In the opinion of Cox, Castle & Nicholson LLP, Special Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, the portion of each 1999 Payment due under the Contract designated as and representing interest and received by the Owners of the Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Special Counsel, the Interest Portion is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of the Interest Portion of, the Certificates. See "TAX MATTERS" herein.

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS
Moody's: Aaa
Standard & Poor's: AAA
(See "RATINGS" herein)

$21,630,000
Electric System Revenue Certificates of Participation, Series 1999
Evidencing and Representing the Proportionate Interests of the Owners Thereof in 1999 Payments to be made by the City of Roseville

Dated: August 1, 1999 **Due: February 1, as shown below**

The Electric System Revenue Certificates of Participation, Series 1999 (the "Certificates") evidence and represent the proportionate interests of the Owners thereof in certain installment payments (the "1999 Payments") to be made by the City of Roseville (the "City") under the terms of the Master Installment Purchase Contract between the City and the Roseville Finance Authority (the "Authority"), as supplemented by the 1999 Supplemental Installment Purchase Contract (collectively, the "Contract").

The Certificates will be executed and delivered pursuant to a Trust Agreement (the "Trust Agreement"), between the Authority and U.S. Trust Company, National Association, as trustee (the "Trustee"). The Certificates will be delivered in fully registered form and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased in denominations of $5,000 or any integral multiple thereof, in book-entry form only as described herein. Upon receipt of payments of principal of, premium, if any, and interest evidenced by the Certificates, DTC is obligated in turn to remit such principal, premium, if any, and interest to the participants in DTC (as described herein) for subsequent disbursement to the beneficial owners of the Certificates. See "APPENDIX E—Book-Entry System" herein. Interest evidenced by the Certificates is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2000.

The scheduled payment of the principal and interest evidenced by the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by FINANCIAL SECURITY ASSURANCE INC.

FSA.

The Certificates are subject to optional and mandatory prepayment prior to their respective maturity dates as described herein.

The proceeds of the sale of the Certificates will be used primarily (i) to finance the costs of certain capital improvements to the City's electric system, (ii) to capitalize a portion of the interest on the Certificates, (iii) to make a deposit to a Parity Reserve Fund (described herein), and (iv) to fund the costs of executing and delivering the Certificates.

The obligation of the City to make the 1999 Payments is a special obligation of the City payable solely from Net Revenues as provided in the Contract. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payment of the 1999 Payments. The City has incurred, and may in the future incur, obligations payable as operating expenses of the Electric System and obligations payable from Net Revenues of the Electric System on a parity with the 1999 Payments as described herein.

Maturity Schedule
$6,515,000 Serial Certificates

Maturity Date (February 1)	Principal Amount	Interest Rate	Yield	Maturity Date (February 1)	Principal Amount	Interest Rate	Yield
2002	$425,000	4.00%	4.00%	2008	$545,000	4.60%	4.65%
2003	445,000	4.10	4.15	2009	570,000	4.75	4.80
2004	460,000	4.20	4.22	2010	595,000	4.80	4.93
2005	480,000	4.25	4.30	2011	630,000	5.00	5.03
2006	500,000	4.30	4.40	2012	655,000	5.00	5.13
2007	520,000	4.40	4.50	2013	690,000	5.00	5.20

$3,130,000 5.25% Term Certificates due February 1, 2017 Price: 98.093%
$11,985,000 5.50% Term Certificates due February 1, 2024 Price: 100.000%
(Plus accrued interest from August 1, 1999)

This cover page contains information for general reference only. It is *not* a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. The Certificates are offered when, as and if executed and delivered and accepted by the Underwriter, subject to the approval of validity of the Certificates by Cox, Castle & Nicholson LLP, San Francisco, California, Special Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney of the City of Roseville, and for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. The Certificates in definitive form are expected to be available for delivery through the DTC book-entry system in New York, New York on or about August 18, 1999.

PaineWebber Incorporated

August 3, 1999

No broker, dealer, salesman or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations other than as set forth herein and if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the City or the Underwriter.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth in this Official Statement has been obtained from official sources and other sources which are believed to be reliable, but it is not guaranteed as to the accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

Other than with respect to information concerning Financial Security Assurance Inc. (the "Insurer") contained under the captions "CERTIFICATE INSURANCE," "FINANCIAL SECURITY ASSURANCE INC." and Appendix G – "Form of Certificate Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Certificates; or (iii) the tax exempt status of the interest evidenced by the Certificates.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE OFFERED CERTIFICATES, NOR SHALL THERE BE ANY SALE OF ANY OF THE OFFERED CERTIFICATES, BY ANY PERSON IN ANY JURISDICTION IN WHICH OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City's business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CITY OF ROSEVILLE

City Council

Harry Crabb, Mayor
Claudia Gamar, Mayor Pro Tempore
Randy Graham
Dan Goodhall
Earl Rush

City Staff

Allen E. Johnson, City Manager
Phil E. Ezell, Finance Director
Tom Habashi, Electric Utility Director
Mark Doane, Esq., City Attorney
Carolyn Parkinson, City Clerk

ROSEVILLE FINANCE AUTHORITY

Authority Members

Harry Crabb, Chair
Claudia Gamar, Vice-Chair
Randy Graham
Dan Goodhall
Earl Rush

Authority Officers

Allen E. Johnson, Executive Director
W. Craig Robinson, Assistant Director
Phil E. Ezell, Controller/Treasurer
Mark Doane, Esq., General Counsel
Carolyn Parkinson, Secretary

SPECIAL SERVICES

Special Counsel

Cox, Castle & Nicholson LLP
San Francisco, California

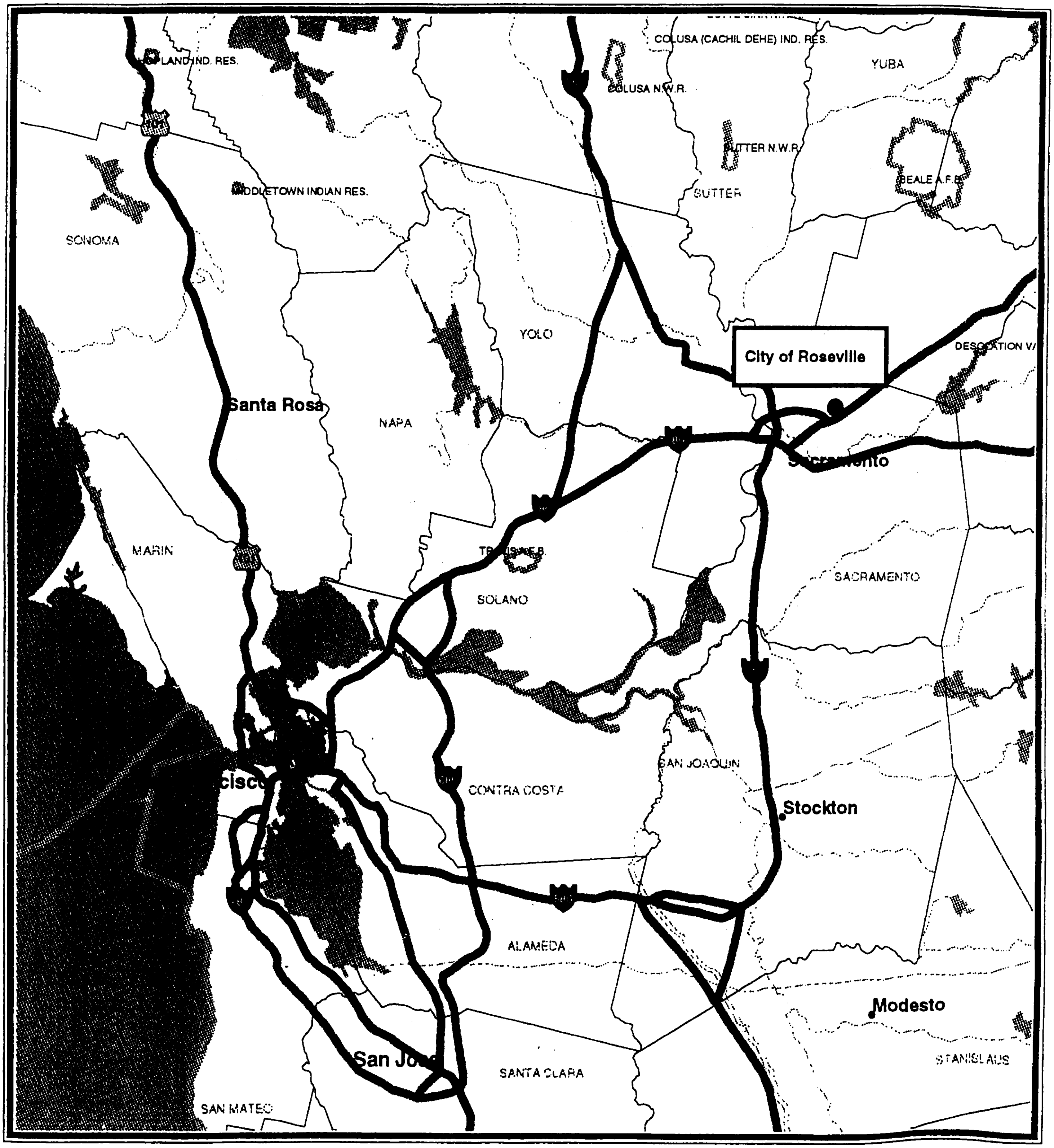
Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Trustee

U.S. Trust Company, National Association
San Francisco, California

LOCATION MAP



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OFFICIAL STATEMENT
$21,630,000
ELECTRIC SYSTEM REVENUE CERTIFICATES OF PARTICIPATION, SERIES 1999
Evidencing and Representing the Proportionate Interests of the Owners Thereof in 1999 Payments to be made by the City of Roseville

INTRODUCTION

This Official Statement, including the cover page and Appendices hereto (the "Official Statement"), provides certain information concerning the City of Roseville (the "City"), the City's electric utility (the "Electric System") and the sale and delivery of the Electric System Revenue Certificates of Participation, Series 1999 (the "Certificates"), in the aggregate principal amount of $21,630,000. This introduction is not a summary of the Official Statement. It is only a brief description of, and is qualified by more complete and detailed information contained in, the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Certificates to potential investors is made only by means of the entire Official Statement.

Master Contract

The City has provided for the financing from time to time of the costs of improvements and additions to its Electric System pursuant to the Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, between the City and the Roseville Finance Authority (the "Authority"). Such financing is to be provided through the securitization of installment payments (the "Payments") to be made by the City pursuant to the Master Contract and contracts supplemental thereto ("Supplemental Contracts") which specify the projects to be financed and the Payments to be made in connection therewith. The Master Contract, as supplemented from time to time by Supplemental Contracts, is referred to collectively as the "Contracts." Payments under the Contracts are to be made from the Net Revenues (as defined in the Master Contract) of the Electric System. The Master Contract provides that such Payments are to be made from Net Revenues on a parity with other obligations designated by the City as parity obligations (together with the Payments, the "Parity Obligations") which are incurred on the terms and conditions specified in the Master Contract.

The Certificates

The Certificates evidence and represent the proportionate interests of the owners thereof in certain Payments (the "1999 Payments") to be made by the City to the Authority pursuant to the Master Contract, as supplemented by the 1999 Supplemental Installment Purchase Contract, dated as of August 1, 1999, by and between the City and the Authority (the "1999 Supplemental Contract", and together with the Master Contract, the "Contract"). The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of August 1, 1999 (the "Trust Agreement"), between the Authority and U.S. Trust Company, National Association, as trustee (the "Trustee").

Use of Proceeds

The proceeds of the sale of the Certificates will be used (i) to finance certain capital improvements to the City's Electric System, (ii) to capitalize a portion of the interest on the Certificates,

(iii) to make a deposit to a parity reserve fund (the "Parity Reserve Fund") for the Certificates and other obligations issued in connection with Contracts, and (iv) to pay certain expenses relating to the execution and delivery of the Certificates. See "FACILITIES TO BE FINANCED" and "ESTIMATED SOURCES AND USES OF FUNDS."

Terms of Certificates

The Certificates will be issued in denominations of $5,000 or any integral multiple thereof, in book-entry form only. The interest components evidenced by the Certificates will be due and payable semiannually on February 1 and August 1 of each year, commencing February 1, 2000. The Certificates will be subject to optional and mandatory prepayment as set forth in this Official Statement.

Special Obligation

The obligation of the City to make the 1999 Payments is a special obligation of the City payable solely from Net Revenues of the Electric System as provided in the Contract. The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the 1999 Payments.

Pledge of Net Revenues

Pursuant to the Contracts, all Net Revenues of the Electric System are pledged to the payment of Parity Obligations, including the 1999 Payments and the 1997 Payments (as defined below). The City may incur additional Parity Obligations payable from Net Revenues on a parity with the 1999 Payments and the 1997 Payments on the terms and conditions set forth in the Master Contract.

Outstanding Obligations of the Electric System

As of June 30, 1999, there was $8,995,000 aggregate principal amount of Electric System Revenue Certificates of Participation, Series 1997 (the "1997 Certificates") outstanding representing Payments (the "1997 Payments") under the Master Contract as supplemented by the 1997 Supplemental Installment Purchase Contract dated as of November 1, 1997 (the "1997 Supplemental Contract"). The 1997 Payments are payable from the Net Revenues of the Electric System on a parity with the 1999 Payments evidenced by the Certificates. In addition, the City is obligated on a "take-or-pay" basis to make payments relating to debt service on approximately $142 million principal amount of bonds and notes under power purchase and transmission capacity agreements with joint powers agencies which constitute operating expenses of the City payable prior to any of the Payments required to be made under the Contracts. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Indebtedness."

Rate Covenant

To provide additional security for the 1999 Payments evidenced by the Certificates and any Parity Obligations, the City covenants in the Master Contract that it will at all times fix, prescribe and collect minimum rates and charges for the services, facilities and electricity of the Electric System in the amounts determined pursuant to the Master Contract. See "SECURITY FOR THE CERTIFICATES – Rate Covenant." The City's ability to comply with the foregoing rate covenant may be limited by deregulation and open access in the electric industry in California. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY."

Certificate Insurance

The scheduled payment of the principal and the interest evidenced by the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by FINANCIAL SECURITY ASSURANCE INC. (the "Insurer"). See "CERTIFICATE INSURANCE" herein.

Parity Reserve Fund

The Parity Reserve Fund was established with the Trustee in connection with the 1997 Certificates pursuant to a Trust Agreement, dated as of November 1, 1997, between the Authority and the Trustee (the "1997 Trust Agreement"), in an amount equal to the Reserve Fund Requirement (as defined in the Master Contract) with respect to the 1997 Certificates. Proceeds of the Certificates will be used to increase the amount on deposit in the Parity Reserve Fund to the Reserve Fund Requirement for the 1997 Certificates and the Certificates. Moneys in the Parity Reserve Fund will be transferred by the Trustee to the 1999 Debt Service Fund and to the applicable debt service fund for obligations issued in connection with other Payments under Contracts in the event amounts on deposit therein are insufficient to pay debt service on the Certificates or such other obligations. See "SECURITY FOR THE CERTIFICATES — Parity Reserve Fund."

The Electric System

The City owns, operates and maintains the Electric System. The Electric System is the retail provider of electricity to almost all of the residential, commercial and industrial consumers located within the incorporated area of the City. The City is adjusting the operations of the Electric System to the deregulated and open access environment for the electric industry in California. See "THE ELECTRIC SYSTEM," "CITY'S RESPONSE TO COMPETITION" and "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY."

Continuing Disclosure

The City will covenant for the benefit of the owners and beneficial owners of the Certificates to provide certain financial information and operating data relating to the City and to provide notices of the occurrence of certain enumerated events, if material. See "CONTINUING DISCLOSURE" and "APPENDIX D—FORM OF CONTINUING DISCLOSURE AGREEMENT."

Forward Looking Statements

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City's business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

Other Matters

This Official Statement speaks only as of its date, and the information and expressions of opinions contained herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Electric System since the date hereof. This Official

Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The summaries and references to documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. See "APPENDIX C—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for definitions of certain capitalized terms used herein. Capitalized terms not defined elsewhere in this Official Statement shall have the meanings assigned to such terms in the Trust Agreement or, if not defined in the Trust Agreement, in the Contract.

THE CERTIFICATES

General

The Certificates evidence the proportionate interests of the Owners thereof in 1999 Payments to be made by the City pursuant to the Contract. The Certificates initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased, in denominations of $5,000 or any integral multiple thereof, in book-entry form only. See "APPENDIX E–BOOK-ENTRY SYSTEM."

The Certificates will be dated, will mature on the dates (each a "Certificate Payment Date"), will evidence the principal installments, and will evidence interest payable at the rates, all as set forth on the cover page of this Official Statement. The interest evidenced by the Certificates will be computed on the basis of a 360-day year of twelve 30-day months and will be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2000 (each such date an "Interest Payment Date").

