the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

e) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's, provided that:

a) The market value of the collateral is maintained at 104%;

b) The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

c) The repurchase agreement will state and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

d) *All other requirements of S&P in respect of repurchase agreements will be met;*

e) The repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee;

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the 2008 Certificates;

b) the invested funds are available for withdrawal, for reasons under the Trust Agreement, without penalty or premium, upon not more than seven days' prior notice; the Authority and the Trustee thereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the investment agreement will state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

d) the Authority or the Trustee receives the opinion of domestic counsel *(which opinion will be addressed to the Authority) that such investment agreement is* legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

e) the investment agreement will provide that if during its term:

i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at least 104% (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest with respect to the investment, and

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest with respect to the investment, in either case with no penalty or premium to the Authority or Trustee, and

f) the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

g) the investment agreement must provide that if during its term:

i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate; and

ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate.

12. shares in the California Asset Management Program.

13. the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, *provided, however,* that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Trust Agreement.

“Prepayment Price” means, with respect to any 2008 Certificate, the principal amount thereof, plus the applicable premium, if any, plus interest accrued to the prepayment date, payable upon prepayment thereof pursuant to the Trust Agreement.

“Prevailing Market Conditions” means, without limitation, the following factors: existing short-term market rates for securities; indices of such short-term rates; the existing market supply and demand and the existing yield curves for short-term and long-term securities for obligations of credit quality comparable to the 2008 Certificates; general economic conditions and financial conditions that may affect or be relevant to the 2008 Certificates; and such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, will determine to be relevant to the remarketing of the 2008 Certificates, at the principal amount thereof.

"Principal Payment" means with respect to any particular Principal Payment Date, an amount equal to the sum of (i) the aggregate principal amount of Outstanding Serial 2008 Certificates payable on such Principal Payment Date (but not including Sinking Fund Installments) and (ii) the aggregate of Sinking Fund Installments with respect to all Outstanding Term Certificates payable on such Principal Payment Date as determined thereby.

"Principal Payment Date" means (i) with respect to the 2008 Certificates, prior to the Long-Term Conversion Date, February 1, commencing with February 1, 2023, as to the 2008A Certificates, and February 1, commencing February 1, 2009, as to the 2008B Certificates; and (ii) with respect to any 2008 Certificates bearing interest at a Long-Term Rate, February 1, commencing with the February 1 immediately following the Long-Term Rate Date or otherwise as in accordance with a Supplemental Trust Agreement entered into pursuant to the terms thereof.

"Project" means any additions, betterments, extensions or improvements to the Electric System designated by the City Council of the City as a Project, the cost of acquisition and construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Parity Obligation as provided therein.

"Purchase Date" means, with respect to any 2008 Certificate, (a) if the Interest Rate Mode is the Daily Rate or the Weekly Rate, any Business Day as set forth in the Trust Agreement, and (b) each day that such 2008 Certificate is subject to mandatory purchase pursuant to the Trust Agreement; provided, however, that the date of the stated maturity of such 2008 Certificate will not be a Purchase Date.

"Qualified Counterparty" means a party (other than the City) who is the other party to a Payment Agreement and (1) (a) whose senior debt obligations are rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating any Parity Obligations (without regard to any gradations within a rating category), or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been, or whose debt service obligations have been, assigned a credit rating in one of the three highest rating categories of each of the Rating Agencies then rating any Parity Obligations, and (2) who is otherwise qualified to act as the other party to a Payment Agreement with the City under any applicable laws.

"Rate Stabilization Fund" means the fund by that name established pursuant to the Master Contract.

"Rate Period" means any period during which a single interest rate is in effect for the 2008 Certificates.

"RBI" means the *Bond Buyer* Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

"Regular Record Date" means (a) with respect to any Interest Period during which the Interest Rate Mode is the Daily Rate or the Weekly Rate, the close of business on the last Business Day of such Interest Period, (b) with respect to any Interest Period during which the Interest Rate Mode is the Auction Rate, the second Business Day preceding an Interest Payment Date for such Interest Period, (c) with respect to any Interest Period during which the Interest Rate Mode is the Long-Term Rate, the fifteenth day (whether or not a Business Day) of the calendar month prior to the Interest Payment Date, and (d) with respect to any Interest Period during which the Interest Rate Mode is the Commercial Paper Rate, the Interest Payment Date for such Interest Period.

"Reimbursement Agreement" means the Letter of Credit Reimbursement Agreement dated as of the Issue Date between the City and Dexia Crédit Local, New York Branch, or any similar agreement with respect to an Alternate Credit Facility.

"Remarketing Agent" means the remarketing agent appointed in accordance with the Trust Agreement, initially Morgan Stanley & Co. Incorporated.

"Remarketing Agreement" means the Remarketing Agreement, dated as of May 1, 2008, between the Authority and the Remarketing Agent, providing for the remarketing of 2008 Certificates tendered for purchase, as the same may be amended from time to time, and any remarketing agreement between the Authority and a successor Remarketing Agent.

"Representation Letter" means each Letter of Representations from the Authority and the Trustee to DTC, or any successor securities depository for the 2008 Certificates.

"Request of the Authority" means a request in writing signed by an Authorized Official.

"Reserve Fund Requirement" means, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) ten percent (10%) of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; <u>provided</u>, that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition will no longer maintain ratings as required in accordance with the immediately preceding sentence, the City will provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

"Revenues" means all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or arising from the Electric System, including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund, but excluding (i) proceeds of taxes, (ii) refundable deposits made to establish credit and advances or contributions in aid of construction and line extension fees, and (iii) any charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portion of costs associated with assets and obligations ('stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than Contracts, the payments of which obligations will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such 'stranded costs" of the City or of any such joint powers agency to the extent such 'stranded costs" are attributable to, or the responsibility of, the City.

"Sinking Fund Installment" means, with respect to any particular date, the amount of money required thereby to be paid by the Authority on such date toward the retirement of any particular Term Certificates prior to their respective stated maturities.

"S&P" means Standard & Poor's Corporation, a corporation duly organized and existing *under and by virtue of the laws of the State of New York, and its successors or assigns, except* that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "S&P" will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Bank.

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

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and *pursuant to the Master Contract and applicable law, the installment payments under and* pursuant to which are payable from Net Revenues.

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

"Swap Agreement" means collectively, (i) the ISDA Master Agreement (including the Schedule thereto) dated as of December 13, 2002, as amended and supplemented by the Amendment to ISDA Master Agreement dated as of March 30, 2005, and the Confirmation dated May 9, 2008, between the City and Morgan Stanley Capital Services, Inc., and (ii) the ISDA Master Agreement, dated as of May 1, 2008, the Schedule thereto dated as of May

1, 2008, the Credit Support Annex thereto dated as of May 1, 2008, and the Confirmation, dated May 9, 2008, between the City and Bank of America, N.A.

"Swap Counterparty" means collectively, Morgan Stanley Capital Services, Inc. and its successors and assigns and Bank of America, N.A. and its successors and assigns.

"Swap Periodic Payment" means the periodic payments (which do not include any payment due upon early termination of the Swap Agreement or the transfer of Eligible Credit Support pursuant to the Credit Support Document, as defined in the Swap Agreement) due to or from the Authority and the Swap Counterparty under the Swap Agreement.

"Tax Certificate" means any certificate executed by the Authority at the time of execution and delivery of the 2008 Certificates relating to the requirements of Section 148 of the Tax Code, as such certificate may be amended or supplemented.

"Tax Code" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Tax Code will include reference to all successors to such section of the Tax Code.

"Trustee" means The Bank of New York Trust Company, N.A., a national banking corporation association, duly organized and existing under the laws of the United States of America and having a principal corporate trust office located at San Francisco, California, and any other bank or trust company which may at any time be substituted in the place of the Trustee, as provided in the Trust Agreement.

"Trust Office" means the corporate trust office of the Trustee at 550 Kearney Street, Suite 600, San Francisco, CA 94108-2527, or such other or additional offices as may be specified to the Authority by the Trustee in writing.

"2008 Payments" means the installment payments of interest, principal, and prepayment premium, if any, payable by the City under and pursuant to the 2008 Supplemental Contract.

"2005 Supplemental Contract" means that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, between the City and the Authority.

"Variable Index" means, on any date, a rate determined on the basis of The Securities Industry and Financial Markets Association Municipal Swap Index™ as of the most recent date for which such index was published or such other weekly, high-grade index comprising seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or otherwise designated by The Securities Industry and Financial Markets Association; provided that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the "Variable Index" will mean such other reasonably comparable index selected by the Remarketing Agent.

"Variable Interest Rate" means the Daily Rate, the Weekly Rate, the Commercial Paper Rate and the Auction Rate.

"Variable Rate Period" means any period of time during which any 2008 Certificates evidence interest at a specified Variable Interest Rate determined with regard to such period.

"Weekly Rate" means the Interest Rate Mode in which the interest rate with respect to a Series of the 2008 Certificates is determined weekly in accordance with the Trust Agreement.

"Weekly Rate Period" means the period beginning on, and including, the Conversion Date for a Conversion to the Weekly Rate and ending on, and including, the next Wednesday and thereafter the period beginning on, and including, any Thursday and ending on, and including, the earliest of the following Wednesday, the day preceding the Conversion of the 2008 Certificates to a different Interest Rate Mode or the maturity of the 2008 Certificates.

