

CITY OF CORONA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006



Prepared by the Finance Department

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i
Letter of Transmittal.....	iv
GFOA Certificate of Achievement.....	ix
Organization Chart and Corporate Values.....	x
Elected and Administrative Officers	xi
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities and Changes in Net Assets	18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances.....	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	28
Proprietary Funds:	
Statement of Net Assets.....	30
Statement of Revenues, Expenses and Changes in Fund Net Assets	32
Statement of Cash Flows	34
Fiduciary Funds:	
Agency Funds – Statement of Fiduciary Net Assets.....	41
Notes to Basic Financial Statements	43

CITY OF CORONA

Comprehensive Annual Financial Report
Year Ended June 30, 2006

Table of Contents

FINANCIAL SECTION, Continued**Required Supplementary Information:**

Budgetary Information.....	91
Comparison Schedule for the General Fund.....	94
Modified Approach for Reporting Infrastructure	96
Pension Trend Data	98

Supplementary Information:**Nonmajor Governmental Funds:**

Combining Balance Sheet.....	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	108

Combining Schedule of Revenues, Expenditures and**Changes in Fund Balances – Budget and Actual:**

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Nonmajor Special Revenue Funds	114
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Funds.....	120
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Capital Project Funds.....	124

Non-major Enterprise and Internal Service Funds:

Combining Statement of Net Assets	128
Combining Statement of Revenues, Expenses, and Changes in Net Assets	130
Combining Statement of Cash Flows	132

Fiduciary Funds:

Agency Fund – Combining Statement of Changes in Assets and Liabilities	137
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STATISTICAL SECTION**Financial Trends**

Net Assets by Component	141
Changes in Net Assets	142
Fund Balances – Governmental Funds.....	144
Changes in Fund Balances – Governmental Funds.....	145

Revenue Capacity

Water Sales By User Type.....	146
Assessed Value and Actual Value of Taxable Property	148
Ready to Serve Charges for Water Usage.....	150

Table of Contents

Direct and Overlapping Property Tax Rates.....	152
Principal Water Customers	154
Principal Property Tax Payers.....	156
Property Tax Levies and Collections.....	158
Debt Capacity	
Ratios of Outstanding Debt by Type	160
Ratios of General Bonded Debt Outstanding	163
Direct and Overlapping Governmental Activities Debt	164
Legal Debt Margin Information.....	166
Pledged-Revenue Coverage.....	168
Demographic and Economic Information	
Demographic and Economic Statistics.....	173
Principal Employers	174
Operating Information	
Full-time Equivalent City Government Employees by Function/Program	175
Operating Indicators by Function/Program.....	176
Capital Assets Statistics by Function/Program.....	177



October 6, 2006

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

The City of Corona covenants for certain debt issues, to submit an annual continuing disclosure to the bond holder of which the City's Comprehensive Annual Financial Report (CAFR) is a required part. The California State Controller requests that the City's Audit Report be delivered to the State Controller's office as soon as available.

Management assumes responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles and includes all properly classified funds and account groups of the primary government and all component units required to be included in the financial reporting entity. Management is also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud. Due to cost benefit considerations, internal controls do not prevent all misstatements; however internal controls are designed to provide reasonable assurance that the financial statements are free of material misstatements.

Teaman, Ramirez & Smith, Inc., Certified Public Accountants, have issued an unqualified opinion on the City of Corona's financial statements for the year ended June 30, 2006. The opinion states that the financial statements are presented fairly and are in conformity with generally accepted accounting principles. The independent auditor's report is located on page 1 in the Financial Section.

Management's discussion and analysis (MD&A) beginning on page 3 of this report, provides financial highlights, an overview and analysis of the financial statements, budgetary highlights, and economic factors affecting future budgets. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Corona is located approximately 45 miles southeast of Los Angeles in western Riverside County. The community is ideally situated at the base of the mountainous Cleveland National Forest on an alluvial plain leading down, or north to the Santa Ana River. In 2006 the City population was 144,661 and the City limits expanded to cover approximately 39.1 square miles. Corona is a General Law City. Five Corona citizens make up the Corona City Council

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

The City of Corona was incorporated in 1896 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: Public Safety (Police and Fire), Highways and Streets, Electric, Public Library, Parks, Public Improvements, Planning and Zoning, Public Transportation (Dial-A-Ride and Corona Cruiser programs) and General Administrative Services. Water and wastewater are provided through the legally separate Corona Utility Authority, which functions as a department of the City of Corona and therefore has been included as an integral part of the City of Corona's financial statements. The Redevelopment Agency, Corona Public Financing Authority and the Corona Public Improvement Corporation are financially accountable by the City of Corona and are reported in the financial statements.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Each year, a proposed budget is submitted to the City Council and a public meeting is conducted to obtain taxpayer comments. The budget is subsequently adopted by the City Council through passage of a resolution. The legal level of budgetary control is at the department level. The City Council may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriations between funds.

Local Economy

Major industries within the City include manufacturers of pharmaceuticals, musical instruments, food products, paper, and construction products. In 2004, Corona's job growth increased by 7.1% versus the region's increase of 4.4%. Retail Trade, distribution/transportation and education facilities also provide significant employment opportunities to City residents. 18.5% of residents are employed in manufacturing, with education and retail accounting for 17.4% and 12.1%, respectively. In 1991, the payroll for firms located in Corona was \$670 million. By 2004, it had more than tripled to \$2.53 billion or an increase of 277.7%. Unemployment in the City was 3.7% in 2005 and is 3.5% for the current year, through June 30, 2006.

Retail sales tax is a principal revenue source for the City. Taxable retail sales have nearly tripled from 1990 to 2004, growing by \$2.10 billion to \$2.89 billion. In 2004, retail sales growth of 17.9% far exceeded the state's increase of 8.1%. From 1990-2004, Corona's taxable sales per capita rose from \$10,110 to \$20,065, an increase of 98.5%. The County recorded an increase of 47.6% in per capita taxable sales, again demonstrating the strength of Corona's numbers.

Taxable assessed valuation on property located in Corona has increased in the past five years by 52.6% to \$13.5 billion. The growth in sales and property tax revenue to the City has provided sufficient revenues to offset increased services and facilities for the growing population. Sales/Use tax constituted 34.2% of the General Fund revenue and Property Taxes were 26.9%.

The Redevelopment Agency commenced land acquisition activities for the future mixed-use projects in the Downtown and North Main Street areas. During April 2006, the construction in the northern section of the Corona Mall started and will be completed by October 2007. The Redevelopment Agency entered into an Option Agreement for a long term lease of

approximately 40 acres to develop as a relocation site for several existing businesses. Construction of a 40 unit very low income senior housing development was completed in November 2005. The construction of an affordable housing project was started that will create 75 units for low and very low income families. Implementation continues in the Temescal Canyon Project Area with the February 2006 approval of the second amendment to the Owner Participation Agreement, which will provide additional developer assistance for the public improvements.

Long Term Financial Planning

The City's continued control over expenditure growth has been and will continue to be a key factor in maintaining the City's strong financial position. The City Council has wisely taken advantage of the past years' financial prosperity to secure the future stability of the City. A reserve policy was established and funded for the General Fund and continues to be maintained through June 30, 2006. The reserve policy requires a 15% set aside of the following year's budgeted operating expenditures of the General Fund. On an ongoing basis, funds are being set aside as reserves for building maintenance, vehicle replacement, replacement of large fire equipment and replacement and upgrades for automation needs. The conservative budgets that were passed in prior fiscal years contributed to this overall financial philosophy.

Relevant Financial Policies

Corona follows the General Fund Expenditure Control Budget, or ECB, guidelines as outlined in the budget resolution. The 2005-06 fiscal year budget was the twelfth year that the budget was prepared in accordance with the ECB policies adopted by the City Council for the General Fund. Departments are given increased flexibility and incentives for meeting their goals as well as being assigned greater accountability for their performance in carrying out their mission. According to the ECB policies, the departments are allowed to carry over certain unspent portions of their individual departmental budgets to be used in future years.

For fiscal year 2005-06 the amounts saved by the departments totaled \$1,909,514. The prior year carryover is \$1,865,372 giving the departments a total of \$3,774,886 in reserves. This is designated in the General Fund Balance under the title of Unreserved Fund Balance. Further details are in the Notes to the Basic Financial Statements under Note 27, ECB Reserve.

Major Initiatives

Expansion of the Corporation Yard facility is scheduled to begin construction in late 2006 with completion in 2008. New construction is planned to include a two building complex which will house the Department of Water and Power, field staff, the Emergency Operations Center and a third building for a new jail. There will be various site improvements and the addition of an access road. It is intended that the Police Department will relocate to the existing Corporation Yard Administration Building. The cost of the project is estimated at \$43 million and will be partially financed through Lease Revenue Bonds.

New transportation projects include Green River Road Improvements for \$4,240,000 which is scheduled to begin in fiscal year 2006-07. The City will be reimbursed by the Riverside County Transportation Commission (RCTC) with funds from the Transportation Uniform Mitigation Fund

New transportation projects include Green River Road Improvements for \$4,240,000 which is scheduled to begin in fiscal year 2006-07. The City will be reimbursed by the Riverside County Transportation Commission (RCTC) with funds from the Transportation Uniform Mitigation Fund (TUMF). Additional funds have been budgeted in fiscal year 2006-07 for various transportation projects including: \$9,818,000 for the Magnolia/I-15 Freeway Corridor project, \$950,000 for the El Cerrito/I-15 Interim Interchange, \$1,862,640 for Major Pavement Rehabilitation and \$2,800,000 for Pavement Rehabilitation for Local Streets. Funding for transportation projects will be through various sources including the General fund, Cal Trans, Gas Tax fund, Measure A, TUMF and RCTC.

Redevelopment and Economic Development has budgeted \$2 million dollars in fiscal year 2006-07 for the Downtown Revitalization project and another \$2 million for the East Sixth/Magnolia Corridor project.

Water and Wastewater projects for fiscal year 2006-07 total \$7,050,000 and \$7,250,000, respectively. Projects include \$1,830,000 for new reservoirs, various waterline replacement projects, replacement of various wastewater lift stations, upgrades to Wastewater Treatment Plant #1 and a flood control bridge and pipeline relocation at the Temescal Canyon Road Bridge.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada awarded the sixteenth consecutive Certificate of Achievement for Excellence in Financial Reporting to the City of Corona for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. 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 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire Finance Department especially Finance Manager Pat Moeder and Accounting Supervisor Theresa Dailey. Staff members have our sincere appreciation for their contributions made in the preparation of this report. Additionally, we would like to thank the City's audit firm of Teaman, Ramirez & Smith, Inc. of Riverside, California.

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

Respectfully submitted,



BETH GROVES
City Manager



DEBRA A. FOSTER
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Corona,
California

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

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



Carla E. Fudge

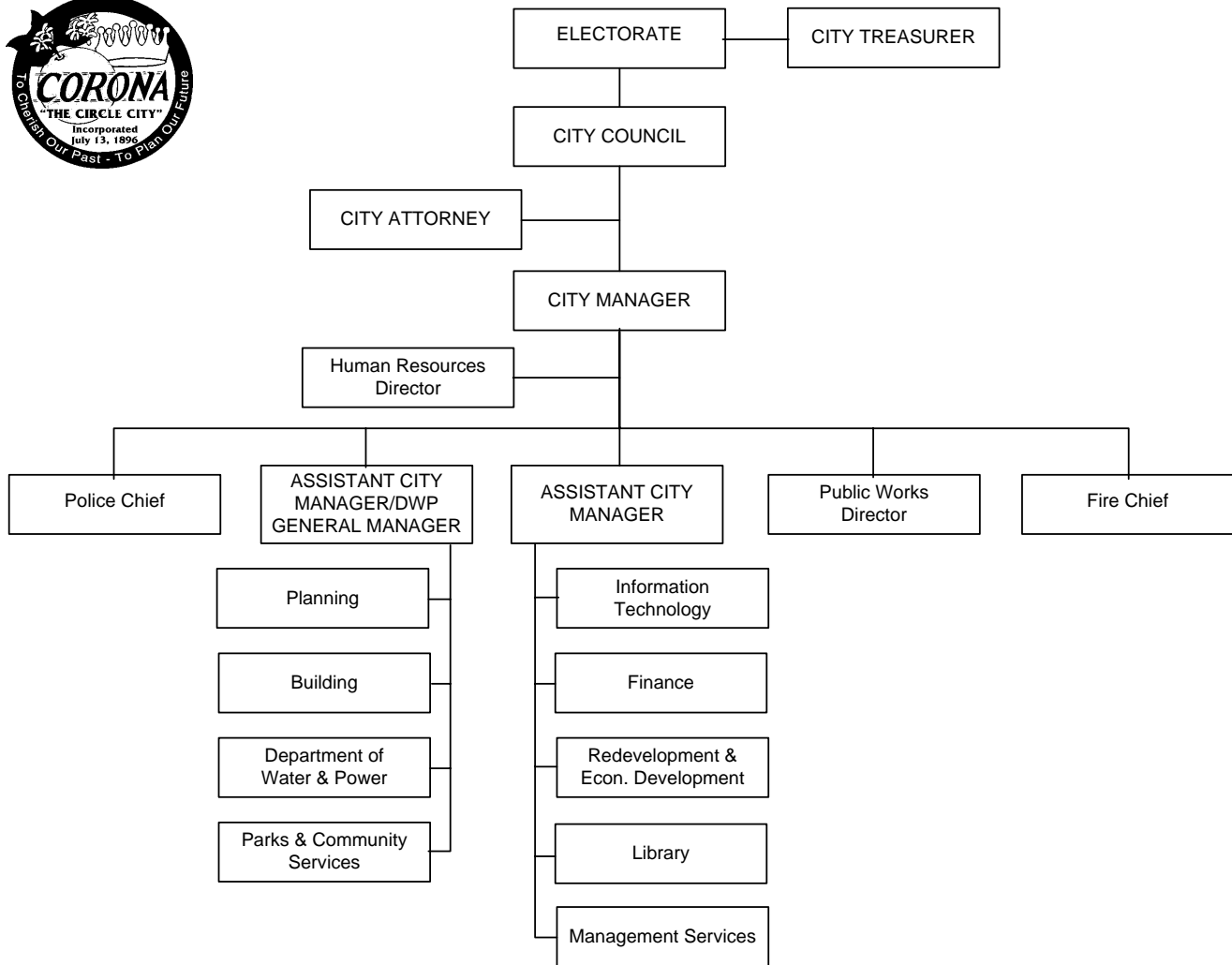
President

Jeffrey R. Enos

Executive Director

CITY OF CORONA

City Organizational Chart and Corporate Values



Corona's Corporate Values

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

Provide exceptional, responsive service.

Deliver high quality results.

Recognize the financial value of our activities.

Display innovation in problem solving.

Work as a motivated team to get the job done.

Take the initiative with decisive action.

Foster communication.

Promote outstanding professionalism, technical and people skills.

Encourage balance in our lives.

Act with integrity in all we do.

Elected Officials

KAREN S. SPIEGEL Mayor
EUGENE MONTANEZ Mayor Pro Tem
JEFF MILLER Councilmember
STEVE NOLAN Councilmember
DARRELL TALBERT Councilmember

RICHARD O. HALEY City Treasurer

Administrative Personnel

BETH GROVES City Manager

GREG IRVINE Assistant City Manager
BRADLEY ROBBINS Assistant City Manager/ DWP General Manager
KEITH CLARKE Building Official
VICTORIA WASKO City Clerk
DEBRA A. FOSTER Finance Director
MICHAEL WARREN Fire Chief
LAURIE LO FRANCO Human Resource Director
STEVE LARSON Information Technology Director
JULIE FREDERICKSEN Library Director
GABRIEL GARCIA Director of Parks, Recreation & Community Services
PEGGY TEMPLE Planning Director
RICHARD O. GONZALES Police Chief
AMAD QATTAN Director of Public Works
SCOTT WHYTE Redevelopment & Economic Development
Director
BEST, BEST & KRIEGER City Attorney

Independent Auditors' Report

The Honorable Mayor and City Council
City of Corona, California

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006 on our consideration of the City of Corona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Teaman Ramirez & Smith

October 6, 2006





MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2006

This discussion and analysis of the City of Corona's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$814.9 million. Of this amount, \$349 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$50.2 million, primarily due to the completion of projects and acquisition of assets from developers.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$147.9 million, an increase of \$ 31.1 million in comparison to the prior year.
- Approximately 69% of the combined fund balances, \$102 million, is considered unreserved.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$53 million, or 53% of total general fund expenditures.
- The City's total debt increased by \$9.3 million during the current fiscal year as DWP received proceeds from a State Revolving Fund loan for the Recycled Water project. The City expended \$9.2 million in normally scheduled principal reductions on debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets are the

CITY OF CORONA

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

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

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

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

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

Fund Financial Statements

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

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

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

Proprietary funds - When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported

CITY OF CORONA

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

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

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

Notes to the Financial Statements

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

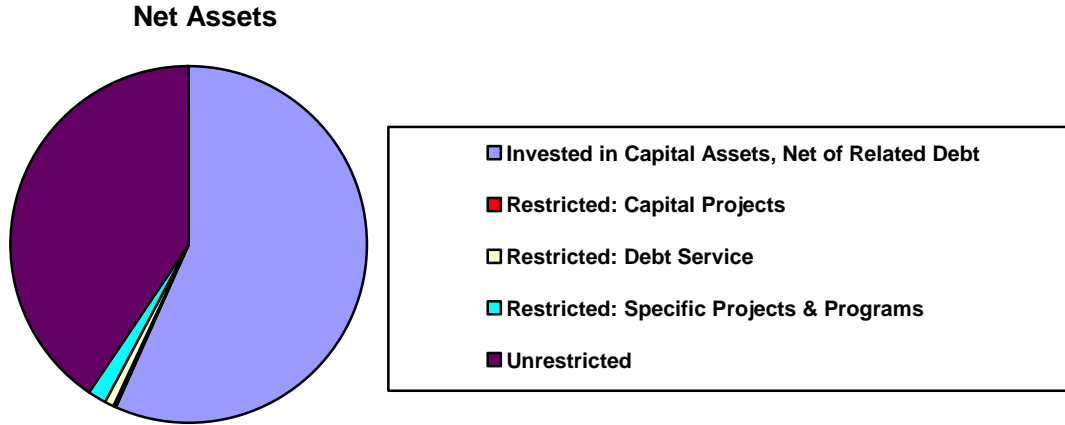
Other Information

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

CITY OF CORONA

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

GOVERNMENT- WIDE FINANCIAL ANALYSIS



As noted earlier, the net assets for the City as a whole increased 5.4% from \$773.8 million at June 30, 2005 to \$814.9 million at June 30, 2006. The largest portion of the City's net assets (55.5%) reflects the investment in capital assets such as land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to the citizens of the City of Corona; therefore, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (2.8%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$370 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

CITY OF CORONA

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

CITY OF CORONA'S NET ASSETS

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 208.6	\$ 181.5	\$ 107.0	\$ 110.9	\$ 315.6	\$ 292.4
Internal balances	172.6	172.6	(172.6)	(172.6)	-	-
Capital assets	526.4	528.4	349.5	332.2	875.9	860.6
Total assets	<u>907.6</u>	<u>882.5</u>	<u>283.9</u>	<u>270.5</u>	<u>1,191.5</u>	<u>1,153.0</u>
Long-term liabilities	115.1	117.5	193.0	188.7	308.1	306.2
Other liabilities	48.4	53.2	20.1	19.8	68.5	73.0
Total Liabilities	<u>163.5</u>	<u>170.7</u>	<u>213.1</u>	<u>208.5</u>	<u>376.6</u>	<u>379.2</u>
Net Assets:						
Invested in capital assets, net of related debt	422.8	456.2	29.7	21.8	452.5	478.0
Restricted	15.3	16.1	7.5	0.7	22.8	16.8
Unrestricted	306.0	239.5	33.6	39.5	339.6	279.0
Total Net Assets	<u>\$ 744.1</u>	<u>\$ 711.8</u>	<u>\$ 70.8</u>	<u>\$ 62.0</u>	<u>\$ 814.9</u>	<u>\$ 773.8</u>

The City's net assets increased \$50.2 million over the prior fiscal year. Total revenues increased 21.2% and total expenses increased 18.8%. General revenues reflect an overall increase of \$21.4 million, while Program Revenues increased by \$27.5 million. Revenue from grants and contributions decreased 10.9% over the prior year for a total of \$4.4 million. Tax revenue increased 19.4% or \$15.9 million and payments received in lieu of services increased \$1.3 million over prior year.

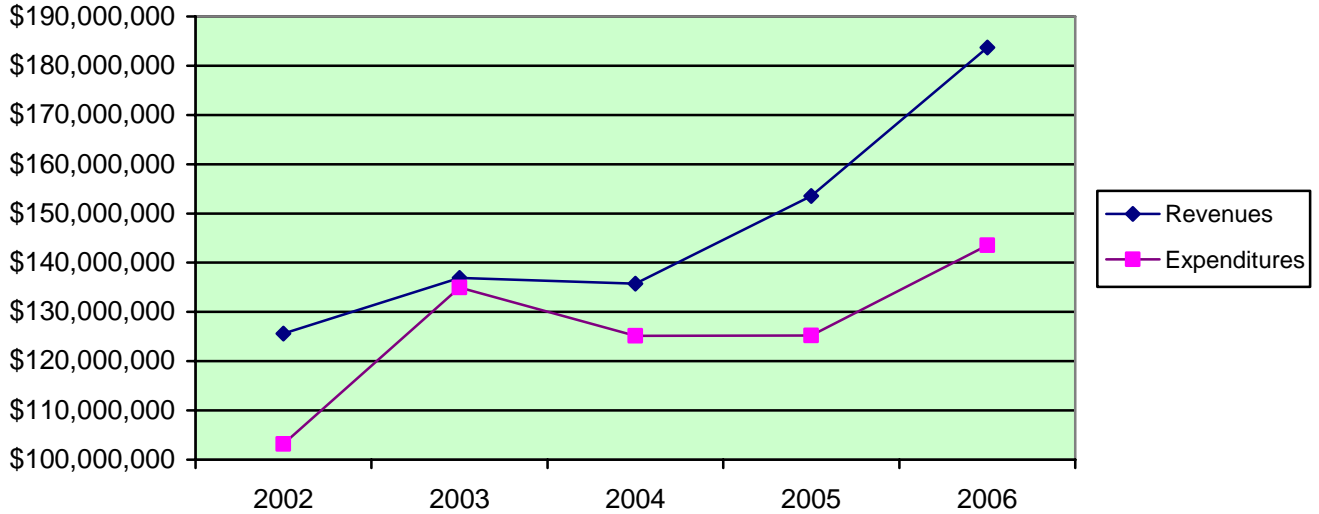
GOVERNMENTAL ACTIVITIES

The City's net assets from governmental activities increased \$39.6 million. The cost of all governmental activities this year was \$143.5 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$74.6 million because some of the cost was paid by those who directly benefited from the programs (\$38.1 million), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$7.8 million), and capital grants and contributions (\$23 million). One program, Public Works, shows a net revenue of \$7.2 million at year end which is the result of a timing difference in the completion of capital projects as well as the City's intentional building up of certain developer impact fees for upcoming capital improvement projects. Overall, the City's governmental program revenues were \$68.9 million. The City paid for the remaining "public benefit" portion of governmental activities with \$100.4 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

CITY OF CORONA

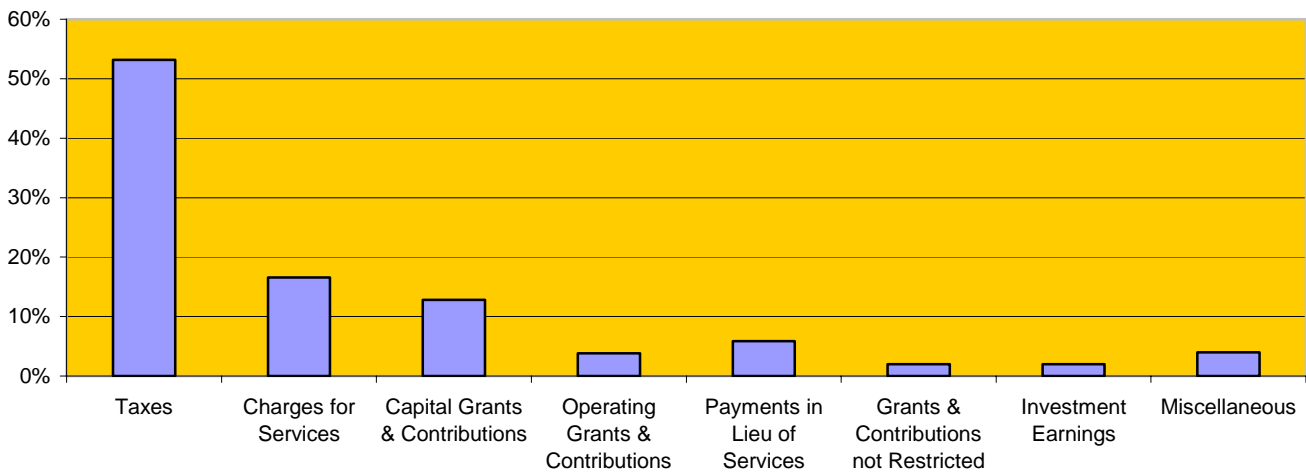
Management's Discussion and Analysis, continued
 Year Ended June 30, 2006

**Revenues and Expenditures
 Governmental Funds**



Total resources available during the year to finance governmental operations were \$887.7 million consisting of Net Assets at July 1, 2005 of \$704.5 million, program revenues of \$68.9 million and General Revenues of \$114.3 million. Total Governmental Activities during the year were \$143.5 million; thus, Net Assets increased by \$39.6 million to \$744.1 million.