Prepayment

Optional Prepayment. The Certificates with a Certificate Payment Date on or after February 1, 2010 are subject to optional prepayment prior to their respective stated Certificate Payment Dates, upon notice as provided in the Trust Agreement, from prepayments of 1999 Payments made by the City pursuant to the Contract, as a whole or in part, on any date on or after August 1, 2009, at the following prepayment prices (expressed as percentages of the principal amount evidenced by the Certificates called for prepayment), plus accrued and unpaid interest evidenced thereby to the prepayment date:

Prepayment Period (dates inclusive)	Prepayment Price
August 1, 2009 through July 31, 2010	101%
August 1, 2010 and thereafter	100%

Mandatory Sinking Fund Prepayment. The Certificates with a Certificate Payment Date of February 1, 2017, are subject to mandatory prepayment prior to such Certificate Payment Date, in part by lot, on February 1 of each year on and after February 1, 2014, upon notice as provided in the Trust Agreement, from and in the amount of the principal installments of 1999 Payments due and payable on such dates, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued and unpaid interest evidenced thereby to the prepayment date, without a prepayment premium, in the principal amounts and in the years as set forth in the following table:

Term Certificates Maturing February 1, 2017	
(February 1)	Principal Amount
2014	$720,000
2015	765,000
2016	805,000
2017*	840,000

* Certificate Payment Date

The Certificates with a Certificate Payment Date of February 1, 2024, are subject to mandatory prepayment prior to such Certificate Payment Date, in part by lot, on February 1 of each year on and after February 1, 2018, upon notice as provided in the Trust Agreement, from and in the amount of the principal installments of 1999 Payments due and payable on such dates, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued and unpaid interest evidenced thereby to the prepayment date, without a prepayment premium, in the principal amounts and in the years as set forth in the following table:

Term Certificates Maturing February 1, 2024	
(February 1)	Principal Amount
2018	$1,450,000
2019	1,530,000
2020	1,615,000
2021	1,700,000
2022	1,795,000
2023	1,895,000
2024*	2,000,000

* Certificate Payment Date

Notice of Prepayment. The Trust Agreement provides that notice of prepayment of the Certificates is to be mailed by the Trustee, not less than 30 nor more than 60 days prior to the prepayment date to (i) the respective Owners of the Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories (as designated in the Trust Agreement) and (iii) one or more Information Services. Each notice of prepayment will state the date of such notice, the prepayment price, the place of prepayment (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the Certificates to be prepaid, and, if less than all of the Certificates of any one Certificate Payment Date are to be prepaid, the distinctive certificate numbers of the Certificates of such Certificate Payment Date to be prepaid and, in the case of Certificates to be prepaid in part only, the respective portions of the principal amount evidenced thereby to be prepaid. Each such notice will also state that on said date there will become due and payable on each of said Certificates the prepayment price thereof and in the case of a Certificate to be prepaid in part only, the specified portion of the principal amount evidenced thereby to be prepaid, together with accrued and unpaid interest evidenced thereby to the prepayment date, and that from and after such prepayment date interest evidenced thereby will cease to accrue, and will require that such Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure to receive such notice will not invalidate any of the proceedings taken in connection with such prepayment.

Unless the book-entry only system shall have been discontinued, the Authority, the City and the Trustee will only recognize DTC or its nominee as an Owner. Conveyance of notices and other communications by DTC to its participants ("DTC Participants") and by DTC Participants to each actual purchaser of each Certificate will be governed by arrangements between them, subject to any statutory and regulatory requirements as may be in effect from time to time. See "APPENDIX E - BOOK-ENTRY SYSTEM."

Selection of Certificates for Prepayment. Pursuant to the Trust Agreement, the Authority shall, at the direction of the City, designate by Certificate Payment Date those Certificates which shall be subject to optional prepayments. If the Authority fails to designate such Certificate Payment Dates, the Trustee shall prepay the Certificates in inverse order of Certificate Payment Date and by lot within a Certificate Payment Date. If less than all Outstanding Certificates of any particular Certificate Payment Date are to be prepaid at any one time, the Trustee will select the portions of the Certificates of such Certificate Payment Date to be prepaid by lot in a manner which the Trustee deems to be fair. For purposes of such selection, Certificates shall be deemed to be composed of $5,000 multiples and any such multiple may be separately prepaid.

Effect of Prepayment. If notice of prepayment has been duly given as described above and money for the payment of the prepayment price of the Certificates called for prepayment is held by the Trustee, then on the prepayment date designated in such notice Certificates so called for prepayment will become due and payable, and from and after the date so designated interest evidenced by such Certificates will cease to accrue, and the Owners of such Certificates will have no rights in respect thereof except to receive payment of the prepayment price thereof.

Parity Obligations

Under the terms and conditions set forth in the Contracts, the City is obligated to make the 1997 Payments on a parity with the 1999 Payments, and may incur additional Parity Obligations payable, from Net Revenues on a parity with the 1999 Payments. See "SECURITY FOR THE CERTIFICATES — Parity Obligations."

SECURITY FOR THE CERTIFICATES

1999 Payments

The Certificates evidence and represent the proportionate interests of the Owners in the 1999 Payments to be made by the City to the Authority pursuant to the Contract. The 1999 Payments represent the purchase price of the facilities to be financed from the proceeds of the Certificates, which the Authority is selling to the City. See "FACILITIES TO BE FINANCED" herein. The Contract provides that the City's obligations to make the 1999 Payments is, subject to the provisions of the Contract relating to defeasance, absolute and unconditional, and until such time as the 1999 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Contract), the City will not discontinue or suspend any 1999 Payments required to be paid by it under the

Contract when due, whether or not the Electric System or any part thereof (including the facilities to be financed from the proceeds of the Certificates) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and the 1999 Payments are not subject to reduction whether by offset, abatement or otherwise and are not conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever. Notwithstanding anything contained in the Contract, however, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the 1999 Payments or for the performance of any agreements or covenants required to be performed by it contained in the Contract.

As discussed under the headings "THE ELECTRIC SYSTEM — Power Supply" and "— Transmission" and "ELECTRIC SYSTEM FINANCIAL INFORMATION," the City participates in certain projects of joint powers agencies. Obligations of the City under its financing agreements with these joint powers agencies constitute operating expenses of the Electric System payable prior to the Payments under the Contracts, including the 1999 Payments.

Pursuant to the Trust Agreement, the Authority transfers, assigns and sets over to the Trustee, subject to the provisions of the Trust Agreement, all of the 1999 Payments and any and all rights and privileges it has under the Contract, including without limitation, the right to collect and receive directly all of the 1999 Payments and the right to enforce the provisions of the Contract. The Trust Agreement provides that the 1999 Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the Certificates the Trustee's rights in and priority to the following security granted to it for the payment of the Certificates: the Trustee's rights as assignee of the 1999 Payments and as beneficiary of any other rights to security for the Certificates which the Trustee may receive in the future.

The Trust Agreement provides that all of the 1999 Payments received by the Trustee shall be immediately deposited in the 1999 Debt Service Fund. All of the 1999 Payments shall be held in trust by the Trustee for the benefit of the Owners of the Certificates but shall be disbursed, allocated and applied solely for the uses and purposes provided in the Trust Agreement.

Pledge of Net Revenues

Pursuant to the Contracts, all Net Revenues of the Electric System are irrevocably pledged to the payment of all Payments to be made by the City to the Authority, including the 1997 Payments and the 1999 Payments, and all other payments under any other Parity Obligations, and the Net Revenues of the Electric System may not be used for any other purpose while any of the Payments remain unpaid; provided, however, that out of Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Contracts. The Contracts provide that such pledge constitutes a first pledge of and charge and lien upon the Net Revenues of the Electric System for the payment of the amounts due with respect to the Contracts and all other Parity Obligations in accordance with the terms of the Contracts.

"Electric System" is defined under the Contracts to mean the electric public utility system of the City, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto now owned by the City and all other properties, structures or works for the generation, transmission or distribution of electricity hereafter acquired by the City, including all contractual rights for electricity or the transmission thereof, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof thereafter acquired.

"Net Revenues" is defined under the Contracts to mean, for any Fiscal Year or any designated twelve-month period in question, the Revenues during such Fiscal Year or twelve-month period, less the Maintenance and Operation Costs during such Fiscal Year or twelve-month period.

"Revenues" is defined under the Contracts to mean all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or arising from the Electric System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund, but excluding proceeds of taxes, refundable deposits made to establish credit and advances, or contributions in aid of construction and line extension fees, and charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portion of costs associated with assets and obligations ("stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than Contracts, the payments of which obligations will be applied or pledged to, or otherwise set aside for, the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City.

"Maintenance and Operation Costs" is defined under the Contracts to mean the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes and insurance premiums, and all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Contracts or any resolution authorizing the execution of any Parity Obligations or of such Contracts or Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, remarketing agent or surety costs for any such Parity Obligations, letter of credit fees for any such Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers, but excluding depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. Anything contained in the Contracts to the contrary notwithstanding, "Maintenance and Operation Costs" shall include all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

Rate Covenant

Pursuant to the Contracts, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year (the "Rate Covenant"). The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but may not reduce the rates and charges then in effect unless the Adjusted Annual Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described in the preceding sentence.

"Adjusted Annual Net Revenues" is defined under the Contracts to mean, for any Fiscal Year or 12-month period in question, the Adjusted Annual Revenues during such Fiscal Year or 12-month period less the Maintenance and Operation Costs during such Fiscal Year or 12-month period.

"Adjusted Annual Revenues" is defined under the Contracts to mean, for any Fiscal Year or 12-month period in question, the Revenues during such Fiscal Year or 12-month period, plus, for purposes of the Rate Covenant only, the amounts on deposit in the Rate Stabilization Fund (or any other unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Maintenance and Operation Costs and/or Annual Debt Service for such Fiscal Year or 12-month period), as of the first day of such Fiscal Year or 12-month period, minus, for the purposes of the Rate Covenant only, earnings from the investments in the Parity Reserve Fund that are deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period.

"Adjusted Annual Debt Service" is defined under the Contracts to mean, for any Fiscal Year or 12-month period in question, the Annual Debt Service for such Fiscal Year or 12-month period minus the sum of (i) for purposes of the Rate Covenant only, the earnings from the investments in the Parity Reserve Fund that have been deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period, and (ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon (other than from the Parity Reserve Fund), all as set forth in a certificate of the City.

"Annual Debt Service" is generally defined under the Contracts to mean, for any Fiscal Year or 12-month period in question, the required payments scheduled to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided, that for purposes of determining compliance with the Rate Covenant, the Reserve Fund Requirement and conditions for the execution of Parity Obligations, certain additional provisions are applicable as described in "APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — DEFINITIONS — Annual Debt Service."

The City's ability to comply with the foregoing rate covenant may be limited by deregulation and open access in the electric industry in California. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY."

Parity Reserve Fund

Pursuant to the 1997 Trust Agreement, the Trustee has established and will maintain the Parity Reserve Fund so long as any 1997 Certificates remain outstanding thereunder. A portion of the proceeds of the Certificates will be deposited in an account of the Parity Reserve Fund (the "1999 Parity Reserve Account") established under the Trust Agreement in an amount necessary to increase the amount in the

Parity Reserve Fund to the Reserve Fund Requirement upon the delivery of the Certificates. The 1999 Parity Reserve Account shall be maintained so long as any Certificates remain outstanding.

"Reserve Fund Requirement" is defined under the Master Contract to mean, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) 10% of the initial offering price to the public of the Parity Obligations as determined under the Internal Revenue Code of 1986 (the "Code"), or (b) the Maximum Annual Debt Service, or (c) 125% of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee. The Reserve Fund Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition shall no longer maintain ratings as required in accordance with the immediately preceding sentence, the Contracts require the City to provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

Amounts in the Parity Reserve Fund shall be transferred to the 1999 Debt Service Fund to pay principal and interest evidenced by the Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. Amounts in the Parity Reserve Fund, including amounts in the 1999 Parity Reserve Account, shall be transferred to any applicable debt service fund established under a trust agreement under which any obligations are issued in connection with a Supplemental Contract, including the Certificates and the 1997 Certificates, without preference or priority between transfers made as described in the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference. See " – Parity Obligations" below.

Flow of Funds

The City agrees and covenants in the Contracts that all Revenues it receives will be deposited when and as received in the Electric Revenue Fund, which the City is required to establish and maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid and all money on deposit in the Electric Revenue Fund shall be applied and used only as provided in the Contracts. The City is to pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable. The Contracts require the City to deposit and set aside all remaining money in the Electric Revenue Fund at the following times in the following order of priority:

(1) *Parity Obligation Payment Fund Deposits.* On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable under any

Parity Payment Agreement, the City will, from the money in the Electric Revenue Fund, deposit in the Parity Obligation Payment Fund which fund the City agrees and covenants to establish and maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date, plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if there is money in the Parity Obligation Payment Fund available therefor at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such date on which interest or principal becomes due and payable under any Parity Obligations plus the net payments due on all Parity Payment Agreements on the next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to the applicable trustee to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation at least one Business Day prior to such next applicable due date.

(2) *Parity Reserve Fund Deposits.* On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to the reserve fund or account for any Parity Obligations which are not Supplemental Contracts, without preference or priority between transfers made in accordance with this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

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

Rate Stabilization Fund

Pursuant to the Contracts, the City is also required to establish and maintain the Rate Stabilization Fund so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money available for such deposit. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Revenues. Notwithstanding the foregoing, no Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Revenues for purposes of determining compliance with the conditions for the execution of Parity Obligations contained in the Contracts or for the Rate Covenant and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such conditions.

The City's ability to set rates, fees and charges for electricity at levels which would permit the City to make deposits into the Rate Stabilization Fund may be limited by deregulation and open access in the electric industry in California. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY."

Parity Obligations

The City is obligated to make the 1997 Payments which are payable from the Net Revenues on a parity with the 1999 Payments. As of June 30, 1999, $8,995,000 aggregate principal amount of the 1997 Certificates were outstanding. In addition, the City is obligated on a "take-or-pay" basis to make payments relating to debt service on approximately $142 million principal amount of bonds and notes under power purchase and transmission capacity agreements with joint powers agencies which constitute operating expenses of the Electric System payable prior to any of the Payments required to be made under the Contracts. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Indebtedness."

The City may at any time execute a Supplemental Contract or other Parity Obligation payable from the Net Revenues on a parity with the 1997 Payments and the 1999 Payments, but only subject to the specific conditions set forth in the Contracts, which are conditions precedent to the execution of any such Parity Obligations, including the condition that there be on file with the Trustee either:

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

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

Notwithstanding the foregoing, the Contract specifies that there shall be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any outstanding Parity Obligations. See "APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — MASTER INSTALLMENT PURCHASE CONTRACT — Execution of Parity Obligations and Other Obligations."

CERTIFICATE INSURANCE

Concurrently with the issuance of the Certificates, Financial Security Assurance Inc., as the Insurer, will issue its Municipal Bond Insurance Policy (the "Policy") for the Certificates. The Policy guarantees the scheduled payment of principal of and interest evidenced by the Certificates when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

FINANCIAL SECURITY ASSURANCE INC.

The following information has been furnished by the Insurer for use in this Official Statement. Such information has not been independently confirmed or verified by the City. No representation is made herein by the City as to the accuracy or adequacy of such information. Reference is made to APPENDIX G for a specimen of the Insurer's Policy.

The Insurer is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is a New York Stock Exchange listed company whose major shareholders include White Mountains Insurance Group, Inc., XL Capital Ltd., The Tokio Marine and Fire Insurance Co., Ltd. and MediaOne Capital Corporation. The shareholders of Holdings are not liable for the obligations of the Insurer.

At June 30, 1999, the Insurer's total policyholders' surplus and contingency reserves were approximately $1,107,636,000 and its total unearned premium reserve was approximately $621,693,000 in accordance with statutory accounting principles. At June 30, 1999, the Insurer's total shareholder's equity was approximately $1,137,952,000 and its total net unearned premium reserve was approximately $520,986,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Certificates. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Certificates, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. The Insurer makes no representation regarding the Certificates or the advisability of investing in the Certificates. The Insurer makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that the Insurer has provided to the Issuer the information presented under this caption and under the caption "CERTIFICATE INSURANCE" for inclusion in the Official Statement.

Information regarding the Insurer's Year 2000 compliance program is available at the Insurer's website, www.fsa.com/y2k.

FACILITIES TO BE FINANCED

The Authority will apply a portion of the proceeds of the Certificates to finance a portion of the costs of certain capital expenditures for the distribution system of the City's Electric System included in the Electric System's Capital Improvement Program, including a 60kV network system, improvements to the Hardrock Substation, the Baseline Substation, the Park Substation, the SCADA System, and other circuit and substation capacity additions, circuit upgrades and replacements and control, protection and measurement devices and equipment. See "THE ELECTRIC SYSTEM – Forecast of Capital Expenditures."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds, excluding accrued interest, in connection with the Certificates.

Sources of Funds[(1)]	
Principal Amount of Certificates	$21,630,000.00
Original Issue Discount	(101,062.25)
Total Sources of Funds	$21,528,937.75
Uses of Funds	
Deposit to 1999 Debt Service Fund[(2)]	$ 1,016,922.75
Deposit to Improvement Fund	18,411,285.71
Deposit to Parity Reserve Fund[(3)]	1,641,561.00
Costs of Issuance[(4)]	459,168.29
Total Uses of Funds	$21,528,937.75

(1) Excludes accrued interest which will be deposited in the 1999 Debt Service Fund.

(2) Estimated to provide, together with expected interest earnings, capitalized interest on a portion of the Certificates through February 1, 2001.

(3) Equal to the Reserve Fund Requirement when added to the amount of $1,055,201 previously deposited in the Parity Reserve Fund with respect to the 1997 Certificates.

(4) Includes municipal bond insurance premium, legal, financial advisory, rating agency, printing and other costs of issuance, and underwriter's discount.

THE ELECTRIC SYSTEM

History

The City has owned and operated its electric distribution system since 1912. In 1956, the City signed a contract with the Federal Bureau of Reclamation for electricity from federal hydroelectric projects. Steady growth has created a need to obtain resources beyond Roseville's 69 MW allocation of federal contract power. To help meet this need, the City joined the Northern California Power Agency (the "NCPA") in 1968. The City participates in several resources developed by NCPA such as the geothermal, combustion turbine and the hydroelectric projects. The City also became a member of the Transmission Agency of Northern California ("TANC") in 1984 and participates in the California-Oregon Transmission Project ("COTP"). In addition, NCPA has developed electric dispatch and transmission capabilities that contribute to the City's electric utility services.

Service Area

The Electric System serves an area of approximately 31 square miles, coterminous with the City's borders, and has over 127 miles of overhead lines and over 404 miles of underground lines. During the fiscal year 1997-98, it served 34,740 customers, comprised of approximately 30,150 residential customers and approximately 4,590 commercial and industrial customers, with a peak demand of approximately 220 MW.

Organization and Management

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

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

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

DAVID DOCKHAM, Assistant Electric Utility Director, Distribution. Mr. Dockham received his Bachelor of Science in Electrical Engineering from California State University, Sacramento in 1982. He is a registered electrical engineer in California and has 17 years experience as a utility engineer and manager. Mr. Dockham joined Roseville Electric in 1986. Prior to that he held a student position with Pacific Gas and Electric Company and staff engineering and supervisory positions with San Diego Gas & Electric Company.

PAUL J. ROEMMELT, Assistant Electric Utility Director, Resources. Mr. Roemmelt received a Bachelor of Science in Mechanical Engineering from the University of Arizona in 1961. He is a member of Theta Tau engineering society. He has 38 years of professional experience in the electric utility industry and is a registered professional engineer. Mr. Roemmelt joined Roseville Electric in 1990. From 1960 to 1990, Mr. Roemmelt held staff and management positions at San Diego Gas & Electric Company.