THE MASTER INSTALLMENT PURCHASE CONTRACT

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

Acquisition, Construction and Sale of Projects; Funds

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

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

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

Rate Stabilization Fund. The Master Contract establishes a City of Roseville Electric System Rate Stabilization Fund (the "Rate Stabilization Fund"), which fund the City agrees to maintain so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Revenues. Notwithstanding the foregoing, no Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with the additional Parity Obligations test or the rate covenant of the City pursuant to the Master Contract and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such section.

Electric Revenue Fund. In order to carry out and effectuate the obligation of the City contained in the Master Contract and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Revenues received by it will be deposited when and as received in the City of Roseville Electric System Revenue Fund (the "Electric Revenue Fund"), which fund will be a continuation of the Electric Utility Fund established by the City and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, and all money on deposit in the Electric Revenue Fund will be applied and used only as provided in the Master Contract. The City will pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable, and all remaining money on deposit in the Electric Revenue Fund will be set aside and deposited by the City at the following times in the following order of priority:

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

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

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

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

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

Execution of Parity Obligations and Other Obligations

Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligations the payments of which are payable from the Net Revenues on a parity with the Payments due under all Supplemental Contracts, provided, however, there will be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar

month period, the Adjusted Annual Net Revenues were at least equal to one hundred ten percent (110%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; or

(2) An Engineer's Report showing that projected Adjusted Annual Net Revenues during the succeeding five (5) complete Fiscal Years beginning with the first Fiscal Year following issuance of such Parity Obligations in which interest is not capitalized in whole or in part from the proceeds of Parity Obligations, is at least equal to one hundred ten percent (110%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed.

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

Procedure for the Execution of Parity Obligations. Before the execution of any Parity Obligation, there will first be delivered to the City and the Trustee (which will serve as trustee in respect to each and every Parity Obligation which is a Supplemental Contract) the following documents or money or securities:

(i) An executed counterpart of the Supplemental Contract or other Parity Obligation;

(ii) A Request of the City as to the delivery of such Parity Obligation;

(iii) An Opinion of Counsel substantially to the effect that (a) the City has the right and power under applicable law to execute and deliver the Parity Obligation, and the Parity Obligation has been duly and lawfully executed and delivered by the City, is in full force and effect and is a valid and binding special obligation of the City and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditors' rights), and (b) such Parity Obligation has been duly and validly authorized and issued in accordance with the Master Contract;

(iv) A Certificate of the City or an Engineer's Report as required pursuant to the applicable provisions of the Master Contract, containing such statements as may be reasonably necessary to show compliance with the requirements of the applicable provisions of the Master Contract;

(v) either (a) if the Parity Obligation is a Supplemental Contract, an amount of money to be deposited in the Parity Reserve Fund so as to increase the amount on deposit therein to the Reserve Fund Requirement, or (b) if the Parity Obligation is other than a Supplemental Contract, a Certificate of the City certifying that a separate reserve has been established for such Parity Obligation if required by the terms of such Parity Obligation and that provision has been made to fund such reserve or that no reserve is required by the terms of such Parity Obligation;

(vi) Such further documents, money and securities as are required by the provisions of the Master Contract and the resolution, indenture, contract or other obligation providing for the issuance of such Parity Obligation; and

(vii) With respect to any Parity Obligation issued in connection with a Payment Agreement, evidence that the incurrence of such Parity Obligation and Payment Agreement will not in and of itself cause a downgrade of the rating issued by the Rating Agencies then rating Parity Obligations.

Other Obligations. The City may incur Subordinate Obligations without meeting any of the tests set forth in the Master Contract.

Covenants

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

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

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

Sale or Other Disposition of Property. The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Electric System or any real or personal property comprising a part of the Electric System if such sale, transfer or disposition would cause the City to be unable to meet the requirements of the rate covenant of the City pursuant to the Master Contract.

Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and in conformity with law.

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

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

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

Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the Electric System, which records will be available for inspection by the Authority at reasonable hours and under reasonable conditions.

The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2005):

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

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

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

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

Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least one hundred ten percent (110%) of Adjusted Annual Debt Service for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Master Contract.

Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates, fees and charges applicable to the Electric Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing therein will prevent the City, in its sole and exclusive discretion, from permitting other parties from selling electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales will not relieve the City of its obligations under the Master Contract.

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

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

Events of Default and Remedies

Events of Default and Acceleration of Principal. If one or more of the following Events of Default will happen, that is to say –

(1) if default will be made in the due and punctual payment of any payment on any Parity Obligation when and as the same will become due and payable;

(2) if default will be made by the City in the performance of any of the agreements or covenants contained in the Master Contract or in any Parity Obligation required to be performed by it, and such default will have continued for a period of sixty (60) days after the City will have been given notice in writing of such default by the Authority; or

(3) if the City will file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction will approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction will assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Authority will, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Master Contract to the contrary notwithstanding, subject to the condition, however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the City will deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments or the unpaid principal amount of any payments under any Parity Obligation referred to in clause (i) above due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Payments and the accrued interest thereon due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate will have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Net Revenues upon Acceleration. All Net Revenues upon the date of the declaration of acceleration by the Authority as provided in the Master Contract and all Net Revenues thereafter received will be applied in the following order:

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the Master Contract regarding events of default, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Parity Obligations, and, if the amount available will not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Parity Obligations which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations.if paid in accordance with their terms, and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Parity Obligations on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Net Revenues may also be applied to make payments required under any Parity Payment Agreement on a parity with the payments under paragraphs Second and Third above, to the extent and in the manner provided by the terms of such Parity Obligation relating to such Parity Payment Agreement.

Other Remedies. The Authority will have the right (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the law and the agreements and covenants required to be performed by it or him contained in the Contracts; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or (c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. Nothing in the Master Contract will affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Net Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or will affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

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

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

Remedies Not Exclusive. No remedy in the Master Contract conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Master Contract or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Discharge of Obligations

If the City will pay or cause to be paid all the Payments at the times and in the manner provided in the Master Contract, the right, title and interest of the Authority in the Master Contract and the obligations of the City under the Master Contract and under all Supplemental Contracts will cease, terminate, become void and be completely discharged and satisfied.

Any unpaid principal installment of any of the Payments will on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in the foregoing paragraph if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided therein.

All or any portion of unpaid principal installments of the Payments will, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed above if (i) there will have been deposited with the Trustee either money in an amount which will be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, will be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken as described in this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority, and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority will pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant to the Master Contract other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments will continue to be held in trust for the payment thereof.

Miscellaneous

Liability of City Limited to Net Revenues. Notwithstanding anything contained in the Master Contract, the City will not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained in the Master Contract. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Payments is a special obligation of the City payable solely from the Net Revenues as provided in the Master Contract. The general fund of the City is not liable, and neither the credit nor taxing power of the City is pledged, for the payment of the Payments.

THE TRUST AGREEMENT

The Trust Agreement sets forth the terms of the 2008 Certificates, the nature and extent of the security therefor, various rights of the Owners, rights and duties and immunities of the Trustee and rights and obligations of the Authority. Certain provisions of the Trust Agreement are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE TRUST AGREEMENT.

Equal Security

In consideration of the acceptance of the 2008 Certificates by the Owners thereof, the Trust Agreement will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of all 2008 Certificates authorized, executed, and delivered under the Trust Agreement and then Outstanding to secure the full and final payment of the interest, principal, and prepayment premiums, if any, evidenced and represented by the 2008 Certificates which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained in the Trust Agreement; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any 2008 Certificates over any other 2008 Certificates by reason of the number or date thereof or the time of authorization, execution, or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

2008 Debt Service Fund.

Establishment and Maintenance of Accounts. Notwithstanding the provisions described immediately below, so long as the Trustee draws on the Credit Facility for payments of principal and interest with respect to the 2008 Certificates, such principal and interest will be paid from the 2008 Credit Facility Account and amounts in the 2008 Debt Service Fund will first be used to reimburse the Bank for draws on the Credit Facility used to pay such principal and interest. In the event the Bank fails to allow a draw under the Credit Facility for any reason, the moneys in the 2008 Debt Service Fund will be used for direct payment of the 2008 Certificates as provided below.

Subject to certain provisions of the Trust Agreement, all money in the 2008 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2008 Debt Service Fund in the following order of priority:

(i) 2008 Interest Account, and

(ii) 2008 Principal Payment Account (with a 2008 Principal Subaccount and a 2008 Sinking Fund Subaccount therein).

All money in each of such accounts and subaccounts will be held in trust by the Trustee for the benefit of the Bank and the Owners and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement.

2008 Interest Account. On the Business Day immediately preceding each Interest Payment Date, the Trustee will set aside from the 2008 Debt Service Fund and deposit in the 2008 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the 2008 Certificates becoming due and payable on such Interest Payment Date. No deposit need be made in the 2008 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest evidenced and represented by the 2008 Certificates becoming due and payable on such Interest Payment Date. All money in the 2008 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it will become due and payable (including accrued interest evidenced and represented by any 2008 Certificates purchased or prepaid prior to their respective Principal Payment Date).

2008 Principal Payment Account. On the Business Day immediately preceding each February 1, commencing with February 1, 2009, the Trustee will set aside from the 2008 Debt Service Fund and deposit in the 2008 Principal Subaccount in the 2008 Principal Payment Account an amount of money equal to the principal amount evidenced and represented by the Outstanding Serial 2008 Certificates with a Principal Payment Date of such February 1 and in the 2008 Sinking Fund Subaccount in the 2008 Principal Payment Account the amount of all Sinking Fund Installments required to be made on such February 1.