**Governmental Funds
 Revenue Sources**



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

CITY OF CORONA

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

current year and prior year is presented below.

CITY OF CORONA CHANGES IN NET ASSETS

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 38.1	\$ 29.2	\$ 78.0	\$ 56.3	\$ 116.1	\$ 85.5
Operating grants and contributions	7.8	12.1	1.2	1.3	9.0	13.4
Capital grants and contributions	12.7	9.7	12.7	17.7	25.4	27.4
General revenues:						
Taxes:						
Property taxes	51.0	42.3			51.0	42.3
Sales & Use Tax	39.9	34.5			39.9	34.5
Other taxes	9.5	4.8			9.5	4.8
Grants and contributions not restricted to specific programs	3.7	1.1			3.7	1.1
Payments in lieu of services	10.3	9.0			10.3	9.0
Investment earnings	4.9	2.2	2.5	1.3	7.4	3.5
General Revenues	6.6	8.5		0.5	6.6	9.0
Loss on sale of Land Held for Resale					-	-
Total revenues	<u>184.5</u>	<u>153.4</u>	<u>94.4</u>	<u>77.1</u>	<u>278.9</u>	<u>230.5</u>
Expenses						
General government	17.0	11.2		-	17.0	11.2
Public safety - Fire	19.4	17.2			19.4	17.2
Public safety - Police	35.3	32.1			35.3	32.1
Public Works	28.3	25.4			28.3	25.4
Redevelopment	18.3	13.8			18.3	13.8
Parks and Community Services	12.9	12.1			12.9	12.1
Library	3.2	3.1			3.2	3.1
Interest on long term debt	9.1	10.1			9.1	10.1
Water			40.0	36.1	40.0	36.1
Wastewater			23.4	16.9	23.4	16.9
Electric			20.3	12.9	20.3	12.9
Transit Services			1.6	1.6	1.6	1.6
Total expenses	<u>143.5</u>	<u>125.0</u>	<u>85.3</u>	<u>67.5</u>	<u>228.8</u>	<u>192.5</u>
Increase in net assets before transfers	41.0	28.4	9.1	9.6	50.1	38.0
Transfers	(1.4)	-	1.4	-	-	-
Increase (decrease) in net assets	<u>39.6</u>	<u>28.4</u>	<u>10.5</u>	<u>9.6</u>	<u>50.1</u>	<u>38.0</u>
Net assets 7/1	<u>704.5</u>	<u>683.4</u>	<u>60.3</u>	<u>52.4</u>	<u>764.8</u>	<u>735.8</u>
Net assets 6/30	<u>\$ 744.1</u>	<u>\$ 711.8</u>	<u>\$ 70.8</u>	<u>\$ 62.0</u>	<u>\$ 814.9</u>	<u>\$ 773.8</u>

General Government increased expenses \$5.8 million, while interest expense decreased \$1 million due to interest expense on the new facilities. Staff reductions, realignments and budget reduction measures contributed to the decrease in general government expenses.

CITY OF CORONA

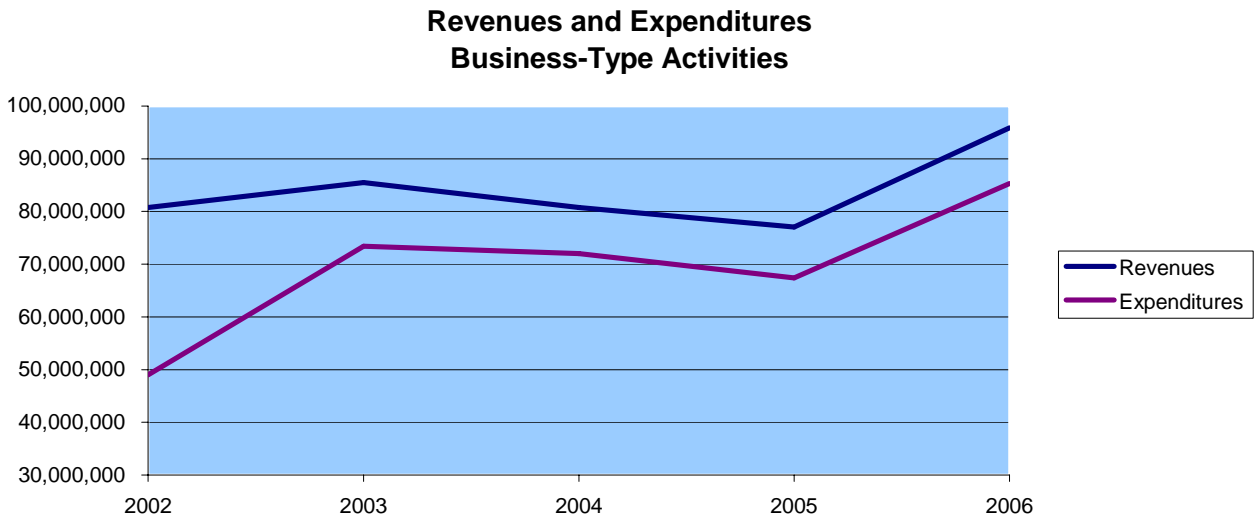
Management's Discussion and Analysis, continued
Year Ended June 30, 2006

BUSINESS TYPE ACTIVITIES

The City's net assets from business-type activities increased \$10.5 million. Invested in capital assets, net of related debt decreased \$1.3 million due to depreciation of assets.

The cost of all Proprietary (Business Type) activities this year was \$85.3 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems was \$78 million, operating grants and contributions were \$ 1.2 million and capital grants and contributions were \$12.7 million. Investment earnings were \$2.5.

Total resources available during the year to finance Proprietary fund (Business Type) Activities were \$156.1 million consisting of Net Assets at July 1, 2005 of \$60.3 million, program revenues of \$91.9 million, general revenues of \$3.9 million. Total Proprietary fund (Business Type) Activities during the year were \$85.3 million; thus Net Assets were increased by \$8.8 million to \$70.8 million.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The fund balance of \$75.2 million at year-end for the City's General fund is an overall increase of \$30 million from last year, a portion of which is due to a prior period adjustment. Expenditures increased overall by \$4.6 million primarily in the areas of Public Safety – Police \$2 million, Public Safety – Fire \$1.9 million and debt service of \$1; however general government expenses increased \$2.5 million. Revenues had an increase of \$20.7 million, primarily attributable to increased property and sales tax revenue of \$11.9 million. Current services increased \$.5 million and payments in lieu of services increased \$2.6 million. Investments Earnings increased \$.5 million from the prior year reflecting the slight increase in interest rates. Net transfers in from other funds increased by \$.9 million.

The Development Special Revenue funds show an decrease in fund balance of \$6.4 million from the prior year due mainly to a prior period adjustment. Revenues increased \$.9 million due to an increase in fees applied for during the year, which reflects a slight increase in building activity within the City. Expenditures decreased \$.4 million. Net transfers out to other funds were \$.2 million higher than the prior year.

The Redevelopment Special Revenue fund remained the same at \$4.8 million in comparison to

CITY OF CORONA

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

the prior year.

The Redevelopment Debt Service fund shows a decrease of \$1.7 million in fund balance. While property tax increment revenue increased by \$3.2 million, pass-through payments increased during the year.

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

DEBT ADMINISTRATION

Debt considered a liability of governmental activities decreased in FY 2005-06 by \$6.8 million, which is the normal amortization of existing debt. Correspondingly, per capita debt outstanding decreased from \$738 to \$690 per capita compared to the prior fiscal year due to lower outstanding debt and an increase in the population. Refer to the Notes to Basic Financial Statements for detail regarding debt.

Debt of the business-type activities increased by \$9.3 million in FY 2006-06 due to DWP received proceeds from a State Revolving Fund loan for the Recycled Water project. The City expended \$2.4 million in normally scheduled principal reductions on debt.

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

	<u>Balance July 1, 2005</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2006</u>
Governmental Activities:				
Loans Payable	\$ 1.9	\$ -	\$ 0.4	\$ 1.5
Long Term Agreement Payable	1.3		0.2	1.1
Lease Payable	0.9		0.1	0.8
General Obligation Bonds Payable	3.7		1.1	2.6
Redevelopment Bonds Payable	45.5		2.7	42.8
Lease Revenue Bonds Payable	53.9		2.0	51.9
Special Assessment District Bonds	3.2		0.3	2.9
	<u>110.4</u>	<u>-</u>	<u>6.8</u>	<u>103.6</u>
Total Governmental Activities	<u>\$ 110.4</u>	<u>\$ -</u>	<u>\$ 6.8</u>	<u>\$ 103.6</u>
Business-Type Activities:				
Contracts Payable	\$ 0.7	\$ -	\$ -	\$ 0.7
Installment Agreement Payable	0.4		0.1	0.3
Lease Payable	172.6			172.6
Term Loan Payable	35.2	9.3	1.0	43.5
Water Revenue Bonds	32.7		0.8	31.9
Certificates of Participation	101.8		0.5	101.3
	<u>343.4</u>	<u>9.3</u>	<u>2.4</u>	<u>350.3</u>
Total Business-Type Activities	<u>\$ 343.4</u>	<u>\$ 9.3</u>	<u>\$ 2.4</u>	<u>\$ 350.3</u>

CITY OF CORONA

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

CAPITAL ASSETS

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. At June 30, 2006, net capital assets of the governmental activities totaled \$526.3 million and the net capital assets of the business-type activities totaled \$349.5 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to the Notes to Basic Financial Statements for detail regarding capital assets.

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

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

The City Policy is to achieve an average rating of 70 for all streets. The average rating for the City's streets at June 30, 2006 was 71, which is higher than the City's policy level. The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance for the fiscal year ended June 30, 2006 was \$4 million. Actual expenditures were \$7.2 million, with the remaining budget carried forward as continuing appropriations. These expenditures delayed deterioration, however the overall condition of the streets was not improved through these maintenance expenditures. The City has determined that the amount of annual expenditures required to maintain the City's streets at the average PCI rating 70 through the year 2011 is a minimum of \$9.7 million per year. The following table presents summary information on the City's capital assets (in millions).

CITY OF CORONA

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

Description	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental Activities:			
Land	\$ 58.3	\$ -	\$ 58.3
Buildings and Improvements	158.4	(60.4)	98.0
Equipment, Vehicles, Machinery	29.1	(14.5)	14.6
Construction in Progress	12.0		12.0
Infrastructure	414.7	(71.2)	343.5
Total	\$ 672.5	\$ (146.1)	\$ 526.4
Capital Assets - Business-Type Activities:			
Land	\$ 2.5	\$ -	\$ 2.5
Buildings and Improvements	116.5	(22.0)	94.5
Equipment, Vehicles, Machinery	62.3	(19.3)	43.0
Construction in Progress	54.2		54.2
Infrastructure	193.6	(38.3)	155.3
Total	\$ 426.6	\$ (79.6)	\$ 349.5

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the FY 2005-06 original (or Adopted) General Fund budget amount of \$103.1 million to the final budget amount of \$110.9 million shows a net increase of \$7.8 million.

Included in this figure is \$2.3 million in prior fiscal year Capital Improvement Projects approved for carryover into fiscal year 2005-06, as well as \$1.9 million in committed purchase orders from the prior year. The resulting beginning budget balance was \$107.4 million.

Original Budget	\$ 103,134,246
Continued Appropriations	2,342,858
Encumbrances	1,940,850
Beginning Balance	107,417,954
Supplemental Chages	3,545,172
Final Budget	<u>\$ 110,963,126.00</u>

Comparing the beginning budget of \$107.4 million to the final budget of \$110.9 million indicates the General Fund had supplemental budgetary appropriations totaling \$3.5 million for the 2005-06 fiscal year.

These supplemental appropriations include \$1.4 million of ECB budget savings that were approved for various departmental projects and \$0.2 million for Butterfield Park prefabricated buildings capital project. Additional increases of \$1.4 million were approved throughout the year for public safety items, health cost increases, labor agreements and paramedic training.

CITY OF CORONA

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

Final Budget	\$	110,963,128
Expenditure Actuals		(102,708,496)
Variance (over) / under	\$	<u>8,254,632</u>

The General Fund final budget amount of \$110.9 million compared to the June 30, 2006 expenditure actuals of \$102.7 million represents a variance of \$8.2 million.

This variance is comprised from the following; \$3.1 million from capital outlay, \$2.2 million from General Government, \$1.3 million from Community Development and \$0.5 million from the Culture and Recreation activities.

Of the \$3.1 million, major capital projects such as the Sherborn Improvements, I-15 Freeway/ Cajalco Interchange Improvements, City Hall, Promenade Park Improvements and the Magnolia/ 1-15 Freeway Corridor Improvements that will require continuing appropriations into the next budget year, as these projects were not completed by June 30, 2006.

Savings in personnel costs from position vacancies, saving from professional and contractual support, and over estimation of retiree costs, completed the saving variances in the remaining activities

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Office of Finance at 400 South Vicentia, Corona, California, 92882, phone 951-279-3500 or e-mail finance@ci.corona.ca.us.

Government-Wide Financial Statements



**Statement of Net Assets
June 30, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets			
Cash and Investments	\$ 153,881,286	\$ 52,810,435	\$ 206,691,721
Accounts Receivable, Net	2,547,700	10,377,658	12,925,358
Interest Receivable	1,400,645	626,022	2,026,667
Due from Other Governmental Agencies	23,403,623	1,355,477	24,759,100
Loans Receivable	12,421,338		12,421,338
Inventories and Prepayments	456,321	957,932	1,414,253
Land Held for Resale	3,604,404		3,604,404
Restricted Assets:			
Cash and Investments	7,700,072	21,492,745	29,192,817
Total Current Assets	<u>205,415,389</u>	<u>87,620,269</u>	<u>293,035,658</u>
Noncurrent Assets			
Internal Balances - Capital Lease	172,628,344	(172,628,344)	-
Long-term Receivable	3,217,932	19,000,000	22,217,932
Intangible Assets		415,382	415,382
Capital Assets:			
Land, wastewater rights, infrastructure and CIP	235,033,694	65,828,126	300,861,820
Depreciable buildings, property, equipment and infrastructure, net	291,315,601	283,711,173	575,026,774
Total Capital Assets	<u>526,349,295</u>	<u>349,539,299</u>	<u>875,888,594</u>
Total Noncurrent Assets	<u>702,195,571</u>	<u>196,326,337</u>	<u>898,521,908</u>
Total Assets	<u>907,610,960</u>	<u>283,946,606</u>	<u>1,191,557,566</u>
Liabilities:			
Current Liabilities			
Accounts Payable and Accrued Liabilities	10,735,715	10,666,749	21,402,464
Claims and Judgments Payable	2,567,187		2,567,187
Deposits	6,339,617		6,339,617
Due to Other Governmental Agencies			-
Agreements Payable	1,567,229		1,567,229
Interest Payable	1,566,424		1,566,424
Unearned Revenue	13,902,367	1,533,255	15,435,622
Compensated Absences Payable	5,623,001	1,067,410	6,690,411
Long-term Debt - Due Within One Year	5,023,311	3,837,114	8,860,425
Liabilities Payable from Restricted Assets	1,052,475	3,014,010	4,066,485
Total Current Liabilities	<u>48,377,326</u>	<u>20,118,538</u>	<u>68,495,864</u>
Noncurrent Liabilities			
Long-term Debt - Due in More than One Year	98,558,008	173,809,596	272,367,604
Claims and Judgments Payable	14,682,883		14,682,883
Unearned Revenue		19,000,000	19,000,000
Compensated Absences Payable	1,880,844	195,859	2,076,703
Total Noncurrent Liabilities	<u>115,121,735</u>	<u>193,005,455</u>	<u>308,127,190</u>
Total Liabilities	<u>163,499,061</u>	<u>213,123,993</u>	<u>376,623,054</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	422,767,976	20,550,655	443,318,631
Restricted for:			
Capital Projects			-
Debt Service	6,898,327		6,898,327
Specific Projects and Programs	8,386,210	7,548,512	15,934,722
Total Restricted Net Assets	<u>15,284,537</u>	<u>7,548,512</u>	<u>22,833,049</u>
Unrestricted	<u>306,059,386</u>	<u>42,723,446</u>	<u>348,782,832</u>
Total Net Assets	<u>\$ 744,111,899</u>	<u>\$ 70,822,613</u>	<u>\$ 814,934,512</u>

See Accompanying Notes to Basic Financial Statements

CITY OF CORONA

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General Government	\$ 17,000,514	\$ 8,645,359	\$ 260,512	\$ 99,555	\$ 9,005,426
Public Safety - Fire	19,372,402	3,229,032	920,127	509,203	4,658,362
Public Safety - Police	35,290,552	3,017,477	1,418,377	726,508	5,162,362
Public Works (Note 35)	28,293,319	16,795,580	2,970,501	15,782,931	35,549,012
Redevelopment	18,317,214		1,750,920	2,276,839	4,027,759
Parks and Community Services	12,863,536	5,986,229	214,412	3,351,510	9,552,151
Library	3,233,627	402,660	259,886	297,747	960,293
Interest & Fiscal Charges	9,164,552				
Total Governmental Activities	143,535,716	38,076,337	7,794,735	23,044,293	68,915,365
Business-Type Activities:					
Water	39,968,554	36,548,936		7,648,122	44,197,058
Wastewater	23,411,865	20,211,966		4,723,364	24,935,330
Electric	20,279,523	20,962,161			20,962,161
Transit Services	1,663,358	270,679	1,233,282	325,066	1,829,027
Total Business-Type Activities	85,323,300	77,993,742	1,233,282	12,696,552	91,923,576
Total Primary Government	\$ 228,859,016	\$ 116,070,079	\$ 9,028,017	\$ 35,740,845	\$ 160,838,941

General Revenues:

Taxes:
Property Taxes
Sales and Use Tax
Other Taxes
Total Taxes

Grants and Contributions not Restricted to Specific Programs
Investment Earnings
General Revenue

Transfers

Total General Revenues and Transfers

Change in Net Assets

**Net Assets - Beginning of Year,
As Restated (Note 34)**

Net Assets - End of Year

See Accompanying Notes to Basic Financial Statements

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (7,995,088)	\$ -	\$ (7,995,088)
(14,714,040)		(14,714,040)
(30,128,190)		(30,128,190)
7,255,693		7,255,693
(14,289,455)		(14,289,455)
(3,311,385)		(3,311,385)
(2,273,334)		(2,273,334)
(9,164,552)		(9,164,552)
<u>(74,620,351)</u>	<u>-</u>	<u>(74,620,351)</u>
	4,228,504	4,228,504
	1,523,465	1,523,465
	682,638	682,638
	165,669	165,669
<u>-</u>	<u>6,600,276</u>	<u>6,600,276</u>
<u>(74,620,351)</u>	<u>6,600,276</u>	<u>(68,020,075)</u>
50,973,502		50,973,502
39,915,335		39,915,335
9,556,368		9,556,368
<u>100,445,205</u>	<u>-</u>	<u>100,445,205</u>
3,710,301		3,710,301
4,875,430	2,491,501	7,366,931
6,691,463		6,691,463
(1,458,852)	1,458,852	0
<u>114,263,547</u>	<u>3,950,353</u>	<u>118,213,900</u>
<u>39,643,196</u>	<u>10,550,629</u>	<u>50,193,825</u>
<u>704,468,703</u>	<u>60,271,984</u>	<u>764,740,687</u>
<u>\$ 744,111,899</u>	<u>\$ 70,822,613</u>	<u>\$ 814,934,512</u>



Governmental Fund Financial Statements

CITY OF CORONA**Balance Sheet
Governmental Funds
June 30, 2006**

	<u>General Fund</u>	<u>Development Special Revenue</u>	<u>Redevelopment Special Revenue</u>
Assets:			
Cash and Investments	\$ 50,320,433	\$ 26,952,123	\$ 5,704,194
Accounts Receivable, Net	1,986,082	1,549	
Interest Receivable	378,162	233,111	47,689
Due from Other Governmental Agencies	14,130,565	72,525	
Due From Other Funds	5,689,919		
Long-term Receivable	287,932	1,899,354	
Interfund Advances Receivable	16,888,108		
Long-term Capital Lease Receivable	172,628,344		
Loans Receivable			10,720,738
Inventories and Prepayments	281,739		
Land Held for Resale			1,152,510
Restricted Assets:			
Cash and Investments	70,645		
Total Assets	<u>\$ 262,661,929</u>	<u>\$ 29,158,662</u>	<u>\$ 17,625,131</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 5,552,611	\$ 781,183	\$ 11,702
Deposits	6,335,565		
Claims and Judgements	70,256		
Long-term Obligations			
Due to Other Governmental Agencies			
Due to Other Funds			
Agreements Payable			
Deferred Revenues	175,404,017	1,899,354	10,372,801
Unearned Revenue			
Compensated Absences Payable			
Interfund Advances Payable		9,539,489	2,441,821
Liabilities Payable from Restricted Assets	49,544	154,335	
Total Liabilities	<u>187,411,993</u>	<u>12,374,361</u>	<u>12,826,324</u>
Fund Balances:			
Reserved for:			
Encumbrances	1,229,071	2,494,549	9,419
Loans Receivable	503,320		347,936
Inventories & Prepayments	281,740		
Debt Service	3,362,335		
Land Held for Resale			1,152,510
Low and Moderate Income Housing			
Interfund Advances	16,888,108		
Unreserved, reported in:			
Designated	52,985,362	14,289,752	3,288,942
Undesignated			
Total Fund Balances	<u>75,249,936</u>	<u>16,784,301</u>	<u>4,798,807</u>
Total Liabilities and Fund Balances	<u>\$ 262,661,929</u>	<u>\$ 29,158,662</u>	<u>\$ 17,625,131</u>

See Accompanying Notes to Basic Financial Statements

<u>Redevelopment Debt Service</u>	<u>Redevelopment Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,164,651	\$ 14,959,104	\$ 26,560,893	\$ 130,661,398
	2,435	535,942	2,526,008
52,725	124,756	320,153	1,156,596
316,623		8,883,910	23,403,623
		1,503	5,691,422
		2,930,000	5,117,286
			16,888,108
			172,628,344
	1,218,254	482,346	12,421,338
			281,739
	2,451,894		3,604,404
355,539		7,273,888	7,700,072
<u>\$ 6,889,538</u>	<u>\$ 18,756,443</u>	<u>\$ 46,988,635</u>	<u>\$ 382,080,338</u>
\$ 84,230	\$ 568,583	\$ 3,147,489	\$ 10,145,798
		4,052	6,339,617
			70,256
			-
			-
		5,691,422	5,691,422
	1,567,229		1,567,229
		3,737,882	191,414,054
	500,000	482,346	982,346
			-
4,551,798		355,000	16,888,108
		848,596	1,052,475
<u>4,636,028</u>	<u>2,635,812</u>	<u>14,266,787</u>	<u>234,151,305</u>
	1,252,796	5,807,572	10,793,407
	468,254		1,319,510
			281,740
2,253,510		7,446,992	13,062,837
	2,451,894		3,604,404
			-
			16,888,108
	11,947,687	22,169,942	104,681,685
		(2,702,658)	(2,702,658)
<u>2,253,510</u>	<u>16,120,631</u>	<u>32,721,848</u>	<u>147,929,033</u>
<u>\$ 6,889,538</u>	<u>\$ 18,756,443</u>	<u>\$ 46,988,635</u>	<u>\$ 382,080,338</u>

CITY OF CORONA

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2006**

Total Fund Balances - Total Governmental Funds \$ 147,929,033

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. 526,349,295

Deferred revenues reported in Governmental Funds Balance Sheet includes loans receivable, capital lease and franchise fees. The balance was deferred because funds were not available to pay for current period expenditures. 176,594,679

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (1,566,424)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets. 5,890,480

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.