Rates

The City has, by City Charter and State law, the exclusive jurisdiction to set electric rates within its service area by ordinance, which requires a majority vote of the City Council. These rates are not subject to review by any state or federal agency.

The City Council is also authorized by the City Charter to set charges, pay for and supply all electric energy and power to be furnished to customers according to such schedules, tariffs, rules and regulations as are adopted by the City Council. The City Charter provides that the City Council shall have the power to charge equitable rates for the electric services furnished and for building up the electric properties so as to conserve their value and increase their capacity as needed by the City. In addition, the City Charter provides for the maintenance of the Electric Fund for the Electric System into which is deposited receipts from the operations of the Electric System and from which are payable the costs and expenses of the Electric System.

The City's 1998 average rate per kWh for residential service was 8.03 cents. The City's 1998 average rate for commercial and industrial service was 7.03 cents per kWh. Over the past ten years, the City's retail electric rates have increased an average of 1.5 percent annually, well below the rate of inflation. Following is the City's rate change history:

- March 1990 - 7.5 percent increase
- May 1991 - 5.8 percent increase
- February 1992 - 8 percent increase
- August 1993 - 4 percent decrease for all customers except very large industrial customers whose rates were reduced 4.8 percent
- February 1995 - 5 percent decrease for large commercial and industrial customers implemented in one percent steps through July 1998.
- July 1997 - revenue neutral rate adjustment, increasing residential rates 7 percent and decreasing business rates an average of 3.5 percent

The City Council reviews Electric System rates periodically and makes adjustments as necessary. The City Council has expressed its intent to continue the overall rate levels of fiscal year 1998-1999 through fiscal year 2001-2002. The City has commenced a project to establish unbundled rates as part of its response to competition in the electric industry. Such unbundled rates would go into effect when the City offers customers open access which is anticipated to be phased in commencing in the year 2000. See "CITY'S RESPONSE TO COMPETITION - Rates."

Assembly Bill No. 1890 ("AB 1890") requires that the City spend 2.85% of gross revenues or about $1.6 million per year on public benefit programs. The City currently spends about $1 million per year. The additional expenditures will be used for low income discounts and assistance programs, new demand-side management programs and/or investment in renewable resources.

Revenues and Sales

Demand. Over the past five years electricity use in the City has increased by 7.5 percent annually. At the same time, population growth has increased nearly 5 percent each year. This robust growth rate has been a result of expansion in all sectors of the economy. Hewlett-Packard ("HP") and NEC Electronics, Inc. ("NEC"), the Electric System's two largest customers, continue to expand their facilities and operations in the community. Two major health care facilities (Kaiser-Permanente and Sutter/Roseville) have been completed along with a variety of retail facilities (Price-Costco, Toys-R-Us) and several large office buildings. In addition to retail commercial development, there also has been a strong residential growth trend adding over 6,000 residential units, including a Del Webb retirement community, over the past 5 years.

Over the next five years, this historical trend is expected to continue. Both HP and NEC are forecasting significant expansions to their facilities. In addition, a one million square foot regional shopping mall, several new hotels, and over one million square feet of office space are in the planning stage or actually under construction. Strong residential development also is expected to continue throughout the City, with approximately 7,500 new residences anticipated over the next five years.

Customers, Sales, Revenues and Demand. The average number of customers, kWh sales, revenues derived from sales by classification of service and peak demand during the past five fiscal years, are listed below.

TABLE 1.
CITY OF ROSEVILLE
ELECTRIC DEPARTMENT
CUSTOMERS, SALES, REVENUES AND DEMAND

	Fiscal Year Ended June 30,				
	1994	1995	1996	1997	1998
Number of Customers:					
Residential	22,500	23,771	25,448	26,909	28,480
Commercial	3,201	3,348	3,548	3,770	4,024
Total Customers	25,701	27,119	28,996	30,679	32,504
Kilowatt-Hour Sales:					
Residential	184,267,132	193,245,878	202,418,521	228,719,800	235,966,554
Commercial	371,838,392	405,132,853	451,439,359	492,393,470	527,480,816
Total kWh sales	556,105,524	598,378,731	653,857,880	721,113,270	763,447,370
Revenues from Sale of Energy:					
Residential	$14,465,192	$15,247,965	$16,177,362	$18,378,273	$18,979,800
Commercial	26,715,735	28,673,899	31,975,018	34,609,635	35,748,574
Total Revenues from Sale of Energy	$41,360,927	$43,921,864	$48,152,380	$52,987,908	$54,728,375
Peak Demand (kW)	142,374	159,250	164,663	182,638	190,873

Ten Largest Customers. The ten largest customers of the City's Electric System, as of June 30, 1998, are shown in the following table. These customers accounted for 40% of total kWh sales and 35% of revenues. The largest customer, NEC, accounted for 24% of total kWh sales and 20% of total revenues. The smallest of the ten largest customers, Roseville Telephone, accounted for 0.5% of total kWh sales and 0.5% of revenues.

TABLE 2.
CITY OF ROSEVILLE
ELECTRIC DEPARTMENT
TEN LARGEST CUSTOMERS
As of June 30, 1998

Customer	Type of Business
NEC Corporation	Computers
Hewlett Packard	Computers
Kaiser Permanente Hospital	Hospital
Wells Fargo Bank – Cassie Hill Center	Bank/Data Operations
Albertson's Distribution Center	Retail Grocery Warehouse
Union Pacific	Railroad
City of Roseville Wastewater Treatment Plant	Wastewater Treatment
Sutter Community Hospital	Hospital
Sam's Club	Retail
Roseville Telephone Co.	Communications

Power Supply

Purchased Power. The City does not independently own any generation assets but, in addition to power purchased from the Western Area Power Administration ("Western") of the federal government, owns a percentage of the capacity and energy of certain NCPA generation projects as described in the following table. In addition to such long-term resources, the City makes economy power purchases through NCPA to supplement and, when cost-effective, replace some of these long-term power resources. In fiscal year 1997-98, approximately 40% of the City's energy requirements were supplied through such economy purchases.

For each of the NCPA projects in which the City participates, the City is obligated to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the project as well as its share of the operation and maintenance expenses of the project. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Indebtedness" herein.

TABLE 3.
CITY OF ROSEVILLE
ELECTRIC DEPARTMENT
POWER SUPPLY RESOURCES (1)

	Capacity Available (MW)(2)	Actual Energy (GWh)	% of Total Energy
Purchased Power(3)			
Western	69	246	31%
NCPA			
Geothermal Project	7	50	6
Hydroelectric Project	43	135	17
Combustion Turbine Project	16	2	0
Multiple Capital Facilities Project	20	25	3
Seattle City Light	21	(9)(4)	(1)
Other(5)	n/a	350	44
TOTAL	176	798	100%

(1) Information for fiscal year ended June 30, 1998.
(2) Non-coincident capacity available.
(3) Entitlements, firm allocations and contract amounts.
(4) This is a seasonal exchange agreement where Roseville receives more capacity and Seattle receives more energy on an annual basis.
(5) Net firm and non-firm energy purchases.

In the fiscal year ended June 30, 1998, the City's average cost of power delivered to the Electric System was 3.9 cents per kWh.

Western. The City has an existing agreement with Western to purchase up to 69 MW of electricity. The contract term extends through December 31, 2004, at which time it is subject to renewal based on the Western post-2004 marketing plan. On October 1, 1997, Western lowered its rates by approximately 20% as a result of efforts to reduce its costs, particularly in the purchase of supplemental power to firm its hydroelectric resources. Western recently conducted negotiations reducing its supplemental power purchases even further and has announced a rate proceeding that is expected to result in further rate reductions by October 1, 2000. In fiscal year 1997-98, the average cost of power to the City from Western was 1.9 cents per kWh. The City has realized savings from the recent rate reductions by Western. The City will be evaluating, as needed, additional sources of electricity supply to replace any Western contract amounts not extended beyond 2004. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY-Western Area Power Administrations 2004 Marketing Plan" herein.

NCPA Hydroelectric Project Number One. NCPA's Hydroelectric Project Number One (the "Hydroelectric Project") consists of (a) three diversion dams, (b) the 243-MW Collierville Powerhouse, (c) the Spicer Meadow Dam with a 5.5-MW powerhouse, and (d) associated tunnels located essentially on the North Fork Stanislaus River and on the Stanislaus River in Alpine, Tuolumne and Calaveras Counties, California, together with required transmission facilities.

The Hydroelectric Project, with the exception of certain transmission facilities, is owned by the Calaveras County Water District ("CCWD") and is licensed by the Federal Energy Regulatory Commission ("FERC"), pursuant to a 50-year License No. 2409 to CCWD. Pursuant to a Power Purchase Contract, NCPA (i) is entitled to the electric output of the project until 2031, (ii) managed the construction of the project and (iii) operates the generating and recreational facilities of the project. Under a separate FERC-issued license with an expiration date coterminous with the Project No. 2409 license (Project No. 11197), NCPA holds the license and owns the 230 kV Collierville-Bellota and 21 kV Spicer Meadow-Cabbage Patch transmission lines from Project No. 2409. After the present FERC license expires in the year 2031, NCPA has the option to continue to purchase Hydroelectric Project capacity and energy during a subsequent license renewal period. It is estimated that the price will be significantly less than the comparable alternatives at that time. The purchase option includes all capacity and energy which is surplus to CCWD's needs for power within the boundaries of Calaveras County.

In February 1990, the operating portions of the project were declared substantially complete and commercially operable. As with any hydroelectric generation project, the operation of the Hydroelectric Project is determined by consideration of its storage capacity and available stream flows. The Hydroelectric Project has a 102-year record (1895 to 1997) of streamflows. Based upon the record, the Hydroelectric Project's average production is estimated to be 550 GWh annually. Using the driest period of record (1976-1977), the Hydroelectric Project is estimated to produce 180 GWh annually. The Hydroelectric Project is optimized together with NCPA's other resources as determined by NCPA to economically meet the load requirements of the respective project participants. The load-following characteristics of the project give the City a great degree of flexibility in meeting the hourly and daily variations which occur in its loads.

Spicer Meadow Reservoir filled to its 189,000 acre-foot capacity during July 1998. The Hydroelectric Project generation for the 1998-99 fiscal year was 831 GWh. NCPA has estimated the average cost per kWh of power generated from the Hydroelectric Project to be 57.0 mills/kWh for 1998-99 (based upon a well above average water year). NCPA has estimated the average cost per kWh of power generated from the Hydroelectric Project to be approximately 85.3 mills/kWh in an average water year.

NCPA financed the Hydroelectric Project through the issuance of Hydroelectric Project Number One Revenue Bonds, of which $546.7 million were outstanding as of June 30, 1999. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Indebtedness" herein." The City's share in the Hydroelectric Project and in such bonds is 12%. In addition, the City has purchased from Palo Alto a 6.52% entitlement share of the Hydroelectric Project through 2004. See Table 5 and footnote 5 thereunder for information regarding the City's obligations with respect to Palo Alto's share of the debt service with respect to the Hydroelectric Project. The debt service on these bonds continues to the year 2032 and annual debt service (net of certain economic defeasance portfolios established in 1998) ranges from $17.5 million to $40.9 million. These debt service amounts reflect the recent debt restructuring undertaken by NCPA.

FERC approved the applications of Pacific Gas & Electric Company ("PG&E"), CCWD and NCPA to transfer the Utica and Angles hydroelectric project licenses from PG&E to CCWD, and for CCWD to subsequently transfer the Utica project upper reservoirs and associated water rights to NCPA. The upper reservoirs are licensed to NCPA as Project No. 11563 on a year-to-year basis; an application for a permanent license has been filed. The title transfers were completed on July 18, 1996. Under the existing Utica license, and pursuant to an agreement with CCWD, NCPA is able to divert up to an additional 20,000 acre-feet of water annually to the Collierville Powerhouse which is included in the

NCPA Hydroelectric Project. The energy generated will be supplied to the Hydroelectric Project participants. NCPA's cost for the upper reservoirs and associated water rights will be approximately $3 million if FERC issues a license to NCPA for the project as proposed.

For fiscal year ended June 30, 1998, the City received 135,000 MWh of electric energy from the NCPA Hydroelectric Project at an average energy cost of $1.90 per MWh.

NCPA Geothermal Project. NCPA has developed a geothermal project (the "Geothermal Project") located on federal land in certain areas of Sonoma and Lake Counties, California. In addition to the geothermal leasehold, wells, gathering system and related facilities, the Geothermal Project consists of two electric generating stations (Geothermal Plant 1 and Geothermal Plant 2), each with two 55 MW (nameplate rating) turbine generating units utilizing low pressure, low temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tapline and other related facilities. Geothermal steam for the project is derived from geothermal property, which includes wellpads, access roads, steam wells and reinjection wells. NCPA formed two not-for-profit corporations controlled by its members to own the generating plants of the Geothermal Project. NCPA manages the Geothermal Project for the corporations and is entitled to all the capacity and energy generated by the Geothermal Project.

NCPA financed the Geothermal Project with Geothermal Project Number 3 Revenue Bonds, of which $414.6 million were outstanding as of June 30, 1999. The debt service on these bonds continues to the year 2010 and annual debt service ranges from $29.1 million to $57.9 million. The debt service amounts reflect the recent debt restructuring undertaken by NCPA.

The Geothermal Project has experienced greater-than-anticipated declines in steam production from existing geothermal wells. Steam for the Geothermal Project comes from lands in the Geysers Area which are leased by NCPA from the federal government. NCPA operates these steam-supply areas. Initially, both Geothermal Plant 1 and Geothermal Plant 2 were operated as baseload generating projects at full capability (238 MW, which is an approved nameplate rating greater than the initial nameplate rating) comparable to the manner in which other Geysers projects were being operated. However, operation of both plants at high generation levels, together with high steam usage by others in the same area, resulted in a decline in the steam production from the steam wells at a rate greater than expected. As a result, by April 1988, for the purpose of slowing the decline in the steam field capability, NCPA changed its steam field production from baseload to load-following and reduced average annual steam production to 150 MW gross. These changes were effective in reducing the decline in steam production.

Beginning in 1991, NCPA, along with other steam field operators in the area, implemented operating strategies to further reduce the rate of decline in steam production. NCPA's strategy included continuing average annual production at the 150 MW gross level, lowering steam turbine operating pressures to improve mass flow, and augmenting mass flow by managing the injection of plant condensate and supplemental water. These additional strategies were successful in accomplishing a further reduction in the rate of decline. To provide supplemental water, NCPA built two catch basins to collect plant site runoff. The catch basins have increased the amount of fluid injected by 3.8%. Due to improved steam field conditions during 1994 and 1995, the project operated at a 155 MW average gross. For the year ended December 31, 1996, average annual generation was 159.9 MW gross.

In April 1996, NCPA completed modifications of the Unit 2 steam turbine at Geothermal Plant 1 and associated steam collection system to generate power with lower pressure steam at higher mass-flow rates and greater efficiency than previously possible to optimize the utilization of the available steam resource. For the year ended December 31, 1997, average annual generation was 156.3 MW gross.

In addition, NCPA has entered into agreements with other producers in the Geysers Area to finance and construct the Southeast Geysers Effluent Pipeline Project (the "Effluent Project"). The 26-mile Effluent Project, which is now in operation, collects 7.8 million gallons per day from the Lake County Sanitation District wastewater treatment plants at Clearlake and Middletown and delivers the wastewater to NCPA and the two other Geysers steam field operators for injection. NCPA receives one-third of the wastewater. NCPA's $9.5 million share of the Effluent Project costs was paid out of internally-generated funds.

Based on current operating protocols and forecasted operations, NCPA expects average annual generation to remain in excess of 150 MW through 2000, after which both the average and peak capacity are expected to decrease, reaching approximately 86 MW by the year 2010, and remaining in excess of 60 MW through 2025, the end of the study period.

The City has purchased from NCPA, pursuant to power sales contacts, a 7.88% entitlement share in the Geothermal Project and is obligated to pay a like percentage of all of the debt service and operating costs of such plants. The City has sold varying portions of its share of the Geothermal Project to Turlock through December 31, 2000. For fiscal year ended June 30, 1998, the City received 50,020 MWh of electric energy from the Geothermal Project at an average cost of $10.00 per MWh.

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

The Combustion Turbine Project provides capacity (i) to be operated during the peak load period in order to reduce the need for purchasing partial requirements from alternate sources and (ii) to be used to meet the capacity reserve requirements. Such reserve capacity is operated only during emergency periods when other resources are unexpectedly out of service. In addition, capacity and energy from the Combustion Turbine Project are also sold to others upon request. The combustion turbine units have economically fulfilled their planned function of reliably providing reserve and peaking power. To the extent permitted by air quality restrictions, the Combustion Turbine Project also provides energy for sale in the California deregulated market. In Fiscal Year 1997-98, such sales averaged $66/MWh.

NCPA financed the Combustion Turbine Project through the issuance of Combustion Turbine Project Number One Revenue Bonds, of which $43.2 million were outstanding as of June 30, 1999. The debt service on these bonds continues to the year 2010 and annual debt service ranges from $4.3 million to $6.0 million. These debt service amounts reflect the recent debt restructuring undertaken by NCPA.

The City has purchased from NCPA pursuant to a power sale contract a 13.58% entitlement share in the Combustion Turbine Project. For the fiscal year ended June 30, 1998, the City received 1,700 MWh of electric energy from the Combustion Turbine Project at an average energy cost of $38 per MWh.

NCPA Multiple Capital Facilities Project. In 1992, NCPA undertook its multiple capital facilities project (the "Multiple Capital Facilities Project"). The Multiple Capital Facilities Project originally included three components: (i) one power generating station, Unit One, with a design rating of

49.9 MW located in Lodi, (ii) one power generating station, Unit Two, owned and operated by the Turlock Irrigation District ("Turlock"), with a design rating of 49.9 MW located in the City of Ceres, and (iii) certain improvements to the electric system of Lodi (the "Lodi Facilities"). Each power generating station consists of a single natural gas-fired steam injected gas turbine (STIG), generator, and required auxiliary and electrical interconnection systems.