No deposit need be made in the 2008 Principal Payment Account if the amount contained in the 2008 Principal Subaccount is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding serial 2008 Certificates with a Principal Payment Date of such February 1 and the amount contained in the 2008 Sinking Fund Subaccount is at least equal to the aggregate amount of all Sinking Fund Installments required to be made on such February 1.

All money in the 2008 Principal Subaccount in the 2008 Principal Payment Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the serial 2008 Certificates as they will become due and payable, whether at their respective Principal Payment Dates or on prior prepayment, and all money in the 2008 Sinking Fund Subaccount in the 2008 Principal Payment Account will be used and withdrawn by the Trustee only to purchase or to prepay or to pay term 2008 Certificates, and with respect to the 2008 Sinking Fund Subaccount, on each Sinking Fund Installment date, the Trustee will apply the Sinking Fund Installment required on that date to the prepayment (or the payment at Principal Payment Date, as the case may be) of the term 2008 Certificates upon the notice and in the manner provided in the Trust Agreement; provided, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation of term 2008 Certificates at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the 2008 Interest Account) as may be directed in a Request of the Authority, except that the purchase price (excluding accrued interest) will not exceed the prepayment price that would be payable for such term 2008 Certificates upon prepayment by application of such Sinking Fund Installment, and if during the twelve-month period immediately preceding any Sinking Fund Installment date the Trustee has so purchased term 2008 Certificates, such 2008 Certificates so purchased will be applied to the extent of the full principal amount evidenced and represented thereby to reduce the Sinking Fund Installment.

Other Funds and Accounts

Cost of Issuance Fund. There is created under the Trust Agreement a fund to be known as the "Roseville Finance Authority Refunding Revenue Certificates, 2008 Cost of Issuance Fund" (the "Cost of Issuance Fund"), which will be held in trust by the Trustee. The moneys in the Cost of Issuance Fund will be used solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of Requests of the Authority therefor, on or after the Closing Date. Any funds remaining in the Cost of Issuance Fund on September 1, 2008, will be transferred by the Trustee (a) first to the 2008 Parity Reserve Account to the extent the amount on deposit therein is less than the Reserve Fund Requirement, and (b) second, to the 2008 Debt Service Fund.

2008 Parity Reserve Account. The Trustee will establish a 2008 Parity Reserve Account, which is to be initially funded in an aggregate amount equal to the Reserve Fund Requirement for such 2008 Certificates. An amount equal to the Reserve Fund Requirement in the form of either: (i) cash or Permitted Investments; or (ii) a reserve fund credit instrument meeting the requirements set forth in the definition of Reserve Fund Requirement for the account of the 2008 Parity Reserve Account, will be maintained in the 2008 Parity Reserve Account at all times. Any deficiency in the 2008 Parity Reserve Account will be replenished from Net Revenues to the extent available hereunder.

Moneys on deposit in the 2008 Parity Reserve Account will be transferred by the Trustee to the 2008 Debt Service Fund to pay principal and interest evidenced and represented by the 2008 Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the 2008 Parity Reserve Account, transfer or cause to be transferred to the debt service fund established under the 1997 Trust Agreement and any applicable debt service fund established under a trust agreement under which any obligations are issued in connection with a supplement to the Master Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein.

Remarketing Account. Upon receipt of the proceeds of a remarketing of 2008A Certificates or 2008B Certificates on a Purchase Date, the Tender Agent will deposit such proceeds in the Remarketing Account of the Certificate Payment Fund for application to the Purchase Price of such 2008A Certificates or 2008B Certificates in accordance with the Trust

Agreement and, if the Tender Agent is not a paying agent with respect to such 2008 Certificates, will transmit such proceeds to the Trustee for such application. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Certificates, the Tender Agent will immediately pay such proceeds to the Bank.

Credit Facility Account. The Trustee will create within the Certificate Payment Fund a separate account called the "2008 Credit Facility Account," into which all moneys drawn under the Credit Facility will be deposited and disbursed. The Authority will not have any right title or interest in the 2008 Credit Facility Account. The 2008 Credit Facility Account will be established and maintained by the Trustee and held uninvested and in trust apart from all other moneys and securities held under the Trust Agreement or otherwise, and over which the Trustee will have the exclusive and sole right of withdrawal for the exclusive benefit of the Owners of the 2008 Certificates with respect to which such drawing was made.

Deposit and Investments of Money in Accounts and Funds. Subject to certain provisions of the Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant hereto will be invested in Permitted Investments at the Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance herewith; provided, that if no such Written Request is received by the Trustee, the Trustee will invest such money in those Permitted Investments described in clause (7) of the definition thereof. Subject to certain provisions of the Trust Agreement, all interest or profits received on any money so invested will be deposited in the 2008 Debt Service Fund. Investments purchased with funds on deposit in the Parity Reserve Fund will have an average aggregate weighted term to maturity not greater than five years.

For Investment purposes only, the Trustee may commingle the funds and accounts established under the Trust Agreement, but will account for each separately.

The Credit Facility

The Trustee will hold and maintain the Credit Facility for the benefit of the Owners until the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility.

The Trustee will enforce all terms, covenants and conditions of the Credit Facility, including drawing on the Credit Facility as required to provide for all payments of principal of and interest with respect to, Prepayment Price and Purchase Price of 2008 Certificates (other than Bank Certificates), amounts due on acceleration upon an Event of Default, and all other provisions thereof relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Credit Facility, and will not consent to, agree to or permit any amendment or modification of the Credit Facility which would materially adversely affect the rights or security of the Owners of the 2008 Certificates.

If at any time during the term of the Credit Facility any successor Trustee is appointed and qualified under the Trust Agreement, the resigning or removed Trustee will request that the Bank transfer the Credit Facility to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee will do so before accepting appointment.

When the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility, the Trustee will immediately surrender the Credit Facility to the Bank.

(ii) The Trustee will draw moneys under the Credit Facility in accordance with the terms thereof in an amount necessary to make full and timely payments of (i) principal of and interest with respect to and Prepayment Price of the 2008 Certificates (other than Bank Certificates) during the Weekly Rate Period, Daily Rate Period or Commercial Paper Rate Period when due at maturity, prepayment or acceleration and (ii) Purchase Price required to be made pursuant to the Trust Agreement.

(iii) If at any time there will have been delivered to the Trustee an Alternate Credit Facility meeting the requirements of the Trust Agreement, then the Trustee will accept such Alternate Credit Facility, draw on the existing Credit Facility to the extent required pursuant to the provisions thereof and of the Trust Agreement for payment of the Purchase Price, and after such draw has been honored, surrender the existing Credit Facility to the Bank, in accordance with the terms of such Credit Facility, for cancellation. The existing Credit Facility will be returned to the Bank only after the Bank has honored any draws required to pay the Purchase Price in accordance with the terms of the Trust Agreement.

If at any time there cease to be any 2008 Certificates Outstanding under the Trust Agreement, the Trustee will promptly surrender the Credit Facility to the Bank, in accordance with the terms of the Credit Facility, for cancellation. The Trustee will comply with the procedures set forth in the Credit Facility relating to the termination thereof.

Assignment to Trustee; Enforcement of Obligations

The Authority transfers, assigns and sets over to the Trustee all of the 2008 Payments and any and all rights and privileges it has under the Master Contract, including, without limitation, the right to collect and receive directly all of the 2008 Payments and the right to enforce the provisions of the Master Contract; and any 2008 Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee. The Trustee also will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the 2008 Certificates the Trustee's rights in and priority to the following security granted to it for the payment of the 2008 Certificates: the Trustee's rights as assignee of the 2008 Payments under the Master Contract and as beneficiary of any other rights to security for the 2008 Certificates which the Trustee may receive in the future.

The Trustee may, in performing the obligations set out above, rely and will be protected in acting or refraining from acting upon an Opinion of Counsel furnished by the City.

Covenants

Compliance with Trust Agreement. The Trustee will not execute or deliver any 2008 Certificates in any manner other than in accordance with the provisions of the Trust Agreement; and the Authority will not suffer or permit any default by it to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained in the Trust Agreement and in the 2008 Certificates.

Observance of Laws and Regulations. The Authority and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Tax Covenants. The Authority covenants with the Owners of the 2008 Certificates that, notwithstanding any other provisions of the Trust Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest evidenced and represented by the 2008 Certificates under Section 103 of the Code. The Authority will not, directly or indirectly, use or permit the use of proceeds of the 2008 Certificates or any of the property financed or refinanced with proceeds of the 2008 Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest evidenced and represented by the 2008 Certificates.

The Authority will not take any action, or fail to take any action, if any such action or failure to take action would cause the 2008 Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the 2008 Certificates or any of the property financed or refinanced with proceeds of the 2008 Certificates, or any portion thereof, or any other funds of the Authority, that would cause the 2008 Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2008 Certificates are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The Authority will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the 2008 Certificates as "governmental bonds."

The Authority will not, directly or indirectly, use or permit the use of any proceeds of any 2008 Certificates, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the 2008 Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2008 Certificates.

The Authority will not make any use of the proceeds of the 2008 Certificates or any other funds of the Authority, or take or omit to take any other action, that would cause the 2008 Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. These covenants will survive payment in full or defeasance of the 2008 Certificates.

Accounting Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the 2008 Payment and the proceeds of the 2008 Certificates, and such books will be available for inspection by the Authority, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority a complete financial statement covering receipts, disbursements, allocation and application of 2008 Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the 2008 Payments and the proceeds of the 2008 Certificates or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant will remain in full force and effect even though all 2008 Certificates secured may have been fully paid and satisfied.