Compensated Absences (7,503,845)
Long-term Debt (103,581,319)

Net Assets of Governmental Activities \$ 744,111,899

See Accompanying Notes to Basic Financial Statements



CITY OF CORONA**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Development Special Revenue</u>	<u>Redevelopment Special Revenue</u>
Revenues:			
Property Taxes	\$ 31,379,647	\$ -	\$ -
Other Taxes	47,243,504		
Licenses, Fees and Permits	3,742,038	7,786,448	
Fines and Penalties	703,586		
Special Assessments			
Investment Earnings	1,691,045	725,620	121,789
Intergovernmental Revenues	4,094,576	14,156	
Current Services	9,847,203		
Payments in Lieu of Services	10,897,229	643,621	
Gifts and Donations			
Other Revenues	7,021,651	228,627	734,259
Total Revenues	<u>116,620,479</u>	<u>9,398,472</u>	<u>856,048</u>
Expenditures:			
Current:			
General Government	19,884,691	1,025,298	
Public Safety - Fire	19,676,501	12,789	
Public Safety - Police	35,450,559	208,338	
Public Works	8,711,865	788,490	
Parks and Community Services	7,284,504	261,851	
Redevelopment			4,467,775
Library	2,931,794	253,597	
Capital Outlay	2,364,297	1,949,252	
Debt Service:			
Principal Retirement	1,391,347	670,000	
Interest and Fiscal Charges	1,919,379	333,137	185,049
Total Expenditures	<u>99,614,937</u>	<u>5,502,752</u>	<u>4,652,824</u>
Excess of Revenues Over (Under) Expenditures	17,005,542	3,895,720	(3,796,776)
Other Financing Sources (Uses):			
Transfers In	9,244,638	617,061	3,817,787
Transfers Out	(5,823,521)	(1,359,203)	
Total Other Financing Sources (Uses)	<u>3,421,117</u>	<u>(742,142)</u>	<u>3,817,787</u>
Net Change in Fund Balances	20,426,659	3,153,578	21,011
Fund Balances - Beginning of Year, as Reported	54,823,277	13,630,723	4,777,796
Fund Balances - Beginning of Year, As Restated (Note 34)	54,823,277	13,630,723	4,777,796
Fund Balances - End of Year	<u>\$ 75,249,936</u>	<u>\$ 16,784,301</u>	<u>\$ 4,798,807</u>

See Accompanying Notes to Basic Financial Statements

<u>Redevelopment Debt Service</u>	<u>Redevelopment Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 18,820,343	\$ -	\$ 773,512	\$ 50,973,502
			47,243,504
		524,321	12,052,807
		1,075,294	1,778,880
		7,325,244	7,325,244
221,186	372,523	961,673	4,093,836
		16,769,815	20,878,547
		6,309,659	16,156,862
			11,540,850
			-
678,889	1,173,457	677,378	10,514,261
<u>19,720,418</u>	<u>1,545,980</u>	<u>34,416,896</u>	<u>182,558,293</u>
	5,935	164,490	21,080,414
			19,689,290
		506,163	36,165,060
		15,845,209	25,345,564
		4,190,402	11,736,757
4,123,010	3,287,613	655,312	12,533,710
		246,661	3,432,052
	821,179	4,203,671	9,338,399
2,915,833		1,847,474	6,824,654
5,923,711		901,820	9,263,096
<u>12,962,554</u>	<u>4,114,727</u>	<u>28,561,202</u>	<u>155,408,996</u>
6,757,864	(2,568,747)	5,855,694	27,149,297
	6,054,698	6,773,321	26,507,505
(8,432,485)	(70,600)	(6,818,706)	(22,504,515)
<u>(8,432,485)</u>	<u>5,984,098</u>	<u>(45,385)</u>	<u>4,002,990</u>
(1,674,621)	3,415,351	5,810,309	31,152,287
3,928,131	12,705,280	26,479,983	116,345,190
3,928,131	12,705,280	26,911,539	116,776,746
<u>\$ 2,253,510</u>	<u>\$ 16,120,631</u>	<u>\$ 32,721,848</u>	<u>\$ 147,929,033</u>

CITY OF CORONA

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

Net Change in Fund Balances - Total Governmental Funds \$ 31,152,287

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

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Additions and adjustments to capital assets amounted to \$14,766,625, less deletions of \$55,590, resulted in the net amount of capital assets of \$14,711,035 in the current period. 14,711,035

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (9,014,913)

Some revenues will not be collected for several months after the City's fiscal year end, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues decreased by these amounts this year:
Franchise Fees (207,589)

Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds. This amount represents the change from the prior year. (489,324)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets. This amount represents long-term debt repayments. 6,824,655

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from the prior year. 98,544

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities. (3,431,499)

Change in Net Assets of Governmental Activities \$ 39,643,196

Proprietary Fund Financial Statements

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

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

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

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

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

Nonmajor Other Funds -

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

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

CITY OF CORONA**Statement of Net Assets
Proprietary Funds
June 30, 2006**

	Corona Utility Authority		
	Water	Wastewater	Electric
Assets:			
Current Assets			
Cash and Investments	\$ 22,852,627	\$ 23,059,662	\$ 6,846,370
Accounts Receivable, Net	6,515,639	1,842,148	2,016,570
Interest Receivable	203,187	196,947	96,515
Due from Other Governmental Agencies	1,194,009	20,765	
Inventories and Prepayments	932,932		25,000
Restricted Assets:			
Cash and Investments	2,468,829	210,463	11,376,673
Total Current Assets	34,167,223	25,329,985	20,361,128
Noncurrent Assets			
Interfund Advances Receivable	473,875		6,113,950
Long-term Receivable	19,000,000		
Intangible Assets			415,382
Capital Assets:			
Land, wastewater rights & construction in progress	39,022,478	6,638,064	19,979,256
Depreciable buildings, property, equipment and infrastructure, net	153,894,181	78,621,901	50,010,122
Total Noncurrent Assets	212,390,534	85,259,965	76,518,710
Total Assets	246,557,757	110,589,950	96,879,838
Liabilities:			
Current Liabilities			
Accounts Payable and Accrued Liabilities	4,494,933	1,965,373	4,091,895
Claims and Judgments Payable			
Deferred Revenues	1,262,080		300
Compensated Absences Payable	611,459	412,132	43,819
Long-term Debt - Due Within One Year	2,217,250	1,364,864	255,000
Liabilities Payable from Restricted Assets	2,371,382	210,463	432,165
Total Current Liabilities	10,957,104	3,952,832	4,823,179
Noncurrent Liabilities			
Interfund Advances Payable			
Deferred Revenues	19,000,000		
Compensated Absences Payable	187,267		8,592
Long-term Debt - Due in More than One Year	171,236,277	85,561,663	89,640,000
Claims and Judgments Payable			
Total Noncurrent Liabilities	190,423,544	85,561,663	89,648,592
Total Liabilities	201,380,648	89,514,495	94,471,771
Net Assets:			
Invested in Capital Assets, Net of Related Debt	19,365,686		
Restricted	97,447		285,160
Unrestricted	25,713,976	21,075,455	2,122,907
Total Net Assets	\$ 45,177,109	\$ 21,075,455	\$ 2,408,067

See Accompanying Notes to Basic Financial Statements

Transit Services	Nonmajor Other	Totals	Governmental Activities Internal Service Funds
\$ 50,982	\$ 794	\$ 52,810,435	\$ 23,219,888
3,301		10,377,658	22,178
2,684	126,689	626,022	243,563
140,703		1,355,477	
		957,932	174,582
270,875	7,165,905	21,492,745	
468,545	7,293,388	87,620,269	23,660,211
		6,587,825	
		19,000,000	
		415,382	
188,328		65,828,126	
1,184,969		283,711,173	
1,373,297	-	375,542,506	-
1,841,842	7,293,388	463,162,775	23,660,211
114,548		10,666,749	589,917
			2,496,931
270,875		1,533,255	
		1,067,410	
		3,837,114	
		3,014,010	
385,423	-	20,118,538	3,086,848
	6,587,825	6,587,825	
		19,000,000	
		195,859	
		346,437,940	14,682,883
-	6,587,825	372,221,624	14,682,883
385,423	6,587,825	392,340,162	17,769,731
1,184,969		20,550,655	
	7,165,905	7,548,512	
271,450	(6,460,342)	42,723,446	5,890,480
\$ 1,456,419	\$ 705,563	\$ 70,822,613	\$ 5,890,480

CITY OF CORONA**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2006**

	Corona Utility Authority	
	Water	Wastewater
Operating Revenues:		
Utility Service Charges	\$ 33,451,162	\$ 19,870,041
Intergovernmental Revenues		
Fees and Permits	1,250,769	31,800
Fines and Penalties	885,317	24,750
Other Revenues	961,688	285,375
Total Operating Revenues	<u>36,548,936</u>	<u>20,211,966</u>
Operating Expenses:		
Personnel Services	9,497,905	5,737,527
Contractual	1,671,203	1,688,780
Materials and Supplies	14,433,579	5,534,206
Utilities	5,523,264	3,329,175
Depreciation and Amortization	4,554,162	2,580,524
Claims Expense		
Total Operating Expenses	<u>35,680,113</u>	<u>18,870,212</u>
Operating Income (Loss)	<u>868,823</u>	<u>1,341,754</u>
Non-Operating Revenues (Expenses):		
Operating Grants and Contributions		
Investment Earnings	647,340	746,383
Interest Expense	(4,278,190)	(2,261,292)
Loss on Capital Asset	(10,251)	(1,965,684)
Total Non-Operating Revenues	<u>(3,641,101)</u>	<u>(3,480,593)</u>
Income (Loss) before Contributions and Transfers	(2,772,278)	(2,138,839)
Capital Grants and Contributions	7,648,122	4,723,364
Transfers In	18,966,423	10,813,423
Transfers Out	(15,922,575)	(12,124,925)
Change in Net Assets	7,919,692	1,273,023
Total Net Assets - Beginning of Year, As Restated (Note 34)	<u>37,257,417</u>	<u>19,802,432</u>
Total Net Assets - End of Year	<u>\$ 45,177,109</u>	<u>\$ 21,075,455</u>

See Accompanying Notes to Basic Financial Statements

<u>Electric</u>	<u>Transit Services</u>	<u>Nonmajor Other</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 19,983,558	\$ -	\$ -	\$ 73,304,761	\$ -
	23,050		23,050	
3,889			1,286,458	
22,206			932,273	
952,508	247,629		2,447,200	13,338,738
<u>20,962,161</u>	<u>270,679</u>	<u>-</u>	<u>77,993,742</u>	<u>13,338,738</u>
1,270,904	120,817		16,627,153	1,308,588
1,011,384	1,158,563		5,529,930	793,016
1,324,039	57,921		21,349,745	2,929,583
14,007,074	178,815		23,038,328	799,256
1,841,776	147,242		9,123,704	
				<u>6,259,544</u>
<u>19,455,177</u>	<u>1,663,358</u>	<u>-</u>	<u>75,668,860</u>	<u>12,089,987</u>
<u>1,506,984</u>	<u>(1,392,679)</u>	<u>-</u>	<u>2,324,882</u>	<u>1,248,751</u>
	1,233,282		1,233,282	
737,176	12,902	347,700	2,491,501	781,592
(824,346)		(314,677)	(7,678,505)	
			(1,975,935)	
<u>(87,170)</u>	<u>1,246,184</u>	<u>33,023</u>	<u>(5,929,657)</u>	<u>781,592</u>
1,419,814	(146,495)	33,023	(3,604,775)	2,030,343
	325,066		12,696,552	
26,616,476			56,396,322	2,489,189
(26,889,746)	(224)		(54,937,470)	(7,951,031)
1,146,544	178,347	33,023	10,550,629	(3,431,499)
1,261,523	1,278,072	672,540	60,271,984	9,321,979
<u>\$ 2,408,067</u>	<u>\$ 1,456,419</u>	<u>\$ 705,563</u>	<u>\$ 70,822,613</u>	<u>\$ 5,890,480</u>

CITY OF CORONA**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006**

	Corona Utility Authority		
	Water	Wastewater	Electric
Cash Flow from Operating Activities:			
Cash Received (Paid) from / to Customers/Other Funds	\$ 37,090,306	\$ 19,776,686	\$ 19,447,696
Cash Payments to Suppliers of Goods and Services	(24,093,822)	(9,688,547)	(16,267,923)
Cash Payments to Employees for Services	(9,542,001)	(5,626,749)	(1,269,684)
Cash Received (Paid) on Current Claims			
Increase (Decrease) in Long-term Claims			
Other Receipts			974,714
Net Cash Provided by (Used for) Operating Activities	<u>3,454,483</u>	<u>4,461,390</u>	<u>2,884,803</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants and Contributions			
Internal Activity - Proceeds from Interfund Loans			
Internal Activity - Payments to Interfund Loans			
Transfers Received	18,966,423	10,813,423	26,616,476
Transfers Paid	(15,922,575)	(12,124,925)	(26,889,746)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>3,043,848</u>	<u>(1,311,502)</u>	<u>(273,270)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Grants and Contributions	5,950,994	3,123,777	
Acquisition and Construction of Capital Assets	(12,600,937)	(6,646,437)	(7,125,661)
Retirement of Long-term Installments Payable	(1,093,236)	(1,321,269)	
Proceeds from Capital Debt	9,276,746		
Interest payments of Long-term debt	(4,278,190)	(2,261,292)	(824,346)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,744,623)</u>	<u>(7,105,221)</u>	<u>(7,950,007)</u>
Cash Flows from Investing Activities:			
Purchase of Intangible Asset			
Interest on Investments	760,799	742,179	690,217
Net Cash Provided by (Used for) Investing Activities	<u>760,799</u>	<u>742,179</u>	<u>690,217</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,514,507	(3,213,154)	(4,648,257)
Cash and Cash Equivalents - Beginning of Year	<u>20,806,949</u>	<u>26,483,279</u>	<u>22,871,300</u>
Cash and Cash Equivalents - End of Year	<u>\$ 25,321,456</u>	<u>\$ 23,270,125</u>	<u>\$ 18,223,043</u>

See Accompanying Notes to Basic Financial Statements



Transit Services	Nonmajor Other	Totals	Governmental Activities Internal Service Funds
\$ 111,780	\$ -	\$ 76,426,468	\$ 11,834,467
(1,507,279)		(51,557,571)	(4,261,582)
(145,491)		(16,583,925)	(1,308,588)
			(17,243)
			(3,415,160)
<u>247,629</u>		<u>1,222,343</u>	<u>1,505,468</u>
<u>(1,293,361)</u>	<u>-</u>	<u>9,507,315</u>	<u>4,337,362</u>
1,233,282		1,233,282	
		-	
		-	
		56,396,322	2,489,189
<u>(224)</u>		<u>(54,937,470)</u>	<u>(7,951,031)</u>
<u>1,233,058</u>	<u>-</u>	<u>2,692,134</u>	<u>(5,461,842)</u>
325,066		9,399,837	
(325,066)		(26,698,101)	
		(2,414,505)	
		9,276,746	
	<u>(314,677)</u>	<u>(7,678,505)</u>	
<u>-</u>	<u>(314,677)</u>	<u>(18,114,528)</u>	<u>-</u>
		-	
<u>12,563</u>	<u>325,057</u>	<u>2,530,815</u>	<u>688,318</u>
<u>12,563</u>	<u>325,057</u>	<u>2,530,815</u>	<u>688,318</u>
<u>(47,740)</u>	<u>10,380</u>	<u>(3,384,264)</u>	<u>(436,162)</u>
<u>369,598</u>	<u>7,156,319</u>	<u>77,687,445</u>	<u>23,656,050</u>
<u>\$ 321,858</u>	<u>\$ 7,166,699</u>	<u>\$ 74,303,181</u>	<u>\$ 23,219,888</u>

CITY OF CORONA**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005**

	Corona Utility Authority		Electric
	Water	Wastewater	
Reconciliation of Operating Income to Net Cash Provided by (Used for) by Operating Activities:			
Operating Income (Loss)	\$ 868,823	\$ 1,341,754	\$ 1,506,984
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation and Amortization	4,554,162	2,580,524	1,841,776
Inventory adjustments	(43,979)	11,893	
Changes in Assets and Liabilities:			
Accounts Receivable	(780,503)	(416,469)	(540,051)
Due from Other Governmental Agencies	1,321,873	(18,812)	
Inventories and Prepayments	(366,493)	3,394	
Accounts Payable and Accrued Liabilities	(2,058,174)	848,328	74,575
Claims and Judgments Payable			
Deferred Revenues	2,870		300
Compensated Absences Payable	(44,096)	110,778	1,219
Net Cash Provided by (Used for) Operating Activities	<u>\$ 3,454,483</u>	<u>\$ 4,461,390</u>	<u>\$ 2,884,803</u>
Noncash Investing, Capital, and Financing Activities:			
Contributions of capital assets from developers	\$ 1,697,128	\$ 1,599,587	
Write-off of capital assets	10,251	1,965,684	
	<u>\$ 1,707,379</u>	<u>\$ 3,565,271</u>	

See Accompanying Notes to Basic Financial Statements



<u>Transit Services</u>	<u>Nonmajor Other</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ (1,392,679)	\$ -	\$ 2,324,882	\$ 1,248,751
147,242		9,123,704 (32,086)	
4,243		(1,732,780)	1,197
84,487		1,387,548	
		(363,099)	(24,968)
(82,779)		(1,218,050)	285,241
			2,827,141
(29,201)		(26,031)	
(24,674)		43,227	
<u>\$ (1,293,361)</u>	<u>\$ -</u>	<u>\$ 9,507,315</u>	<u>\$ 4,337,362</u>

\$ 3,296,715
1,975,935
\$ 5,272,650



Fiduciary Fund Financial Statements

Fiduciary Fund represent an Agency Fund, which is custodial in nature and is used to account for receipts of special assessments and taxes that will be used to pay principal and interest on the bonds, and to account for the portion of Redevelopment property tax increment that is allocated for the Corona Norco Unified School District per Redevelopment agreements.



CITY OF CORONA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	<u>Pass Through Agency Fund</u>
Assets:	
Cash and Investments	\$ 2,298,029
Accounts Receivable, Net	
Interest Receivable	349,701
Due from Other Governmental Agencies	600,686
Restricted Assets:	
Cash and Investments	<u>44,936,367</u>
Total Assets	<u>\$ 48,184,783</u>
Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 658,117
Deposits	399,082
Due to Other Governmental Agencies	6,040
Liabilities Payable from Restricted Assets	
Due to Bondholders	<u>47,121,544</u>
Total Liabilities	<u>\$ 48,184,783</u>

See Accompanying Notes to Basic Financial Statements



CITY OF CORONA

Index to Notes to the Basic Financial Statements
Year Ended June 30, 2006

<u>Note</u>	<u>Page No.</u>
1. Summary of Significant Accounting Policies	45
2. Cash and Investments.....	52
3. Interfund Transactions	57
4. Risk Management	61
5. Long-Term Receivable/Deferred Revenues.....	62
6. Capital Assets	63
7. Compensated Absences	66
8. Agreements Payable	67
9. Long-term Obligations	67
10. Loans Payable	67
11. Long Term Agreement Payable	67
12. Lease Payable	68
13. General Obligation Bonds	69
14. Redevelopment Tax Allocation Bonds	69
15. Lease Revenue Bonds.....	71
16. Special Assessment District Bonds (Indirect City Liability)	72
17. Installment Agreement Payable	74
18. Contracts Payable.....	74
19. Term Loans Payable.....	74
20. Long-Term Installment Payable	75
21. Certificates of Participation	76
22. Internal Balances – Capital Leases	79
23. Special Assessment District Bonds (No City Liability)	81
24. Community Facilities District Bonds (No City Liability).....	81
25. Bond Requirements	82

CITY OF CORONA

Index to Notes to the Basic Financial Statements
Year Ended June 30, 2006

<u>Note</u>	<u>Page No.</u>
26. Credit Agreements	82
27. Classification of Net Assets	83
28. Deficit Fund Balances	84
29. Defined Benefit Pension Plan	84
30. Pension Plan (Defined Contribution).....	86
31. Post-employment Health Care Benefits	87
32. Commitments and Contingencies	87
33. Conduit Debt Obligations	88
34. Prior Period Adjustments	88
35. Subsequent Event.....	90
36. Net Revenue and Changes in Net Assets.....	90

1) Summary of Significant Accounting Policies**A. Description of the Reporting Entity**

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

The accompanying comprehensive annual financial report includes the financial activities of the City of Corona, the primary government, and its component units, which are the Redevelopment Agency of the City of Corona, the Corona Public Financing Authority, the Corona Public Improvement Corporation and the Corona Utility Authority. Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the Agency, the Authorities and the Corporation and, as such, these entities are presented on a blended basis. Separate financial statements are produced for the Redevelopment Agency of the City of Corona and the Corona Utility Authority component units of the City and may be obtained from the City's Finance Administration office.

Blended Component Units

The Redevelopment Agency of the City of Corona was established August 5, 1964, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law" and on November 11, 1975, the City Council became the governing board. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City. City staff provides management assistance to the Agency. The funds of the Agency have been included in the Governmental Activities in the financial statements.

The Corona Public Financing Authority is a joint powers authority organized under Section 6500 et seq. of the California Government Code on June 21, 1989, between the City and the Agency for the purpose of acting as a vehicle for various financing activities of the City and the Agency. The Authority's Board of Directors is the Corona City Council. The funds of the Authority have been included in the Governmental Activities in the financial statements. Funds related to debt issued for proprietary activities are included in the Business-type Activities.

The Corona Public Improvement Corporation was organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code) on April 7, 1986 for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation's Board of Trustees is the Corona City Council. The funds of the Corporation have been included in the Governmental Activities in the financial statements. Funds related to debt issued for proprietary activities are included in the Business-type Activities.

The Corona Utility Authority is a joint powers authority which was established on February 6, 2002 pursuant to a Joint Exercise of Powers Agreement between the City of Corona and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council. The funds of the Utility Authority have been included in the Business-type Activities in the financial statements.

B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

The City of Corona reports the following major governmental funds:

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Development fund is used to account for park dedication fees, dwelling development fees and other development impact fees received. The money is used to offset the burden resulting from new developments.

The Redevelopment Special Revenue fund is used to account for the Redevelopment Agency's low-mod housing activities.

The Redevelopment Debt Service fund accounts for tax increment revenue and other miscellaneous revenue as well as payments of principal and interest on Redevelopment Agency debt.