Unit One is owned and operated by NCPA, and the capacity and energy thereof is purchased by the City, Alameda, Lompoc and Lodi. The City has a 36.5% participation share in Unit One, which obligates the City to pay 36.5% of the debt service on the NCPA bonds issued for Unit One. NCPA has entered into arrangements on behalf of the Project Participants to provide for a gas supply for Unit One. NCPA has estimated the average cost of capacity from Unit One to be $13.9/kW-mo. for 1998-99. NCPA has estimated the variable operating cost of Unit One to be 17.5 mills/kWh for 1998-99. For fiscal year ended June 30, 1998, the City received 24,840 MWh of electric energy from Unit One at an average cost of $25 per MWh.

The planned use of Unit One is as an intermediate load facility. Its actual use to meet Project Participants' loads depends on the amount of generation available from NCPA's Hydroelectric Project and prices of alternative electric energy supplies. Unit One is economically dispatched to meet the Project Participants' load, to meet other NCPA members' load or to sell power to third parties depending on natural gas prices and electric energy prices. This utilization of Unit One is intended to yield the minimum net annual project cost to the project participants.

NCPA financed the Multiple Capital Facilities Project in 1992 through the issuance of $152.3 million aggregate principal amount of Multiple Capital Facilities Project Revenue Bonds. In April 1998, Turlock refinanced the costs of its Unit Two project and caused the defeasance of the approximately $64.3 million of Multiple Capital Facilities Revenue Bonds. Payment of the $11.3 million outstanding Multiple Capital Facilities Revenue Bonds allocable to the Lodi Facilities was provided for through the deposit of amounts in an irrevocable escrow fund (the "Lodi Facilities Escrow Fund") pursuant to an escrow agreement between NCPA and the trustee for the Multiple Capital Facilities Revenue Bonds. All of the Outstanding Multiple Capital Facilities Revenue Bonds allocable to the Lodi Facilities are expected to be paid or redeemed by September 3, 2002.

In February 1999, NCPA issued $67.8 million of its Capital Facilities Revenue Bonds, 1999 Refunding Series A (the "NCPA Capital Facilities Revenue Bonds") for the purpose of effecting the crossover refunding of the approximately $64.959 million outstanding Multiple Capital Facilities Revenue Bonds relating to Unit One. Pursuant to an escrow agreement between NCPA and the trustee for the Multiple Capital Facilities Bonds, a portion of the proceeds of the NCPA Capital Facilities Revenue Bonds, together with other available moneys, were deposited in an escrow fund and invested in a guaranteed investment contract. The payments under such guaranteed investment contract will be applied to the payment or redemption of the Multiple Capital Facilities Revenue Bonds related to Unit One. All of such Multiple Capital Facilities Revenue Bonds are expected to be paid or redeemed by September 3, 2002. Until such Multiple Capital Revenue Bonds are paid or redeemed, the City remains liable for the payment of its share of debt service on such bonds but not for the NCPA Capital Facilities Revenue Bonds which have not been applied to the payment or redemption of Multiple Capital Facilities Bonds. As such Multiple Capital Facilities Bonds are paid or redeemed, the City becomes liable for its share of debt service on the NCPA Capital Facilities Revenue Bonds deemed "crossed-over" with such payment or redemption.

NCPA Northwest Resource Project. In September 1991, NCPA, as agent on behalf of eight NCPA members, including the City, entered into an agreement (the "NCPA-WWP Agreement") with The Washington Water Power Company ("WWP") to provide for the purchase by NCPA from WWP of 50 MW of firm capacity annually. The original term of the NCPA-WWP Agreement was 20 years, subject to the right of either party to terminate the NCPA-WWP Agreement upon five years notice (which notice of termination was not to become effective prior to June 30, 2001).

Pursuant to the Northwest Resource Third Phase Agreement, dated as of October 11, 1991, by and among NCPA and the eight NCPA members, including the City, NCPA agreed to sell to such project beneficiaries, and such project beneficiaries agreed to purchase from NCPA, their respective shares of the total capacity and energy purchased by NCPA pursuant to the NCPA-WWP Agreement. Under the Northwest Resource Third Phase Agreement, each of the project beneficiaries is obligated to pay its respective share of the costs incurred by NCPA in connection with the NCPA-WWP Agreement, including all costs of power purchased by NCPA thereunder on behalf of the project beneficiaries.

NCPA and WWP agreed to shorten the termination notice requirement under the NCPA-WWP Agreement and to terminate the NCPA-WWP Agreement sooner, effective upon the acceptance without change or condition by FERC of WWP's termination filing related thereto. On December 30, 1996, FERC accepted for filing WWP's notice of termination of the NCPA-WWP Agreement effective December 31, 1996. In consideration of the early termination by WWP of the NCPA-WWP Agreement, NCPA agreed to pay WWP a one-time payment in the amount of $17,369,020.00 (the "Capacity Payment"). The Capacity Payment represented the present value of the unpaid fixed charges for capacity purchased under the NCPA-WWP Agreement to June 30, 2001.

NCPA issued its Northwest Resource Revenue Bonds, 1997 Series A (the "Northwest Resource Revenue Bonds") for the purpose of providing funds to finance the respective shares of the Capacity Payment with respect to capacity purchased on behalf of the City, Alameda, Palo Alto, Lodi and Turlock. As of June 30, 1999, $10.0 million Northwest Resource Revenue Bonds were outstanding. The annual debt service on these bonds ranges from $4.6 million to $5.8 million, with a final maturity of June 1, 2001. Pursuant to the Northwest Resource Third Phase Agreement, the City is obligated for 22.89% of the debt service for such Northwest Resource Revenue Bonds. See Table 5.

Seattle City Light Power Purchase Contract. NCPA, on behalf of Healdsburg, Palo Alto, Ukiah, Lodi and the City, has negotiated a seasonal exchange agreement with Seattle City Light for 60 MW of summer capacity and energy and a return of 46-MW of capacity and energy in the winter. Deliveries under the agreement began June 1, 1995 and will terminate no earlier than May 31, 2014. The City has a 33% participation in such contract.

For fiscal year ended June 30, 1998, the City received 29,000 MWh of electric energy during peak summer demand periods pursuant to such contract. In return for these energy deliveries, the City returned to Seattle City Light 36,300 MWh of energy between November and April of such fiscal year.

Prepaid Purchased Electricity. In prior years, the City completed construction and transferred ownership of certain electrical transmission lines to Western in exchange for a reduction in future power supply costs of approximately 5%. The related construction costs were refinanced and have been capitalized on the City's balance sheet. Such costs are being amortized as the economic benefit of the reduced electricity costs are realized. The amount amortized for fiscal year 1997 was $1,185,074 and for fiscal year 1998 was $1,185,002.

Transmission

TANC California-Oregon Transmission Project. The City, together with thirteen other Northern California cities and districts and one rural electric cooperative, is a member or associate member of a California joint powers agency known as the Transmission Agency of Northern California ("TANC"). TANC, together with the City of Vernon, California ("Vernon"), Western and three California districts and authorities and PG&E (collectively with TANC, Vernon, Western and the three California districts and authorities, the "COTP Participants") own the California-Oregon Transmission Project ("COTP"), a 339-mile long, 1,600 MW, 500 kV transmission project between southern Oregon and central California. The COTP was placed in service on March 24, 1993, at a cost of approximately $430 million.

Pursuant to TANC Project Agreement No. 3 for the COTP (the "TANC Agreement"), TANC has agreed to provide the City and 12 other members of TANC (the "TANC Members") with a participation percentage of TANC's entitlement to COTP transfer capability. In return, each TANC Member has severally agreed to pay TANC a percentage of TANC's share of the COTP construction costs, including debt service on TANC's outstanding revenue bonds, commercial paper and other obligations issued by TANC to finance the COTP. A TANC Member's obligations to make payments to TANC are not dependent upon the operation of the COTP and are not subject to reduction. Upon an unremedied default by one TANC Member in making a payment required under the TANC Agreement, the nondefaulting TANC Members are required to increase pro-rata their percentage entitlement shares by the amount of the defaulting TANC Member's entitlement share, provided that no such increase can result in a greater than 25% increase in the entitlement share of the nondefaulting TANC Members.

Pursuant to the TANC Agreement, the City is obligated to pay 2.313% of TANC's COTP operating and maintenance expenses and 2.295% of TANC's debt service and is entitled to 2.313% (net of layoffs) of TANC's share of COTP transfer capability (approximately 20 MW) on an unconditional take-or-pay basis. In 1991, Palo Alto agreed to assign 7.68 MW of its entitlement in this project to the City through 2004. See Table 5 and footnote 7 thereunder for information regarding the City's obligations with respect to Palo Alto's share of the debt service with respect to this project.

As a result of extraordinary power outages occurring in the Pacific Northwest in 1996, the Bonneville Power Administration ("BPA") imposed seasonal transfer capability limitations on several transmission paths, including the California-Oregon Intertie ("COI"). The COI includes the COTP. Bonneville Power Administration's transfer capability operating limitations have resulted in seasonal reductions in the COI transfer capability below the Western System Coordinating Council ("WSCC") rating of 4,800 MW. Currently, such seasonal reductions vary throughout the year based on electric generating patterns in the Pacific Northwest and other factors, but such reductions in transfer capability have been as high as 20% from the 4,800 MW rating. TANC and other parties are continuing to work with BPA to remove or decrease the seasonal operating limitations so that the full transfer capability is available. The City cannot predict when, or if, these operating limitations will be lifted and the transfer capability will return to its WSCC-rated level.

To utilize the full transfer capability of the COTP on a firm basis and maximize the benefits of the line, the COTP must be operated on a coordinated basis with the Pacific AC intertie ("PACI"), a two line system which, like the COTP, connects California utilities with those in the Pacific Northwest. The three-line system (collectively referred to as the COI) was operated by PG&E, acting as the control area operator, under the Coordinated Operations Agreement ("COA") and a FERC rate schedule, which was conformed to FERC Opinion No. 389, issued May 26, 1994. Under operating instructions designed to implement "Existing Contracts", including the COA, the California Independent System Operator

("ISO") began operating the PACI on March 31, 1998. The City has not committed its allocation in the COTP to be a part of the ISO's grid. Therefore, the City has retained its existing firm transmission rights and continues to use the COTP as it did prior to the start-up of the ISO.

Sierra Pacific Power ("Sierra Pacific") has constructed a 345 kV transmission line from the Reno area to Alturas, California, (the "Alturas Project") where the line interconnects with the BPA system. The Alturas Project has been given a 300 MW non-simultaneous transfer capacity rating by the WSCC. However, the simultaneous operation of the Alturas Project with the COI could potentially reduce the COI delivery capability on a MW for MW basis, thereby directly impacting the interests of the TANC members in the COTP. Sierra Pacific filed an Alturas Project interconnection agreement with FERC. On November 30, 1998, FERC accepted the interconnection agreement and directed Sierra Pacific to negotiate operational procedures for the Alturas Project which protect the integrity of neighboring systems and their use of the COI. On December 17, 1998, Sierra Pacific filed an Operating and Scheduling Agreement for the Alturas Project. The Operating and Scheduling Agreement was amended and refiled by Sierra Pacific on January 6, 1999. TANC and its members have protested the agreement and moved FERC to reject it since it does not contain operating procedures which are mutually acceptable to neighboring transmission owners and the Agreement does not meet the requirements established by FERC in its November 30, 1998 Order. On February 26, 1999, FERC issued an order which suspended the Operating and Scheduling Agreement, consolidated the dockets in which the Alturas Intertie Agreement and the Operating and Scheduling Agreement are pending and ordered settlement negotiations to be conducted with respect to both agreements. In its order, FERC specifically found that the Operating and Scheduling Agreement must include "mutually acceptable" procedures which would not diminish the ability of the parties with existing transmission rights on the system to continue using such rights in a reliable and economical manner. Settlement negotiations pursuant to the FERC order have begun and are expected to continue throughout Summer of 1999. Absent a negotiated settlement, hearings are scheduled to commence on February 15, 2000 to determine the justness and reasonableness of both the Alturas Intertie Agreement and the Operating and Scheduling Agreement.

In September 1996, the California Legislature enacted AB 1890 which confirmed the electric industry restructuring proposal of the California Public Utilities Commission (the ("CPUC") and required the turnover of the transmission systems of PG&E, SCE and SDG&E to the ISO. As previously mentioned, the ISO assumed operational control of the PG&E/SCE/SDG&E transmission systems on March 31, 1998 and all of the duties and responsibilities of Control Area Operator in the PG&E/SCE/SDG&E service territories.

Neither AB 1890, nor the CPUC's restructuring order requires municipal systems or public agencies (state or federal) to turn over the operational control of their transmission facilities to the ISO, although they do have the option and have been encouraged to do so by the CPUC and the California Legislature. At the present time, there are no plans by the COTP Participants (other than PG&E) to turn over the operational control of the COTP to the ISO, although this option is under study and review. TANC and PG&E have submitted operating instructions to the ISO respecting the manner in which the COTP will be operated in coordination with the ISO controlled facilities, including the PACI and the duties and obligations which the ISO will assume with respect thereto. At this point, based upon several FERC settlements, implementation of the California electric restructuring has not materially impacted the costs and operation of the COTP. TANC and its members continue to actively participate in proceedings now pending at FERC to ensure that their ownership interest in entitlements to the COTP are not adversely affected by the transfer of Control Area Operator responsibilities to the ISO which occurred on March 31, 1998.

The City utilizes its rights in the COTP to make economy power purchases for its Electric System and to deliver its share of the Seattle City Light Contract energy. In fiscal year 1997-1998, the City utilized the COTP to deliver approximately 135,000 MWh of energy to the City.

Western. In 1987, the City provided for the construction of Western's Elverta-Roseville No. 2 Line, a 14 mile, 230kv transmission line together with a 230kv substation adjacent to the City's Berry Street Receiving Station and related facilities. Such facilities are owned by Western but the City has a first use, bi-directional right to such line until 2004. This line and the related facilities are used by Western to deliver power purchased by the City. Through this line, the City has a direct interconnection with the Western transmission system. See "Power Supply — Prepaid Purchased Electricity."

Distribution

The City owns and operates the electrical distribution system serving retail customers within the City's boundaries. The City's electrical distribution system is one of the most reliable systems in the State. The distribution system is connected to the Western transmission system at the 230kv-Berry Street Receiving Station and at Fiddyment Station. The distribution system consists of over 127 miles of overhead lines and over 404 miles of underground lines.

Dispatch and Scheduling

The City participates in the NCPA Power Pool in which NCPA schedules the operation of generation resources in which the City has a participation and dispatches energy to meet the City's load on an economic dispatch basis from NCPA projects, long-term power supply contracts and short-term purchases, including spot market purchases. NCPA provides such dispatch and scheduling services from its dispatch control center located at its headquarters office in Roseville.

Forecast of Capital Expenditures

The City's five-year capital plan for the distribution system contemplates capital expenditures in the following years and amounts:

TABLE 4.
CITY OF ROSEVILLE
ELECTRIC DEPARTMENT
ESTIMATED CAPITAL EXPENDITURES
DISTRIBUTION SYSTEM

	Fiscal Year Ended June 30,				
	2000	2001	2002	2003	2004
Funded by Electric System	$4,226,000	$2,664,000	$1,402,000	$ 970,000	$2,257,000
Total CIPs w/CIACs(1)	$7,645,000	$5,404,000	$4,067,000	$3,714,000	$5,083,385

(1) CIP - Capital Improvement Program.
CIAC – Contributions in Aid of Construction.

As most of the capital expenditures are for expansion of the distribution system resulting from growth, the City anticipates funding the majority of costs of such expansion from contributions from the developers of the projects necessitating such expenditures. Capital expenditures for replacement and capital maintenance items are expected to be paid from current year revenues in the years such expenditures are made or the proceeds of financing. The net proceeds from the sale of the Certificates will be applied to the capital program (see "FACILITIES TO BE FINANCED"). The City does not currently plan to make further investment in new generation or transmission resources.

Employee Relations

As of June 30, 1998, approximately 75 City employees were assigned specifically to the Electric System. Certain functions supporting the Electric System operations, including meter reading, customer billing, collections and accounting, are performed by the Finance Department of the City.

Substantially all of the non-management City personnel assigned to the Electric System are represented by the International Brotherhood of Electrical Workers ("IBEW"). The current Memorandum of Understanding with the IBEW will expire on December 31, 1999. There have been no strikes or other work stoppages at the City, including the Electric System.

Retirement benefits to City employees, including those assigned to the Electric System, are provided through the City's participation in the Public Employees Retirement System (PERS) of California. See Note 10 to Notes to General Purpose Financial Statements for the Year Ended June 30, 1998 included in APPENDIX B to this Official Statement.

Insurance

The Electric System's insurance needs are handled by the Risk Management Division of the City's Administrative Services Department. The City, including the Electric System, is self-insured for up to $500,000 for all insurance needs including casualty and liability and up to $250,000 for workers' compensation. The City has also joined with a group of other municipalities to participate in a joint powers authority insurance policy that provides excess coverage up to $10,000,000 for casualty and liability, and up to $500,000 for workers' compensation. See Note 12 to Notes to General Purpose Financial Statements for the Year Ended June 30, 1998 included in APPENDIX B to this Official Statement.

Investment Policy

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

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or time deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Demand Deposits
- Repurchase Agreements
- Passbook Savings Account Demand Deposits

Criteria for selecting investments and the order of priority are:

1) Safety — Preservation of principal and interest
2) Liquidity — Ability to convert investment to cash at any moment in time
3) Yield — Potential dollar earnings on an investment

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

ELECTRIC SYSTEM FINANCIAL INFORMATION

Indebtedness

As of June 30, 1999, the City had outstanding $8,995,000 million principal amount of the 1997 Certificates representing the 1997 Payments payable from Net Revenues of its Electric System on a parity with the 1999 Payments. These obligations are subordinate to the payments required to be made with respect to the City's obligations to NCPA and TANC described below.