Amendments to Master Contract. Except for any Supplemental Contract delivered in accordance with the terms of the Master Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Master Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent will be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security given for the payment of the 2008 Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount evidenced and represented by the Certificates then Outstanding to such supplement, amendment, modification or termination; provided, however, that no such supplement, amendment, modification or termination will reduce the amount of 2008 Payments to be made to the Authority or the Trustee by the City pursuant to the Master Contract, or extend the time for making such 2008 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with the Trust Agreement.

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

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

Modification and Amendment of Trust Agreement

Amendment by Consent of Owners. The Trust Agreement and the rights and obligations of the Authority and of the Owners of the 2008 Certificates may be modified or amended at any time by a Supplemental Trust Agreement which will become binding when the written consent of the Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank) and the Owners of a majority in aggregate principal amount of the 2008 Certificates then Outstanding (except the consent of the Holders will not be necessary so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any drawings thereunder), exclusive of 2008 Certificates disqualified as provided in the Trust Agreement, are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any 2008 Certificate or otherwise alter or impair the obligation of the Authority to pay the principal, interest or prepayment premiums at the time and place and at the rate and in the currency provided therein of any 2008 Certificate without the express written consent of the Bank and the Owner of such 2008 Certificate, (b) reduce the percentage of 2008 Certificates required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Amendment Without Consent of 2008 Owners. The Trust Agreement and the rights and obligations of the Authority and of the Owners of the 2008 Certificates may also be modified or amended at any time by a Supplemental Trust Agreement which will become binding upon execution and delivery, without consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Authority in the Trust Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power in the Trust Agreement reserved to or conferred upon the Authority; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not adversely affect the interests of the Owners of the 2008 Certificates or the Swap Counterparty;

(c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the 2008 Certificates.

(d) to modify, alter, amend or supplement the Trust Agreement in any other respect including amendments which would otherwise be described under "*Amendment by Consent of Owners*" above, if such amendments will take effect:

(1) on a mandatory tender date in connection with the purchase of tendered 2008 Certificates;

(2) on a Conversion Date; or

(3) during a Weekly Rate if notice of the proposed amended or supplemental indenture is given to 2008 Certificate Owners (in the same manner as notices of prepayment are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the 2008 Certificate Owners have the right to demand purchase of the 2008 Certificates pursuant to the Trust Agreement.

Supplements to Trust Agreement. Additionally, the Trust Agreement may, without the consent of, or notice to, any of the Owners, be supplemented and amended, in such manner as will not be inconsistent with the terms and provisions of the Trust Agreement, for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority to be observed or performed in the Trust Agreement other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority, and which in either case will not materially adversely affect the interests of the Owners; or

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith, and which will not materially adversely affect the interests of the Owners; or

(iii) for any other reason, provided such amendment or supplement does not materially adversely affect the interests of the Owners, provided, further that the Authority and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Special Counsel stating that the requirements described in this subsection (iii) have been met with respect to such amendment or supplement; or

(iv) to provide for the issuance of one or more additional series of Certificates; or

(v) to implement a conversion of the Interest Rate Mode; or

(vi) to provide for a Credit Facility or clarify certain terms of a Credit Facility.

Remarketing Agent.

Morgan Stanley & Co. Incorporated is thereby appointed the initial Remarketing Agent for the 2008 Certificates. Upon Conversion of any of the 2008 Certificates to the Daily Rate, Weekly Rate, Long-Term Rate or Commercial Paper Rate at a time when no Remarketing Agent is serving as Remarketing Agent for the 2008 Certificates, the Authority will appoint a Remarketing Agent for such 2008 Certificates. The Remarketing Agent will be authorized by law to perform all the duties imposed upon it thereby. The Remarketing Agent or any successor will signify its acceptance of the duties and obligations imposed upon it hereunder by a Remarketing Agreement under which the Remarketing Agent will agree to:

(i) determine the interest rates applicable to such 2008 Certificates and give notice to the Trustee of such rates and periods in accordance with the Trust Agreement;

(ii) keep such books and records as will be consistent with prudent industry practice; and

(iii) use its best efforts to remarket 2008 Certificates in accordance with the Trust Agreement and the terms thereof.

The Remarketing Agent will hold all amounts received by it in accordance with any remarketing of 2008 Certificates pursuant to the Trust Agreement in trust only for the benefit of the Owners of tendered 2008 Certificates and will not commingle such amounts with any other moneys.

(b) Each Remarketing Agent will be (i) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least $50,000,000, and (ii) authorized by law to perform all the duties imposed upon it by the Trust Agreement and the Remarketing Agreement.

(c) Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Trust Agreement by giving at least 30 days' written notice to the Authority and the Trustee (with a copy of such notice mailed by certified mail to each of the 2008 Certificate owners). A Remarketing Agent may be removed at any time at the direction of the Authority, by an instrument signed by the Authority and filed at least 30 days prior to such removal with the Remarketing Agent, the Credit Provider and the Trustee.

(d) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, will tthereby become vested with all the property, rights and powers of such Remarketing Agent hereunder.

(e) In the event that the Remarketing Agent will resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent will be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority will not have appointed its successor within thirty (30) days, the Trustee will apply to a court of competent jurisdiction for such appointment.

<u>The Trustee.</u>

Appointment of Trustee. The Bank of New York Trust Company, N.A., in San Francisco, California, a national banking association organized and existing under the laws of the United States, is thereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in the Trust Agreement. The Authority agrees that it will maintain a Trustee having a corporate trust office in California, with a combined capital and surplus, or in the case of a bank or trust company which is a member of a bank holding company system, the related bank holding company will have a combined capital and surplus, of at least One Hundred Million Dollars ($100,000,000), and subject to supervision or examination by federal or State authority, so long as any Certificates are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection of the Trust Agreement the combined capital and surplus of such bank or trust company or bank holding company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is thereby authorized to pay the Certificates when duly presented for payment at maturity, or on prepayment or purchase prior to maturity, and to cancel all Certificates upon payment thereof. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Removal of Trustee. The Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank) or the Owners of a majority in aggregate principal amount of the Outstanding Certificates may at any time, and the Authority may so long as no Event of Default will have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee (where applicable), whereupon the Authority, the Bank or such Owners, as the case may be, will appoint a successor or successors thereto; provided that any such successor will be a bank or trust company meeting the requirements set forth in the Trust Agreement.

Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice by registered or certified mail to the Authority. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority will cause notice thereof to be given by first class mail to the Certificate Owners at their respective addresses set forth on the Certificate Registration Books. No resignation of the Trustee will take effect until a successor is appointed and has accepted.

<u>Events of Default and Remedies</u>.

Events of Default. The following events will be Events of Default under the Trust Agreement:

(a) Default in the due and punctual payment of the principal of any 2008 Certificate when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for prepayment, by declaration or otherwise;

(b) Default in the due and punctual payment of any installment of interest with respect to any 2008 Certificate when and as such interest installment will become due and payable;

(c) Default by the Authority in the observance of any other of the covenants, agreements or conditions on its part in the Trust Agreement or in any Parity Obligations Instrument or in the 2008 Certificates contained, and such default will have continued for a period of sixty (60) days after the Authority will have been given notice in writing of such default by the Trustee; or

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws, insolvency, liquidation, debt adjustment or similar laws affecting the rights of creditors generally, or any other applicable law of the United States of America, or a debt moratorium, debt adjustment, debt restructuring or comparable restriction with respect to debt of the Authority, or if a court of competent jurisdiction will approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Authority or of the whole or any substantial part of its property.

(e) If the Trustee receives written notice from the Bank that an event of default has occurred and is continuing under the Reimbursement Agreement and instructing the Trustee to accelerate the 2008 Certificates.

Remedies; Rights of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, at law or in equity to enforce the payment of the principal of, premium, if any, and interest with respect to the Outstanding 2008 Certificates, and to enforce any rights of the Trustee under or with respect to the Trust Agreement and the Contract.

In the case of an Event of Default under (e) above, the Trustee will declare the full amount of principal and applicable interest evidenced by the 2008 Certificates due and payable in accordance with the Reimbursement Agreement and payment will be made within 7 days after receipt of the notice of default from the Bank. Any other provisions of the Trust Agreement notwithstanding, the Trustee will not be entitled to require indemnification as a precondition to declaring the principal and interest with respect to the 2008 Certificates immediately due and payable or to drawing upon the Credit Facility pursuant to the Trust Agreement.

Notwithstanding any other provision of the Trust Agreement, the Trustee may not declare an event of default, cause an acceleration of the payment of the amounts payable under the 2008 Certificates or exercise any remedy above without the prior written consent of the Bank (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank). In the event of an acceleration of the due date of the 2008 Certificates, interest will cease to accrue upon declaration of acceleration and the acceleration may be waived if the Trustee receives written notice from the Bank that the Event of Default has been waived and the Credit Facility has been fully reinstated. In the event the declaration of an Event of Default is rescinded, notice of such rescission will be given to the Authority, the Bank, S&P, Moody's and Fitch.

If an Event of Default will have occurred and be continuing and if requested so to do by the Bank or the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding 2008 Certificates and indemnified as provided in the Trust Agreement, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Trust Agreement, as the Trustee, being advised by counsel, will deem most expedient in the interests of the Owners.

No remedy by the terms of the Trust Agreement conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

The Swap Counterparty will receive immediate notice of any default described in (a) or (b) above, and notice of any other default known to the Trustee or the Authority within 30 days of the Trustee's or the Authority's actual knowledge thereof.