The Redevelopment Capital Projects fund accounts for transactions related to proceeds from bonds and other resources and their use to perform redevelopment related activities within specific redevelopment project areas.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due, however; the City has adopted a 12 month recognition period for Sales Tax and Grant revenues. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

The City of Corona reports the following major proprietary fund types:

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

The Corona Utility Authority funds account for the operation of the water and wastewater systems. The two utilities are owned by the Corona Utility Authority, a blended component unit of the City. The City operates both the water and wastewater systems pursuant to separate management agreements.

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

The Transit Services fund accounts for the operations of the City's transportation system for a fixed route and demand response service (Corona Cruiser and Dial-A-Ride) which, along with fare box revenues, receives grants from the Transportation Development Act (TDA).

Proprietary funds are accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and Combining Statement of Changes in Assets and Liabilities. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on the accrual basis of accounting.

Fiduciary funds account for:

1. Resources legally held in trust for the Corona-Norco Unified School District pursuant to a tax-sharing agreement with the Redevelopment Agency.
2. Receipt of special taxes and assessments used to pay principal and interest on related bonds with no direct City liability, as well as receipt and disbursement of capital project bond proceeds related to bonds that the City has no direct liability.

Additionally, the City reports the following funds:

Internal service funds account for risk management and fleet and equipment management services provided to other departments or agencies of the City on a cost reimbursement basis.

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

C. Cash, Cash Equivalents and Investments

1. Cash Management

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

2. Investments Valuation

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

3. State Investment Pool

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Proprietary fund receivables are shown net of an allowance for uncollectible accounts. Utility customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

Property taxes are assessed, collected and allocated by Riverside County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1st installment, February 1, 2nd installment
Delinquent Dates	December 11, 1st installment, April 11, 2nd installment

The City accrues as receivable all property taxes received during the first ninety (90) days of the new fiscal year. Taxes are considered past due on the above delinquent dates, at which time the applicable property is subject to lien, and penalties and interest are assessed.

The County of Riverside collects an administration fee from the City and the Redevelopment Agency for its services. The City receives a percentage of the basic 1% ad valorem tax rate allowed on property within the City of Corona. Property tax rates for the City's general obligation debt are set by the City Council based on assessed valuations and debt service requirements. The assessed valuation is at "full cash value."

G. Inventories, Prepaid Items and Land Held for Resale

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Land held for resale is valued at the lower of cost or estimated net realizable value and is recorded in the capital project funds.

H. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

I. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. The City has chosen the Modified Approach for reporting the streets subsystem of infrastructure capital assets. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

Buildings -----	20-60 years
Improvements-----	20-60 years
Equipment -----	5-60 years
Infrastructure -----	25-65 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system, water purification and distribution system, sewer collection and treatment system; park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its streets, concrete and asphalt pavements. The City commissioned a physical assessment of the streets condition in April 2005. This condition assessment will be performed every 3 years. Each homogeneous segment of City owned street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street. The following conditions were defined: excellent condition is assigned to segments with a scale rating between 86 and 100, very good condition is assigned to segments with a scale rating between 71 and 85, good condition is assigned to segments with a rating between 56 and 70, fair condition is assigned to segments with a scale rating between 41 and 55, poor condition is assigned to segments with a scale rating between 26 and 40, very poor segments have a range of 11 to 25 and distressed condition is assigned to segments with a scale rating between 0 and 10. The City's policy relative to maintaining the street assets is to achieve an average rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 1999 and has completed an internal update for June 30, 2006. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

J. Risk Management

The City administers self-insurance programs for workers' compensation and liability losses. These self-funding activities are accounted for in Internal Service Funds. Excess insurance is purchased to protect the City from losses above the self-insured retention. An independent firm performed an actuarial valuation study for June 30, 2004 for the Workers' Compensation and June 30, 2003 for the Liability Risk Insurance Funds. At no time during the past five years have insurance claims exceeded insurance coverage.

K. Compensated Absences Payable

Under certain circumstances and according to negotiated labor agreements, employees of the City are allowed to accumulate annual leave. This amount is accrued in the government-wide and proprietary fund statements.

L. Short-Term Debt

The City has no short term debt transactions to report for the fiscal year.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as costs of issuance, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2) Cash and Investments

The City of Corona maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The City apportions interest earnings to all funds based on their monthly cash balances.

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$4,820,083 at June 30, 2006. Bank balances before reconciling items were \$11,697,841 at that date, the total amount of which was collateralized or insured with securities held by pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of the pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments were authorized:

- Securities issued by the U.S. Treasury
- Securities issued and fully guaranteed as to payment by an agency of the U.S. Government
- Banker's Acceptances
- Non-negotiable certificates of deposit
- Repurchase Agreements
- California Local Agency Investment Fund (State Pool)
- Corporate medium-term notes
- Mortgage-backed securities
- Diversified Management Companies, as defined by Section 23701(m) of the Revenue Taxation Code

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income in all funds and component units:

Realized gain/loss on matured investments	\$ -
Unrealized loss in changes in fair value of investments	(1,159,315)
Interest Income	<u>8,526,246</u>
Total investment income	<u><u>\$ 7,366,931</u></u>

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen.

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

C. Summary of Cash and Investments

The following is a summary of pooled cash and investments at June 30, 2006:

	Government-Wide Statement of Net Assets			Fiduciary Fund Financial Statements	Total
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	
Cash and Investments	<u>\$ 153,881,286</u>	<u>\$ 52,810,435</u>	<u>\$ 206,691,721</u>	<u>\$ 2,298,029</u>	<u>\$ 208,989,750</u>
Restricted Cash and Investments	<u>\$ 7,700,072</u>	<u>\$ 21,492,745</u>	<u>\$ 29,192,817</u>	<u>\$ 44,936,367</u>	<u>\$ 74,129,184</u>
Total Cash and Investments					<u>\$ 283,118,934</u>

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

At June 30, 2006, the City had the following deposits and investments:

	Credit Quality Ratings*	Fair Value
City Treasury:		
Deposits	Not Rated	\$ 4,820,083
Total Deposits		<u>4,820,083</u>
Investments:		
Commercial Paper	A -1+	14,897,100
Commercial Paper	A -1	4,984,700
Total Commercial Paper		<u>19,881,800</u>
Medium Term Notes	AAA	3,912,160
Medium Term Notes	AA-	2,024,840
Medium Term Notes	A+	2,011,940
Total Medium Term Notes		<u>7,948,940</u>
Union Bank Investments	Not Rated	141,406
Securities of U.S. Government Agencies:		
FFCB	AAA	24,970,380
FHLB	AAA	59,399,156
FHLMC	AAA	11,768,950
FNMA	AAA	6,885,330
SLMA	AAA	-
U.S. Treasury	Not Rated	39,282,000
Total Securities of U.S. Government Agencies		<u>142,305,816</u>
Local Agency Investment Funds	Not Rated	33,891,705
Total Investments		<u>204,169,667</u>
Total City Treasury		<u>208,989,750</u>
Restricted Cash and Investments:		
Cash & Investments with Fiscal Agents	Not Rated	69,509,444
PUC Public Purpose	Not Rated	285,161
Grant Funds	Not Rated	619,374
Electric Restricted Cash	Not Rated	1,100,000
Retention & Escrow Accounts	Not Rated	2,615,205
Total restricted cash and investments		<u>74,129,184</u>
Total cash and investments		<u>\$ 283,118,934</u>

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

D. Risk Disclosures

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities not to exceed five years at time of purchase. At June 30, 2006, the City Treasury had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 3	3 to 5
Commercial Paper	\$ 19,881,800	\$ 19,881,800	\$ -	\$ -
FFCB	24,970,380	8,865,960	11,253,790	4,850,630
FHLB	59,399,156	13,691,586	30,932,840	14,774,730
FHLMC	11,768,950	1,996,420	9,772,530	
FNMA	6,885,330	1,986,880	4,898,450	
US T-Notes	39,282,000	20,816,500	13,628,940	4,836,560
LAIF	33,891,705	33,891,705		
Diversified Investment	141,406	141,406		
General Electric Associates Corp	3,912,160	1,997,560	1,914,600	
Bank One	2,024,840		2,024,840	
	2,011,940		2,011,940	
Total	\$ 204,169,667	\$ 103,269,817	\$ 76,437,930	\$ 24,461,920

Credit Risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service. At June 30, 2006, the City's credit risks, expressed on a percentage basis are as follows:

Investment Type	Moody's Rating	S & P Rating	% of Investment
FFCB	Aaa	AAA	12.35%
FHLB	Aaa	AAA	29.27%
FHLMC	Aaa	AAA	5.78%
FNMA	Aaa	AAA	3.39%
US T-Notes	Aaa	AAA	19.10%
LAIF	Not Rated	Not Rated	16.45%
Diversified Investment	Not Rated	Not Rated	0.07%
American Express	P1	A-1	2.41%
Associates Corp	Aa1	AA-	1.00%
Bank One Corp	Aa3	A+	1.00%
Citigroup, Inc	P1	A-1+	2.40%
General Electric	Aaa	AAA	1.99%
Household International	P1	A-1+	2.40%
Prudential Funding LLC	P1	A-1+	2.39%
Total			100.00%

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

E. Investments in Local Agency Investment Funds

The City's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2006, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

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

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

As of June 30, 2006, the City had \$33,891,705 invested in LAIF. The City valued its investments in LAIF as of June 30, 2006, by multiplying its account balance with LAIF of \$33,953,302 by a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of .998185821.

3) Interfund Transactions**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year.

The following is a summary of current interfund balances as of June 30, 2006.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		Major Funds:	
General	\$ 5,689,919		
Non-Major Funds:		Non-Major Funds:	
<u>Special Revenue:</u>		<u>Special Revenue:</u>	
Gas Tax	1,503	Gas Tax	2,520
		Measure A	1,503
		Grants	759
		<u>Capital Projects:</u>	
		Planned Local Drainage	124,599
		Other Grants	1,730,979
		Public Facilities Projects	3,831,062
Total	<u>\$ 5,691,422</u>		<u>\$ 5,691,422</u>

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

B. Long-term Interfund Advances

At June 30, 2006, the funds below have made advances that were not expected to be repaid in one year or less.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		Major Funds:	
General	\$ 16,888,108	Development Special Revenue	\$ 9,539,489
<u>Enterprise Funds:</u>		Redevelopment Special Revenue	2,441,821
Water	473,875	Redevelopment Debt Service	4,551,798
Electric	6,113,950		
		Non-Major Funds:	
		<u>Special Revenue Funds:</u>	
		City Facilities -Airport	355,000
Non-Major Funds:		Enterprise Funds - CPFA	6,587,825
Total	<u>\$ 23,475,933</u>	Total	<u>\$ 23,475,933</u>

The Redevelopment Debt Service and Special Revenue Fund advances are from the General fund and are composed of various operating advances for the Redevelopment Agency's different project areas. The advances have different terms and interest rates and are expected to be repaid with tax increment revenue.

The City Facilities Fund - Airport advance is being repaid over a 27-year period with annual payments of \$15,000, expected to be repaid by 2025.

The Enterprise Funds - CPFA payable represents reserves from the Electric Utility and the Water Utility related to the 2003 Certificates of Participation. The reserve will be paid during the final years of the bond term.

C. Internal Balances – Capital Lease Receivable

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

Refer to Note 22 for the future minimum lease payments required under the capital leases and the net present value of the future lease payments.

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

D. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund. Significant one time transfers were:

- 1) \$1,100,000 from Electric Fund to Water & Wastewater Funds and from Water & Wastewater to Electric to establish a cash operating reserve for the electric cogeneration plant per a bond covenant.
- 2) \$1,000,000 from Development Special Revenue Fund to the General Fund and \$1,000,000 from the General Fund to Public Facility Project Fund, for the Corporation Yard Expansion Project.
- 3) \$6,000,000 from Internal Service Fund to various funds for reallocation of Fleet Operations and Equipment Pool Capital Outlay charges.
- 4) \$2,108,546 from Public Facility Project Fund to Measure A Fund for completed work along the Magnolia Avenue / I15 Interchange.

In the governmental fund financial statements, total transfers in were \$85,393,016 as follows:

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

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	Transfers In:					Subtotal
	General Fund	Development Special Revenue	Redevelopment		Non-Major Governmental	
			Special Revenue	Capital Projects		
Transfers Out:						
General fund	\$ 1,409,161	\$ 19,046	\$ -	\$ 1,397,877	\$ 1,504,680	\$ 4,330,764
Development Special Revenue	1,075,000				284,203	1,359,203
Redevelopment Debt Service			3,817,787	4,614,697		8,432,484
Redevelopment Capital Projects	70,600					70,600
Non-major Governmental	1,479,966	598,015			4,723,460	6,801,441
Water						-
Wastewater						-
Electric	130,294			40,000		170,294
Other Proprietary					224	224
Internal Service	5,079,617			2,124	260,754	5,342,495
Total Transfers In	<u>\$ 9,244,638</u>	<u>\$ 617,061</u>	<u>\$ 3,817,787</u>	<u>\$ 6,054,698</u>	<u>\$ 6,773,321</u>	<u>\$ 26,507,505</u>

Schedule continued on next page.

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

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	Transfers In:				Total Transfers Out
	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Internal Service</u>	
Transfers Out:					
General fund	\$ -	\$ 20,834	\$ -	\$ 1,471,924	5,823,522
Development Special Revenue					1,359,203
Redevelopment Debt Service					8,432,484
Redevelopment Capital Projects					70,600
Non-major Governmental				17,265	6,818,706
Water	7,300,000		8,622,575		15,922,575
Wastewater	2,067,242	6,000,000	4,057,683		12,124,925
Electric	8,747,575	4,057,683	13,914,194		26,889,746
Other Proprietary					224
Internal Service	851,606	734,906	22,024	1,000,000	7,951,031
Total Transfers In	<u>\$ 18,966,423</u>	<u>\$ 10,813,423</u>	<u>\$ 26,616,476</u>	<u>\$ 2,489,189</u>	<u>\$ 85,393,016</u>

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

4) Risk Management

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

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Claims Payable</u> <u>July 1,</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable</u> <u>June 30,</u>
2002	\$ 7,810,502	\$ 3,300,814	\$ (2,242,800)	\$ 8,868,516
2003	8,868,516	3,282,282	(2,371,043)	9,779,755
2004	9,779,755	3,524,800	(2,735,530)	10,569,025
2005	10,569,025	5,276,673	(3,724,233)	12,121,465
2006	12,121,465	5,672,759	(3,608,367)	14,185,857

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

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

The following reconciles Claims and Judgments Payable for the Liability Risk Self-Insurance fund, including property losses, for the five years ended June 30, 2006:

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2002	\$ 2,782,266	\$ 320,948	\$ (393,682)	\$ 2,709,532
2003	2,709,532	(1,188,934)	(225,814)	1,294,784
2004	1,294,784	1,290,549	(969,047)	1,616,286
2005	1,616,286	2,387,015	(1,772,269)	2,231,032
2006	2,231,032	3,413,926	(2,651,177)	2,993,781

The total liabilities amount to \$14,185,857 for Workers Compensation and \$2,993,781 for Liability. Of these amounts, \$2,157,743 and \$339,012 are the amounts due in one year or less, respectively. Claims are paid by the separate internal service funds for each liability.

5) Long-Term Receivables/Deferred Revenue/Unearned Revenue

	Loans Receivable	Long Term Receivable	Eliminated Gov't-Wide Statements
Major Funds			
General Fund	\$ -	\$ 287,932	
Dev. Special Rev.		1,899,354	X
Redev. Special Rev.	10,720,738		
Redev Cap Project	1,218,254		
Non-Major Funds			
Assessment Districts		2,930,000	X
HUD Grants	482,346		
Total	\$ 12,421,338	\$ 5,117,286	

Receivables on the balance sheet as of June 30, 2006 are presented by specific description so as not to be aggregated. The significant receivable balances in the governmental funds which are not expected to be collected within one year are identified as: 1) the General fund Long-Term Receivable represents reimbursement fees to be paid by developers for the Temescal Canyon Communications Tower, 2) Development funds report Long-Term Receivable for future developer impact fees for the Temescal Public Safety Facility, 3) Redevelopment Special Revenue funds report Loans Receivable for low-mod housing programs that have varying terms and re-payment provisions, 4) Redevelopment Capital Projects funds report Loans Receivable for various agreements with developers with long-term repayment provisions, and 5) Long-Term Assessments Receivable represent future assessments to be received for the payment of Assessment District debt which is considered to be a possible liability of the City in the case of default. Recognition of the revenues from these assessments has been deferred until both measurable and available. Once received, the monies will be used to meet the annual debt service requirements on related bonds.

The development funds deferred revenues represent developer impact fees related to the Temescal Public Safety Facility. The deferred revenues in debt service funds represent

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

future assessments to be received for the payment of Assessment District debt and other lease revenue to be used to meet the related debt obligation. These deferred revenues are not reported in the government-wide statements.

The unearned revenues shown in the government-wide statements for Governmental activities in the general and redevelopment funds represent various loans and agreements from certain special revenue and capital project funds. Business-Type activities unearned revenues represent claims that have been approved by state agencies for Transit Services, but not spent in the current period, customer prepayments of utility billings, and a long term agreement between Metropolitan Water District of Southern California, Western Municipal Water District and the City of Corona which utilizes the City's desalter plant to treat groundwater in conjunction with imported water as a means of increasing the potable water available to Corona customers.

6) Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the "modified approach" as defined by GASB Statement No. 34 for infrastructure reporting for its pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "modified approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on infrastructure assets.

Infrastructure Assets

<u>Description</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Cost</u>
Governmental Activities:			
Modified Approach:			
Street Pavement System	\$ 164,725,096	\$ -	\$ 164,725,096
Basic Approach:			
Curbing	73,179,639	(23,254,716)	49,924,923
Sidewalks	80,330,293	(24,948,040)	55,382,253
Signs and Lights	32,631,740	(7,116,045)	25,515,695
Storm Drains	62,611,419	(15,665,868)	46,945,551
Fiberoptics	1,187,096	(220,988)	966,108
Subtotal Basic Approach	<u>249,940,187</u>	<u>(71,205,657)</u>	<u>178,734,530</u>
Total Governmental Activities	<u>\$ 414,665,283</u>	<u>\$ (71,205,657)</u>	<u>\$ 343,459,626</u>
Business-Type Activities:			
Basic Approach:			
Fiberoptics	\$ 235,951	\$ (46,061)	\$ 189,890
Electric	2,704,263	(38,775)	2,665,488
Water	132,879,347	(27,848,849)	105,030,498
Wastewater	48,620,194	(10,323,445)	38,296,749
Total Business-Type Activities	<u>\$ 184,439,755</u>	<u>\$ (38,257,130)</u>	<u>\$ 146,182,625</u>

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2004

Capital Assets of the City for the year ended June 30, 2006, consisted of the following:

	Balance * July 1, 2005	Increases	Decreases	Inventory Adjustments	Balance June 30, 2006
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 57,824,172	\$ 491,797	\$ -	\$ -	\$ 58,315,969
Streets	163,014,005	1,711,091			164,725,096
Construction in Progress	50,598,264	8,209,167	(46,887,625)	72,823	11,992,629
Total capital assets not being depreciated	271,436,441	10,412,055	(46,887,625)	72,823	235,033,694
Capital assets being depreciated:					
Buildings and Improvements	116,428,538	42,005,023	(37,782)		158,395,779
Machinery and Equipment	23,911,866	5,653,556	(486,958)		29,078,464
Infrastructure	246,429,394	3,510,793			249,940,187
Total capital assets being depreciated	386,769,798	51,169,372	(524,740)	-	437,414,430
Less accumulated depreciation for:					
Buildings and Improvements	(57,261,014)	(3,179,166)	37,782		(60,402,398)
Machinery and Equipment	(13,010,505)	(1,911,637)	431,368		(14,490,774)
Infrastructure	(67,281,547)	(3,924,110)			(71,205,657)
Total accumulated depreciation	(137,553,066)	(9,014,913)	469,150	-	(146,098,829)
Total capital assets being depreciated, net	249,216,732	42,154,459	(55,590)	-	291,315,601
Governmental activity capital assets, net	\$ 520,653,173	\$ 52,566,514	\$ (46,943,215)	\$ 72,823	\$ 526,349,295
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 2,465,454	\$ -	\$ -	\$ (1,071)	\$ 2,464,383
Wastewater Rights	9,180,000	-			9,180,000
Construction in Progress	103,824,993	23,739,018	(73,288,732)	(91,536)	54,183,743
Total capital assets not being depreciated	115,470,447	23,739,018	(73,288,732)	(92,607)	65,828,126
Capital assets being depreciated:					
Buildings and Improvements	84,968,112	31,551,872	(36,115)		116,483,869
Machinery and Equipment	40,805,598	21,661,637	(159,108)	(17,374)	62,290,753
Infrastructure	159,855,014	24,584,741			184,439,755
Total capital assets being depreciated	285,628,724	77,798,250	(195,223)	(17,374)	363,214,377
Less accumulated depreciation for:					
Buildings and Improvements	(19,574,119)	(2,394,676)	1,428		(21,967,367)
Machinery and Equipment	(15,874,432)	(3,547,984)	143,708		(19,278,708)
Infrastructure	(35,207,620)	(3,049,510)			(38,257,130)
Total accumulated depreciation	(70,656,171)	(8,992,170)	145,136	-	(79,503,205)
Total capital assets being depreciated, net	214,972,553	68,806,080	(50,087)	(17,374)	283,711,172
Business-type activity capital assets, net	\$ 330,443,000	\$ 92,545,098	\$ (73,338,819)	\$ (109,981)	\$ 349,539,298
Total Capital Assets	\$ 851,096,173	\$ 145,111,612	\$ (120,282,034)	\$ (37,158)	\$ 875,888,593

* Balances are as adjusted. See Note 34

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

Interest expense in the amount of \$3,869,921 has been capitalized in the business-type capital assets.

For the year ended June 30, 2006, depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$	1,419,494
Public Safety – Fire		509,158
Public Safety – Police		909,774
Public Works		4,276,139
Community Development		212,472
Parks & Recreation		1,646,887
Library		<u>40,989</u>
Total Depreciation Expense	\$	<u>9,014,913</u>

Business-type activities:

Water	\$	4,554,162
Wastewater		2,580,524
Electric		1,841,776
Transit		<u>147,242</u>
Total Depreciation Expense	\$	<u>9,123,704</u>

Construction Commitments

The City has active construction projects as of June 30, 2006. These projects include street construction in areas of newly developed housing, pavement rehabilitation, various water and wastewater upgrades and replacements, and the construction of an electric cogeneration dryer facility. At year end, the City's commitments for construction totaled \$66,176,369.

7) Compensated Absences

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of this debt, amounting to \$1,880,844 for governmental activities and \$195,860 for business-type activities at June 30, 2006, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds. The total amount outstanding at June 30, 2006 was \$7,503,845 for governmental activities and \$1,263,269 for business type activities.

CITY OF CORONANotes to the Basic Financial Statements (continued)
June 30, 2006

	<u>Balance July 1, 2005</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More than One Year</u>
Governmental Activities						
Compensated Absenses	\$ 7,014,697	\$ 5,972,152	\$ 5,483,004	\$ 7,503,845	\$ 5,623,001	\$ 1,880,844
Business-Type Activities						
Compensated Absenses	\$ 1,220,042	\$ 1,098,000	\$ 1,054,773	\$ 1,263,269	\$ 1,067,410	\$ 195,859

8) Agreements Payable

Through the Redevelopment Agency, the City has entered into agreements with developers for purposes of economic development. There are two agreements currently outstanding with differing terms and conditions. The obligation for payment is based on the increase in taxes generated by improvements to the property. The combined total payable at June 30, 2006 is \$1,567,229.