As previously discussed, the City participates in certain joint powers agencies, including NCPA and TANC. Obligations of the City under its financing agreements with TANC and NCPA constitute operating expenses of the City payable prior to any of the payments required to be made on the Certificates. The agreements with NCPA and TANC are on a "take or pay" basis, which requires payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Each of these agreements contain "step up" provisions obligating the City to pay a share of the obligations of a defaulting participant. The City's participation and share of debt service obligation (without giving effect to any "step up" provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

TABLE 5.
CITY OF ROSEVILLE
ELECTRIC DEPARTMENT
OUTSTANDING DEBT OF JOINT POWERS AGENCIES
(Dollar Amounts in Millions)

	Outstanding Debt[1]	Roseville Participation	Roseville Share of Outstanding Debt
NCPA			
Geothermal Project	$414.6[2]	7.88%[3][4]	$ 32.67
Transmission Project	9.9	14.18[4]	1.40
Hydroelectric Project	546.6	12.00[4][5]	65.59[5]
Combustion Turbine Project	43.2	13.58[4]	5.87
Multiple Capital Facilities Bonds	64.9	36.50[6]	23.69[7]
Northwest Resource Project	10.0	22.89	2.29
TANC			
Bonds	392.9	2.295[4][8]	9.02[8]
Notes	59.9	2.295[4][8]	1.37[8]
TOTAL	$1,542.0		$141.90

(1) As of June 30, 1999.
(2) Net of crossover refunding escrowed proceeds from NCPA 1993 Geothermal Project Revenue Bonds.
(3) Roseville has sold varying portions of its 7.88% share of the Geothermal Project to the Turlock Irrigation District through December 31, 2000. Under the third phase agreement for the Geothermal Project, Roseville remains obligated for its full 7.88% participation share.
(4) Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without the written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.
(5) Excludes the City's obligation to pay debt service with respect to the 6.52% of Palo Alto's entitlement share of the Hydroelectric Project the City has purchased through 2004. Under the agreement with Palo Alto, the City is obligated to pay 95% of the debt service costs with respect to such entitlement share in fiscal year 2000 and 100% of such debt service thereafter through fiscal year 2004.
(6) Participation is subject to increase upon default of another Unit One participant. Such increase shall not exceed, without consent of a non-defaulting Unit One participant, an accumulated maximum of 25% of such non-defaulting Unit One participant's original Unit One participation.
(7) As such bonds are paid or redeemed, the City becomes liable on certain CROSSOVER refunding bonds. See "THE ELECTRIC SYSTEM – Power Supply – NCPA multiple Capital Facilities Project."
(8) Excludes the City's obligation to pay debt service with respect to the 0.48% of Palo Alto's entitlement share of COTP transfer capability the City has purchased through 2004. Under the agreement with Palo Alto, the City is obligated to pay 95% of the debt service costs with respect to such entitlement share in fiscal year 2000 and 100% of such debt service thereafter through fiscal year 2004.

Annual debt service requirements are shown in the following table for the 1997 Certificates and the Certificates.

TABLE 6.
CITY OF ROSEVILLE
ELECTRIC DEPARTMENT
DEBT SERVICE SCHEDULE

Date	Electric System Revenue Certificates of Participation, Series 1997	Electric System Revenue Certificates of Participation, Series 1999			
	Debt Service	Principal	Interest	Total	Totals[1]
February 1, 2000	$1,660,208.75		$561,150.00	$561,150.00	$2,221,359
August 1, 2000	181,208.75		561,150.00	561,150.00	742,359
February 1, 2001	1,691,208.75		561,150.00	561,150.00	2,252,359
August 1, 2001	150,253.75		561,150.00	561,150.00	711,404
February 1, 2002	410,253.75	$425,000	561,150.00	986,150.00	1,396,404
August 1, 2002	144,793.75		552,650.00	552,650.00	697,444
February 1, 2003	414,793.75	445,000	552,650.00	997,650.00	1,412,444
August 1,2003	138,988.75		543,527.50	543,527.50	682,516
February 1, 2004	423,988.75	460,000	543,527.50	1,003,527.50	1,427,516
August 1, 2004	132,718.75		533,867.50	533,867.50	666,586
February 1, 2005	427,718.75	480,000	533,867.50	1,013,867.50	1,441,586
August 1, 2005	126,081.25		523,667.50	523,667.50	649,749
February 1, 2006	436,081.25	500,000	523,667.50	1,023,667.50	1,459,749
August 1, 2006	118,912.50		512,917.50	512,917.50	631,830
February 1, 2007	443,912.50	520,000	512,917.50	1,032,917.50	1,476,830
August 1, 2007	111,275.00		501,477.50	501,477.50	612,753
February 1, 2008	451,275.00	545,000	501,477.50	1,046,477.50	1,497,753
August 1, 2008	102,775.00		488,942.50	488,942.50	591,718
February 1, 2009	457,775.00	570,000	488,942.50	1,058,942.50	1,516,718
August 1, 2009	93,900.00		475,405.00	475,405.00	569,305
February 1, 2010	468,900.00	595,000	475,405.00	1,070,405.00	1,539,305
August 1, 2010	84,525.00		461,125.00	461,125.00	545,650
February 1, 2011	474,525.00	630,000	461,125.00	1,091,125.00	1,565,650
August 1, 2011	74,287.50		445,375.00	445,375.00	519,663
February 1, 2012	489,287.50	655,000	445,375.00	1,100,375.00	1,589,663
August 1, 2012	63,393.75		429,000.00	429,000.00	492,394
February 1, 2013	498,393.75	690,000	429,000.00	1,119,000.00	1,617,394
August 1, 2013	51,975.00		411,750.00	411,750.00	463,725
February 1, 2014	511,975.00	720,000	411,750.00	1,131,750.00	1,643,725
August 1, 2014	39,900.00		392,850.00	392,850.00	432,750
February 1, 2015	519,900.00	765,000	392,850.00	1,157,850.00	1,677,750
August 1, 2015	27,300.00		372,768.75	372,768.75	400,069
February 1, 2016	532,300.00	805,000	372,768.75	1,177,768.75	1,710,069
August 1, 2016	14,043.75		351,637.50	351,637.50	365,681
February 1, 2017	549,043.75	840,000	351,637.50	1,191,637.50	1,740,681
August 1, 2017			329,587.50	329,587.50	329,588
February 1, 2018		1,450,000	329,587.50	1,779,587.50	1,779,588
August 1, 2018			289,712.50	289,712.50	289,713
February 1, 2019		1,530,000	289,712.50	1,819,712.50	1,819,713
August 1, 2019			247,637.50	247,637.50	247,638
February 1, 2020		1,615,000	247,637.50	1,862,637.50	1,862,638
August 1, 2020			203,225.00	203,225.00	203,225
February 1, 2021		1,700,000	203,225.00	1,903,225.00	1,903,225
August 1, 2021			156,475.00	156,475.00	156,475
February 1, 2022		1,795,000	156,475.00	1,951,475.00	1,951,475
August 1, 2022			107,112.50	107,112.50	107,113
February 1, 2023		1,895,000	107,112.50	2,002,112.50	2,002,113
August 1, 2023			55,000.00	55,000.00	55,000
February 1, 2024		2,000,000	55,000.00	2,055,000.00	2,055,000
Total	$12,517,873.75	$21,630,000	$19,577,172.50	$41,207,172.50	$53,725,046

[1] Amounts rounded.

Audited Financial Statements

Table 7 presents summaries of financial data relating to the City's Electric Fund for Fiscal Years 1993-94 through 1998-99. This data is extracted from the City's Annual Financial Reports for such fiscal years, except for Fiscal Year 1998-99 which is unaudited.

The City's Annual Financial Report is currently audited by Maze & Associates, Walnut Creek, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the City. The reports include certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the City Clerk. See "APPENDIX B — AUDITED FINANCIAL STATEMENTS OF THE CITY OF ROSEVILLE FOR THE FISCAL YEAR ENDED JUNE 30, 1998."

In 1998, new auditors were appointed by the City as a result of a periodic bidding requirement for such position under the City Charter. Prior to 1998, the City's Annual Financial Reports were audited by Deloitte & Touche LLP, Sacramento, California.

Significant Accounting Policies

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

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

The City uses the modified accrual method of accounting. Revenues are recognized when they become measurable and available. Revenues considered susceptible to accrual in those funds wherein revenue is recognized on a modified accrual basis include certain taxes, interest, grants earned, and certain other intergovernmental revenues. Licenses, permits, fines and forfeitures and similar items are, for the most part, not susceptible to accrual and consequently are not recognized until received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred; principal and interest on general long-term debt is recognized when due.

All Proprietary Funds, including the enterprise fund used to account for the operations of the Electric System, are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

In fiscal year ending June 30, 1998, the City adopted Government Accounting Standards Board Statement 31, ("GASB 31"), which requires that the City's investments be carried at fair market value instead of cost. Under GASB 31 the City must adjust the carrying value of its investments to reflect their fair market value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year.

GASB 31 applies to all the City's investments, even if they are held to maturity and redeemed at full face value. Since the City's policy is to hold all investments to maturity, the fair market value adjustments required by GASB 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will now reflect changes in its market value at each succeeding fiscal year end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year end.

GASB 31 requires the City to restate June 30 1997 fund balances for fair market value adjustments, if material. The City has determined that the amounts of any such restatements would not be material.

At June 30, 1998 the fair market value of the City's investments was $625,064 higher than the carrying value, resulting in a recognized gain for accounting purposes which was not realized in cash. The City's portion of this gain has been included in fiscal 1998 income.

Inventories are valued at the lower of cost (weighted-average method) or market. Donated fixed assets are valued at their estimated fair market value on the date donated.

Revenues, Expenses and Net Income of the Electric Fund

Certain financial information concerning the City's Electric Fund are contained in APPENDIX B under the headings "SUPPLEMENTAL COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUPS FINANCIAL STATEMENTS - ENTERPRISE FUNDS - COMBINING BALANCE SHEETS, JUNE 30, 1998" and — "COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS, YEAR ENDED JUNE 30, 1998". The following table presents a five-year summary of the revenues, expenses, net income and other matters for the Electric Fund for Fiscal Years 1993-94 through 1997-98 and the nine months ended March 31, 1999.

TABLE 7.
CITY OF ROSEVILLE ELECTRIC FUND
STATEMENT OF REVENUES AND EXPENSES
Fiscal Years 1994 through 1999[1]
(Dollars in Thousands)

	Fiscal Year Ended June 30,					Nine Months Ended March 31,
	1994	1995	1996	1997	1998	1999[1]
Summary of Income:						
Operating Revenues	$49,700	$47,529	$51,695	$56,907	$57,368	$43,685
Operating Expenses[2]	(40,828)	(38,970)	(40,084)	(41,676)	(43,550)	(31,950)
Operating Income	$ 8,872	$ 8,559	$11,611	$15,231	$13,818	$11,735
Non-Operating Revenues	342	602	984	1,715	2,384	913
Net Operating Transfers	(2,654)	(2,834)	(3,973)	(3,955)	(4,244)	(3,411)
Net Income	$6,560	$6,327	$8,622	$12,991	$11,958	$9,237
Selected Balance Sheet Information/Debt Service:						
Net Plant in Service	$65,939	$72,182	$78,293	$85,291	$97,008	$ -
Construction Work in Progress	606	593	1,638	6,666	839	-
Long-Term Debt	8,795[3]	7,740[3]	6,630[3]	5,455[3]	10,395[4]	8,995[4]
Debt Service	1,585	1,587	1,584	1,586	1,750	1,876
Debt Service Coverage Ratio[5]	6.44	5.61	7.70	10.18	10.88	NA

(1) Fiscal year 1999 numbers are for the nine months ended March 31, 1999—Net Plant in Service, Construction Work in Progress, and Depreciation not available.
(2) Includes purchased power costs and payments to NCPA and TANC.
(3) Represents 1985 Electric System Project Certificates of Participation, which were refunded by the 1997 Certificates.
(4) Represents the 1997 Certificates.
(5) Represents the sum of Operating Income plus depreciation less contributions-in-aid of construction plus interest income divided by net debt service. For fiscal year 1998, the debt service coverage ratio is calculated based on Maintenance and Operation Costs as defined in the Master Contract and for prior years based on operating expenses as defined in that certain Installment Purchase Contract between the City and Roseville 1985 Capital Services, Inc., dated as of February 1, 1987, relating to certain prior obligations payable from Net Revenues defeased with proceeds from the 1997 Certificates.

Management's Discussion of Operating Results

Operating Income. From the fiscal year ended June 30, 1994 to fiscal year end June 30, 1998, operating revenue rose $7.7 million, or 15%, to $57,368 million. The primary driver behind this revenue growth was increased energy sales stemming from an expanding service area population and expansion of the local commercial and industrial customer base. During this period, total energy sales increased by over 37.7%, from 556,106 MWh to 765,679 MWh. The increase in sales more than offset the rate reductions implemented for all customer classes during this period.

Operating revenue declined from fiscal year 1993-94 to fiscal year 1994-95 by 4.4%, due to the reduced demand associated with a relatively cool summer. However, operating expenses also declined during the same period, since reduced energy demand allowed a comparable reduction in energy purchases. Accordingly, operating income for fiscal year 1994-95 declined by only $313,000.

For fiscal year 1996-97, operating revenues increased by 10% over the previous year, while operating expenses increased by only 4% relative to the previous fiscal year's levels—resulting in a 31% increase in operating income to $15.2 million. These results reflect a $4 million increase in power sales while power purchases stayed static for 1996-97. For fiscal year 1997-98, operating revenue increased 1.0% over the previous fiscal year, while operating expenses increased by 4.5% relative to the previous fiscal year's levels, which reflects a wholesale power purchase cost increase for 1997-98, resulting in a 9.3% decrease in operating income to $13.8 million.

Net Non-operating Revenues. These revenues primarily represent net interest earnings, including interest earnings on the City's Rate Stabilization Fund. Net Non-Operating Revenue is expected to rise over the next few years as the invested balance of the Rate Stabilization Fund increases.

Operating Transfers. The City's policy currently requires annual franchise fee transfers to its General Fund equal to 4.0% of the Electric System's gross expense budget. For the fiscal year ended June 30, 1998, the General Fund transfer was $2.1 million, which is a 10.3% increase over the previous fiscal year's transfer. The Electric System also reimburses the City General Fund for various indirect costs, including the cost of overlapping salaries, operational expenses, and debt service, which are incurred by the City on behalf of the Electric System. The fiscal year 1997-98 results included $2.07 million of indirect cost transfers, which is up $22,400 from the previous fiscal year's amount.

CITY'S RESPONSE TO COMPETITION

General

In response to the deregulation of the electric industry in California and the implementation of wholesale transmission wheeling, the City has developed a plan of action and commenced a number of activities to insure the continued financial stability of the Electric System and to position the Electric System to operate effectively in a competitive environment. The City expects that the successful implementation of its efforts will enable it to charge competitive rates and to provide competitive services in the deregulated California electric power market. However, it is not yet known with certainty what will be required in order for an electric utility to be competitive in such a market. Thus, even if the City's plans are fully implemented, it is possible they will not be sufficient to make the City competitive without additional changes. Additionally, the success of the City's current plan will be subject to circumstances and actions by others beyond the control of the City. No assurance can be given that such circumstances and actions will not prevent, in whole or in part, the successful implementation of the City's plan.

City Council Action

In response to the deregulation of the supply of electricity to retail customers in most of California (see "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Electric Market Deregulation"), the staff of the Electric System and the City Council have taken actions to provide the benefits of deregulation to its electric customers while maintaining the financial stability of the Electric System. The City has been taking action in response to the competition in the supply of electricity in California since May, 1996, prior to the enactment of Assembly Bill 1890. In May, 1996 the City Council adopted a resolution which called for the formulation and implementation, after Council authorization, of measures, including the establishment of the Rate Stabilization Fund, to keep the City's electric rates competitive, and for the recovery of any "stranded investment" that is those capital investments in generating assets made to provide reliable electric service to retail customers that may become uneconomic as a result of the deregulation of the California electric industry.

In March, 1997, the City Council approved staff recommendations for certain actions in response to the deregulation of the California electric industry. These actions included: phasing in customer choice for energy supply between 2000 and 2004; continuing to minimize cost and accumulate savings in the Rate Stabilization Fund to have competitive rates in 2002 with no increase in overall rates; moving toward customer parity by adjusting rates among customer classes, including a 7% increase in residential rates and compensating decreases in business rates in 1997; and allowing customers to choose their supplier of electricity beginning January 1, 2000. On May 12, 1999, the City Council approved several policy statements supporting their earlier directions as to offering customer choice of electricity suppliers and preparing the Electric System for the competitive environment. When implemented, these policies are designed to:

- Phase in customer choice beginning January 1, 2000 with all customers having the ability to choose their supplier by the end of 2004.
- Explicitly recognize the City's right to collect 100% of its stranded investment. Based on its assumptions as to market rates of electricity, the City currently estimates its stranded investment to be between $80 million and $100 million.
- Allow for the examination for extra-territorial sales.
- Provide the need for a confidentiality policy to protect pertinent customer information.
- Restructure the accounting of the Electric Revenue Fund to separately account for the revenues and costs of the supply business and the distribution business units.
- Create a risk management program to hedge the price volatility of energy markets.

Rate Stabilization Fund

To implement the policies of the City Council, the City has initiated action in a number of areas. The Rate Stabilization Fund was funded in the amount of $25 million as of June 30, 1997 and had a balance of $41 million as of May 31, 1999. Amounts in the Rate Stabilization Fund are anticipated to be used to pay down generation debt service payments after 2002 to keep the City's electric rates competitive. The City estimates that under current annual revenue estimates, the savings deposited in the Rate Stabilization Fund will result in a balance in such Fund of between $80 million and $100 million by 2002. To have competitive rates, the City currently estimates the Rate Stabilization Fund will require between $60 million and $80 million in 2002, depending on the market price of electricity.

The deposits of Net Revenues into the Rate Stabilization Fund must meet the conditions specified in the Master Contract. See "SECURITY FOR THE CERTIFICATES - Rate Stabilization Fund."

Contracts with Two Largest Customers

In anticipation of the deregulation of the electric industry in California, the City has entered into long-term power sale agreements with its two largest customers. Among other matters, the contracts specify the terms of such power purchases and the conditions under which the customer will pay its share of the City's stranded investments, such as the City's contracts with NCPA, which is not recoverable at market rates. The following is a summary of certain provisions relating to power purchases and stranded investment contained in the Agreement for Purchase of Retail Power, dated as of September 3, 1997 (the "NEC Agreement"), between the City and NEC Electronics, Inc. ("NEC"), its largest customer and in the Agreement for Purchase of Retail Power, dated as of September 4, 1996 (the "HP Agreement"), between the City and Hewlett-Packard Company ("HP"), its second largest customer.