The Swap Counterparty will be included as a party in interest and as a party entitled to (i) notify the Authority, the Trustee, if any, or any applicable receiver, of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the 2008 Certificates or the security therefor. The Trustee or receiver will be required to accept notice of an Event of Default from the Swap Counterparty.

All moneys received, other than from drawings on the Credit Facility, by the Trustee pursuant to any right given or action taken under the remedy provisions of the Trust Agreement will be applied by the Trustee in the order following upon presentation of the several 2008 Certificates and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid -

First, to the payment of the whole amount then owing and unpaid with respect to the 2008 Certificates for principal and interest, with interest with respect to the overdue principal and installments of interest at the rate or rates specified in the respective 2008 Certificates (but such interest with respect to overdue installments of interest will be paid only to the extent funds are available therefor following payment of principal and interest and interest with respect to overdue principal, as aforesaid), and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid with respect to the 2008 Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Second, to the payment of the fees, costs and expenses of the Trustee hereunder (including, but not limited to, the costs and expenses of itself and its counsel) and, after such payment to the Trustee, of the Bank and of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel.

Rights and Remedies of Owners. No Owner of any 2008 Certificate issued hereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner will have previously 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 all the 2008 Certificates then Outstanding will have made written request upon the Trustee to exercise the powers in the Trust Agreementbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are thereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2008 Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of 2008 Certificates will have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner in the Trust Agreement provided, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement will be instituted, had and maintained in the manner in the Trust Agreement provided and for the equal benefit of all Owners of the Outstanding 2008 Certificates.

The right of any Owner of any 2008 Certificate to receive payment of the principal of and interest and premium (if any) on such 2008 Certificate as in the Trust Agreement provided or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding any provisions of the Trust Agreement.

No Liability by the City to the Owners. Except for the payment when due of the 2008 Payments and the performance of the other agreements and covenants required to be performed by it contained in the Master Contract, the City will not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the 2008 Certificates or the disbursement of the 2008 Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the 2008 Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Master Contract.

Discharge of Trust Agreement.

When the obligations of the City under the Contract will cease (except for the right of the Trustee and the obligation of the City to have the money and securities applied to the payment of Payments as set forth in the Trust Agreement), and the obligations of the City under the Credit Facility and Reimbursement Agreement will cease pursuant to the terms thereof, then and in that case the obligations created by the Trust Agreement will thereupon cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and securities to the payment of the Certificates as in the Trust Agreement set forth and the right of the Trustee to collect any fees or expenses due hereunder and the Trustee will turn over to the City, as an overpayment of 2008 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the Certificates at maturity or on prepayment, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the Certificates, and after such payment, the Trust Agreement will become void, except for the Authority's obligation to indemnify the Trustee pursuant to any provision of the Trust Agreement.

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

Whenever in the Trust Agreement or the Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities (certified to be sufficient by a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the 2008 Certificates in full on the maturity or prepayment date) in the necessary amount to pay or prepay any 2008 Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and will be --

(a) lawful money of the United States of America in an amount equal to the principal amount represented by such 2008 Certificates and all unpaid interest represented tthereby to maturity, except that, in the case of 2008 Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount plus accrued interest to such date of prepayment plus a prepayment premium, if any, represented by such 2008 Certificates; or

(b) Federal Securities which are not subject to prepayment except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form), the principal of and interest with respect to which when due will provide, in its opinion of an Independent Certified Public Accountant, delivered to the Trustee, money sufficient to pay the principal plus prepayment premium, if any, plus all accrued interest to maturity or to the prepayment date, as the case may be, represented by the 2008 Certificates to be paid or prepaid, as such amounts become due, provided that, in the case of 2008 Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice; provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Trust Agreement and the Contract or by written request of the City) to apply such money to the payment of such principal plus prepayment premium, if any, plus interest represented by such 2008 Certificates.

For defeasance of 2008 Certificates bearing interest other than for a Long-Term Rate Period ending on or after the date of prepayment, interest amounts to be provided described in paragraphs (a) or (b) above will be calculated at the Maximum Rate.

Notwithstanding anything contained in the Trust Agreement to the contrary, in the event that the interest and/or the principal evidenced and represented by any of the 2008 Certificates will be paid by the Bank pursuant to the Credit Facility, such 2008 Certificates will remain Outstanding hereunder for all purposes, will not be defeased or otherwise satisfied and will not be considered paid, and the assignment and pledge of the Trust Agreement and all agreements, covenants and other obligations of the City under the Contract assigned to the Trustee for the benefit of the Bank will continue to exist and will run to the benefit of the Bank, and the Bank will be subrogated to the rights of such Owners.

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the 2008 Certificates which remains unclaimed for two (2) years after the date when such 2008 Certificates have become due and payable, either at their stated Payment Dates or by call for prepayment prior to Payment Date, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such 2008

Certificates have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 2008 Payments evidenced and represented by the 2008 Certificates; provided, however, that before being required to make any such payment to the City, the Trustee will at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the City.

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APPENDIX D

PROPOSED FORM OF SPECIAL COUNSEL OPINION

[LETTERHEAD OF JONES HALL]

May 13, 2008

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

OPINION: City of Roseville Electric System Revenue Refunding Certificates of Participation, $90,000,000 Series 2008A

City of Roseville Electric System Revenue Refunding Certificates of Participation, $64,500,000 Series 2008B

Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Roseville of a 2008 Supplemental Contract (the "2008 Supplement") dated as of May 1, 2008 between the City of Roseville (the "City") and the Roseville Finance Authority (the "Authority") which is a supplement to the following contracts between the City and the Authority: the 2005 Supplemental Contract, the 2004 Supplemental Contract, the 2002 Supplemental Contract, the 1999 Supplemental Contract and the 1997 Master Installment Purchase Contract (collectively the "Installment Purchase Contract"). Under a Trust Agreement dated as of May 1, 2008 (the "Trust Agreement"), between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the Trustee has executed and delivered $90,000,000 aggregate principal amount of Electric System Revenue Refunding Certificates of Participation, Series 2008A, and $64,500,000 aggregate principal amount of Electric System Revenue Refunding Certificates of Participation, Series 2008B, evidencing and representing proportionate interests of the owners thereof in the payments to be made by the City under the 2008 Supplement (the "Installment Payments"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the 2008 Supplement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

1. The City is a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California, with the full power to enter into the 2008 Supplement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Master Contract and the 2008 Supplement have been duly approved by the City and the Trust Agreement has been duly approved by the Authority, and constitute valid and binding obligations of the City and the Authority enforceable against the City and the Authority in accordance with their respective terms.

3. The obligations of the City to make payments under the Master Contract and the 2008 Supplement are special, limited obligations payable solely from and secured by a pledge of Net Revenues (as defined in the Master Contract) of the Electric System of the City on a parity with the Parity Obligations (as defined in the Master Contract) previously delivered pursuant to the Master Contract and any additional Parity Obligations.

4. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the terms thereof and of the 2008 Supplement and the Master Contract, the owners of the Certificates are entitled to the benefits of the 2008 Supplement.

5. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the 2008 Supplement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the 2008 Supplement and other instruments relating to the Certificates to comply with each of such requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the 2008 Supplement. We express no opinion regarding other federal tax consequences arising with respect to the 2008 Supplement and the Certificates.

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

The rights of the owners of the Certificates and the enforceability of the 2008 Supplement and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF LETTER OF CREDIT

IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT

May 13, 2008
**U.S. $157,141,316
No. DCL 0805450

The Bank of New York Trust Company, N.A., as trustee for the benefit of Owners (the "Trustee") under a Trust Agreement dated as of May 1, 2008 (together with any amendments and supplements or modifications thereto, the "Trust Agreement") by and between the Roseville Finance Authority (the "Authority") and the Trustee.

Dear Ladies and/or Gentlemen:

We hereby establish, at the request and for the account of the City of Roseville, California (the "City"), in your favor, as Trustee under the Trust Agreement pursuant to which $90,000,000 in aggregate principal amount of Electric System Revenue Refunding Certificates of Participation, Series 2008A (the "Series 2008A Certificates") and $64,500,000 in aggregate principal amount of Electric System Revenue Refunding Certificates of Participation, Series 2008B (the "Series 2008B Certificates", together with the Series 2008A Certificates, the "Certificates") are being executed and delivered, our Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450 (the "Letter of Credit") (as secured by the Letter of Credit Reimbursement Agreement dated May 13, 2008 between the City and us (as amended from time to time, the "Reimbursement Agreement")) in the amount of $157,141,316 (including interest) (as more fully described below), effective immediately and expiring at 5:00 p.m., New York City time (except as otherwise specified in the following sentence) on the Expiration Date. As used herein, "Expiration Date" shall mean the earliest of (a) the close of business on May 13, 2011, or such later date agreed to by the Bank and the City pursuant to a duly executed amendment of this Letter of Credit (the "Stated Expiration Date"), (b) the date on which the Bank receives notice from the Trustee in the form of Exhibit 4A hereto that the principal amount of and interest on all of the Certificates shall have been paid in full, (c) the date on which this Letter of Credit is surrendered to the Bank for cancellation as permitted by Section 23 of the Reimbursement Agreement with notice of such effect to the Bank, (d) the date on which the Bank receives notice from the Trustee in the form of Exhibit 4B hereto that all of the Certificates have been converted to a Non-Covered Interest Rate and (i) all Tendered Certificates have been remarketed or (ii) the

Bank has honored the drawing in connection with the conversion, (e) the first to occur of (i) the date which is seven (7) calendar days after the Trustee has received a Termination Event of Default Notice in the form of Exhibit 6 hereto or (ii) the date, following receipt of such Termination Event of Default Notice, upon which the Trustee has drawn upon this Letter of Credit the amount required thereby and as permitted under this Letter of Credit and the proceeds of the drawing have been distributed to the Trustee, or (f) the date upon which a Voluntary Termination shall be effective as set forth in a notice in the form of Exhibit 7 hereto received by the Bank from the Trustee.