9) Long-Term Obligations

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More than One Year</u>
Governmental Activities:						
Loans Payable	\$ 1,907,264	\$ -	\$ 422,474	\$ 1,484,790	\$ 422,425	\$ 1,062,365
Long Term Agreement Payable	1,300,834	-	185,834	1,115,000	185,834	929,166
Lease Payable	882,876	-	96,347	786,529	100,052	686,477
General Obligation Bonds Payable	3,635,000	-	1,100,000	2,535,000	260,000	2,275,000
Redevelopment Bonds Payable	45,485,000	-	2,730,000	42,755,000	1,735,000	41,020,000
Lease Revenue Bonds Payable	53,940,000	-	1,965,000	51,975,000	2,025,000	49,950,000
Special Assessment District Bonds	3,255,000	-	325,000	2,930,000	295,000	2,635,000
Total Governmental Activities	\$ 110,405,974	\$ -	\$ 6,824,655	\$ 103,581,319	\$ 5,023,311	\$ 98,558,008
Business-Type Activities:						
Installment Agreement Payable	\$ 432,320	\$ -	\$ 135,883	\$ 296,437	\$ 148,236	\$ 148,201
Contracts Payable	716,572	-	-	716,572	-	716,572
Term Loan Payable	35,185,577	9,264,393	1,021,269	43,428,701	2,143,878	41,284,823
Water Revenue Bonds	32,690,000	-	795,000	31,895,000	825,000	31,070,000
Capital Leases	172,628,344	-	-	172,628,344	-	172,628,344
Certificates of Participation	101,760,000	-	450,000	101,310,000	720,000	100,590,000
Total Business-Type Activities	\$ 343,412,813	\$ 9,264,393	\$ 2,402,152	\$ 350,275,054	\$ 3,837,114	\$ 346,437,940

10) Loans Payable

The Loans Payable amount is a loan made to the City from the Riverside County Transportation Commission of future Measure A Revenues for the Smith, Maple, and Lincoln Bridges projects. The Measure A advances outstanding at June 30, 2006 total

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

\$1,484,790 and bear blended interest of 5.611% payable in monthly installments through June, 2009.

11) Long Term Agreement Payable

1. Pursuant to the Cooperation Agreement dated February 13, 1985 between the Riverside County Flood Control and Water Conservation District and the Redevelopment Agency of the City of Corona, the Agency recorded an obligation in the amount of \$1,244,689 in fiscal years 2000-01 through 2003-04. During the fiscal year 2004-05, the Agency and the District executed a Settlement and Release Agreement. The Agency's unpaid obligation coupled with accrued interest was determined to be \$1,300,834. The Settlement and Release Agreement will allow the Agency to pay the principal balance of the obligation in equal annual payments of \$185,834 over a seven year period, plus accrued interest. The District will calculate the interest due on the principal balance at an adjustable rate in accordance with the average Riverside County Treasurer Pooled Investment Interest Rate. The amount outstanding at June 30, 2006 was \$1,115,000.

Fiscal Year Ending	Flood Control Payment Schedule		
	Principal	Interest	Total
2007	\$ 185,834	\$ 42,716	\$228,550
2008	185,834	39,156	224,990
2009	185,834	34,457	220,291
2010	185,834	28,427	214,261
2011	185,834	20,847	206,681
2012	185,830	11,466	197,296
Totals	\$ 1,115,000	\$ 177,069	\$1,292,069

12) Lease Payable

The City entered into a lease purchase agreement for \$1,065,000 with a funding date of November 22, 2002 for the purpose of purchasing a helicopter and related equipment for use by the City, primarily the Police Department. The helicopter has been recorded as a fixed asset at its purchase price. The lease/purchase is payable over a ten year period at a rate of 3.845% interest in equal installments of \$130,294 per year through the year 2012.

The City's obligation under the lease, as represented by the present value of the minimum future lease payments as of June 30, 2006 is recorded as a long-term obligation in the general fund.

At June 30, 2006, the future minimum lease payments required under the capital lease and the net present value of the future lease payments is as follows:

<u>Fiscal Year Ending</u>	<u>Lease Payment</u>
2007	\$ 130,294

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

2008	130,294
2009	130,294
2010	130,294
2011	130,294
2012-2013	260,586
Total minimum lease payments	912,056
Less: Amount representing interest	(125,527)
Present Value of Future Minimum Lease Payments	\$ 786,529

13) General Obligation Bonds

These bonds are secured by the City's taxing power. General obligation bonds outstanding at June 30, 2006 are summarized as follows:

\$7,225,000 1995 Refunding General Obligation Bonds \$2,535,000

On December 20, 1995, the City issued \$7,225,000 in 1995 General Obligation Refunding Bonds for the purposes of providing funds to advance refund the series 1988A Corona General Obligation Bonds issued in the aggregate principal amount of \$7,390,000. The Series 1988A bonds were issued for the acquisition and improvement of land for the City's Public Library. The outstanding bonds bear interest from 4.8% to 5.1% and are due in annual installments ranging from \$260,000 to \$310,000 through July 1, 2009 with term bonds of \$1,390,000 due on July 1, 2013. The bonds are payable from ad valorem taxes levied against all taxable real property in the City (with the exception of certain classes of personal property).

Fiscal Year Ending	1995 Refunding Bonds		
	Principal	Interest	Total
2007	\$ 260,000	\$ 121,690	\$ 381,690
2008	280,000	108,450	388,450
2009	295,000	94,075	389,075
2010	310,000	78,795	388,795
2011-2014	1,390,000	146,370	1,536,370
Totals	\$ 2,535,000	\$ 549,380	\$ 3,084,380

14) Redevelopment Tax Allocation Bonds

These bonds are special obligations of the Corona Redevelopment Agency and are payable from specific pledged revenues. The following Tax Allocation Bonds were outstanding at June 30, 2006:

\$ 9,355,000 Redevelopment Agency, 1996 Project Area "A" Set-Aside Tax Allocation Bonds	\$ 7,255,000
\$36,910,000 Redevelopment Agency, 2004 Project Area "A" Tax Allocation and Refunding Bonds	35,500,000
Total Redevelopment Tax Allocation Bonds	\$ 42,755,000

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

On October 15, 1996, the Corona Redevelopment Agency issued \$9,355,000 of Redevelopment Project Area "A" Housing Set-Aside Tax Allocation Bonds to provide funds for a portion of the costs of reconstruction and rehabilitation of an apartment complex of approximately 160 units by the Southern California Housing Development Corporation and certain other activities for the provision of low and moderate income housing within the Project Area. The bonds were issued for sale to the Corona Public Financing Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 2 of Title 1 (commencing with Section 6584) of the California Government Code (the "JPA Law"). The bonds purchased by the Authority were resold concurrently to the Underwriter. The outstanding bonds bear interest from 5.20% to 5.63% and are due in annual installments ranging from \$295,000 to \$385,000 through September 1, 2011, with term bonds of \$2,255,000 due September 1, 2016, and \$2,965,000 due September 1, 2021. The bonds are payable from pledged revenues of the Housing Set-Aside funds of the Redevelopment Agency. The annual debt service requirements for the 1996 Redevelopment Tax Allocation Bond are as follows:

Fiscal Year Ending	1996 Set-Aside Tax Allocation Bonds		
	Principal	Interest	Total
2007	\$ 295,000	\$ 390,801	\$ 685,801
2008	315,000	374,941	689,941
2009	330,000	358,171	688,171
2010	345,000	340,449	685,449
2011	365,000	321,451	686,451
2012-2016	2,140,000	1,277,839	3,417,839
2017-2021	2,805,000	597,203	3,402,203
2022	660,000	18,563	678,563
Totals	\$ 7,255,000	\$ 3,679,418	\$10,934,418

The \$36,910,000 of Redevelopment Project Area "A" 2004 Tax Allocation and Refunding Bonds bear interest from 2.00% to 5.00% and are due in annual installments ranging from \$1,440,000 to \$2,795,000. The bonds are payable from tax increment revenues of the Agency received from the project area and other funds and accounts pledged under the indenture. The annual debt service requirements for the 2004 Redevelopment Tax Allocation Bond are as follows:

Fiscal Year Ending	2004 Tax Allocation Bonds		
	Principal	Interest	Total
2007	\$ 1,440,000	\$ 1,478,775	\$ 2,918,775
2008	1,470,000	1,447,838	2,917,838
2009	1,505,000	1,404,963	2,909,963
2010	1,555,000	1,351,413	2,906,413
2011	1,610,000	1,299,044	2,909,044
2012-2016	8,935,000	5,566,050	14,501,050
2017-2021	10,995,000	3,400,056	14,395,056

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

2022-2024	<u>7,990,000</u>	<u>612,250</u>	<u>8,602,250</u>
Totals	<u>\$ 35,500,000</u>	<u>16,560,389</u>	<u>\$ 52,060,389</u>

15) Lease Revenue Bonds

The following lease revenue bonds were outstanding at June 30, 2006:

\$13,000,000 Corona Public Financing Authority 2000 Lease Revenue Bonds Series A (reported as a liability of the City)	\$ 11,475,000
\$ 9,810,000 Corona Public Financing Authority 2001 Lease Ref Revenue Bonds, Series A (reported as a liability of the City)	7,390,000
\$35,000,000 Corona Public Financing Authority 2002 Lease Revenue Bonds, Series B (reported as a liability of the City)	33,110,000
Total Lease Revenue Bonds	<u>\$ 51,975,000</u>

The Corona Public Financing Authority 2000 Lease Revenue Bonds Series A were issued on October 10, 2000 in the amount of \$13,000,000 to pay a portion of the costs of the design, construction and acquisition of the City's Corporation Yard. The outstanding bonds bear interest from 4.50% to 5.35% and are due in annual installments ranging from \$355,000 to \$760,000 through 2022 with term bonds in the amount of \$2,525,000 due on September 1, 2025. The bonds are payable from the revenues expected to be received by the Authority from the City as lease payments for the acquired improvements.

Fiscal Year Ending	2000 Lease Revenue Bonds		
	Principal	Interest	Total
2007	\$ 355,000	\$ 570,505	\$ 925,505
2008	370,000	554,193	924,193
2009	390,000	537,093	927,093
2010	405,000	519,205	924,205
2011	425,000	500,530	925,530
2012-2016	2,430,000	2,178,521	4,608,521
2017-2021	3,095,000	1,487,296	4,582,296
2022-2026	<u>4,005,000</u>	<u>556,674</u>	<u>4,561,674</u>
Totals	<u>\$ 11,475,000</u>	<u>\$ 6,904,017</u>	<u>\$ 18,379,017</u>

The Corona Public Financing Authority 2001 Lease Refunding Revenue Bonds, Series A were issued on May 10, 2001 in the amount of \$9,810,000 to refund the Corona Public Financing Authority 1993 Public Improvement Refunding Bonds originally issued in the aggregate principal amount of \$21,295,000. The outstanding bonds bear interest from 4.00% to 4.75% and are due in annual installments ranging from \$695,000 to \$970,000

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

through September 1, 2014. The bonds are payable pursuant to a lease agreement with the City.

Fiscal Year Ending	2001 Lease Revenue Bonds		
	Principal	Interest	Total
2007	\$ 695,000	\$ 307,568	\$ 1,002,568
2008	720,000	279,268	999,268
2009	750,000	249,493	999,493
2010	780,000	217,738	997,738
2011	815,000	183,835	998,835
2012-2015	3,630,000	347,231	3,977,231
Totals	\$ 7,390,000	\$ 1,585,133	\$ 8,975,133

The Corona Public Financing Authority 2002 Lease Revenue Bonds Series B were issued on September 1, 2002 in the amount of \$35,000,000 to pay the costs of the design, construction and acquisition of the City Hall facility. The outstanding bonds bear interest from 3.00% to 5.38% and are due in annual installments ranging from \$975,000 to \$1,930,000 through September 1, 2023 with term bonds in the amount of \$8,675,000 due on September 1, 2027. The bonds are payable from the revenues expected to be received by the Authority from the City as lease payments for the acquired improvements.

Fiscal Year Ending	2002 Lease Revenue Bonds		
	Principal	Interest	Total
2007	\$ 975,000	\$ 1,445,161	\$ 2,420,161
2008	1,005,000	1,415,461	2,420,461
2009	1,035,000	1,384,861	2,419,861
2010	1,065,000	1,353,361	2,418,361
2011	1,095,000	1,319,319	2,414,319
2012-2016	6,085,000	5,955,944	12,040,944
2017-2021	7,645,000	4,327,847	11,972,847
2022-2026	5,530,000	1,637,835	7,167,835
2027-2028	8,675,000	848,231	9,523,231
Totals	\$33,110,000	\$19,688,020	\$52,798,020

16) Special Assessment District Bonds (Indirect City Liability)

The payment of each bond is secured by valid assessment liens upon certain property in each district and is not a direct liability of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur and the City may, from time to time, when due and delinquent, advance available funds to pay the amount of any

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

succeeding installment of the principal and the interest on the bonds. Therefore, the bonds are recorded as liabilities in the accompanying financial statements pursuant to GASB Statement No. 6.

The following Assessment District Bonds were outstanding at June 30, 2006:

\$3,630,086 Assessment District No. 89-1 Improvement Bonds	\$ 1,340,000
\$3,000,000 Assessment District No. 90-1 Improvement Bonds	1,590,000
Total Special Assessment District Bonds (Indirect City Liability)	<u>\$ 2,930,000</u>

\$3,630,086 Assessment District No. 89-1 Improvement Bonds were issued to finance construction and acquisition of improvements in the Railroad Street Industrial Area. The outstanding bonds bear interest of 7.45% to 7.60% and mature in remaining annual installments of \$185,000 to \$265,000 through September 2, 2011.

\$3,000,000 Assessment District No. 90-1 Improvement Bonds were issued to finance construction and acquisition of improvements within Tract 22909. The outstanding bonds bear interest of 8.00% and mature in remaining annual installments of \$110,000 to \$220,000 through September 2, 2015.

The annual debt service requirements by year for Assessment District Bonds are as follows:

Fiscal Year Ending	A.D. 89-1		
	Principal	Interest	Total
2007	\$ 185,000	\$ 94,249	\$ 279,249
2008	200,000	79,858	279,858
2009	215,000	64,241	279,241
2010	230,000	47,443	277,443
2011	245,000	29,450	274,450
2012	265,000	10,070	275,070
Totals	<u>\$ 1,340,000</u>	<u>\$ 325,311</u>	<u>\$ 1,665,311</u>

Fiscal Year Ending	A.D. 90-1		
	Principal	Interest	Total
2007	\$ 110,000	\$ 122,800	\$ 232,800
2008	115,000	113,800	228,800
2009	125,000	104,200	229,200
2010	140,000	93,600	233,600
2011	150,000	82,000	232,000
2012-2016	950,000	201,200	1,151,200
Totals	<u>\$ 1,590,000</u>	<u>\$ 717,600</u>	<u>\$ 2,307,600</u>

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

17) Installment Agreement Payable

On June 28, 2005, the City of Corona entered into an agreement with Southern California Edison to make monthly installments for a delayed billing for electrical services to a meter installed at 219 West Grand Boulevard for a total of \$444,673. The City will make 36 equal payments of \$12,353 through May 2008. The amount outstanding at June 30, 2006 was \$296,437.

	<u>Southern California Edison Payment Schedule</u>	
<u>Fiscal Year</u> <u>Ending</u>		<u>Installments</u>
2007	\$	148,236
2008		148,201
Totals	\$	296,437

18) Contracts Payable

Contracts Payable arise from the acquisition of certain water and wastewater facilities and represent amounts due to Western Municipal Water District payable from future water and wastewater connection fees associated with the acquired facilities. Future connections are provided as needed in the area and as such cannot be scheduled. When connection fees are received the amounts attributable to the cost of physical connection are recognized as revenue and any additional amounts are credited to the contributed capital account. The amount outstanding at June 30, 2006 was \$716,572.

19) Term Loans Payable

The following Term Loans Payable were outstanding at June 30, 2006:

State Revolving Fund Loan Contract No. 6-807-5850-0	\$	16,193,884
State Revolving Fund Loan Contract No. C-06-4802-110		27,234,817
Total Term Loans Payable	\$	43,428,701

On September 17, 1996, and February 20, 1997, the City and the State Water Resources Control Board of the State of California entered into a State Revolving Fund Loan Contract No. 6-807-5850-0 for a total of \$22,244,222 for purposes of expansion of the Wastewater Treatment Plant No. 1. The loan is payable over a period of 20 years at the rate of 2.8% interest in equal installments of \$1,503,293 through October 2018. The amount outstanding at June 30, 2006 was \$16,193,884.

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

**Term Loan Payable
State Revolving Loan 6-807-5850-0**

Fiscal Year Ending	Principal	Interest	Total
2007	\$ 1,049,864	\$ 453,429	\$ 1,503,293
2008	1,079,260	424,033	1,503,293
2009	1,109,480	393,813	1,503,293
2010	1,140,545	362,748	1,503,293
2011	1,172,480	330,813	1,503,293
2012-2016	6,373,619	1,142,846	7,516,465
2017-2019	4,268,636	241,243	4,509,879
Totals	\$ 16,193,884	\$ 3,348,925	\$ 19,542,809

On June 10, 2003, the City and the State Water Resources Control Board of the State of California entered into a State Revolving Fund Loan Contract No. C-06-4802-110 for a maximum amount of \$29,940,000, for construction of facilities at the Wastewater Treatment Plant No. 1. These facilities will provide recycled water to existing and potential users within the City. The loan is payable over a period of 20 years at the rate of 2.5% interest in equal annual installments of \$1,745,176 through the year 2025. The amount outstanding at June 30, 2006 was \$27,234,817.

**Term Loan Payable
State Revolving Loan C-06-4802-110**

Fiscal Year Ending	Principal	Interest	Total
2007	\$ 1,094,014	\$ 651,162	\$1,745,176
2008	1,091,656	653,520	1,745,176
2009	1,118,947	626,229	1,745,176
2010	1,146,921	598,255	1,745,176
2011	1,175,594	569,582	1,745,176
2012-2016	6,333,792	2,392,089	8,725,881
2017-2021	7,166,104	1,559,777	8,725,881
2022-2026	8,107,789	618,091	8,725,880
Totals	\$ 27,234,817	\$ 7,668,705	\$34,903,522

20) Water Revenue Bonds

The \$36,690,000 Corona Public Financing Authority 1998 Water Revenue Bonds were issued to finance the cost of certain improvements to the City's water system, consisting of the construction of a ground water desalting system and to refinance the outstanding 1994 Water System Improvement Project Certificates of Participation. The bonds bear interest from 3.90% to 4.75% and are due in annual installments ranging from \$825,000 to \$1,100,000 through 2013 with term bonds in the amount of \$6,305,000, 7,950,000 and \$10,025,000 due on September 1, 2018, 2023 and 2028, respectively. The bonds are

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

considered a liability of the water fund. Corresponding long-term receivable and deferred revenue has been eliminated for the Corona Public Financing Authority.

Fiscal Year Ending	1998 Water Revenue Bonds		
	Principal	Interest	Total
2007	\$ 825,000	\$ 1,462,010	\$ 2,287,010
2008	855,000	1,428,823	2,283,823
2009	890,000	1,393,478	2,283,478
2010	925,000	1,355,808	2,280,808
2011	965,000	1,315,876	2,280,876
2012-2016	5,500,000	5,875,904	11,375,904
2017-2021	6,920,000	4,417,975	11,337,975
2022-2026	8,725,000	2,568,206	11,293,206
2027-2029	6,290,000	457,425	6,747,425
Totals	\$ 31,895,000	\$ 20,275,505	\$ 52,170,505

21) Certificates of Participation

The certificates of participation are special obligations of the issuer and are payable from specific pledged revenues of the issuing agency. The certificates are not payable from any other revenues or assets of the City. Neither the faith and credit nor the taxing power of the City of Corona, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the certificates.

As of June 30, 2006, the balances outstanding were:

\$ 7,010,000 Corona Public Improvement Corporation 1997 Sunkist Wastewater Treatment Facilities Refunding Bonds	\$ 4,555,000
\$68,030,000 Corona Public Financing Authority 2003 Clearwater Cogeneration / Recycled Water Projects	67,735,000
\$29,020,000 Corona Public Financing Authority 2005 Clearwater Cogeneration	29,020,000
Total Certificates of Participation	\$ 101,310,000

On January 21, 1997, the Corona Public Improvement Corporation issued \$7,010,000 in 1997 Refunding Certificates of Participation for the purposes of refunding the remaining \$6,425,000 of the 1986 Sunkist Wastewater Treatment Facilities Certificates of Participation and to pay the costs incurred in connection with the issuance, sale, and delivery of the bonds as well as to establish a reserve fund. The original certificates were issued to finance the acquisition, construction and installation of certain improvements to the City's Wastewater Treatment Plant No. 2 (Sunkist Plant). The new bonds bear interest rates from 4.80% to 5.50% and are due in annual installments ranging from \$315,000 to \$530,000 through August 1, 2016. The certificates are payable pursuant to a lease agreement (Corona Public Improvement Corporation to the Wastewater Utility) from revenues of the Wastewater Capacity fund and as such have been shown as long-term

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

obligations (Long-Term Installments Payable) of the Wastewater Utility and eliminated from the General Long-Term Debt of the City. A corresponding long-term obligation and deferred revenue has been eliminated for the Corona Public Improvement Corporation.

Fiscal Year Ending	1997 Refunding Certificates of Participation		
	Principal	Interest	Total
2007	\$ 315,000	\$ 232,660	\$ 547,660
2008	335,000	216,893	551,893
2009	350,000	199,935	549,935
2010	370,000	181,750	551,750
2011	385,000	162,305	547,305
2012-2016	2,270,000	469,173	2,739,173
2017	530,000	14,575	544,575
Totals	\$ 4,555,000	\$ 1,477,291	\$ 6,032,291

On May 20, 2003, the Corona Public Financing Authority issued \$68,030,000 in 2003 Certificates of Participation for the purpose of financing the acquisition, construction and installation of the Clearwater Cogeneration and Biosolids Project (the "Cogeneration Project"), to finance a portion of the Recycled Water Project and to pay the costs incurred in connection with the issuance, sale and delivery of the bonds as well as to establish a capitalized interest fund and a reserve fund. The bonds bear interest from 1.50% to 5.00% due in installments of \$150,000 to \$3,065,000 through September 1, 2023 with term bonds of \$17,760,000 due September 1, 2028 and \$12,930,000 due September 1, 2031.

The City purchased the Cogeneration Project from the Corona Public Financing Authority pursuant to an Installment Purchase agreement for a principal amount of \$60,875,000 which is recorded in the City of Corona's Electric Fund. The City will pay purchase payments to the Corona Public Financing Authority from revenues pursuant to two separate Power Sales Agreements between the City and the Corona Utility Authority, and as such have been shown as long-term obligations (Certificates of Participation) of the City's Electric Fund and eliminated from the General Long-Term Debt of the City. A corresponding long-term obligation and deferred revenue has also been eliminated from the Corona Public Financing Authority.

The City purchased the Recycled Water Project from the Corona Public Financing Authority pursuant to an Installment Purchase agreement for a principal amount of \$7,155,000. The City will pay purchase payments to the Corona Public Financing Authority pursuant to a Recycled Water Project Lease Agreement (City of Corona to the Corona Utility Authority). The Corona Utility Authority will make payments to the City from net revenues of the recycled water system and as such have been shown as long-term obligations (Certificates of Participation) of the Water Utility and eliminated from the General Long-Term Debt of the City. A corresponding long-term obligation and deferred revenue has been eliminated from the Corona Public Financing Authority.

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

Fiscal Year	2003 Certificates of Participation			
	Ending	Principal	Interest	Total
2007		\$ 150,000	\$ 3,203,213	\$ 3,353,213
2008		1,550,000	3,186,213	4,736,213
2009		1,575,000	3,137,244	4,712,244
2010		1,650,000	3,066,650	4,716,650
2011		1,720,000	2,995,125	4,715,125
2012-2016		9,625,000	13,931,513	23,556,513
2017-2021		12,020,000	11,422,000	23,442,000
2022-2026		15,345,000	8,018,125	23,363,125
2027-2031		19,575,000	3,673,625	23,248,625
2032		4,525,000	113,125	4,638,125
Totals		\$ 67,735,000	\$ 52,746,833	\$ 120,481,833

The Corona Public Financing Authority issued \$29,020,000 in 2005 Certificates of Participation for the purpose of financing the remaining costs associated with the acquisition, construction and installation of the Cogeneration Project and the Electric Distribution Facilities Project. The bonds bear interest from 3.00% to 5.00% due in installments of \$255,000 to \$905,000 through September 1, 2021 with term bonds of \$2,945,000 due September 1, 2024, \$5,910,000 due September 1, 2029 and \$9,280,000 due September 1, 2035.