NEC Agreement. In the NEC Agreement, NEC agrees to purchase all the electricity for its Roseville facility in each month through December, 2004, up to the amount consumed in the corresponding month in 1997, at the applicable City rates. NEC is not required to continue operations at its Roseville facility or to purchase a minimum amount of electricity. After 2004 NEC may purchase all of its electricity from either the City, at rates to be negotiated, or from other suppliers. The City agrees to provide retail wheeling through its distribution system for purchases from other suppliers for NEC's Roseville facility for the term of the NEC Agreement, which is scheduled to expire in 2022, at cost-based rates. These rates are to be competitive with rates charged the largest industrial customers in California for distribution service of similar reliability. NEC agrees to pay its fair share of the City's stranded investment in existing, but not new, generation assets over the term of the financing of such assets. NEC has the option to pay its obligations for stranded investment at any time based on estimates of market rates provided that the City and NEC obtain, if available, an acceptable contract for the payment of the difference between NEC's estimated and actual share of stranded investment. The City agrees (to the extent permitted by applicable law) to use amounts in its Rate Stabilization Fund to pay the stranded investment. When amounts in the Rate Stabilization Fund are sufficient for this purpose, NEC's obligations with respect to stranded investment shall terminate.

HP Agreement. In the HP Agreement HP agrees, subject to the market option described below, to purchase electricity for its Roseville facility in each month through July, 2006, up to the amount consumed in the corresponding month in 1996 (the "base power") at the applicable City rates. HP agrees to purchase the balance of the electrical requirements for its Roseville facility from the City through July 1, 2001 at a discount from the otherwise applicable tariff. The City agrees that the rates charged HP for electricity shall not be increased relative to the average rate for all customers. HP has the option to make open market purchases from other suppliers for amounts above base power after 2001. HP also may purchase from other suppliers specified portions of base power after July 1, 2001 if the City is mandated to provide open access to its customers or the City allows retail wheeling through its distribution system to any existing customer. The City has approved a policy allowing customer choice of electricity suppliers commencing in January 2000. (See "*City Council Action*" above.) HP is not required to continue operations at its Roseville facility or to purchase a minimum amount of electricity. The City agrees to provide retail wheeling through its distribution system for HP's Roseville facility for the term of the HP Agreement, which expires by its terms in 2021, at cost-based rates. Such rates shall not include any charges related to generation or transmission or new debt on the existing distribution system. If the City establishes an open access fee for the right to wheel power through the City's distribution system, then HP's distribution charge shall equal this open access fee. HP agrees to pay its fair share of the City's stranded investment in existing, but not new, generation assets over the term of the financing of such assets. Such payments are to be based on HP's 1996 electrical energy usage compared to the City's total 1996 energy sales and the then prevailing wholesale price for electricity in Northern

California. The HP Agreement provides that the City's established rates are expected to provide for HP's share of stranded investment. The City agrees not to add any additional charges to such rates to recover stranded investment. If HP exercises its option to purchase electricity from another supplier during the period July 1, 2001 through July 1, 2006, HP agrees to pay its share of stranded investment applicable to such purchases based on the energy so purchased during such period. The City agrees to use amounts in its Rate Stabilization Fund to pay the stranded investment.

Customer Choice

The City Council has determined that competition will enhance the efficiency of the electric utility industry and reduce the cost of electricity to the City's businesses and residents. The City Council has directed the preparation of a program to offer customers of the Electric System the ability to choose their supplier of electricity. Customer choice is expected to be phased-in beginning January 1, 2000 and concluding no later than December 31, 2004, with all customer classes having the opportunity to participate in an equitable manner.

Rates

In June 1999, the City Council approved a rate ordinance for fiscal year 1999-2000 which maintains the rates in effect for the fiscal year 1998-1999. The average rate for fiscal year 1998-1999 was 8.03 cents per kilowatt hour for residential customers and 7.03 cents per kilowatt hour for other customers. The decision as to the rate level for each year after fiscal year 1998-1999, is expected to be made just before the commencement of such fiscal year.

In addition to establishing the level of rates, the rate ordinance provided for unbundling electric rates by restructuring the simple rate into five distinct charges: Customer, Distribution, Public Benefit Program, Energy Supply and Competitive Transition Charge ("CTC"). While the sum of these charges for each customer class may be different from the charges for fiscal year 1998-1999, the change does not affect the system average rate or the average rate for each customer class. The Customer Charge is cost based and will largely compensate the Electric System for expenses of metering and billing. The Distribution Charge is also cost based and should compensate the Electric System for expenses to build, operate and maintain the local electric, streetlight and traffic signal distribution systems as well as providing for transfers to the City's general fund. The Public Benefit Program Charge is mandated by AB 1890 irrespective of offering customer choice. This Charge is estimated at 2.85 percent of the total sales revenue and should generate revenues to fund demand side management, research and development, renewable energy and low-income programs. The Energy Supply Charge is market based and should compensate the Electric System for supply and transmission services expenses. The design of this charge takes into consideration customer load shape and the alternative offers that the customer may be receiving from competitors when choice is offered.

The CTC is designed to recover the difference between the cost of existing generating facilities and supply contracts to which the Electric System is committed and the market value for these resources. The CTC for each customer class will equal the rate established by the City Council less Customer, Distribution, Public Benefit Program and Energy Supply Charges. During the next six months, City staff is to conduct a study to:

1. Update the stranded cost calculation,
2. Develop an allocation of these costs among the various customer classes, and
3. Recommend a time frame to discontinue collection of CTC for each customer class.

While AB 1890 provides for the imposition of a CTC, it includes a number of conditions, including turning over control of transmission facilities to the ISO, which must be satisfied before a CTC may be imposed thereunder. While the City is considering turning control of transmission facilities in which it has an interest to the ISO (see "THE ELECTRIC SYSTEM-Transmission"), no assurances can be given that the City will satisfy the conditions necessary to impose a CTC pursuant to AB 1890. The City believes it has the authority to establish a CTC which is not specifically authorized pursuant to AB 1890, including its rate making authority with respect to the Electric System and its authority to condition the purchase of power from other suppliers by entities in its service area upon the written agreement of such entities to pay CTC (which condition is contained in AB 1890). The imposition of a significant CTC or a delay in the phasing in of direct access would likely invite litigation or alternate avoidance strategies from affected customers, the outcome of which cannot be predicted.

Extra-Territorial Sales

The City recognizes that opening the service area to competition could lead to losing market share. Therefore, the City Council has directed the Electric System to examine the feasibility of selling electricity outside the City's traditional service territory. The City will initially limit its investigation to serving current retail customers' facilities outside the City borders and facilities of neighboring municipalities and public agencies such as school districts.

Other Areas

Other areas in which the City has responded to deregulation include marketing and distribution. The City has increased its customer communication program, established a key accounts program, and is exploring new services. A 1997 customer survey by the City indicated that ninety-seven percent of the customers responding rated Roseville Electric as either good or very good. In the development agreement for a planned regional shopping mall, the City has provided for the purchase of power from the City for commercial purposes for a five year period at market rates. The new services include an expanded public benefits program, greater energy efficiency consulting, green power and premium service such as load shedding protection. The City has been actively involved in NCPA's efforts to restructure and refinance its debt obligations to reduce stranded investment, is supporting various NCPA and TANC initiatives to reduce operating costs, and is developing and implementing programs to reduce its own operating costs while further increasing system reliability. Additionally, the City is working with market participants in developing hedge or other instruments to protect the City from additional stranded investment as a result of lower than anticipated market prices for electricity in the future.

RATE REGULATION

As described above, the City sets rates, fees and charges for electric service. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not currently subject to the regulatory jurisdiction of the CPUC, and presently neither any other regulatory authority of the State of California nor FERC limits or restricts such rates and charges. It is possible that future legislative and/or regulatory changes could subject the rates and or service areas of the City to the jurisdiction of the CPUC or to other limitations or requirements. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Electric Market Deregulation" herein.

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

Under the 1992 revisions to the Federal Power Act, enacted as the Energy Policy Act of 1992 (the "Energy Policy Act"), FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at cost-based rates. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Changes in Federal Regulation of Electric Utilities." FERC also has jurisdiction to regulate those rates, and has asserted that the jurisdiction in Minnesota Municipal Power Agency v. Southern Minnesota Municipal Power Agency 66 FERC ¶61,223 (1994) and 68 FERC ¶61,060 (1994). However, FERC's asserted jurisdiction over municipal rates does not extend to the rates for power sales, and applies only to transmission service ordered by the Commission pursuant to Section 211 of the Federal Power Act, as amended by the Energy Policy Act.

Due to the nature and location of the transmission facilities in which the City has an interest, the City does not anticipate receiving any requests for access to such transmission, and thus it does not expect to provide any service at regulated rates. The City is a member of TANC, a separate joint powers agency that built and manages the COTP, a 500 kV transmission project between California and the Pacific Northwest. Through TANC, the City has an interest in the COTP. While requests for transmission access to the COTP are more likely, it is not expected that the City is the entity to which such requests would be addressed.

If at some point in the future the City elects to make use of any open access transmission tariff filed by a FERC-jurisdictional utility pursuant to Order 888 (see "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY"), the City will trigger certain reciprocal obligations under the tariff, including the obligation to provide open access transmission service to certain other utilities. The City would also be required to make information about its facilities available on a computer bulletin board and to separate its transmission personnel from its marketing personnel. The City already expects to participate in a regional bulletin board and has stated its readiness to provide open access service under appropriate terms and conditions. To the extent that any requirements may be unduly burdensome, the City intends to seek appropriate waivers from the FERC.

As is described in "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY," transmission facilities of the City may be included in a California statewide network to be administered by an Independent System Operator. It is unclear at this stage how the City will be recompensed for the use of those transmission facilities by others.

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

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

General

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of an electric utility and the level of utilization of generating and transmission facilities. In addition to the factors discussed below, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes resulting from a national energy policy, (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (e) the proposed repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities, (f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (g) "self-generation" by certain industrial and commercial customers, (h) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations, (i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (j) changes from projected future load requirements, (k) increases in costs and uncertain availability of capital, (l) shifts in the availability and relative costs of different fuels (including the current low cost of natural gas), and (m) sudden, drastic increases in the price of energy purchased on the open market that may occur in times of high public demand in an area of the country experiencing such high peak demand. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The City cannot predict what effects such factors will have on their respective business operations and financial condition, but the effects could be significant. The following is a brief discussion of certain of these factors. However, this discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Certificates should obtain and review such information.

Western Area Power Administration's Post 2004 Marketing Plan

Western markets power from the Central Valley Project ("CVP") to the City. Over the past years, the United States Congress has considered legislation to sell the Federal Power Marketing Administrations ("PMAs"), including Western. See "See "Proposals to Privatize or Alter Federal PMAs Cost Structure" below. Western has made efforts to solidify its marketing plan for the years after 2004. Western has begun a program to recommend allocation of the CVP power supply after 2004. Initial recommendations indicate that renewals of existing contracts will occur at slightly lower entitlement amounts than current contracts. However, the Secretary of Energy directed Western to undertake further review and comment related to restructuring of the electric utility industry before acting on the proposed renewal of contracts. A public process on six questions related to electric industry restructuring concluded on January 15, 1999. Western has conducted additional workshops to inform Native Americans on the possibility of accessing Western power. The City's current contract with Western expires on December 31, 2004. Western's marketing plan for years after 2004 was approved by the Secretary of Energy in June 1999. The plan provides that the City will continue to be a customer of Western. However, each customer will have to negotiate a contract with Western. The City has not yet commenced any such negotiations and no assurances can be given as to the terms of any such contract or what effects such terms will have on the operation or financial condition of the Electric System. However, the City anticipates that a reduction in the capacity available to the City from the CVP is likely. See "THE ELECTRIC SYSTEM –Power Supply" herein.

Proposals to Privatize or Alter Federal PMAs Cost Structure

Over the past years, certain parties have advocated privatization of the federal PMAs, including Western, with which the City has contracts to purchase capacity and energy. See "THE ELECTRIC SYSTEM – Power Supply" above. Proposed legislation to sell the PMAs has met and will likely continue to be met with strong opposition.

On January 19, 1999, Senator Moynihan introduced a bill entitled the "Federal Power Marketing Administration Reform Act of 1999." Sale of the PMAs is not among the bill's purposes; rather, it seeks to provide for full cost recovery rates for power sold by the PMAs and also to provide for a transition to market based rates for the power.

The bill requires that each PMA submit to the FERC a description of proposed rates for the sale or disposition of Federal power. The proposed rates must be such that they ensure the recovery of all costs incurred by the PMA in the generation and marketing of Federal power (including costs for all fish and wildlife expenditures required under treaty and legal obligations associated with the construction and operation of facilities from which Federal power is generated and sold). FERC will review and either approve or modify the rates. The new rates will apply to new contracts and to any existing contracts, to the maximum extent permitted by the contract.

The bill further requires the Secretary of Energy to develop and implement procedures to ensure that all power sold by the PMAs is sold at prices that reflect demand and supply conditions within the relevant bulk power supply market. Additionally, the bill mandates that the Secretary of Energy establish regulation bid and auction procedures to implement market-based pricing for power sold under any power sales contact entered into by a PMA two years after the date of enactment. The regulation bid and auction procedure would apply to power that is under contact but that is declined by the party entitled to purchase the power and remarketed after that date.

In addition, under a proposal in the Clinton Administration's fiscal year 2000 budget, customers of three of the Federal PMAs would have to make their own power purchase and transmission arrangements directly with suppliers. Under the proposal, the Southeastern, Southwestern, and Western Area Power Administrations would no longer seek appropriations for purchased power and wheeling activities. The proposed budget would reduce Western's appropriations by 23 percent compared to its fiscal 1999 appropriations.

The City cannot predict what Western entitlements will continue to be available to the City and what effect loss of those entitlements would have on the City.

Energy Policy Act of 1992

The Energy Policy Act made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. These changes are expected to increase competition in the electric utility industry. The City cannot predict what effect such increased competition will have on the business and affairs of the City's Electric System, the need for some or all of the City's power supply or the utilization of the City's long-term transmission resources.

Transmission Access. The Energy Policy Act amended, among other sections, sections 211 and 212 of the Federal Power Act. Under amended section 211, any electric utility, federal power marketing agency or any other person or entity generating electric energy for sale or resale may apply to FERC for an order under section 211 requiring a transmitting utility to provide transmission services (including any enlargement of transmission capacity necessary to provide such services) to the applicant. FERC may issue an order requiring such transmission service to be provided if it finds such order meets the requirements of section 212 and would otherwise be in the public interest. Under the Energy Policy Act, municipally-owned electric utilities are "transmitting utilities" subject to the requirements of sections 211 and 212.

Retail Wheeling. The authority for regulation of retail wheeling, which allows a retail customer located in one utility's service area to obtain power from another utility or from non-utility sources, is specifically excluded from the enhanced authority granted to FERC under the Energy Policy Act. Many believe that this leaves authority for regulation of retail wheeling with state legislative and regulatory bodies which, in several states, are now receiving and acting on requests for this service. See "-California Electric Market Deregulation" below. One potential effect of this is that utilities with low-cost power will be better able to compete for new and existing loads.

Changes in Federal Regulation of Electric Utilities

On April 24, 1996, FERC issued a Final Rule ("Order No. 888") significantly changing the regulation of transmission service performed by electric utilities subject to FERC's jurisdiction under sections 205 and 206 of the Federal Power Act. Among other things, FERC ordered pro forma, open-access, mandatory transmission tariffs be placed into effect for all jurisdictional utilities on or before July 9, 1996. The goal of Order No. 888, according to FERC, is to deny to an owner of transmission facilities any unfair advantage over its competitors that exists by virtue of such owner's control of its transmission system.

Although municipal-owned utilities, including the City, are not subject to FERC's jurisdiction under sections 205 and 206 of the Federal Power Act, Order No. 888 will likely have a significant effect on those utilities. The overall objective of Order No. 888 is to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. FERC has also indicated it intends to apply the principles set forth in Order No. 888 to the maximum extent to municipal and other non-jurisdictional utilities, both in deciding cases brought under sections 211 and 212 of the Federal Power Act (see "Energy Policy Act of 1992 – Transmission Access" above) and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs. In such event, Order No. 889, which was issued concurrently with

Order No. 888, would also require such utilities to provide certain commercial information about their facilities on a computer bulletin board and to separate their operating personnel from their marketing personnel.

An open access transmission tariff must provide for functional unbundling of utility service, so that the filing utility will be obliged to purchase transmission service to meet its native load under the same transmission tariff it offers to others. A conforming tariff must be available to any entity eligible to request a section 211 order, must provide for expansion of the transmission system when necessary to provide service, must offer firm point-to-point and network service as well as non-firm transmission service, and must offer to provide such ancillary service (*e.g.*, reactive power, scheduling and dispatch, load following, system protection and energy imbalance services) as the transmission provider provides to itself. Transmission capacity is subject to reassignment and sale on a secondary market.

The regulations became effective on July 9, 1996; however, petitions for judicial review have been filed. The cases have been briefed before the United States Court of Appeals for the District of Columbia Circuit. It is not known when a decision might be issued.

California Electric Market Deregulation

The State of California (the "State") is in the process of establishing a competitive electric energy market. This effort, initially begun by the CPUC, has now been augmented and undertaken by state legislative action. FERC has issued an order conditionally granting the federal authorizations necessary to implement certain aspects of the California deregulation program. Although the general operation of these regulatory developments can be described, it is difficult to determine at the present time what impact they will have on the City.

On December 20, 1995, the CPUC issued a Draft Policy Decision (the "Plan") revising the structure and regulatory process for California's investor-owned electric utilities ("IOUs"). Under the Plan, IOU customers would be granted "direct access" to suppliers of electric service (that is, customers would be allowed to choose from among competing power suppliers).

In September 1996, Assembly Bill 1890 ("AB 1890") effective September, 1996, facilitated deregulation of the California electric energy market. AB 1890's stated intent is to provide meaningful wholesale and retail competition in the electric generation market. In carrying out its purpose, the legislation provides mechanisms to, among other things: (i) separate monopoly utility transmission functions, which will continue to be regulated, from competitive generation functions, which will be deregulated, through independent control of transmission access and pricing; (ii) permit all customers to choose from among competing suppliers of electric power; (iii) provide customers and suppliers with open access to transmission and distribution systems; and (iv) provide for recovery of certain "stranded investments." It is the further stated intent of the legislation to provide a cumulative rate reduction of at least twenty percent for residential and small commercial customers of the IOUs by April, 2002.