We hereby irrevocably authorize you to draw on us in accordance with the terms and conditions hereinafter set forth, by your draft, an aggregate amount not exceeding $157,141,316 (including interest) (the "Letter of Credit Amount"), of which an aggregate amount not exceeding (a) $154,500,000 may be drawn upon with respect to (i) payment of the unpaid principal amount of the Certificates or (ii) the portion of the purchase price equal to the principal amount of Certificates tendered or deemed tendered for purchase pursuant to Sections 4.07(a) or 4.07(b) of the Trust Agreement and not remarketed pursuant to the Trust Agreement prior to such drawing (hereinafter referred to as "Eligible Certificates") and (b) $2,641,316 (but no more, in the case of any drawing, than an amount equal to interest accrued on the Certificates for the immediately preceding fifty-two (52) days, calculated at a rate of 12% per annum and on the basis of the actual number of days elapsed in a year of 365 or 366 days, as applicable) may be drawn upon with respect to payment of interest accrued on the Certificates or the portion of the purchase price of Eligible Certificates representing interest thereon. The two foregoing maximum amounts comprising the Letter of Credit Amount shall be reduced from time to time upon notice from the Trustee in the form of Exhibit 4 hereto of the payment or redemption of Certificates by (A) in the case of the amount referred to in clause (a) above, the aggregate principal amount of the Certificates so paid or redeemed and (B) in the case of the amount referred to in clause (b) above, an amount that bears the same proportion to $2,641,316 as the principal amount of Certificates so paid or redeemed bears to $154,500,000. Notwithstanding any other provision of this Letter of Credit, (1) you are not authorized to draw on us hereunder unless at the time of such drawing the Certificates represent interest at a Covered Rate, (2) you are not authorized to draw on us with respect to the payment of any redemption or prepayment premium, (3) you are not authorized to draw on us hereunder with respect to any payment which comprises any part of the Bank Certificate Sale Consideration, (4) you are not authorized to draw on us hereunder with respect to any payment of principal, purchase price or interest on any Certificates registered in the name of the City or any Affiliate of the City or, to the best of your knowledge, held for the account of the City or any Affiliate of the City, and (5) from the date after the Bank receives notice from the Trustee in the form of Exhibit 4A hereto that payment or provision for payment of all the Certificates shall have been made, only a draft to pay the purchase price of Eligible Certificates may be drawn on us hereunder.

Only you, as Trustee may make drawings under this Letter of Credit. Upon the payment to you of the amount specified in a draft drawn hereunder, we shall be fully discharged on our obligation under this Letter of Credit with respect to such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such draft or the amount drawn thereunder to you or to any other person, firm, corporation or other entity who may have made to you or who makes to you a demand for payment of principal of or interest on any Bond or the purchase price thereof.

On the tenth (10^{th}) day (provided that if such day is not a Business Day, then on the next succeeding Business Day) following each drawing hereunder in accordance with a certificate in the form of Exhibit 2 hereto to pay scheduled interest on the Certificates, the amount so drawn shall be restored to the amount available to be drawn hereunder in respect of payment of interest on the Certificates (including the portion of the purchase price of Eligible Certificates representing interest thereon) accrued on or prior to the maturity thereof unless you shall have received (a) a notice in the form of Exhibit 8 hereto from us theretofore that such amount is not so reinstated because a previous drawing has been made under this Letter of Credit for which we have not been reimbursed in full when due by the City or (b) a Termination Event of Default Notice from us theretofore in the form of Exhibit 6 hereto. If after any drawing hereunder in accordance with a certificate in the form of Exhibit 3 hereto to pay the purchase price of Eligible Certificates, the City repays such drawing in full to us, the portion of the purchase price of such Eligible Certificates allocated to the principal of and accrued interest on such Eligible Certificates so drawn shall be restored to the amount of principal and interest, respectively, available to be drawn hereunder as confirmed by the Bank in a notice to the Trustee in the form of Exhibit 9 hereto. Subject to the two preceding sentences, drawings in respect of payments hereunder honored by us shall not, in the aggregate, exceed the Letter of Credit Amount and each drawing honored by the Bank hereunder shall pro tanto reduce the amount available under this Letter of Credit.

Funds under this Letter of Credit are available to you against presentation of (a) if the drawing is being made with respect to a payment of principal of the Certificates, your draft, payable on the date such draft is drawn on us in accordance with the terms hereof, and certificate signed by a duly authorized officer of the Trustee making such drawing (the "Drawer") in the form of Exhibit 1 attached hereto, completed, (b) if the drawing is being made with respect to a payment of interest on the Certificates, your draft, payable on the date such draft is drawn on us in accordance with the terms hereof, and certificate signed by the Drawer in the form of Exhibit 2 hereto, completed and (c) if the drawing is being made with respect to a payment of the purchase price of Eligible Certificates, your draft, payable on the date such draft is drawn on us in accordance with the terms hereof, and certificate signed by the Trustee in the form of Exhibit 3 attached hereto, completed. Such draft(s) and certificate(s) (and any other certificate or notice required or permitted to be provided to the Bank hereunder) shall be in writing and dated the date of presentation, and shall either be sent by first class registered or certified mail or express courier service, properly addressed and prepaid, or physically delivered to Dexia Crédit Local, New York Branch, 445 Park Avenue, 8^{th} Floor, New York, New York 10022-2606, or, in the case of a drawing certificate hereunder, by facsimile to (212) 753-7522, in each case to Attention: Standby Letter of Credit Department, marked "URGENT SAME DAY PAYMENT." If we receive your draft(s) and certificate(s) at such office, all in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 12:00 noon, New York City time, on a Business Day on or prior to the Expiration Date, we will honor the same by 2:00 p.m., New York City time, on the same business day in accordance with your payment instructions. If we receive your draft(s) and certificate(s) at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 12:00 noon, New York City time, but prior to 4:00 p.m., New York City time, on a Business Day prior to the Expiration Date, we will honor the same by 10:00 a.m., New York City time, on the next Business Day in accordance with your payment instructions provided that such next business day is on or prior to the Expiration Date. If requested by the Drawer, payment under this Letter of Credit may be made by wire transfer of federal funds to the account of the Drawer or any other account of yours with any bank located in New York, New York or by deposit of immediately available funds into any such account. All such payments shall be made solely from our own funds.

In addition to the definitions set forth in the foregoing text, as used herein, (a) "*Affiliate*" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, and (b) "*Authorized City Representative*" shall mean in the case of the City, its general manager or any assistant general manager or any officer authorized to do specific acts or to discharge certain specific duties and of whom another Authorized City Representative gives written notice to the Bank; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized City Representative pursuant to the terms of this Letter of Credit or any Exhibit hereto, such certificate or statement shall be executed only by an Authorized City Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement, and (c) "*Bank Certificates*" has the meaning ascribed to the term Bank Certificates in the Trust Agreement, and (d) "*Bank Certificate Sale Consideration*" means the Sale Price as defined in the Reimbursement Agreement together with the amounts prescribed under Section 2(a)(ii) or (vii) as applicable of the Reimbursement Agreement, and (e) "*Bank Rate*" means a per annum rate equal to (i) for the period from and including the Purchase Date through the thirtieth (30th) day from the Purchase Date, the higher of (x) the Base Rate and (y) the Maximum Rate (with respect to Certificates that are not Bank Certificates), (ii) from the thirty-first (31st) day from the Purchase Date and thereafter, the Base Rate plus one hundred basis points (1.0%); provided, however, that during a Term Loan Period as defined in the Reimbursement Agreement, the Bank Rate means a per annum rate equal to the Base Rate plus two hundred basis points (2.0%), and from and after an Event of Default or the date the related principal amount is due and payable, the Bank Rate means a per annum rate equal to the Default Rate; and provided further that at no time shall the Bank Rate be less than the applicable rate of interest on Eligible Certificates which are not Bank Certificates, and (f) *Base Rate*" means a per annum rate equal to the higher of (i) the Prime Rate or (ii) the Fed Funds Rate plus fifty basis points (0.50%); any change in the Base Rate shall take effect on the date specified in the announcement of such change, and (g) "*Default Rate*" means for any day the Base Rate plus an amount equal to three hundred basis points (3.00%), and (h) "*Business Day*" has the meaning assigned to that term in the Trust Agreement, and (i) "*Covered Rate*" means the Weekly Interest Rate and the Daily Interest Rate, each as defined in the Trust Agreement and (j) "*Eligible Certificates*" shall have the meaning assigned thereto hereinbefore in this Letter of Credit, and (k) "*Fed Funds Rate*" means for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by it; (l) "*Maximum Rate*" means the per annum rate of twelve percent (12%) and (m) "*Non-Covered Interest Rate*" means the Bank Rate or any interest rate applicable to the Certificates other than a Covered Rate, and (n) "*Outstanding Certificates*" means, as of the time in question, all Certificates authenticated and delivered under the Trust Agreement except Certificates canceled or required to be canceled, Certificates with respect to which all liability of the City shall have been discharged in accordance with the requirements of the Trust Agreement, and Certificates in substitution for which other Certificates have been authenticated and delivered under the Trust Agreement, and (o) "*Prime Rate*" means the fluctuating rate per annum equal to the "prime rate" listed daily in the "Money Rate" section of *The Wall Street Journal*, or if *The Wall Street Journal* is not published on a particular Business Day, then, the "prime rate" published in any other national financial journal or newspaper selected by the Bank, and if more than one such rate is listed in the applicable publication, the highest such rate shall be used, and (p) *Termination Event of Default Notice* means a notice given by the Bank to the Trustee under Section 13(b)(i)(A) of the Reimbursement Agreement, which notice (i) shall notify the Trustee that an Event of Default has occurred and is continuing and that the Letter of Credit shall terminate, and shall direct the Trustee to draw upon the Letter of Credit in accordance with its terms and (ii) may direct the Trustee to declare the principal of all or a designated portion of the Outstanding Certificates to be due and payable, and (q) "*Voluntary Termination*" means any election by the Trustee (at the direction of the City) to terminate the Letter of Credit in connection with an optional prepayment or optional redemption of all Outstanding Certificates. For purposes of the definition of Affiliate, "control" (including "controlled by" and "under common control with") means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

Upon the earlier of (a) the making by you of the last drawing available to be made hereunder and the distribution of the proceeds of such drawing to you or (b) 5:00 p.m., New York City time (except as otherwise specified in the second sentence of this Letter of Credit), on the Expiration Date, this Letter of Credit shall automatically terminate.