Approximately \$8.9 million of the proceeds of the Certificates will finance the remaining amounts needed to complete the Cogeneration Project. The City will purchase such remaining facilities of the Cogeneration Project from the Financing Authority pursuant to an Installment Purchase Agreement. Pursuant to the Installment Purchase Agreement, the City will pay Purchase Payments to the Financing Authority.

Approximately \$15 million of the proceeds of the Certificates will finance the acquisition, construction and installation of the electric distribution facilities necessary to supply power to all Greenfield developments within the City. The City will purchase such electric distribution facilities from the Financing Authority pursuant to an Installment Purchase Agreement. On May 7, 2003, the City announced that it would no longer pursue its plan to acquire Southern California Edison's distribution facilities within the City and terminated the eminent domain proceedings. Approximately \$3.1 million of the proceeds of the Certificates reimbursed the City for certain costs incurred in connection with such terminated eminent domain proceedings.

2005 Certificates of Participation

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

Fiscal Year Ending	Principal	Interest	Total
2007	\$ 255,000	\$ 1,274,285	\$ 1,529,285
2008	560,000	1,262,060	1,822,060
2009	575,000	1,245,035	1,820,035
2010	590,000	1,227,560	1,817,560
2011	610,000	1,209,560	1,819,560
2012-2016	3,360,000	5,727,904	9,087,904
2017-2021	4,030,000	5,033,185	9,063,185
2022-2026	4,920,000	4,106,359	9,026,359
2027-2031	6,205,000	2,784,875	8,989,875
2032-2036	7,915,000	1,028,125	8,943,125
Totals	\$ 29,020,000	\$ 24,898,948	\$ 53,918,948

22) Internal Balances – Capital Leases**A. Related Parties**

In 2002, the City of Corona (City) established the Corona Utility Authority (Authority) as a joint powers authority pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and wastewater utility systems. The Authority's Officers are the Corona City Council.

B. Capital Lease Obligations

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

The capital assets of the water and wastewater facilities were recorded at the City's historical cost, net of accumulated depreciation, and related debt has also been recorded resulting in a lease payable for an amount equal to the net assets recorded on the City's financial statements. Lease payments are made quarterly for an amount equal to 8.0% of water and wastewater's utility service charges.

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

Capital Leases - Water Facility	\$ 106,819,662
Capital Lease - Wastewater Facility	65,808,682
Total Internal Balances - Capital Leases	\$ 172,628,344

C. Capital Lease Payments

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

At June 30, 2006, the future minimum lease payments required under the capital leases and the net present value of the future lease payments were as follows:

<u>Fiscal Year Ending</u>	<u>Water Facility</u>	<u>Lease Payment</u>
2007		\$ 2,957,558
2008		3,075,861
2009		3,198,895
2010		3,326,851
2011		3,459,925
2012-2016		19,489,673
2017-2021		23,712,166
2022-2026		28,849,476
2027-2031		35,099,800
2032-2036		42,704,273
2037-2041		51,956,278
2042-2046		63,212,756
2047-2051		76,907,983
2052-2056		200,389,983
	Total minimum lease payments	558,341,478
	Less: Amount representing interest	(451,521,816)
	Present Value of Future Minimum Lease Payments	\$ 106,819,662

<u>Fiscal Year Ending</u>	<u>Wastewater Facility</u>	<u>Lease Payment</u>
2007		\$ 1,554,386
2008		1,616,562
2009		1,681,224
2010		1,748,473
2011		1,818,412
2012-2016		10,243,072
2017-2021		12,462,263
2022-2026		15,162,248
2027-2031		18,447,193
2032-2036		22,443,831
2037-2041		27,306,352
2042-2046		33,222,353
2047-2051		40,420,072
2052-2056		114,985,880
	Total minimum lease payments	303,112,321
	Less: Amount representing interest	(237,303,639)
	Present Value of Future Minimum Lease Payments	\$ 65,808,682

D. 2006 Transactions

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

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

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

23) Special Assessment District Bonds (No City Liability)

The payment of these bonds is secured by valid assessment liens upon certain lands in each district and is not a direct liability of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur. Neither the faith and credit nor taxing power of the City of Corona is pledged to the payment of the bonds. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay those delinquencies out of any other available funds. The City acts solely as an agent for those paying the assessments and the bondholders.

As of June 30, 2006, the balances outstanding were:

\$3,482,630 A.D. No. 87-2 Improvement Bonds	\$ 440,000
\$ 855,000 A.D. No. 95-1 Improvement Bonds	620,000
\$1,624,200 A.D. No. 96-1 1996 A Improvement Bonds	1,195,000
\$ 685,000 A.D. No. 96-1 1997 A Improvement Bonds	525,000
\$1,605,000 A.D. No. 96-1 1997 B Improvement Bonds	1,275,000
\$2,657,100 A.D. No. 96-1 1999 A Improvement Bonds	2,245,000
Total Special Assessment District Bonds (No City Liability)	<u>\$ 6,300,000</u>

24) Community Facilities District Bonds (No City Liability)

These bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District and by the City Council. Neither the faith and credit nor taxing power of the City is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders.

Following is a list of the Community Facilities District Bonds currently active:

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

\$12,775,000 CFD 86-1 Refunding and Improvement Bonds	\$ 2,410,000
\$22,580,000 CFD 86-2 Refunding and Improvement Bonds	17,910,000
\$62,845,000 CFD 90-1 Refunding Bonds	45,775,000
\$19,505,000 CFD 97-2 Special Tax Bonds	16,885,000
\$ 6,485,000 CFD 2000-1, Series A Special Tax Bonds	6,165,000
\$ 1,610,000 CFD 2000-1, Series B Special Tax Bonds	1,560,000
\$20,295,000 Ref CFD 89-1, Series A District-Wide Local Bonds	16,420,000
\$15,715,000 Ref CFD 89-1, Series A-1 Imp Area Local Bonds	12,370,000
\$ 3,675,000 CFD 2001-2 Special Tax Bonds	3,540,000
\$ 9,415,000 CFD 2002-4 Special Tax Bonds	9,415,000
\$ 6,135,000 CFD 2003-2 Special Tax Bonds	6,135,000
\$22,475,000 CFD 2002-1 Special Tax Bonds & Escrow Term Bonds	22,475,000
\$ 3,805,000 CFD 2004-1 Special Tax Bonds	3,805,000
Total Community Facilities District Bonds (No City Liability)	\$164,865,000

25) Bond Requirements

At June 30, 2006, management believes the City and its component units are in compliance with all covenants of the various debt indentures.

26) Credit Agreements

The City has entered into letter of credit agreements with Citizens Business Bank and Bank of America. The Irrevocable Letters of Credit have been issued in favor of Southern California Edison to comply with various Interconnection Facilities Agreements that the Corona Department of Water & Power has entered into in order to provide electric distribution. The Irrevocable Letters of Credit have expiration dates; however they are automatically extended without amendment annually. The Irrevocable Letters of Credit are to remain in effect until all payment obligations under the terms of the Interconnection Facilities Agreements have been satisfied.

The following Irrevocable Letters of Credit are outstanding as of June 30, 2006:

<u>Payee</u>	<u>Issue Date</u>	<u>Renewal Date</u>	<u>Amount</u>
Southern California Edison	12/26/2002	12/26/2006	\$ 21,225
Southern California Edison	10/15/2005	10/16/2006	176,593
Southern California Edison	4/12/2006	4/12/2007	106,433
Southern California Edison	9/28/2005	10/14/2006	297,000
Southern California Edison	4/11/2006	4/5/2007	121,850
Total Irrevocable Letters of Credit			\$ 723,101

27) Classification of Net Assets

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

In the Government-Wide Financial Statements, net assets are classified in the following categories:

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

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.

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

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2006, reservations of fund balance are described below:

Reserved for Encumbrances - These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received.

Reserved for Loans Receivable - These reserves were established to reflect the non-current portion of other loans and other receivables so that they will not be considered as current available funds.

Reserved for Inventories and Prepayments - These reserves were established to reflect non-current resources so that they will not be considered as current available funds.

Reserved for Debt Service - These reserves were established to provide for future debt service.

Reserved for Land Held for Resale - This reserve was established to reflect non-current resources so they will not be considered as current available funds.

Reserved for Low and Moderate Income Housing - This designation represents 20% of tax increment revenues generated by the Redevelopment Project Area to increase and improve the supply of low and moderate income housing.

Reserved for Interfund Advances - These reserves were established to reflect the non-current portion of advances so that they will not be considered as current available funds.

Unreserved fund balances in the Fund Financial Statements are designated by Management as follows:

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

General Fund

Continuing Appropriations	\$	3,007,865
Miscellaneous		1,529,079
Development Agreements		3,861,018
ECB Reserve		3,774,886
Budget Balancing Reserve		16,017,410
Designated for Contingencies		15,998,993
Park Improvements		2,200,000
Corporate Yard Expansion Project		6,596,111
Total General Fund	\$	52,985,362

28) Deficit Fund Balances

The City Facilities fund in Special Revenue had a deficit fund balances of \$301,599 at June 30, 2006. This deficit will be financed through future revenues of the fund.

29) Defined Benefit Pension Plan**A. Plan Description**

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

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

B. Funding Policy

Active plan members in PERS are required to contribute a percent of their annual covered salary, as identified in the table below. The City pays the contributions required of all miscellaneous employees hired before January 1, 1999 and for all police safety employees hired before January 1, 2000. The employees hired after those dates pay a portion of the required member contribution totaling 3% and 4%, respectively, while the City pays the remaining 5% and 5% of the member's contribution, respectively. Fire

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

safety members make their employee payments on their own behalf regardless of hire date. The rates are set by statute and therefore normally remain unchanged from year to year.

<u>Category</u>	<u>Member Rates as a Percent of Wages</u>	<u>2005-06 Amount Paid</u>
Local Miscellaneous Members	8%	\$ 2,561,342
Local Police Safety Members	9%	1,182,117
Local Fire Safety Members	9%	<u>775,152</u>
Total Member Portion Paid		<u>\$ 4,518,611</u>

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

C. Annual Pension Cost

For fiscal year 2005-06, the City's annual pension cost was \$6,284,115, but the amount the City actually contributed was \$10,754,459 due to the unfunded liability. The required contribution for fiscal year 2005-06 was determined as part of the June 30, 2003 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) an investment rate of return of 7.75% (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% depending on age, service and type of employment for the miscellaneous employees (for the Safety Police Plan and the Safety Fire Plan, salary increases range from 3.25% to 13.15%). Both (a) and (b) include an inflation component of 3.00% and a payroll growth factor of 3.25% for all three groups, but do not include any post retirement benefit increases. The actuarial value of PERS assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over three year period. The City's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of payroll on a closed basis. The amortization period varies between the three different plans of the City. For the 2005-06 fiscal year the average remaining amortization periods were: Miscellaneous, 18 years; Police, 13 years; Fire, 17 years.

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

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>
Normal Cost Rate	9.57%	15.33%	15.05%
Unfunded Liability Rate	5.92%	14.17%	10.98%
Total Annual Rate	15.49%	29.50%	26.03%

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

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

D. Trend Information

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

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

30) Pension Plan (Defined Contribution)

The City provides pension benefits for all of its PST employees through the City's Deferred Compensation Plan for Part-time, Seasonal and Temporary Employees, which is a defined contribution plan. The plan is administered by Nationwide Retirement Solutions. The purpose of the plan is to provide part-time, seasonal and temporary employees with a retirement plan as mandated by and in compliance with the Federal Omnibus Reconciliation Act of 1990. Per Department of Treasury regulations, the City has established this substitute retirement plan under section 457 of the Internal Revenue Code of 1986, as amended. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate from the date of employment. The City requires the employee to contribute 6.2% of the 7.5% required by the Federal Government. The City's contribution for each employee and interest allocated to the employee's account are fully vested immediately. During the past year, the City contributed \$24,564 on hourly salaries of \$1,889,538 with the employees contributing \$117,151.

31) Post-employment Health Care Benefits

In addition to the pension benefits described above, the City provides postemployment health care benefits, in accordance with the health care regulations of the Public Employees Retirement System, to all employees who retire from the City on or after attaining age 50 with at least five years of service. Currently, 322 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$2,514,067 were recognized for postemployment health care.

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

32) Commitments and Contingencies

The City has entered into several operating lease agreements in the conduct of its day-to-day operations to provide for facilities and/or services. None of these operating leases are considered to be significant commitments.

As of June 30, 2006, the Redevelopment Agency had entered into various owner participation and development and disposition agreements with businesses and property owners within the Agency's project areas. These agreements provide for various incentives, including land subsidies, sales tax rebates and debt forgiveness to specific projects based on revenues generated by those projects.

The City is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions when finally adjudicated will not have material adverse effect on the financial position of the City.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or refunded to the taxpayers through revised tax rates or revised fee schedules. For the fiscal year ended June 30, 2006, the City's appropriations limit totals \$291,463,613 and the City's appropriations subject to limitation are \$73,214,964.

On November 5, 1996, California voters passed Proposition 218 which requires, in general, that any new implementation, increase or extension of taxes, fees, and charges be put to a vote of the public. The City has held two special elections for property owners in special districts asking for a proportional increase in the annual assessment for landscape maintenance on publicly owned medians and easements. All the elections were defeated. As a result, services in those districts continue to be provided at a level equal to the assessments prior to the elections.

On September 28, 1995, the California Supreme Court reversed a Court of Appeals decision which reinstated provisions of Proposition 62 which was a 1986 voter initiative that required all general taxes to be approved by simple majority vote of the electorate.

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

The Supreme Court provided very little detail on a number of issues surrounding their decision but the only possible exposure, if any, to the decision for the City would be its transient occupancy tax which was increased by 2% in 1989. It remains unclear what, if any, liability the City may have.

As of June 30, 2006, in the opinion of City Administration, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

33) Conduit Debt Obligations

Not included in the accompanying financial statements are various conduit debt obligations issued under the name of the City and/or the Redevelopment Agency. The Bonds are not secured by or payable from revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Corona Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal of and interest on the Bonds nor is the City or the Agency in any manner obligated to make any appropriations for payments on these bonds. At June 30, 2006, the aggregate principal amount of Conduit Debt Obligations outstanding totaled \$65,405,838.

34) Prior Period Adjustments

At June 30, 2006, the City of Corona reclassified certain information to correct transactions recorded incorrectly in prior years.

Due To / From Other Funds:

Increase General Fund Due From Other Funds	\$ 9,539,489
Increase Special Revenue Due To Other Funds	<u>(9,539,489)</u>
Net prior period adjustment to Due To / From Other Funds	<u>\$ 0</u>

Due From Other Governments

Increase Due From Other Governments	<u>\$ 431,556</u>
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Capital Assets:

Reduce Construction in Progress	\$ (1,762,160)
Reduce Government-Wide Construction in Progress	<u>(7,764,180)</u>
Net prior period adjustments to Capital Assets	<u>\$ (9,526,340)</u>

For the Government-Wide Financial Statements, the following restatement amounts were reported as of June 30, 2006:

CITY OF CORONANotes to the Basic Financial Statements (continued)
June 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Net Assets:		
As previously reported	\$ 711,801,326	\$ 62,034,144
Prior Period Adjustments	<u>(7,332,624)</u>	<u>(1,762,160)</u>
As restated	<u>\$ 704,468,702</u>	<u>\$ 60,271,984</u>

For the Fund Financial Statements, the following restatement amounts were reported as of June 30, 2006:

	<u>Major Funds</u>		
	<u>Proprietary Funds</u>		
	<u>Water</u> <u>Fund</u>	<u>Wastewater</u> <u>Fund</u>	
Fund Balances/Net Assets:			
As previously reported	\$ 38,961,118	\$ 19,860,891	
Prior Period Adjustments	<u>(1,703,701)</u>	<u>(58,459)</u>	
As restated	<u>\$ 37,257,417</u>	<u>\$ 19,802,432</u>	

	<u>Major Funds</u>		<u>Non-Major Funds</u>
	<u>Governmental</u> <u>Funds</u>		<u>Governmental</u> <u>Funds</u>
	<u>General Fund</u>	<u>Development</u> <u>Special Revenue</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>
Fund Balances/Net Assets:			
As previously reported	\$45,283,788	\$ 23,170,212	\$ 26,479,983
Prior Period Adjustments	<u>9,539,489</u>	<u>(9,539,489)</u>	<u>431,556</u>
As restated	<u>\$ 54,823,277</u>	<u>\$ 13,630,723</u>	<u>\$ 26,911,539</u>

35) Net Revenue and Changes in Net Assets

The governmental activities for the Public Works program reflect net revenue of \$7,255,693 on the Statement of Activities and Changes in Net Assets. This is due to the

CITY OF CORONA

Notes to the Basic Financial Statements (continued)

June 30, 2006

timing of the completion of capital projects funded in the program as well as the City's intentional building up of certain developer impact fees for upcoming capital improvement projects.

36) Subsequent Events

The Corona Public Financing Authority will be issuing 2006 Lease Revenue Bonds, Series C for approximately \$36 million. The Bonds are expected to be issued in December 2006. Approximately \$25 million in project funds will be used for phase one of the Corporation Yard Expansion Project. New construction is planned to include a two building complex which will house the Department of Water and Power, field staff, the Emergency Operations Center and a new jail. There will be various site improvements and the addition of an access road. It is intended that the Police Department will relocate to the existing Corporation Yard Administration Building. A portion of the proceeds of the Bonds will be used to refund and defease \$11,120,000 principal amount of the Authority's outstanding 2000 Lease Revenue Bonds, Series A maturing on September 1, 2007 and 2008 with the remaining bonds called on September 1, 2008. The new debt service attributable to the refunding will lower the annual debt service to the Authority. The existing Lease Agreement between the Authority and the City will be amended and restated to reflect the refunding and the addition of new debt.

The Redevelopment Agency of the City of Corona intends to issue 2007 Tax Allocation Series A Bonds in January 2007. The Bonds are being issued to finance redevelopment in the Temescal Canyon Project Area.

CITY OF CORONA

Required Supplementary Information

June 30, 2006

BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on four expenditure categories; personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature or known as *recurring costs*. Capital improvement projects are asset acquisitions, facilities, systems, and infrastructure improvements typically over \$50,000, and/or those items "outside" of the normal operational budget. These are known as *one-time costs*.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue, Debt Service and Capital Projects funds. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated. Corona follows the General Fund Expenditure Control Budget, or ECB, guidelines as outlined in the budget resolution.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Manager's Office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations before preparing the document that is proposed to the City Council. The City Council reviews the Proposed Budget through a series of committees and workshops and the final adoption of the budget is scheduled for the second City Council meeting in June.

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Before the beginning of the fiscal year the City Manager submits to the City Council a proposed budget for the year commencing July 1.
2. A public meeting is conducted to obtain taxpayer comments.
3. The budget is subsequently adopted through passage of a resolution and is not included herein but is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all unencumbered budgeted amounts lapse at year-end, except in the General Fund

CITY OF CORONA

Required Supplementary Information

June 30, 2006

- where an expenditure control budget policy allows departments to carryover a portion of the unexpended amounts into the next fiscal year.
5. Continuing Appropriations are re-budgeted by the City Council as part of the adoption of subsequent year's budgets.
 6. Legally adopted budget appropriations are set for the General, Special Revenue, Debt Service and Capital Projects Funds.
 7. The legal level of budgetary control is at the department level. A Department Head may transfer appropriations within the department. Expenditures may exceed appropriations at this level to the extent that departmental owned revenues are sufficient to offset the excess. Expenditures in excess of departmental owned revenues must be approved by the City Council. The City Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriation transfers between funds.
 8. Budgets for General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

The 2005-06 fiscal year budget was the twelfth year that the budget was prepared in accordance with the ECB policies adopted by the City Council for the General Fund. Departments are given increased flexibility and incentives for meeting their goals as well as being assigned greater accountability for their performance in carrying out their mission. According to the ECB policies, the departments are allowed to carry over certain unspent portions of their individual departmental budgets to be used in future years.

A comparison of the original budget to the final follows:

General Fund

Aside from prior year continuing appropriations of \$2.3 million for capital projects and \$1.9 million in committed purchase orders that were carried forward, there were \$3.5 million in supplemental appropriations for the General Fund. These supplemental appropriations included \$1.4 million of ECB savings that were approved for various departmental needs. Additionally, there were increases of \$0.2 million for Butterfield Park prefabricated buildings capital project, and \$1.4 million for public safety items, health costs increase, labor agreements, and paramedic training.

Development Special Revenue Funds

Continuing appropriations of \$10.8 million and \$1.0 million in committed purchase orders were carried forward from the prior year for various capital projects.

Redevelopment Special Revenue Fund

An increase in the final budget resulted from a carryover of \$0.8 million continuing appropriations from the prior year for various capital projects.