AB 1890 mandated the organization of an Independent System Operator (the "ISO") and an independent power exchange (the "PX"), each of which is a non-profit institution. The ISO's principal objectives are to insure the reliability of the California power grid while fostering a competitive marketplace for electrical generation and related services. The ISO regulates access, on a nondiscriminatory basis, to transmission facilities under its control, and in conjunction with the CPUC and FERC, establishes pricing structures for access. These pricing structures are formulated to promote efficient use of transmission facilities and to provide the owners of transmission facilities an equitable return on their investments. The PX organizes and operates a procedure by which electric power generators desiring access to transmission facilities can sell power on a competitive spot-market basis.

AB 1890 also provided for the establishment of non-bypassable "competitive transition charges" ("CTCs") designed to permit the electric utilities to recover from the various classes of their customers (and former customers who switch electricity suppliers) certain costs of generation assets and obligations, including power purchase contracts, that cannot be recovered in market prices in a competitive market (commonly referred to as "stranded investments").

On May 6, 1997, the CPUC issued a decision which found that no operational or technical considerations prevented immediate implementation of direct access, and therefore ordered that all IOU customers be permitted to choose their energy supplier beginning January 1, 1998, without the phase-in period contemplated by the Plan. The CPUC also issued a separate decision on May 6, 1997, unbundling revenue cycle retail electric services (primarily metering and billing), beginning January 1, 1998. Delays with the computer system of the ISO, however, postponed commencement of operations of the ISO and PX, and consequently the commencement of direct access for IOU customers, until March 31, 1998, when the ISO and PX commenced operations. Under direct access, IOU customers can choose direct access either through non-utility retail electric service providers or through negotiated contracts with electric generators. Utility distribution companies will service those who do not choose another supplier.

Although municipal utilities, including the City, are not subject to the CPUC's jurisdiction and AB 1890 applies primarily to the California IOUs, municipal utilities are encouraged to participate in the Plan's competitive framework. Furthermore, AB 1890 contains specific language for municipal utilities who choose to participate in the new competitive market. For example, AB 1890 authorizes, but does not require, municipal utilities to permit direct transactions between their retail customers and alternate electricity suppliers. If direct transactions are permitted, phase-in must begin by March 31, 2000, two years after the start of the phase-in of direct transactions by the California IOU's, and must be completed by December 31, 2010. If direct transactions are not permitted, then municipal utilities will not be eligible to collect stranded costs with the nonbypassable charge authorized by AB 1890.

In addition, AB 1890 encourages municipal utilities to turn over control of transmission to the ISO by providing additional state support for municipal collection of stranded costs if a municipal utility turns over control of transmission. AB 1890, however, specifically states that it does not affect the preexisting ratemaking authority of the governing body of a municipal utility, and thus the utility's ability to recover stranded costs under current law. AB 1890 further does not limit or affect a municipal utility's statutory rights to negotiate and design rates for existing customers and new customers who do not choose to be served by an alternate electricity supplier.

AB 1890 further encourages municipal utilities to participate in AB 1890's competitive framework by requiring reciprocity. That is, a municipal utility may not sell electricity to the retail customers of another utility unless the municipal utility permits the other utility to sell electricity to the municipal utility's retail customers.

AB 1890 mandates that municipal utilities direct specific sums to fund public benefit programs such as energy efficiency and conservation, public research and development, renewable resource and low-income assistance programs. AB 1890 authorizes municipal utilities to establish a nonbypassable, usage-based charge on local distribution service of not less than the lowest expenditure level of the three largest California IOUs on a percent of revenue basis calculated from each utility's 1994 revenue requirement.

In response to both State and federal government policies, California IOUs are in the process of restructuring including, the divesture of certain generating assets on the open market. The final outcome of the California IOU's restructuring and its impact on the City and its electric operations, cannot be predicted at this time.

Proposed Federal Deregulation Legislation

During the prior session of Congress (the 105th Congress), there were a number of legislative proposals pending that directly or indirectly related to the restructuring of the electric utility industry. The Clinton Administration's proposal to restructure the electric utility industry was reflected in two bills before Congress. Since neither of these bills was enacted upon prior to the adjournment of the 105th Congress, those bills expired. On April 15, 1999, the Clinton Administration forwarded to Congress its "Comprehensive Electricity Competition Act" ("CECA"). This bill, which is similar to the prior proposals of the Clinton Administration, contains a number of energy and environmental policy initiatives. CECA requires all distribution utilities, including municipal utilities, to permit all retail customers to purchase electricity from suppliers of their choice by January 1, 2003. States and non-regulated distribution utilities could opt out of this mandate before January 1, 2002 if they determined, through a public proceeding, that there would be a negative impact on a class of consumers that could not be reasonably mitigated. Individual states would retain primary authority over stranded cost recovery, but in cases where a state lacked authority to collect stranded costs, FERC would have backup authority. CECA makes FERC's open access transmission rules applicable to all municipal utilities, and clarifies FERC authority to order retain transmission in a system other than the one in which the end use customer is located. Additionally, CECA contains various provisions relating to consumer protection, transmission reliability and access and environmental matters, including a mandate for utilities to develop and/or utilize certain renewable resources.

CECA contains some differences from the Clinton Administration's former proposals, including among others, provisions that would (i) encourage states to establish programs designed to aid workers if they are displaced as a result of transition to retain competition; (ii) create an electricity outage investigations board; and (iii) subject transmission services performed by the Power Marketing Administrations ("PMAs") to Federal Power Act regulation. The non-tax provisions of CECA were included in Senate Bill No. 1047 which was introduced by Senator Murkowski on May 13, 1999.

No prediction can be made as to whether these bills, or any future proposed federal bills to deregulate the electric industry, will become law or, if they become law, what their final form or effect would be or whether they would affect California laws relating to electric utility deregulation. See "-California Electric Market Deregulation" above.

Proposed Federal Tax Legislation

In addition to the above provisions, CECA also contains the Administration's proposals for tax-exempt bonds for electric facilities. It provides generally that the determination of whether a bond issued before the effective date of CECA is tax-exempt is to be made without regard to permissible competitive actions, but that tax-exempt bonds issued after the effective date may be issued only for distribution facilities with a voltage of 69 kV or less. The tax provisions of the CECA were included in Senate Bill No 1048 introduced by Senator Murkowski on May 13, 1999.

In addition to the Administration's proposal, other measures have also been introduced in Congress which may adversely affect the City's ability to issue tax-exempt debt to finance Electric

System facilities, including restrictions on such financings if the City provides electric service beyond its borders as is being considered by the City. Such legislation includes the Bond Fairness and Protection Act, introduced on February 6, 1999. This bill (i) clarifies and makes permanent the private use restrictions on future tax-exempt bonds; (ii) allows each community the option of "grandfathering" its outstanding bonds in exchange for an irrevocable agreement not to issue new tax exempt bonds for generation facilities; and (iii) protects for existing bondholders the tax-exempt status of their bonds.

Environmental

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any City facility will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures to comply, reduced operating levels or the complete shutdown of individual electric generating units not in compliance.

There is concern by the public, the scientific community and Congress regarding environmental damage resulting from the use of fossil fuels. Congressional support for the increased regulation of air, water and soil contaminants is building, and there are a number of pending or recently enacted legislative proposals which may affect the electric utility industry. Over the next few years the Environmental Protection Agency, the states and local air quality districts are poised to issue new regulations governing emissions from many types of power plants. By the year 2000 or shortly thereafter, Clean Air Act regulation of utility emissions is likely to change dramatically. The changes will have the greatest effect on coal plants. In addition, they could also affect combustion turbines and other types of plants, as well as the costs of purchased power from affected resources. If enacted, the new regulations may well upset existing cost assumptions for utilities. Proposed or pending changes to the Clean Air Act program include proposed tightening of the national ambient air quality standard for ozone, proposed tightening of the national ambient air quality standard for particulate matter, the final utility boiler rule requiring low-NOx burners, final OTAG ozone recommendations, the Integrated Coordinated Combustion Rulemaking to regulate hazardous air pollutants from combustion sources (new and existing), climate challenge initiatives that may mandate cuts in CO_2 emissions, environmental challenges to elements of the federal and state utility restructuring programs, the Clean Air Power Initiative for overall restructuring of air regulation for electric utilities and the proposal of a NOx cap and trade scheme. While it is too early to say which, if any, of these provisions will be enacted, in what form, or what their effect will be, changes in the program are an issue of concern.

The City cannot predict at this time whether any additional legislation or rules will be enacted which will affect the City's operations, and if such laws or rules are enacted, what the costs to the City might be in the future because of such action.

A number of studies have been conducted regarding the potential long-term health effects resulting from exposure to electric and magnetic fields ("EMF") created by high voltage transmission and distribution equipment as well as by electrical appliances, computers, and other electrical devices. Additional studies are being conducted to determine the relationship between EMF and certain adverse health effects, if any. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which the EMF concern may have on electric utilities, including the City.

Potential Effects on the City

Deregulation and the enactment of AB 1890 will create numerous risks and uncertainties for electric utilities in California. The City is likely to face risks either as a result of electing to participate in the ISO and allowing direct access within its service area or as a result of market and political pressures to provide the potential benefits of direct access to customers. Some of these risks are generally described below.

AB 1890 authorizes a CTC to be imposed by a municipally-owned utility to recover its "stranded costs" as represented by the reasonable uneconomic portion of costs associated with "generation-related" assets and obligations.

AB 1890 (as it relates to the Regulated Utilities and possibly municipally-owned utilities) provides that in determining the "stranded costs" to be recovered through the CTC, the negative value of below market assets is to be netted against the positive value of above market assets. The value of market assets will vary at any particular point in time due to fluctuations in the market price of energy, as well as such other factors as change in gas prices, sale levels, inflation rates, trends of new technology costs and available supplies of energy within the market. Thus, there can be no assurance that a fixed CTC established over a predetermined period of time will be sufficient to amortize all "stranded costs."

Pursuant to AB 1890, the CPUC is granted authority for determination of the costs eligible for recovery by a Regulated Utility through a CTC and for the valuation of generation-related assets and obligations of a Regulated Utility for purposes of making such determinations. AB 1890 provides that the CPUC's determination is final and may not be rescinded, altered or amended. Thus, any CTC imposed by a Regulated Utility as approved by the CPUC is not subject to judicial challenge. It is unclear whether a CTC imposed by a municipally-owned utility would be similarly protected from challenge.

While AB 1890 authorizes a municipally-owned utility to impose a CTC without any time limitation, the City may experience political and customer pressure to reduce or eliminate a CTC if such CTC causes the cost of delivered energy to substantially exceed that available in the surrounding PG&E service area. Thus, a potential impact of AB 1890 could be to place pressure on the City to amortize its "stranded costs" within roughly the same time frame in which PG&E is required to recover its "stranded costs." As stated above, under AB 1890 "stranded costs" are required to be amortized by PG&E by December 31, 2001, subject to limited exceptions, such as the recovery of the costs of rate reduction bonds associated with residential/small commercial customers, which are expected to be amortized by 2006.

The City has not taken final official action to authorize direct access within its service territory. As described in "CITY'S RESPONSE TO COMPETITION" herein, the Roseville City Council adopted a plan on May 8, 1996, which affirmed the City's intention to begin phasing in open access to other suppliers by 2000. The final decision for granting open access within its service territory has not been made by the City.

The effects of direct access on the City cannot be specifically ascertained at this time. However, one significant effect could be the loss of customers, particularly large industrial and commercial customers. As described herein under "THE ELECTRIC SYSTEM- Revenues and Sales- Customers, Sales, Revenues and Demand" and- "Ten Largest Customers" in fiscal year 1997-98, industrial and commercial customers accounted for approximately 65% of the Electric System's revenues and 69% of the Electric System's total kWh sales. In fiscal year 1997-98, its ten largest industrial customers accounted for approximately 35% of revenues and 40% of kWh sales. The loss of any large industrial customer, in the absence of a CTC or other cost recovery mechanism sized adequately to recover the full "stranded costs" allocable to such customer, could have a materially adverse effect on the financial condition of the City's Electric System. As more fully described under the heading "CITY'S RESPONSE TO COMPETITION- Contracts With Two Largest Customers," the City has taken the initiative to establish long-term power sale arrangements with its largest customers. Any loss of customers could result in increased costs to remaining customers, as well as decreased revenues, including the need to recover stranded investment in facilities from the remaining customers.

A broader issue raised by AB 1890 is the ability of municipally-owned utilities to effectively compete in an openly competitive environment. Municipally-owned utilities may be impeded in their ability to compete by numerous legal limitations and requirements, such as competitive bidding, public meeting and information requirements, labor policies, restrictions on the use of facilities financed with tax-exempt financing, and governing structures which may not permit the flexibility required to compete in the marketplace.

Further, in the competitive market for the generation of electricity, as is currently planned under AB 1890, there may be significant volatility in energy prices due to a wide variety of factors which affect both the supply and demand for electric energy in the western United States, including fuel costs, weather, and levels of hydroelectric generation within the region. This price volatility may contribute to greater volatility in the City's revenues from the sale of electric energy, which could have favorable financial impacts in some years, and unfavorable impacts in others. If the City's Electric System is unable to maintain sufficient cash reserves to sustain such fluctuations in average energy prices, it may experience difficulties in meeting its financial obligations, including its obligations to make payments to NCPA and TANC as well as the City's obligations under the Contract.

The ultimate adverse impact of AB 1890 may be the possibility that one or more other municipally-owned utilities with which the City participates in other projects could have difficulty meeting its existing debt or other contractual obligations. If this were to happen, the City might be obligated to implement the "step-up" provisions under the agreements with joint powers agencies in which the City participates, thereby further exacerbating the financial impact on the City. See "ELECTRIC SYSTEM FINANCIAL INFORMATION - Indebtedness" herein for additional information regarding the City's existing agreements with joint power agencies.

AB 1890 requires that a municipally-owned utility must turn over operating control of its transmission facilities to the ISO in order to receive State sanctioning to collect a CTC pursuant to AB 1890. It is unclear whether control of any transmission facilities in which a municipally-owned utility has an interest through a joint powers agency (such as the City) would be required to be turned over to the ISO before the municipally-owned utility would have authority to impose a CTC pursuant to AB 1890. In addition, many of the transmission facilities of municipally-owned utilities were financed with tax-exempt bonds that are still outstanding. AB 1890 explicitly provides that nothing in AB 1890 shall compel any party to violate restrictions applicable to facilities financed with tax-exempt bonds or contractual restrictions and covenants regarding use of transmission facilities existing as of December 20, 1995. Nevertheless, there is currently concern among many California municipally-owned electric utilities that their transfer of control to the ISO could adversely affect the exclusion from gross income of interest on the applicable tax-exempt bonds for federal income tax purposes. Although some California municipally-owned electric utilities are seeking relief from the federal government on this matter, no assurance can be given that relief will be granted. If satisfactory relief is not granted and, as a result, the affected California municipally-owned electric utilities do not transfer control of their transmission facilities to the ISO (and are not able to collect a CTC pursuant to AB 1890), the competitiveness of some of those municipally-owned electric utilities may be adversely affected. If relief is granted, over the next few years the City may implement direct access by transferring control of its transmission facilities to the ISO and authorizing direct access service. AB 1890 also provides that municipally-owned utilities which commit their "transmission facilities" to the ISO will be entitled to an "equitable return" on their capital investment, although it is unclear at this time how municipally-owned utilities will be recompensed for use of their transmission facilities by others.

The City is studying various actions that may be implemented in an effort to enhance its ability to compete as a result of increased competition. See "CITY'S RESPONSE TO COMPETITION."

RECENT CONSTITUTIONAL CHANGES IN CALIFORNIA

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters of the State of California on November 5, 1996. Proposition 218 adds Articles XIIIC and XIIID to the State Constitution. Article XIIID creates additional requirements for the imposition by most local governments (including the City) of general taxes, special taxes, assessments and "property-related" fees and charges. Article XIIID explicitly exempts fees for the provision of electric service from the provisions of such article. Article XIIIC expressly extends the people's initiative power to reduce or repeal previously-authorized local taxes, assessments, and fees and charges. Since the terms "fees and charges" are not defined in Article XIIIC, the initiative powers may affect more than "property-related" fees and charges as defined in Article XIIID. Additionally, in the case of Bock v. City Council of Lompoc, 109 Cal. App. 3d 52 (1980), the Court of Appeal for the Second District has determined that electric rates are subject to the initiative power. Thus, even electric service charges (which are expressly exempted from the provisions of Article XIIID) might be subject to the initiative provision of Article XIIIC, thereby subjecting such fees and charges imposed by the City to reduction by the electorate. The City Attorney is of the opinion that even if the City's electric rates were subject to the initiative power, under Article XIIIC or otherwise, the electorate of the City would be precluded from reducing electric rates and charges in a manner adversely affecting the payment of 1999 Payments by virtue of the "impairments clause" of the United States Constitution.

THE AUTHORITY

The Authority was established pursuant to the provisions of Sections 6500 et seq. of the California Government Code and a Joint Exercise of Powers Agreement, first dated as of July 1, 1989 and amended and restated as of July 1, 1997, by and between the City and the Redevelopment Agency of the City of Roseville. The Authority was established for the purpose of financing the acquisition, construction, improvement and equipping of public capital improvements. The governing board of the Authority consists of the City Council of the City.

YEAR 2000 COMPLIANCE

The City's Year 2000 Program

As a result of a generalized lack of century designation among computer applications currently in operation worldwide, namely, the inability of certain software and hardware applications to correctly distinguish whether calendar dates fall or will fall in the 20th or 21st century (the "Year 2000 Problem"), the potential exists that the Year 2000 will begin with some uncertainty in the operations of financial and banking businesses, among others, and could disrupt the ability of the City, the Trustee, the Insurer and/or DTC or DTC Participants to appropriately disburse amounts necessary for the payment of the principal of and interest on the Certificates as well as the ability of the City to supply services to the customers of the Electric System. The breadth and longevity of such operational difficulties, if any, is currently unable to be determined with certainty on an individual or national level.