This Letter of Credit is subject to the International Standby Practices (1998), International Chamber of Commerce, Publication No. 590 (the "ISP 98"). This Letter of Credit shall be deemed made under the laws of the State of New York, including Article 5 of the Uniform Commercial Code, and shall as to matters not governed by the ISP 98, be governed and construed in accordance with the laws of said State. Communications with respect to the Trustee shall either be sent by first class registered or certified mail or express courier service, properly addressed and prepaid, or physically delivered to the address set forth on the first page of this Letter of Credit.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded you as Trustee under the Trust Agreement and may be successively so transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate substantially in the form of Exhibit 5 attached hereto.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Certificates, the Trust Agreement, and the Reimbursement Agreement), except only the certificates and the drafts referred to herein; and notwithstanding any such reference (including, without limitation, the use herein of terms defined in the Reimbursement Agreement), no such reference shall be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such drafts.

[Remainder of page intentionally left blank]

[Signature Page to Irrevocable Transferable Direct Pay Letter of Credit No. DCL 0805450]

Very truly yours,

DEXIA CRÉDIT LOCAL, New York Branch

By ___________________________________
John W. Flaherty
Managing Director

EXHIBIT 1 TO THE LETTER OF CREDIT

DRAFT AND CERTIFICATE FOR THE PAYMENT OF PRINCIPAL OF ELECTRIC SYSTEM REVENUE REFUNDING CERTIFICATES OF PARTICIPATION

$90,000,000	**$64,500,000**
SERIES 2008A	**SERIES 2008B**
CITY OF ROSEVILLE	**CITY OF ROSEVILLE**

URGENT SAME DAY PAYMENT

The undersigned, a duly authorized officer of The Bank of New York Trust Company, N.A. (the "Trustee"), hereby certifies to Dexia Crédit Local, New York Branch (the "Bank"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450 (the "Letter of Credit"; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

(a) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.

(b) The Trustee is making a drawing under the Letter of Credit with respect to the payment of the principal, whether at stated maturity or upon redemption or prepayment (in whole or in part) or acceleration but not any redemption or prepayment premium or purchase price, of the Certificates in accordance with Section 5.08(a)(ii)(i) of the Trust Agreement.

(c) The amount of principal of the Certificates which is due and payable is $_______________, the amount of the draft set forth on this Certificate does not exceed such amount of principal and such payment is due on [DATE].

(d) Upon and with the drawing herein made, the amount available to be drawn under the Letter of Credit in respect of principal or purchase price shall be [$__________] *and in respect of interest shall be [$__________] and such payment is requested on* [DATE].

(e) The Certificates at the time of this drawing represent interest at a Covered Rate.

(f) None of the Certificates with respect to which this drawing is being made are, to the best of our knowledge, (i) registered in the name of the City or any Affiliate of the City or (ii) to the best of our knowledge, held for the account of the City or any Affiliate of the City.

(g) The Trustee has not delivered notice to the Bank that payment or provision for payment of all the Certificates has been made pursuant to the Trust Agreement.

(h) The amount of the draft set forth on this Certificate does not exceed the amount available to be drawn under the Letter of Credit in respect of payment of principal of the Certificates and was computed in accordance with the terms and conditions of the Certificates and the Trust Agreement and the Letter of Credit.

Drawn under Dexia Crédit Local, New York Branch, Irrevocable Transferable Direct-Pay Letter of Credit No. DCL DCL 0805450: Pay the amount of [$__________] in principal of the Certificates as certified above.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of ___________, 20__.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By ______________________________
Name ____________________________
Title _____________________________

EXHIBIT 2 TO THE LETTER OF CREDIT

DRAFT AND CERTIFICATE FOR THE PAYMENT OF INTEREST OF ELECTRIC SYSTEM REVENUE REFUNDING CERTIFICATES OF PARTICIPATION

$90,000,000	**$64,500,000**
SERIES 2008A	**SERIES 2008B**
CITY OF ROSEVILLE	**CITY OF ROSEVILLE**

URGENT SAME DAY PAYMENT

The undersigned, a duly authorized officer of The Bank of New York Trust Company, N.A. (the "Trustee"), hereby certifies to Dexia Crédit Local, New York Branch (the "Bank"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450 (the "Letter of Credit"; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

(a) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.

(b) The Trustee is making a drawing under the Letter of Credit with respect to the payment of interest accrued with respect to the Certificates in accordance with Section 5.08(a)(ii)(i) of the Trust Agreement.

(c) The amount of interest on the Certificates which is due and payable is $____________, the amount of the draft set forth on this Certificate does not exceed such amount of interest and such payment is due on [DATE].

(d) Upon and with the drawing herein made, the amount available to be drawn under the Letter of Credit in respect of principal or purchase price shall be [$__________] and in respect of interest shall be [$__________] and such payment is requested on [DATE].

(e) The Certificates at the time of this drawing represent interest at a Covered Rate.

(f) The Trustee has not delivered notice to the Bank that payment or provision for payment of all the Certificates has been made pursuant to the Trust Agreement.

(g) None of the Certificates with respect to which this drawing is being made are, to the best of our knowledge, (i) registered in the name of the City or any Affiliate of the City or (ii) to the best of our knowledge, held for the account of the City or any Affiliate of the City.

(h) No portion of this drawing is to be used to pay all or any part of the Bank Bond Sale Consideration.

(i) The amount of the draft set forth on this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of payment of interest accrued on the Certificates on or prior to their stated maturity date or to the redemption or prepayment date, as the case may be, and the amount of the draft set forth on this Certificate was computed in accordance with the terms and conditions of the Certificates and the Trust Agreement and the Letter of Credit.

Drawn under Dexia Crédit Local, New York Branch, Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450: Pay the amount of [$____________], in interest with respect to the Certificates as certified above.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _______________, 20__.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By ________________________________
Name ______________________________
Title ______________________________

EXHIBIT 3 TO THE LETTER OF CREDIT

DRAFT AND CERTIFICATE FOR THE PAYMENT OF THE PURCHASE PRICE OF ELECTRIC SYSTEM REVENUE REFUNDING CERTIFICATES OF PARTICIPATION

$90,000,000	**$64,500,000**
SERIES 2008A	**SERIES 2008B**
CITY OF ROSEVILLE	**CITY OF ROSEVILLE**

URGENT SAME DAY PAYMENT

The undersigned, a duly authorized officer of The Bank of New York Trust Company, N.A. (the "Tender Agent"), hereby certifies to Dexia Crédit Local, New York Branch (the "Bank"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450 (the "Letter of Credit"; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

(j) The Trustee is Trustee under the Trust Agreement for the holders of the Certificates.

(k) The Trustee is making a drawing under the Letter of Credit in accordance with Sections 4.07, 4.08 and 5.08(a)(ii)(ii) of the Trust Agreement to enable the Trustee to pay the purchase price of Tendered Certificates that have not been remarketed pursuant to Sections 4.08 and 4.11 of the Trust Agreement ("Eligible Certificates").

(l) Upon and with the drawing herein made, the amount available to be drawn under the Letter of Credit in respect of principal or purchase price shall be [$__________] and in respect of interest shall be [$__________] and such payment is requested on [DATE].

(m) The Certificates at the time of this drawing represent interest at a Covered Rate.

(n) The Trustee has not delivered notice to the Bank that payment or provision for payment of all the Certificates has been made pursuant to Article X of the Trust Agreement.

(o) None of the Certificates with respect to which this drawing is being made are (i) registered in the name of the City or any Affiliate of the City or (ii) to the best of our knowledge, held for the account of the City or any Affiliate of the City.

(p) No portion of this drawing is to be used to pay all or any part of the Bank Bond Sale Consideration.

(q) The purchase price of the Eligible Certificates is $___________, the amount of the draft set forth on this Certificate does not exceed such purchase price and such payment is due on [DATE].

(r) The amount of the draft set forth on this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of the purchase price of Eligible Certificates, and was computed in accordance with the terms and conditions of the Certificates and the Trust Agreement and the Letter of Credit.