ECB Reserves

For fiscal year 2005-06 the amounts saved by the departments totaled \$1,909,514. The prior year carryover is \$1,865,372 giving the departments a total of \$3,774,886 in reserves. This is designated in the General Fund Balance under the title of Unreserved Fund Balance. Further details are in the Notes to the Basic Financial Statements under Note 27, ECB Reserve. The following presents a list of savings by department:

CITY OF CORONA

Required Supplementary Information

June 30, 2006

Department	FY 2005-06	Prior Year Carryover	Total ECB Savings Carryover
City Council	\$ 1,062	\$ 9,925	\$ 10,987
Management Services	40,245	72,470	112,715
City Clerk	14,033	17,816	31,849
City Treasurer	11	6,249	6,260
Human Resources	1,279	53,305	54,584
Information Technology		28,594	28,594
General Government		200,368	200,368
Finance	41,980	158,234	200,214
Planning	192,891	140,926	333,817
Building	86,754	745	87,499
Fire	515,526	147,104	662,630
Police	382,093	580,491	962,584
Public Works	99,174	330,759	429,933
Library	439,701	56,516	496,217
Parks and Community Services	94,765	61,870	156,635
Total	\$ 1,909,514	\$ 1,865,372	\$ 3,774,886

CITY OF CORONA

Required Supplementary Information (continued)

June 30, 2006

**Budgetary Comparison Schedule, General Fund
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
Fund Balance, July 1, Restated	\$ 45,283,788	\$ 45,283,788	\$ 54,823,277	\$ 9,539,489
Resources (inflows):				
Property Taxes	26,835,751	28,683,918	31,379,647	2,695,729
Other Taxes	42,371,700	45,773,323	47,243,504	1,470,181
Licenses, Fees, and Permits	2,381,304	2,641,504	3,742,038	1,100,534
Fines and Penalties	498,577	591,725	703,586	111,861
Investment Earnings	1,312,105	1,374,097	1,691,045	316,948
Intergovernmental Revenue	1,128,445	3,673,582	4,094,576	420,994
Current Services	7,208,947	7,648,003	9,847,203	2,199,200
Other Revenue	6,000,042	6,225,526	7,021,651	796,125
Payments in Lieu of Services	8,802,012	8,915,947	10,897,229	1,981,282
Transfers from other Funds	7,004,237	7,004,237	9,244,638	2,240,401
Amount available for appropriation	\$ 103,543,120	\$ 112,531,862	\$ 125,865,117	\$ 13,333,255
Charges to appropriations (outflows):				
General Government				
City Council	\$ 153,665	\$ 185,972	\$ -	\$ 185,972
Management Services	1,088,758	1,168,529	1,603,867	(435,338)
City Treasurer	16,106	17,660	17,637	23
Human Resources	696,071	788,154	785,596	2,558
Information Technology	1,716,059	1,784,221	1,764,631	19,590
Finance	2,929,641	2,986,908	2,862,070	124,838
Community Development:				
Building	2,361,183	2,591,453	2,385,786	205,667
Planning	1,804,820	2,106,830	1,689,430	417,400
Redevelopment	3,610,934	4,275,819	2,375,148	1,900,671
Public Safety:				
Fire	18,758,735	19,714,033	19,676,501	37,532
Police	35,079,388	35,939,476	35,450,559	488,917
Public Works				
Engineering	4,067,159	4,303,119	4,330,044	(26,925)
Services	4,189,975	4,454,449	4,381,821	72,628
Culture and Recreation:				
Library	2,655,849	3,006,167	2,931,794	74,373
Parks	7,470,972	7,505,147	7,284,504	220,643
Non-Departmental:				
General Government	11,919,890	11,889,714	9,711,252	2,178,462
Capital Outlay	4,628,679	8,245,475	2,364,297	5,881,178
Transfers to other funds	2,976,483	2,976,483	5,823,521	(2,847,038)
Total charges to appropriations	106,124,367	113,939,609	105,438,458	8,501,151
Excess of resources over (under) charges to appropriations	(2,581,247)	(1,407,747)	20,426,659	21,834,406
Fund Balance, June 30	\$ 42,702,541	\$ 43,876,041	\$ 75,249,936	\$ 31,373,895

CITY OF CORONA

Required Supplementary Information (continued)

June 30, 2006

**Budgetary Comparison Schedule, Development Special Revenue Fund
Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Favorable (Unfavorable) Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1, Restated	\$ 23,170,212	\$ 23,170,212	\$ 13,630,723	\$ (9,539,489)
Resources (inflows):				
Licenses, Fees and Permits	3,757,534	3,757,534	7,786,448	4,028,914
Investment Earnings	243,240	243,240	725,620	482,380
Intergovernment Revenues			14,156	14,156
Other Revenues			228,627	228,627
Payments in Lieu of Services	384,000	384,000	643,621	259,621
Transfers from other Funds			617,061	617,061
Amount available for appropriation	<u>\$ 4,384,774</u>	<u>\$ 4,384,774</u>	<u>\$ 10,015,533</u>	<u>\$ 5,630,759</u>
Charges to appropriations (outflows):				
General Government	\$ -	\$ -	\$ 1,025,298	\$ (1,025,298)
Public Works	176,471	161,186	788,490	(627,304)
Parks and Community Services			261,851	(261,851)
Fire	2,970	2,970	12,789	(9,819)
Police			208,338	(208,338)
Library			253,597	(253,597)
Capital Outlay	3,770,050	16,821,311	1,949,252	14,872,059
Debt Service			1,003,137	(1,003,137)
Transfers to other Funds	<u>485,478</u>	<u>485,478</u>	<u>1,359,203</u>	<u>(873,725)</u>
Total charges to appropriations	<u>4,434,969</u>	<u>17,470,945</u>	<u>6,861,955</u>	<u>10,608,990</u>
Excess of Resources over (under)				
Charges to Appropriations	<u>(50,195)</u>	<u>(13,086,171)</u>	<u>3,153,578</u>	<u>16,239,749</u>
Fund Balance, June 30	<u>\$ 23,120,017</u>	<u>\$ 10,084,041</u>	<u>\$ 16,784,301</u>	<u>\$ 6,700,260</u>

CITY OF CORONA

Required Supplementary Information (continued)

June 30, 2006

**Budgetary Comparison Schedule, Redevelopment Special Revenue Fund
Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 4,940,103	\$ 4,940,103	\$ 4,777,796	\$ (162,307)
Resources (inflows):				
Investment Earnings	65,328	65,328	121,789	56,461
Current Services				-
Other Revenues	333,000	333,000	734,259	401,259
Transfers from other Funds	2,872,614	2,872,614	3,817,787	945,173
Amount available for appropriation	<u>\$ 3,270,942</u>	<u>\$ 3,270,942</u>	<u>\$ 4,673,835</u>	<u>\$ 1,402,893</u>
Charges to appropriations (outflows):				
Redevelopment	\$ 2,417,144	\$ 4,368,885	\$ 4,467,775	\$ (98,890)
Debt Service:				-
Interest and Fiscal Charges	-	122,927	185,049	(62,122)
Transfers to Other Funds	709,270	709,270		709,270
Total charges to appropriations	<u>3,126,414</u>	<u>5,201,082</u>	<u>4,652,824</u>	<u>548,258</u>
Excess of Resources over (under)				
Charges to Appropriations	<u>144,528</u>	<u>(1,930,140)</u>	<u>21,011</u>	<u>1,951,151</u>
Fund Balance, June 30	<u>\$ 5,084,631</u>	<u>\$ 3,009,963</u>	<u>\$ 4,798,807</u>	<u>\$ 1,788,844</u>

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; water purification and distribution system; wastewater collection and treatment system; park and recreation lands and improvement system; storm water conveyance system; and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

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

CITY OF CORONA

Required Supplementary Information (continued)
June 30, 2006

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

In April 2005, the City commissioned a study to update the physical condition assessment of the streets. The prior assessment study was completed in November 2004. The streets, primarily concrete and asphalt pavements were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City owned streets are classified based on land use, access and traffic utilization into the following four classifications: arterial/major, secondary, collector and local. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Distressed	0-10

The City Policy is to achieve an average rating of 70 for all streets, which is a good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2005, the City's street system was rated at a PCI index of 71 on the average with the detail condition as follows:

<u>Condition</u>	<u>% of Streets</u>
Excellent to Good	79%
Fair	7%
Poor to Distressed	14%

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$7,253,669 on street maintenance for the fiscal year ended June 30, 2006. These expenditures delayed deterioration, however the overall condition of the streets was not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required maintaining the City's streets at the average PCI rating of 70 through the year 2011 is a

CITY OF CORONA

Required Supplementary Information (continued)

June 30, 2006

minimum of \$9,700,000. A schedule of the estimated annual amount required to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below.

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>PCI Rating</u>
2001-02	3,500,000	4,542,385	74
2002-03	3,500,000	5,993,817	73
2003-04	3,500,000	5,326,688	71
2004-05	3,500,000	3,605,489	71
2005-06	4,000,000	7,253,669	71

The City also has an on-going street rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System (PMS). As of June 30, 2005, approximately 21% of the City's streets were rated below the average standard of 70. This represents a decrease over the prior year when the City had 17% of its streets rated below 70. The City will continue to rehabilitate these segments of the streets. Total deficiencies identified in the PMS amounted to approximately \$65,300,000 for all streets, with \$43,700,000 in deficiencies on street segments rated below the PCI of 70.

PENSION TREND DATA

A schedule of funding progress for the year ended June 30, 2006 including the past three actuarial valuations is presented below.

The Fire Safety Plan of the City of Corona had less than 100 members as of June 30, 2003. CalPERS required participation in a risk pool, known as "Safety 3.0% at 50 Risk Pool." At the time of joining the risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan. The difference in the pool's normal cost and the City's stand-alone normal cost will be phased out over five years, beginning in 2005/2006 and continuing until the Fire Safety Plan is fully subject to the pool's normal cost. The schedule of funding progress below shows the recent history of the Risk Pool for the Fire Safety Employees Group.

CITY OF CORONA

Required Supplementary Information (continued)

June 30, 2006

	Actuarial	Actual	Entry Age	Underfunded			Underfunded
	Valuation	Asset	Actuarial	(Overfunded)	Funded	Covered	(Overfunded)
	Date	Value	Accrued	Actuarial	Ratio	Payroll	Actuarial
			Liability	Liability			Liability as
							Percentage of
							Covered
							Payroll
Miscellaneous	06/30/03	87,170,828	105,034,472	17,863,644	83.0%	30,202,943	59.1%
Employees Group	06/30/04	94,372,442	114,672,033	20,299,591	82.3%	31,103,806	65.3%
	06/30/05	106,687,885	137,222,993	30,535,108	77.7%	31,576,569	96.7%
Police Safety	06/30/03	52,785,103	64,422,503	11,637,400	81.9%	11,371,786	102.3%
Employees Group	06/30/04	58,349,169	70,528,257	12,179,088	82.7%	12,146,747	100.3%
	06/30/05	65,095,865	78,526,367	13,430,502	82.9%	12,348,814	108.8%
Fire Safety	06/30/03	3,577,742,166	4,270,573,982	692,831,816	83.8%	476,089,674	145.5%
Employees Group	06/30/04	4,424,586,846	5,383,921,942	959,335,096	82.2%	575,296,434	166.8%
	06/30/05	5,295,150,375	6,367,049,264	1,071,898,889	83.2%	664,147,796	161.4%



Supplementary Information



Nonmajor Governmental Funds

CITY OF CORONA**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Special Revenue			
	Traffic Safety	Gas Tax	Measure A	Trip Reduction
Assets:				
Cash and Investments	\$ 58,326	\$ 2,366,122	\$ 12,543,492	\$ 279,055
Accounts Receivable, Net	486			
Interest Receivable		19,456	104,610	2,088
Due from Other Governmental Agencies	80,627	243,839	1,079,182	44,203
Due From Other Funds		1,503		
Long-term Receivable				
Loans Receivable				
Restricted Assets:				
Cash and Investments				
Total Assets	<u>\$ 139,439</u>	<u>\$ 2,630,920</u>	<u>\$ 13,727,284</u>	<u>\$ 325,346</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ 421,197	\$ 638,579	\$ 1,222
Deposits				
Due to Other Funds		2,520	1,503	
Deferred Revenues				
Unearned Revenue				
Interfund Advances Payable				
Liabilities Payable from Restricted Assets		52,122	308,838	
Total Liabilities	<u>-</u>	<u>475,839</u>	<u>948,920</u>	<u>1,222</u>
Fund Balances:				
Reserved for:				
Encumbrances		221,833	749,684	
Debt Service				
Unreserved, reported in:				
Designated	139,439	1,933,248	12,028,680	324,124
Unreserved				
Total Fund Balances (Deficit)	<u>139,439</u>	<u>2,155,081</u>	<u>12,778,364</u>	<u>324,124</u>
Total Liabilities and Fund Balances	<u>\$ 139,439</u>	<u>\$ 2,630,920</u>	<u>\$ 13,727,284</u>	<u>\$ 325,346</u>

Special Revenue

<u>City Facilities</u>	<u>Asset Forfeiture</u>	<u>Residential Refuse</u>	<u>Special Tax Districts</u>	<u>Children & Families Grant</u>	<u>Other Grants & Endowments</u>
\$ 44,933	\$ 333,872	\$ 421,558	\$ 7,640,377	\$ 6,552	\$ 768,704
17,662		515,870	122		1,800
458	2,743	4,012	63,483		7,996
		51,148	269,708	3,100	181,133
10,000		64,146	316,514		190,419
<u>\$ 73,053</u>	<u>\$ 336,615</u>	<u>\$ 1,056,734</u>	<u>\$ 8,290,204</u>	<u>\$ 9,652</u>	<u>\$ 1,150,052</u>
\$ 5,645	\$ 1,363	\$ 988,041	\$ 287,127	\$ 2,437	\$ 14,412
2,752			1,300		457
11,255	14,724	64,146		302	190,419
355,000					
<u>374,652</u>	<u>16,087</u>	<u>1,052,187</u>	<u>288,427</u>	<u>2,739</u>	<u>205,288</u>
		2,215	5,257		11,167
			316,514		
	320,528	64,146	7,680,006	6,913	933,597
(301,599)		(61,814)			
<u>(301,599)</u>	<u>320,528</u>	<u>4,547</u>	<u>8,001,777</u>	<u>6,913</u>	<u>944,764</u>
<u>\$ 73,053</u>	<u>\$ 336,615</u>	<u>\$ 1,056,734</u>	<u>\$ 8,290,204</u>	<u>\$ 9,652</u>	<u>\$ 1,150,052</u>

Continued

CITY OF CORONA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Debt Service		
	General Obligation	Assessment Districts	Public Financing Authority
Assets:			
Cash and Investments	\$ 84,167	\$ 686,974	\$ -
Accounts Receivable, Net			
Interest Receivable	867	6,315	103,286
Due from Other Governmental Agencies	57,258	11,932	
Long-term Receivable		2,930,000	
Loans Receivable			
Restricted Assets:			
Cash and Investments	673,965	158,742	5,372,466
Total Assets	\$ 816,257	\$ 3,793,963	\$ 5,475,752
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,145	\$ -
Deposits			
Due to Other Funds			
Deferred Revenues	24,349	2,930,000	
Unearned Revenue			
Interfund Advances Payable			
Liabilities Payable from Restricted Assets			
Total Liabilities	24,349	2,931,145	-
Fund Balances:			
Reserved for:			
Encumbrances			
Debt Service	791,908	862,818	5,475,752
Specific Projects and Programs			
Special Revenue Funds			
Total Fund Balances (Deficit)	791,908	862,818	5,475,752
Total Liabilities and Fund Balances	\$ 816,257	\$ 3,793,963	\$ 5,475,752

Capital Projects				
HUD Grants	Planned Local Drainage	Other Grants	Public Facilities Projects	Total Other Governmental Funds
\$ (53,917)	\$ -	\$ -	\$ 1,380,678	\$ 26,560,893
			2	535,942
2,811		-	2,028	320,153
650,293	144,976	2,126,380	3,940,131	8,883,910
				1,503
				2,930,000
482,346				482,346
17,000		29,650	440,986	7,273,888
<u>\$ 1,098,533</u>	<u>\$ 144,976</u>	<u>\$ 2,156,030</u>	<u>\$ 5,763,825</u>	<u>\$ 46,988,635</u>
\$ 248,543	\$ 8,688	\$ 378,096	\$ 150,994	\$ 3,147,489
	124,599	1,730,979	3,831,062	4,052
		13,294	489,695	5,691,422
482,346				3,737,882
				482,346
17,000		29,650	440,986	355,000
<u>747,889</u>	<u>133,287</u>	<u>2,152,019</u>	<u>4,912,737</u>	<u>848,596</u>
145,725		2,559,864	2,111,827	5,807,572
				7,446,992
			(1,260,739)	22,169,942
204,919	11,689	(2,555,853)		(2,702,658)
<u>350,644</u>	<u>11,689</u>	<u>4,011</u>	<u>851,088</u>	<u>32,721,848</u>
<u>\$ 1,098,533</u>	<u>\$ 144,976</u>	<u>\$ 2,156,030</u>	<u>\$ 5,763,825</u>	<u>\$ 46,988,635</u>

Concluded Page 2 of 2

CITY OF CORONA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2006**

	Special Revenue			
	Traffic Safety	Gas	Measure A	Trip Reduction
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes				
Licenses, Fees and Permits				
Fines, Penalties and Forfeitures	865,799			
Special Assessments				
Investment Earnings	7,958	77,327	266,868	6,384
Intergovernmental Revenues		2,666,093	5,397,947	175,894
Current Services				
Gifts and Donations				
Other Revenues		1,610	765	359
Total Revenues	873,757	2,745,030	5,665,580	182,637
Expenditures:				
Current:				
General Government		1,000	6,435	
Police				
Public Works		1,682,230	4,033,508	116,498
Parks and Community Services				
Redevelopment				
Library				
Capital Outlay		268,754	256,256	
Debt Service:				
Principal Retirement			422,474	
Interest and Fiscal Charges			95,558	
Total Expenditures	-	1,951,984	4,814,231	116,498
Excess of Revenues Over (Under) Expenditures	873,757	793,046	851,349	66,139
Other Financing Sources (Uses):				
Transfers In		30,664	3,094,187	28,669
Transfers Out	(873,817)	(1,191,063)		(108)
Total Other Financing Sources (Uses)	(873,817)	(1,160,399)	3,094,187	28,561
Net Change in Fund Balances	(60)	(367,353)	3,945,536	94,700
Fund Balances - Beginning of Year, As Restated	139,499	2,522,434	8,832,828	229,424
Fund Balances - End of Year	\$ 139,439	\$ 2,155,081	\$ 12,778,364	\$ 324,124

Special Revenue

City Facilities	Asset Forfeiture	Residential Refuse	Special Tax Districts	Children & Families Grant	Other Grants & Endowments
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
52,433	209,495		6,778,311		
955	7,646	9,626	190,463	272	19,353
14,013	10,000	96,090		79,548	1,132,809
		6,060,993	28,981		219,685
207,096		10	94,896		
<u>274,497</u>	<u>227,141</u>	<u>6,166,719</u>	<u>7,092,651</u>	<u>79,820</u>	<u>1,371,847</u>
	87,965		5,935		418,198
238,014		6,360,707	2,954,285		138,705
			3,707,341		166,906
			120,258	79,755	
<u>238,014</u>	<u>87,965</u>	<u>6,360,707</u>	<u>6,787,819</u>	<u>79,755</u>	<u>723,809</u>
<u>36,483</u>	<u>139,176</u>	<u>(193,988)</u>	<u>304,832</u>	<u>65</u>	<u>648,038</u>
18,269		390,395	235,625	6,552	594
		(12,833)			(594)
<u>18,269</u>	<u>-</u>	<u>377,562</u>	<u>235,625</u>	<u>6,552</u>	<u>-</u>
54,752	139,176	183,574	540,457	6,617	648,038
(356,351)	181,352	(179,027)	7,461,320	296	296,726
<u>\$ (301,599)</u>	<u>\$ 320,528</u>	<u>\$ 4,547</u>	<u>\$ 8,001,777</u>	<u>\$ 6,913</u>	<u>\$ 944,764</u>

Continued

CITY OF CORONA**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006**

	Debt Service		
	General Obligation	Assessment Districts	Public Financing Authority
Revenues:			
Property Taxes	\$ 773,512	\$ -	\$ -
Other Taxes			
Licenses, Fees and Permits			
Fines, Penalties and Forfeitures			
Special Assessments		546,933	
Investment Earnings	16,775	18,735	304,358
Intergovernmental Revenues			
Current Services			
Gifts and Donations			
Other Revenues			
Total Revenues	<u>790,287</u>	<u>565,668</u>	<u>304,358</u>
Expenditures:			
Current:			
Planning			
Police			
Public Works			
Parks and Community Services			
Redevelopment			
Library			
Capital Outlay			
Debt Service:			
Principal Retirement	1,100,000	325,000	
Interest and Fiscal Charges	187,538	277,170	341,554
Total Expenditures	<u>1,287,538</u>	<u>602,170</u>	<u>341,554</u>
Excess of Revenues Over (Under) Expenditures	<u>(497,251)</u>	<u>(36,502)</u>	<u>(37,196)</u>
Other Financing Sources (Uses):			
Transfers In			942,039
Transfers Out			(919,264)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>22,775</u>
Net Change in Fund Balances	<u>(497,251)</u>	<u>(36,502)</u>	<u>(14,421)</u>
	<u>1,289,159</u>	<u>899,320</u>	<u>5,490,173</u>
Fund Balance - End of Year	<u>\$ 791,908</u>	<u>\$ 862,818</u>	<u>\$ 5,475,752</u>

Capital Projects				
HUD Grants	Planned Local Drainage	Other Grants	Public Facilities Projects	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 773,512
	471,888			524,321
				1,075,294
				7,325,244
4,338		5,022	25,593	961,673
1,373,168		2,373,818	3,450,435	16,769,815
				6,309,659
				-
369,463	3,179			677,378
1,746,969	475,067	2,378,840	3,476,028	34,416,896
151,120				164,490
				506,163
209,679	444,802	43,500		15,845,209
245,047				4,190,402
516,607				655,312
				246,661
275,884		2,356,429	926,090	4,203,671
				1,847,474
				901,820
1,398,337	444,802	2,399,929	926,090	28,561,202
348,632	30,265	(21,089)	2,549,938	5,855,694
2,124	403	23,800	2,000,000	6,773,321
	(11)		(3,821,016)	(6,818,706)
2,124	392	23,800	(1,821,016)	(45,385)
350,756	30,657	2,711	728,922	5,810,309
(112)	(18,968)	1,300	122,166	26,911,539
\$ 350,644	\$ 11,689	\$ 4,011	\$ 851,088	\$ 32,721,848

Concluded Page 2 of 2



***Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual***

CITY OF CORONA**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2006**

Revenues:	Traffic Safety			Gas Tax		
	Budget	Actual	Variance	Budget	Actual	Variance
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Fees and Permits						
Fines, Penalties and Forfeitures	850,000	865,799	15,799			
Special Assessments						
Investment Earnings	3,725	7,958	4,233	39,654	77,327	37,673
Intergovernmental Revenues				2,937,500	2,666,093	(271,407)
Current Services						
Payments in Lieu of Services						
Gifts and Donations						
Other Revenues				3,357	1,610	(1,747)
Total Revenues	853,725	873,757	20,032	2,980,511	2,745,030	(235,481)
Expenditures:						
Current:						
General Government					1,000	(1,000)
Public Works				875,431	1,682,230	(806,799)
Parks and Community Services						
Fire						
Police						
Redevelopment						
Library						
Capital Outlay				3,136,255	268,754	2,867,501
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures				4,011,686	1,951,984	2,059,702
Excess of Revenues Over (Under) Expenditures	853,725	873,757	20,032	(1,031,175)	793,046	1,824,221
Other Financing Sources (Uses):						
Proceeds from Long-Term Obligations						
Transfers In					30,664	(30,664)
Transfers Out		(873,817)	(873,817)		(1,191,063)	(1,191,063)
Total Other Financing Sources (Uses)	-	(873,817)	(873,817)	-	(1,160,399)	(1,160,399)
Net Change in Fund Balances	\$ 853,725	(60)	\$ (853,785)	\$ (1,031,175)	(367,353)	\$ 663,822
Fund Balances - Beginning of Year		139,499			2,522,434	
Fund Balances-End of Year		\$ 139,439			\$ 2,155,081	



Measure A			Trip Reduction		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
111,590	266,868	155,278	2,490	6,384	3,894
4,539,000	5,397,947	858,947	164,000	175,894	11,894
	765	765	1,640	359	(1,281)
<u>4,650,590</u>	<u>5,665,580</u>	<u>1,014,990</u>	<u>168,130</u>	<u>182,637</u>	<u>14,507</u>
	6,435	(6,435)			
190,702	4,033,508	(3,842,806)	184,882	116,498	68,384
10,679,107	256,256	10,422,851			
518,032	422,474	95,558			
	95,558	(95,558)			
<u>11,387,841</u>	<u>4,814,231</u>	<u>6,573,610</u>	<u>184,882</u>	<u>116,498</u>	<u>68,384</u>
<u>(6,737,251)</u>	<u>851,349</u>	<u>7,588,600</u>	<u>(16,752)</u>	<u>66,139</u>	<u>82,891</u>
	3,094,187	(3,094,187)		28,669	(28,669)
				(108)	(108)
-	3,094,187	3,094,187	-	28,561	28,561
<u>\$ (6,737,251)</u>	<u>3,945,536</u>	<u>\$ 10,682,787</u>	<u>\$ (16,752)</u>	<u>94,700</u>	<u>\$ 111,452</u>
	8,832,828			229,424	
	<u>\$ 12,778,364</u>			<u>\$ 324,124</u>	

Continued Sheet 1 of 3

CITY OF CORONA

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2006**

	City Facilities			Asset Forfeiture		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property Taxes		\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Fees and Permits	50,000	52,433	2,433			
Fines, Penalties and Forfeitures	100		(100)	29,000	209,495	180,495
Special Assessments						
Investment Earnings		955	955	4,212	7,646	3,434
Intergovernmental Revenues	10,000	14,013	4,013		10,000	10,000
Current Services						
Payments in Lieu of Services						
Gifts and Donations						
Miscellaneous Revenues	178,850	207,096	28,246			
Total Revenues	238,950	274,497	35,547	33,212	227,141	193,929
Expenditures:						
Current:						
General Government						
Public Works						
Parks and Community Services	242,498	238,014	4,484			
Fire						
Police				132,979	87,965	45,014
Redevelopment						
Library						
Capital Outlay	49,387		49,387			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	291,885	238,014	53,871	132,979	87,965	45,014
Excess of Revenues Over (Under) Expenditures	(52,935)	36,483	89,418	(99,767)	139,176	238,943
Other Financing Sources (Uses):						
Transfers In		18,269	18,269			
Transfers Out						
Total Other Financing Sources (Uses)	-	18,269	18,269	-	-	-
Net Change in Fund Balances	\$ (52,935)	54,752	\$ 107,687	\$ (99,767)	139,176	\$ 238,943
Fund Balances - Beginning of Year, as Restated (Note 31)		(356,351)			181,352	
Fund Balances-End of Year		\$ (301,599)			\$ 320,528	