Drawn under Dexia Crédit Local, New York Branch, Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450: Pay the amount of [$____________] in purchase price of the Certificates as certified above.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of ___________, 20__.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By ________________________________
Name ______________________________
Title _______________________________

EXHIBIT 4 TO THE LETTER OF CREDIT

INSTRUCTIONS TO REDUCE LETTER OF CREDIT AMOUNT

_______________, 20__

Dexia Crédit Local, New York Branch

Re: Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450

Dear Ladies and/or Gentlemen:

We refer to the above-captioned Letter of Credit (the "Letter of Credit") issued pursuant to the Letter of Credit Reimbursement Agreement (as amended from time to time, the "Reimbursement Agreement") dated May 13, 2008 between City of Roseville (the "City") and Dexia Crédit Local, New York Branch (the "Bank"). Terms used herein and not otherwise defined herein are used herein as defined in the Letter of Credit.

In accordance with the Trust Agreement, we hereby instruct you, subsequent to a payment or redemption of a portion (but less than all) of the Certificates pursuant to the Trust Agreement, to reduce the Letter of Credit Amount by the aggregate amount of $___________ (___________Dollars), of which (a) an aggregate amount of $___________ (___________ Dollars) is being reduced with respect to principal of such Certificates and (b) an aggregate amount of $[___________] Dollars) is being reduced with respect to interest on the Certificates.

Very truly yours,

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By ______________________________
Name ____________________________
Title _____________________________

EXHIBIT 4A TO THE LETTER OF CREDIT

INSTRUCTIONS TO
TERMINATE OR LIMIT LETTER OF CREDIT

_______________, 20__

Dexia Crédit Local, New York Branch

Re: Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450

Dear Ladies and/or Gentlemen:

We refer to the above-captioned Letter of Credit (the "Letter of Credit") issued pursuant to the Letter of Credit Reimbursement Agreement (as amended from time to time, the "Reimbursement Agreement") dated May 13, 2008, between City of Roseville (the "City") and Dexia Crédit Local, New York Branch (the "Bank"). Terms used herein and not otherwise defined herein are used herein as defined in the Letter of Credit.

In accordance with the Trust Agreement, we hereby instruct you to terminate the Letter of Credit as the principal amount of and interest on all of the Certificates has been paid or provision for such payment in full shall be deemed to have been made by the deposit of cash or securities.

Very truly yours,

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By ______________________________
Name ____________________________
Title _____________________________

EXHIBIT 4B TO THE LETTER OF CREDIT

INSTRUCTIONS TO
TERMINATE LETTER OF CREDIT

_______________, 20__

Dexia Crédit Local, New York Branch

Re: Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450

Dear Ladies and/or Gentlemen:

We refer to the above-captioned Letter of Credit (the "Letter of Credit") issued pursuant to the Letter of Credit Reimbursement Agreement (as amended from time to time, the "Reimbursement Agreement") dated May 13, 2008, between City of Roseville (the "City") and Dexia Crédit Local, New York Branch (the "Bank"). Terms used herein and not otherwise defined herein are used herein as defined in the Letter of Credit.

In accordance with the Trust Agreement, we hereby instruct you to terminate the Letter of Credit as all of the Certificates have been converted to a Non-Covered Interest Rate and [all Tendered Certificates have been remarketed] [the Bank has honored the drawing in connection with the conversion].

Very truly yours,

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By ______________________________
Name ____________________________
Title _____________________________

EXHIBIT 5 TO THE LETTER OF CREDIT

INSTRUCTION TO TRANSFER

Dexia Crédit Local, New York Branch

Re: Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450

Dear Ladies and/or Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably instructs you to transfer to:

____
(Name of Transferee)

____
(Address)

all rights of the undersigned beneficiary to draw under the above-captioned Letter of Credit (the "Letter of Credit"). The transferee has succeeded the undersigned as Trustee under the Trust Agreement dated as of May 1, 2008, between The Bank of New York Trust Company, N.A., as Trustee, and the Roseville Finance Authority (the "Authority").

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; *provided, however,* that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit pertaining to transfers.

The Letter of Credit is returned herewith and in accordance therewith we ask that this transfer be effected.

Very truly yours,

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By ____________________________
Name ____________________________
Title ____________________________

EXHIBIT 6 TO THE LETTER OF CREDIT

TERMINATION EVENT OF DEFAULT NOTICE
ELECTRIC SYSTEM REVENUE
REFUNDING CERTIFICATES OF PARTICIPATION

$90,000,000	**$64,500,000**
SERIES 2008A	**SERIES 2008B**
CITY OF ROSEVILLE	**CITY OF ROSEVILLE**

The undersigned, a duly authorized officer of Dexia Crédit Local, New York Branch (the "Bank") hereby gives notice to The Bank of New York Trust Company, N.A. (the "Trustee") with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450 (the "Letter of Credit"; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

> The Bank hereby gives notice, pursuant to Section 13(b) of the Reimbursement Agreement, to the Trustee that an Event of Default has occurred and is continuing under the Reimbursement Agreement, and that in accordance with the terms of the Letter of Credit, the Letter of Credit shall automatically terminate on the Expiration Date, which in the case of this Termination Event of Default Notice shall be the first to occur of (a) the date which is seven (7) calendar days after the Trustee has received this Termination Event of Default Notice, or (b) the date, following receipt of this Termination Event of Default Notice, upon which the Trustee has drawn upon the Letter of Credit the amount required thereby and as permitted under the Letter of Credit and the proceeds of the drawing have been distributed to the Trustee.
>
> Pursuant to Section 13(b) of the Reimbursement Agreement, the Trustee is directed to draw on the Letter of Credit and purchase all outstanding Certificates.

IN WITNESS WHEREOF, the Bank has executed and delivered this Termination Event of Default Notice as of the ___ day of ___________, 20__.

DEXIA CRÉDIT LOCAL, New York Branch

By ______________________________
Name ____________________________
Title _____________________________

EXHIBIT 7 TO THE LETTER OF CREDIT

NOTICE OF VOLUNTARY TERMINATION
ELECTRIC SYSTEM REVENUE
REFUNDING CERTIFICATES OF PARTICIPATION

$90,000,000	**$64,500,000**
SERIES 2008A	**SERIES 2008B**
CITY OF ROSEVILLE	**CITY OF ROSEVILLE**

In accordance with instructions from an Authorized Representative of the City of Roseville (the "City"), The Bank of New York Trust Company, N.A. (the "Trustee") hereby gives notice to Dexia Crédit Local, New York Branch (the "Bank"), in reference to Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450 issued by the Bank in favor of the Trustee (the "Letter of Credit," any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit), that:

(i) the City hereby exercises its right of Voluntary Termination on and subject to the terms of the Letter of Credit and the Reimbursement Agreement;

(ii) such Voluntary Termination shall be effective as of [__________ __, 20__], which is a date not less than ten (10) Business Days from the date hereof.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice as of the ____ day of __________, 20__.

Very truly yours,

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By ______________________________
Name ____________________________
Title _____________________________

EXHIBIT 8 TO THE LETTER OF CREDIT

NOTICE OF NON-REINSTATEMENT
ELECTRIC SYSTEM REVENUE
REFUNDING CERTIFICATES OF PARTICIPATION

$90,000,000 **SERIES 2008A** **CITY OF ROSEVILLE**	**$64,500,000** **SERIES 2008B** **CITY OF ROSEVILLE**

The undersigned, a duly authorized officer of Dexia Crédit Local, New York Branch (the "Bank") hereby gives notice to The Bank of New York Trust Company, N.A. (the "Trustee") with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450 (the "Letter of Credit"; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

> The Bank hereby gives notice to the Trustee pursuant to the terms of the Letter of Credit that, following a drawing under the Letter of Credit to pay scheduled interest on the Certificates, the amount so drawn shall not be restored to the amount available to be drawn under the Letter of Credit in respect of payment of interest on the Certificates (including the portion of the purchase price thereof representing interest thereon) accrued on or prior to the maturity thereof, because a previous drawing has been made under the Letter of Credit for which the Bank has not been reimbursed in full when due by the City.

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice as of the ____ day of ___________, 20__.

DEXIA CRÉDIT LOCAL, New York Branch

By_________________________________
Name _______________________________
Title _______________________________

EXHIBIT 9 TO THE LETTER OF CREDIT

NOTICE OF RESTORATION
ELECTRIC SYSTEM REVENUE
REFUNDING CERTIFICATES OF PARTICIPATION

$90,000,000 **SERIES 2008A** **CITY OF ROSEVILLE**	**$64,500,000** **SERIES 2008B** **CITY OF ROSEVILLE**

The undersigned, a duly authorized officer of Dexia Crédit Local, New York Branch (the "Bank") hereby gives notice to The Bank of New York Trust Company, N.A. (the "Trustee") with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. DCL 0805450 (the "Letter of Credit"; any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

> The Bank hereby gives notice to the Trustee pursuant to the terms of the Letter of Credit that, following a drawing to pay the purchase price of Eligible Certificates, the City has repaid such drawing in full to us, in the aggregate amount of $___________(___________Dollars), of which (a) an aggregate amount of $__________ (___________ Dollars) is being restored with respect to principal of such Eligible Certificates and (b) an aggregate amount of $[__________] Dollars) is being restored with respect to interest on the Eligible Certificates, and the portion of the purchase price of such Eligible Certificates allocated to the principal of and accrued interest on such Eligible Certificates so drawn is hereby restored to the amount of principal and interest, respectively, available to be drawn hereunder.

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice as of the ____ day of ____________, 20__.

DEXIA CRÉDIT LOCAL, New York Branch

By______________________________
Name ____________________________
Title _____________________________

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is

the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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