Residential Refuse			Special Tax Districts	
Budget	Actual	Variance	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ -
			6,562,816	6,778,311
8,471	9,626	1,155	151,131	190,463
40,000	96,090	56,090		
5,792,000	6,060,993	268,993	4,300	28,981
	10	10	22,986	94,896
<u>5,840,471</u>	<u>6,166,719</u>	<u>326,248</u>	<u>6,741,233</u>	<u>7,092,651</u>
				5,935
6,303,968	6,360,707	(56,739)	3,115,618	2,954,285
			4,114,308	3,707,341
			737,738	120,258
			7,034	-
<u>6,303,968</u>	<u>6,360,707</u>	<u>(56,739)</u>	<u>7,974,698</u>	<u>6,787,819</u>
<u>(463,497)</u>	<u>(193,988)</u>	<u>269,509</u>	<u>(1,233,465)</u>	<u>304,832</u>
	390,395	(390,395)		235,625
	(12,833)	(12,833)		-
-	377,562	377,562	-	235,625
<u>\$ (463,497)</u>	<u>183,574</u>	<u>\$ 647,071</u>	<u>\$ (1,233,465)</u>	<u>540,457</u>
	(179,027)			7,461,320
	<u>\$ 4,547</u>			<u>\$ 8,001,777</u>

Continued Sheet 2 of 3

CITY OF CORONA

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
All Special Revenue Funds
Year Ended June 30, 2003**

	Grants & Endowments			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Fees and Permits				50,000	52,433	2,433
Fines, Penalties and Forfeitures				879,100	1,075,294	196,194
Special Assessments				6,562,816	6,778,311	215,495
Investment Earnings	10,009	19,625	9,616	331,282	586,852	255,570
Intergovernmental Revenues	246,661	1,212,357	965,696	7,937,161	9,572,394	1,635,233
Current Services	235,000	219,685	(15,315)	6,031,300	6,309,659	278,359
Payments in Lieu of Services				-	-	-
Other Revenues				206,833	304,736	97,903
Total Revenues	491,670	1,451,667	959,997	21,998,492	24,679,679	2,681,187
Expenditures:						
Current:						
General Government				-	13,370	(13,370)
Public Works				10,670,601	15,147,228	(4,476,627)
Parks and Community Services				4,356,806	3,945,355	411,451
Fire				-	-	-
Police	691,944	418,198	273,746	824,923	506,163	318,760
Redevelopment				-	-	-
Library	111,780	138,705	(26,925)	111,780	138,705	(26,925)
Capital Outlay	296,661	246,661	50,000	14,899,148	891,929	14,007,219
Debt Service:				-	-	-
Principal Retirement				525,066	422,474	102,592
Interest and Fiscal Charges				-	95,558	(95,558)
Total Expenditures	1,100,385	803,564	296,821	31,388,324	21,160,782	10,227,542
Excess of Revenues Over (Under) Expenditures	(608,715)	648,103	1,256,818	(9,389,832)	3,518,897	12,908,729
Other Financing Sources (Uses):						
Transfers In		7,146	7,146	-	3,804,955	3,804,955
Transfers Out		(594)	(594)	-	(2,078,415)	(2,078,415)
Total Other Financing Sources (Uses)		6,552	6,552	-	1,726,540	1,726,540
(Under) Expenditures and Other Uses	\$ (608,715)	654,655	\$ 1,263,370	\$ (9,389,832)	5,245,437	\$ 14,635,269
Fund Balances - Beginning of Year, as Restated (Note 31)		297,022			19,128,501	
Fund Balances-End of Year		\$ 951,677			\$ 24,373,938	

Concluded



CITY OF CORONA**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Debt Service Funds
Year Ended June 30, 2006**

	General Obligation			Redevelopment		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property Taxes	\$ 755,500	\$ 773,512	\$ 18,012	\$ 17,202,913	\$ 18,820,343	\$ 1,617,430
Special Assessments						
Investment Earnings	19,950	16,775	(3,175)	272,983	221,186	(51,797)
Other Revenues				685,751	678,889	(6,862)
Total Revenues	775,450	790,287	14,837	18,161,647	19,720,418	1,558,771
Expenditures:						
Current:						
Redevelopment				274,595	4,123,010	(3,848,415)
Capital Outlay				1,432,436		1,432,436
Debt Service:						
Principal Retirement	1,288,104	1,100,000	188,104	8,321,396	2,915,833	5,405,563
Interest and Fiscal Charges		187,538	(187,538)		5,923,711	(5,923,711)
Total Expenditures	1,288,104	1,287,538	566	10,028,427	12,962,554	(2,934,127)
Excess of Revenues Over (Under) Expenditures	(512,654)	(497,251)	15,403	8,133,220	6,757,864	(1,375,356)
Other Financing Sources (Uses):						
Proceeds from Long-Term Obligations						
Principal Retirement						
Bond Premium						
Transfers In						
Transfers Out					(8,432,485)	(8,432,485)
Total Other Financing Sources (Uses)	-	-	-	-	(8,432,485)	(8,432,485)
Net Change in Fund Balances	\$ (512,654)	(497,251)	\$ 15,403	\$ 8,133,220	(1,674,621)	\$ (9,807,841)
Fund Balances - Beginning of Year		1,289,159			3,928,131	
Fund Balances-End of Year		\$ 791,908			\$ 2,253,510	

Assessment Districts			Public Financing Authority		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
529,816	546,933	17,117			
14,565	18,735	4,170	351,442	304,358	(47,084)
			6,995,822		(6,995,822)
544,381	565,668	21,287	7,347,264	304,358	(7,042,906)
603,604	325,000	278,604	7,290,600		(7,290,600)
	277,170	(277,170)		341,554	(341,554)
603,604	602,170	1,434	7,290,600	341,554	6,949,046
(59,223)	(36,502)	22,721	56,664	(37,196)	(93,860)
				942,039	942,039
				(919,264)	(919,264)
-	-	-	-	22,775	22,775
<u>\$ (59,223)</u>	<u>(36,502)</u>	<u>\$ 22,721</u>	<u>\$ 56,664</u>	<u>(14,421)</u>	<u>\$ (71,085)</u>
	899,320			5,490,173	
	<u>\$ 862,818</u>			<u>\$ 5,475,752</u>	

Continued Sheet 1 of 2

CITY OF CORONA**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Debt Service Funds
Year Ended June 30, 2006**

	Totals		
	Budget	Actual	Variance
Revenues:			
Property Taxes	\$ 17,958,413	\$ 19,593,855	\$ 1,635,442
Special Assessments	529,816	546,933	17,117
Investment Earnings	658,940	561,054	(97,886)
Other Revenues	7,681,573	678,889	(7,002,684)
Total Revenues	<u>26,828,742</u>	<u>21,380,731</u>	<u>(5,448,011)</u>
Expenditures:			
Current:			
Redevelopment	274,595	4,123,010	(3,848,415)
Capital Outlay	1,432,436	-	1,432,436
Debt Service:			
Principal Retirement	17,503,704	4,340,833	13,162,871
Interest and Fiscal Charges	-	6,729,973	(6,729,973)
Total Expenditures	<u>19,210,735</u>	<u>15,193,816</u>	<u>4,016,919</u>
Excess of Revenues Over (Under) Expenditures	<u>7,618,007</u>	<u>6,186,915</u>	<u>(1,431,092)</u>
Other Financing Sources (Uses):			
		-	-
		-	-
		-	-
Transfers In	-	942,039	942,039
Transfers Out	-	(9,351,749)	(9,351,749)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(8,409,710)</u>	<u>(8,409,710)</u>
Net Change in Fund Balances	<u>\$ 7,618,007</u>	<u>(2,222,795)</u>	<u>\$ (9,840,802)</u>
Fund Balances - Beginning of Year		<u>11,606,783</u>	
Fund Balances-End of Year		<u>\$ 9,383,988</u>	

Concluded Sheet 2 of 2



CITY OF CORONA

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Capital Projects Funds
Year Ended June 30, 2006**

	HUD Grants			Planned Local Drainage		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Licenses, Fees & Permits	\$ -	\$ -	\$ -	\$ 483,000	\$ 471,888	\$ (11,112)
Investment Earnings	(4,691)	4,338	9,029			
Intergovernmental Revenues	2,026,407	1,373,168	(653,239)			
Other Revenues	5,000	369,463	364,463	1,485	3,179	1,694
Total Revenues	2,026,716	1,746,969	(279,747)	484,485	475,067	(9,418)
Expenditures:						
Current:						
Redevelopment	284,823	516,607	(231,784)			
General Government						
Planning	151,212	151,120	92			
Police						
Public Works	39,680	209,679	(169,999)	537,928	444,802	93,126
Library						
Parks and Community Services		245,047	(245,047)			
Capital Outlay	2,340,054	275,884	2,064,170			
Total Expenditures	2,815,769	1,398,337	1,417,432	537,928	444,802	93,126
Excess of Revenues Over (Under) Expenditures	(789,053)	348,632	1,137,685	(53,443)	30,265	83,708
Other Financing Sources (Uses):						
Transfers In		2,124	2,124		403	403
Transfers Out					(11)	11
Net Change in Fund Balances	-	2,124	2,124	-	392	414
(Under) Expenditures and Other Uses	\$ (789,053)	350,756	\$ 1,135,561	\$ (53,443)	30,657	\$ 83,294
Fund Balances-Beginning of Year		(112)			(18,968)	
Fund Balances-End of Year		\$ 350,644			\$ 11,689	

Other Grants			Redevelopment		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,395	5,022	2,627	279,725	372,523	92,798
3,644,452	2,373,818	(1,270,634)		1,173,457	1,173,457
<u>3,646,847</u>	<u>2,378,840</u>	<u>(1,268,007)</u>	<u>279,725</u>	<u>1,545,980</u>	<u>1,266,255</u>
				3,287,613	(3,287,613)
				5,935	(5,935)
43,788	43,500	288			
<u>6,304,655</u>	<u>2,356,429</u>	<u>3,948,226</u>	<u>14,414,889</u>	<u>821,179</u>	<u>13,593,710</u>
<u>6,348,443</u>	<u>2,399,929</u>	<u>3,948,514</u>	<u>14,414,889</u>	<u>4,114,727</u>	<u>10,300,162</u>
<u>(2,701,596)</u>	<u>(21,089)</u>	<u>2,680,507</u>	<u>(14,135,164)</u>	<u>(2,568,747)</u>	<u>11,566,417</u>
	23,800	23,800		6,054,698	6,054,698
				(70,600)	
<u>-</u>	<u>23,800</u>	<u>23,800</u>	<u>-</u>	<u>5,984,098</u>	<u>6,054,698</u>
<u>\$ (2,701,596)</u>	<u>2,711</u>	<u>\$ 2,704,307</u>	<u>\$ (14,135,164)</u>	<u>3,415,351</u>	<u>\$ 17,621,115</u>
	1,300			12,705,280	
	<u>\$ 4,011</u>			<u>\$ 16,120,631</u>	

Continued Sheet 1 of 2

CITY OF CORONA

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Capital Projects Funds
Year Ended June 30, 2006**

	Public Facilities Projects			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Licenses, Fees & Permits	\$ -	\$ -	\$ -	\$ 483,000	\$ 471,888	\$ (11,112)
Investment Earnings	2,000	25,593	23,593	279,429	407,476	128,047
Intergovernmental Revenues		3,450,435	3,450,435	5,670,859	7,197,421	1,526,562
Miscellaneous Revenues				6,485	1,546,099	1,539,614
Total Revenues	2,000	3,476,028	3,474,028	6,439,773	9,622,884	3,183,111
Expenditures:						
Current:						
Redevelopment				284,823	3,804,220	(3,519,397)
General Government				-	5,935	(5,935)
Planning				151,212	151,120	92
Police				-	-	-
Public Works				621,396	697,981	(76,585)
Library				-	-	-
Parks and Community Services				-	245,047	(245,047)
Capital Outlay	22,167,285	926,090	21,241,195	45,226,883	4,379,582	40,847,301
Total Expenditures	22,167,285	926,090	21,241,195	46,284,314	9,283,885	37,000,429
Excess of Revenues Over (Under) Expenditures	(22,165,285)	2,549,938	24,715,223	(39,844,541)	338,999	40,183,540
Other Financing Sources (Uses):						
Transfers In		2,000,000	2,000,000	-	8,081,025	8,081,025
Transfers Out		(3,821,016)	(3,821,016)	-	(3,891,627)	(3,891,627)
Total Other Financing Sources (Uses)	-	(1,821,016)	(1,821,016)	-	4,189,398	4,189,398
Net Change in Fund Balances	\$ (22,165,285)	728,922	\$ 22,894,207	\$ (39,844,541)	\$ 4,528,397	\$ 44,372,938
Fund Balances-Beginning of Year		122,166			12,809,666	
Fund Balances-End of Year		\$ 851,088			\$ 17,338,063	

Concluded Sheet 2 of 2

Combining Financial Statements Nonmajor Enterprise Funds and Internal Service Funds

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

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

Equipment Pool Fund - This fund was established by Chapter 12, Title 3 of the Municipal Code as provided by Section 53736 of the Government Code. The fund receives the unencumbered surplus funds from the Fleet Operations Fund.

Fleet Operations Fund - This fund is used to account for Motor Pool rental as the equipment is used. At year end, the surplus rent is transferred to the Equipment Pool to pay for equipment replacement.

Workers' Compensation Self-Insurance Fund - This fund was established on December 1, 1974 at which time the City became self-insured. Claims and administrative expenses are charged to this fund. Reserves are held by this fund to buffer the impact of unknown but potential losses.

Liability Risk Self-Insurance Fund - This fund is used to account for expenditures in payment of claims, administrator's expense (including legal fees) and to establish reserves against future claims.

CITY OF CORONA**Combining Statement of Net Assets
Nonmajor Enterprise Funds and Internal Service Funds
June 30, 2006**

	Nonmajor Enterprise Funds		
	Public Financing Authoity	Public Improvement Corporation	Totals
Assets:			
Current Assets			
Cash and Investments	\$ 794	\$ -	\$ 794
Accounts Receivable, Net			
Interest Receivable	113,198	13,491	126,689
Inventories and Prepayments			
Restricted Assets:			
Cash and Investments	6,602,579	563,326	7,165,905
Total Current Assets	<u>6,716,571</u>	<u>576,817</u>	<u>7,293,388</u>
Liabilities:			
Current Liabilities			
Accounts Payable and Accrued Liabilities			
Claims and Judgments Payable			
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Liabilities			
Interfund Advances Payable	6,587,825		6,587,825
Claims and Judgments Payable			
Total Noncurrent Liabilities	<u>6,587,825</u>	<u>-</u>	<u>6,587,825</u>
Total Liabilities	<u>6,587,825</u>	<u>-</u>	<u>6,587,825</u>
Net Assets:			
Restricted	6,602,579	563,326	7,165,905
Unrestricted	<u>(6,473,833)</u>	<u>13,491</u>	<u>(6,460,342)</u>
Total Net Assets	<u>\$ 128,746</u>	<u>\$ 576,817</u>	<u>\$ 705,563</u>

Internal Service Funds				
Equipment Pool	Fleet Operations	Self-Insurance		Totals
		Workers' Compensation	Liability Risk	
\$ 4,421,225	\$ 1,515,976	\$ 14,107,367	\$ 3,175,320	\$ 23,219,888
	4,889	510	16,779	22,178
45,204	54,332	117,591	26,436	243,563
	174,582			174,582
<u>4,466,429</u>	<u>1,749,779</u>	<u>14,225,468</u>	<u>3,218,535</u>	<u>23,660,211</u>
367,601	109,576	47,156	65,584	589,917
	176	2,157,743	339,012	2,496,931
<u>367,601</u>	<u>109,752</u>	<u>2,204,899</u>	<u>404,596</u>	<u>3,086,848</u>
		12,028,114	2,654,769	14,682,883
-	-	<u>12,028,114</u>	<u>2,654,769</u>	<u>14,682,883</u>
<u>367,601</u>	<u>109,752</u>	<u>14,233,013</u>	<u>3,059,365</u>	<u>17,769,731</u>
4,098,828	1,640,027	(7,545)	159,170	-
<u>\$ 4,098,828</u>	<u>\$ 1,640,027</u>	<u>\$ (7,545)</u>	<u>\$ 159,170</u>	<u>\$ 5,890,480</u>

CITY OF CORONA**Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds and Internal Service Funds
Year Ended June 30, 2006**

	Nonmajor Enterprise Funds		
	Public Financing Authority	Public Improvement Corporation	Totals
Operating Revenues:			
Internal Service Charges	\$ -	\$ -	\$ -
Other Revenues			
Total Operating Revenues	-	-	-
Operating Expenses:			
Personnel Services			
Contractual			
Material and Supplies			
Utilities			
Claims Expense			
Total Operating Expenses	-	-	-
Operating Income (Loss)	-	-	-
Non-Operating Revenues:			
Investment Earnings	315,304	32,396	347,700
Interest Expense	(282,399)	(32,278)	(314,677)
Total Non-Operating Revenues	32,905	118	33,023
Income (Loss) Before Transfers	32,905	118	33,023
Transfers In			
Transfers Out			
Net Income (Loss)	32,905	118	33,023
Net Assets - Beginning of Year	95,841	576,699	672,540
Net Assets - End of Year	<u>\$ 128,746</u>	<u>\$ 576,817</u>	<u>\$ 705,563</u>

Internal Service Funds				
Equipment Pool	Fleet Operations	Self-Insurance		Totals
		Workers' Compensation	Liability Risk	
\$ -	\$ 5,729,059	\$ 4,004,211	\$ 2,100,000	\$ 11,833,270
283	135,887	875	1,368,423	1,505,468
283	5,864,946	4,005,086	3,468,423	13,338,738
	1,006,131	173,412	129,045	1,308,588
81,230	640,444	40,629	30,713	793,016
1,785,156	322,165	193,260	629,002	2,929,583
3,294	792,544	1,838	1,580	799,256
		3,608,367	2,651,177	6,259,544
1,869,680	2,761,284	4,017,506	3,441,517	12,089,987
(1,869,397)	3,103,662	(12,420)	26,906	1,248,751
158,143	176,184	386,798	60,467	781,592
158,143	176,184	386,798	60,467	781,592
(1,711,254)	3,279,846	374,378	87,373	2,030,343
2,339,511	42,337	82,754	24,587	2,489,189
(1,187,654)	(6,218,521)	(464,677)	(80,179)	(7,951,031)
(559,397)	(2,896,338)	(7,545)	31,781	(3,431,499)
4,658,225	4,536,365	-	127,389	9,321,979
<u>\$ 4,098,828</u>	<u>\$ 1,640,027</u>	<u>\$ (7,545)</u>	<u>\$ 159,170</u>	<u>\$ 5,890,480</u>

CITY OF CORONA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds and Internal Service Funds
Year Ended June 30, 2006**

	Nonmajor Enterprise Funds		
	Public Financing Authority	Public Improvement Corporation	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers/Other Funds	\$ -	\$ -	\$ -
Cash Payments to Suppliers of Goods and Services			
Cash Payments to Employees for Services			
Cash Received (Payments) of Current Claims			
Increase (Decrease) in Long-Term Claims			
Other Receipts (Payments)			
Net Cash Provided by (Used for) Operating Activities	-	-	-
Cash Flows from Noncapital Financing Activities:			
Transfers Received			-
Transfers Paid			-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	-
Cash Flows from Capital and Related Financing Activities:			
Interest payments of Long-term debt	(282,399)	(32,278)	(314,677)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(282,399)	(32,278)	(314,677)
Cash Flows from Investing Activities:			
Interest on Investments	292,664	32,393	325,057
Net Cash Provided by Investing Activities	292,664	32,393	325,057
Net Increase (Decrease) in Cash and Cash Equivalents	10,265	115	10,380
Cash and Cash Equivalents - Beginning of Year	6,593,108	563,211	7,156,319
Cash and Cash Equivalents - End of Year	\$ 6,603,373	\$ 563,326	\$ 7,166,699
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ -	\$ -	\$ -
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Accounts Receivable			
Inventories and Prepayments			
Accounts Payable and Accrued Liabilities			
Claims and Judgments Payable			
Net Cash Provided (Used) by Operating Activities	\$ -	\$ -	\$ -

Internal Service Funds				
Self-Insurance				
Equipment Pool	Fleet Operations	Workers' Compensation	Liability Risk	Totals
\$ -	\$ 5,730,766	\$ 4,003,701	\$ 2,100,000	\$ 11,834,467
(1,583,953)	(1,846,293)	(212,895)	(618,441)	(4,261,582)
	(1,006,131)	(173,412)	(129,045)	(1,308,588)
		16,849	(34,092)	(17,243)
		(1,560,824)	(1,854,336)	(3,415,160)
283	135,887	875	1,368,423	1,505,468
<u>(1,583,670)</u>	<u>3,014,229</u>	<u>2,074,294</u>	<u>832,509</u>	<u>4,337,362</u>
2,339,511	42,337	82,754	24,587	2,489,189
<u>(1,187,654)</u>	<u>(6,218,521)</u>	<u>(464,677)</u>	<u>(80,179)</u>	<u>(7,951,031)</u>
1,151,857	(6,176,184)	(381,923)	(55,592)	(5,461,842)
-	-	-	-	-
142,863	150,615	345,883	48,957	688,318
142,863	150,615	345,883	48,957	688,318
(288,950)	(3,011,340)	2,038,254	825,874	(436,162)
4,710,175	4,527,316	12,069,113	2,349,446	23,656,050
<u>\$ 4,421,225</u>	<u>\$ 1,515,976</u>	<u>\$ 14,107,367</u>	<u>\$ 3,175,320</u>	<u>\$ 23,219,888</u>
\$ (1,869,397)	\$ 3,103,662	\$ (12,420)	\$ 26,906	\$ 1,248,751
	1,707	(510)		1,197
	(24,968)			(24,968)
285,727	(66,172)	22,832	42,854	285,241
		2,064,392	762,749	2,827,141
<u>\$ (1,583,670)</u>	<u>\$ 3,014,229</u>	<u>\$ 2,074,294</u>	<u>\$ 832,509</u>	<u>\$ 4,337,362</u>



***Fiduciary Funds
Combining Financial Statements
in Assets and Liabilities***

Fiduciary Funds represent Agency Funds, which are custodial in nature and do not involve measurement of results of operations.



CITY OF CORONA**Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2006**

	Pass Through Agency Fund			Balance June 30, 2006
	Balance June 30, 2005	Additions	Deductions	
Assets				
Cash and Investments	\$ 1,863,036	\$ 34,325,329	\$ 33,890,336	\$ 2,298,029
Accounts Receivable, Net	-	3,782	3,782	-
Interest Receivable	267,772	772,200	690,271	349,701
Due from other Governmental Agencies	569,942	600,905	570,161	600,686
Restricted Assets:				
Cash and Investments	31,903,057	66,439,838	53,406,528	44,936,367
Total Assets	<u>\$ 34,603,807</u>	<u>\$ 102,142,054</u>	<u>\$ 88,561,078</u>	<u>\$ 48,184,783</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 11,204	12,066,680	11,419,767	\$ 658,117
Deposits	670,575	431,176	702,669	399,082
Due to Other Governmental Agencies	196,919	437,938	628,817	6,040
Liabilities Payable from Restricted Assets	5,808	18,409	24,217	-
Due to Bondholders	33,719,301	31,104,565	17,702,322	47,121,544
Total Liabilities	<u>\$ 34,603,807</u>	<u>\$ 44,058,768</u>	<u>\$ 30,477,792</u>	<u>\$ 48,184,783</u>