The City can make no assurances that Year 2000 issues will be timely and successfully solved. The City's reliance on information technology in every aspect of its operations has made Year 2000-related information technology issues a high priority for the City. The risks posed by Year 2000 information technology related issues are not confined to computer systems but also include problems presented by embedded microchips (products or systems that contain microchips to perform certain functions). The City has internally inventoried all computing systems, equipment and software, including systems, equipment and software utilized by the Electric System, for the Year 2000 readiness and contracted with an external vendor for the inventory and assessment of all such equipment for potential Year 2000 risks from embedded systems. In addition, the City has, and will continue to, monitor Year 2000 readiness activities of its partners, suppliers, vendors and customers for any potential impact on its ability to supply services to the customers of the Electric System. The City has identified several internal non-compliant systems that are critical to its supply of electrical service to customers. However, repair or replacement has already been completed or is in progress on these systems. All of the business critical and non-critical systems and equipment utilized by the City, including the Electric System, either have been remediated or are in the process of being remediated. This process is expected to be completed before October 1, 1999. All systems that are capable of being tested will be tested.

The City has spent approximately $8 million city-wide in direct costs for upgrading and replacing equipment and software (which included addressing the Year 2000 issue) through March, 1999, and anticipates spending an additional $150,000 in the remainder of 1999 to complete its Year 2000 readiness efforts. Based on progress to date and information available to it, the City believes that the activities that remain to be completed as part of its efforts to address the Year 2000 issue can be completed on a timely basis so that the Electric System, as well as the City's accounting systems, will not be adversely affected by its computer systems and embedded technology. However, in the event that others with whom the City conducts business fail to become Year 2000 compliant on a timely basis, the City's Electric System operations could be adversely affected.

The Trustee's Year 2000 Efforts

The Trustee reports that in 1996, it established a Year 2000 Committee with responsibility for developing an effective plan for identifying, renovating, testing and implementing simulated solutions for Year 2000 processing. It is working with The Chase Manhattan Bank and Marshall & Ilsley (providers of its most significant data processing systems) as well as other vendors to assure compliance with the required systems changes. The Chase Manhattan Bank and Marshall & Ilsley are responsible for and bear the cost of effecting all necessary changes to such systems. In accordance with its Year 2000 plan, software code remediation is already completed and testing of all critical systems will be substantially completed by the end of the second quarter of 1999. Thus, it reports that it expects to have dealt with Year 2000 issues well in advance of the event.

The Trustee also reports that in the unlikely event that its systems fail or the third party vendor systems on which it relies fail (such vendors are but not limited to, those that provide hardware, software and other services), it may lose the ability to service its clients for a period of time. It has developed a contingency plan to deal with Year 2000 issues, including (1) identity or likely contingencies; (2) developing procedures to follow in the event of each contingency; and (3) identifying personnel responsible for each part of its business. The plan is now substantially complete but remains subject to change and refinement.

The Trustee has provided the foregoing data for informational purposes only, and it is not intended to serve as a representation, warranty, or contract modification of any kind.

DTC's Year 2000 Efforts

DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plans include a testing phase, which is expected to be completed within appropriate time frames. According to DTC, the foregoing information with respect to DTC has been provided to the Industry for information purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind. See "APPENDIX E – BOOK-ENTRY SYSTEM" herein. Prospective purchasers of the Certificates should contact the DTC Participants through which they would purchase Certificates in order to determine whether such DTC Participants and DTC itself will be able to successfully address the Year 2000 Problem in a timely and efficient manner.

The Insurer's Year 2000 Efforts

Information regarding the Insurer's Year 2000 compliance program is available at the Insurer's website, www.fsa.com/y2k.

TAX MATTERS

In the opinion of Cox, Castle & Nicholson LLP, Special Counsel, based on existing statutes, regulations, rulings and court decisions, the portion of each 1999 Payment due under the Contract designated as and representing interest and received by the Owners of the Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed opinion of Special Counsel is set forth in APPENDIX F hereto.

The Internal Revenue Code of 1986 (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as that represented by the Certificates. The City has covenanted to comply with certain restrictions designed to assure that the Interest Portion will not be included in federal gross income. Failure to comply with these covenants may result in the Interest Portion being included in federal gross income, possibly from the date of execution and delivery of the Certificates. The opinion of Special Counsel assumes compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Certificates may affect the value of, or the tax status of the Interest Portion. Further, no assurance can be given that pending or future legislation or amendments to the

Code, will not adversely affect the value of, or the tax status of the Interest Portion of, the Certificates. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Special Counsel is further of the opinion that the Interest Portion is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Special Counsel observes, however, that the Interest Portion is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the Certificates should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to obligations such as that represented by the Certificates, (ii) interest with respect to obligations such as those represented by the Certificates earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to obligations such as those represented by the Certificates, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as those represented by the Certificates.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement and Contract and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Special Counsel expresses no opinion as to any Certificate or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Special Counsel.

Although Special Counsel has rendered an opinion that the Interest Portion is excluded from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the Certificates, and the accrual or receipt of the Interest Portion may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

APPROVAL OF LEGALITY

Legal matters incident to the execution and delivery of the Certificates are subject to the final approving opinion of Cox, Castle & Nicholson LLP, San Francisco, California, Special Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. Payment of the fees and expenses of Special Counsel and Underwriter's counsel is contingent upon the sale and delivery of the Certificates. Certain matters will be passed upon for the Authority and the City by the City Attorney of the City of Roseville.

LITIGATION

No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement or the Contract, and an opinion of the City Attorney to that effect will be furnished to the Underwriter at the time of the original delivery of the Certificates. The Authority is not aware of any litigation pending or threatened questioning the political existence of the Authority, contesting the Authority's ability to collect 1999 Payments or to pay principal and interest evidenced by the Certificates when due, or which would have a material adverse effect on the Authority's ability to pay principal and interest evidenced by the Certificates when due. The City is not aware of any litigation pending or threatened questioning the political existence of the City, contesting the City's ability to collect Revenues or to pay the 1999 Payments when due, or which would have a material adverse effect on the City's ability to pay the 1999 Payments when due.

FINANCIAL STATEMENTS

The audited general purpose financial statements of the City as of June 30, 1998 and for the year then ended and the supplemental combining and individual fund financial statements and schedules, included in APPENDIX B to this Official Statement, have been audited by Maze & Associates, Walnut Creek, California, independent accountants (the "Auditor") as stated in their report appearing in APPENDIX B. The City has not requested, nor has the Auditor given, the Auditor's consent to the inclusion in APPENDIX B of its report on such financial statements.

RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services have assigned the Certificates the ratings of "Aaa" and "AAA", respectively, with the understanding that, upon delivery of the Certificates, the municipal bond insurance policy will be delivered by the Insurer. An explanation of the significance of each such ratings may be obtained from the rating agency assigning such rating. There is no assurance that such ratings will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely, if in the judgment of the rating agency assigning such rating circumstances so warrants. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Certificates.

UNDERWRITING

The Certificates are being purchased for reoffering by PaineWebber Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a price of $21,363,156.95 (which reflects a $165,780.80 Underwriter's discount and a $101,062.25 original issue discount) plus accrued interest. The Underwriter will purchase all of the Certificates if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the purchase contract relating to the Certificates.

FINANCIAL ADVISOR

Public Financial Management, Inc., San Francisco, California has assisted the City and the Authority with various matters relating to the planning, structuring and delivery of the Certificates. The

Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affair of the City to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Certificates or to any decision to purchase, hold or sell the Certificates and the Authority will not provide any such information. The City has undertaken all responsibilities for any continuing disclosure to Owners and Beneficial Owners of the Certificates as described below, and the Authority shall have no liability to the Owners and Beneficial Owners of the Certificates or any other person with respect to S.E.C. Rule 15c2-12.

Pursuant to a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), the City has covenanted for the benefit of Owners and beneficial owners of the Certificates to provide certain financial information and operating data relating to the City (the "Annual Report") by not later than January 31 of each year, following the end of the City's fiscal year (which fiscal year currently ends June 30), commencing with the Annual Report for the 1998-1999 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report is required to be filed by the City with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State Repository, if any. The notices of material events is required to be filed by the City with the repositories (and with the appropriate State Repository, if any). The specific nature of the information to be contained in the Annual Report and the notices of material events is summarized in "APPENDIX D— FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The City did not file in a timely manner annual reports as required by undertakings under the Rule in connection with two previous financings by the City. The City has since filed all information required by such undertakings and has established a new procedure to provide for the timely filing of all information required by such undertakings and the Continuing Disclosure Agreement under the Rule.

AVAILABILITY OF DOCUMENTS

Copies of this Official Statement, the Trust Agreement, the Contract, the Continuing Disclosure Agreement and audited financial statements of the City will be available, upon written request and payment for photocopying, handling and postage, from the City Clerk Department, City of Roseville, 311 Vernon Street, Roseville, California 95678. Additional copies of this Official Statement will be available upon request from the Financial Advisor, c/o Public Financial Management, Inc., 505 Montgomery Street, Suite 800, San Francisco, California 94111, telephone number (415) 982-5544.

MISCELLANEOUS

The purpose of this Official Statement is to provide information to prospective purchasers of the Certificates. References are made herein to the Trust Agreement, the Contract and other agreements, documents and reports that are brief summaries thereof which do not purport to be complete or definitive, and reference is hereby made to all such agreements, documents and reports for a full and complete statement of the contents thereof.

Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates or projections will be realized. This Official Statement is not to be construed as a contract or agreement between the purchasers of any of the Certificates and the Authority or the City.

This Official Statement contains forward-looking statements, including (a) statements containing projections of capital expenditures and other financial items, (b) statements of the plans and objectives of the City for future operations of the Electric System, (c) statements of future economic performance of the Electric System, and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including, without limitation, statements under "THE ELECTRIC SYSTEM" regarding the Electric System's financial position, business strategy, capital resources and plans and objectives of the City for future operations of the Electric System are Forward-Looking Statements. Although the City believes that the expectations reflected in such Forward-Looking Statements are reasonable, they can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from expectations of the City or the Authority (collectively, the "Cautionary Statements") are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the City or persons acting on behalf of the City are expressly qualified in their entirety by the Cautionary Statements.

The preparation and distribution of this Official Statement have been duly authorized by the City.

CITY OF ROSEVILLE

By /s/ Phil E. Ezell
Finance Director

APPENDIX A

THE CITY OF ROSEVILLE

THE CITY OF ROSEVILLE

The City of Roseville is located in Placer County, in California's Sacramento Valley, near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 71,599 in 1999, is the largest city in Placer County as well as the residential and industrial center of the County.

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

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

Municipal Government

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

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

Population

Between 1992 and 1999, the City's population increased 44%, compared to a 23% increase for the County and 8% for the State for the same period. The City's growth in population is shown below.

CITY OF ROSEVILLE POPULATION
1992 through 1999

Year (as of January 1)	City of Roseville
1992	49,500
1993	52,500
1994	54,400
1995	56,479
1996	59,804
1997	62,671
1998	67,388
1999	71,599

Source: City of Roseville.

Effective Buying Income

Data on effective buying income with respect to the City alone are not available. The following table summarizes the total effective buying income and the median household effective buying income for Placer County, the State and the nation over the years 1992 to 1996. [1]

EFFECTIVE BUYING INCOME
COUNTY OF PLACER, CALIFORNIA AND UNITED STATES
1992 through 1996
(In thousands)

Year and Area	Median Household Effective Buying Income	Total Effective Buying Income
1992		
County of Placer	$39,628	$ 3,218,754
State of California	37,686	509,152,677
United States	33,178	3,916,947,023
1993		
County of Placer	$40,521	$ 3,407,920
State of California	36,943	490,749,649
United States	35,056	4,169,724,052
1994		
County of Placer	$42,429	$ 3,633,053
State of California	39,330	528,958,745
United States	37,070	4,436,178,724
1995		
County of Placer	$44,061	$ 3,888,109
State of California	40,969	552,074,838
United States	40,598	3,964,285,118
1996		
County of Placer	$40,107	$ 3,806,820
State of California	35,216	492,516,991
United States	33,482	4,161,512,384

Source: Sales and Marketing Management Survey of Buying Power.
(1) Data for 1995-1996 not strictly comparable to other years due to changes in method of calculation.

Employment and Industry

Although employment figures are not available for the City, the unemployment rate in Placer County as of April, 1999 was 3.5%. Comparably the unemployment rate for the State as of April, 1999 was 5.5%. The following table summarizes the labor force, employment and unemployment figures over the past five years for Placer County, the State and the nation.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Annual Average for Calendar Years 1992 through 1998 and First Quarter of 1999

Year and Area	Civilian Labor Force	Employment	Unemployment	Rate
1992				
Placer County	95,600	87,700	7,900	8.3%
State of California	15,404,300	13,973,300	1,431,000	9.3
United States	128,105,000	118,492,000	9,613,000	7.5
1993				
Placer County	95,200	87,700	7,500	7.9%
State of California	15,359,500	13,918,300	1,441,200	9.4
United States	129,200,000	120,259,000	8,941,000	6.9
1994				
Placer County	99,700	93,200	6,500	6.6%
State of California	15,450,000	14,122,100	1,327,900	8.6
United States	131,056,000	123,060,000	7,996,000	6.1
1995				
Placer County	102,700	96,300	6,400	6.2%
State of California	15,427,200	14,216,700	1,210,500	7.8
United States	132,304,000	124,900,000	7,404,000	5.6
1996				
Placer County	104,100	98,400	5,700	5.4%
State of California	15,596,100	14,469,900	1,126,200	7.2
United States	133,943,000	126,708,000	7,235,000	5.4
1997				
Placer County	111,100	106,000	5,100	4.8%
State of California	15,941,200	14,936,900	1,004,300	6.2
United States	136,297,000	129,558,000	6,739,000	4.9
1998				
Placer County	113,700	109,000	4,700	4.1
State of California	16,329,100	15,360,600	968,500	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999(1)				
Placer County	114,500	109,900	4,600	3.5
State of California	16,424,000	15,518,800	905,200	5.5
United States	133,069,000	139,091,000	6,022,000	4.3

Source: California Employment Development Department.
(1) As of April 1999.

The following table shows the distribution of employment by industry in the Placer County labor market.

PLACER COUNTY
EMPLOYMENT BY INDUSTRY
Calendar Years 1993 through 1997

Industry	1993	1994	1995	1996	1997
Mining	200	200	200	100	100
Construction	4,800	4,900	5,200	6,000	6,900
Manufacturing	7,900	8,100	9,200	9,700	10,300
Trans. & Pub. Utilities	3,300	3,800	3,700	3,500	3,600
Wholesale & Retail Sales	16,100	18,900	20,000	22,000	23,100
Finance, Insurance & Real Estate	4,000	4,300	3,900	4,000	4,400
Services	17,100	18,300	19,400	22,800	25,800
Government	12,400	12,500	12,800	13,400	14,600
Total Non-Agricultural	65,800	71,000	74,400	81,600	88,800
Total Agriculture	N/A	300	500	400	500
Total All Industries	65,800	71,300	74,900	82,000	89,300

Source: California Employment Development Department.

The following table shows the largest employers in the City.

LARGEST EMPLOYERS*

BUSINESS	EMPLOYEES
Hewlett-Packard	4,597
NEC Electronics Inc.	1,500
Sutter Roseville Medical Center	1,412
Kaiser-Permanente	1,394
All Public Schools	1,155
City of Roseville	747
Pride Industries	603
Roseville Communications Co.	601
Union Pacific	580

Source: City of Roseville.
* As of January 1, 1999.

Taxable Sales

Taxable transactions in the City now exceed $1.4 billion annually. A summary of taxable transactions in the City is shown below.

CITY OF ROSEVILLE
TAXABLE TRANSACTIONS
Calendar Years 1993 through 1997 and First Quarter of 1998
(In thousands)

	1993	1994	1995	1996	1997	1998[1]
Apparel	$25,176	$24,663	$24,733	$26,660	$ 31,738	$ 8,881
General Merchandise	93,148	93,940	104,342	133,497	168,402	40,302
Drug Stores	11,451	12,732	13,215	14,739	-	-
Food Stores	36,419	37,977	37,339	40,119	42,575	10,977
Liquor Stores	1,776	1,237	1,388	-[3]	-[3]	-[3]
Eating and Drinking Places	44,951	51,393	57,742	70,203	84,277	23,192
Home Furnishing and Appliances	13,066	20,406	17,011	17,547	23,796	7,308
Building Materials and Farm Implements	61,478	69,123	78,022	85,910	98,107	29,457
Service Stations	32,793	34,690	36,690	46,504	50,104	10,949
Auto Dealers and Auto Supplies	379,779	446,784	492,629	412,199	543,251	151,677
Miscellaneous	57,237	76,283	88,630	112,568[3]	138,286[3]	38,642[3]
TOTAL RETAIL OUTLETS	$757,274	$869,228	$951,741	$91,039,946	$1,180,536	$321,385
ALL OTHER OUTLETS	$113,635	$169,233	$205,168	$215,787	$ 296,081	$ 74,766
TOTAL ALL OUTLETS	$870,909	$1,038,461	$1,156,909	$1,255,733	$1,476,617	$396,151
TOTAL NUMBER OF PERMITS[2]	2,022	2,099	2,184	2,315	2,471	2,423

(1) Figures represent transactions through the first quarter only.
(2) Not in thousands.
(3) Sales totals for some classes of retail businesses are not shown in this table because their publication would result in the disclosure of confidential information. These totals are included with Miscellaneous unless otherwise indicated.

Source: California State Board of Equalization.

The City issued building permits valued in excess of $502,311,000 in 1998. Of this total dollar volume, approximately 68% consisted of new residential construction.

CITY OF ROSEVILLE
BUILDING PERMIT VALUATIONS
Calendar Years 1994 through 1998 and First Half of 1999
(In thousands)

	1994	1995	1996	1997	1998	1999(1)
Residential						
Single Family	$184,134	$205,231	$248,357	$265,817	$342,595	$63,213
Multi Family	3,128	0	0	19,284	30,707	9,048
Alterations/Additions	2,827	4,225	4,243	4,216	4,054	5,275
Total	$190,089	$209,457	$252,952	$289,319	$377,357	$72,789
Non-Residential						
New Commercial	$16,677	$40,619	$22,164	$35,691	$81,526	$43,845
New Industrial	12,986	1,478	2,948	15,045	5,418	1,455
Other(2)	2,542	6,380	8,966	6,506	8,125	3,523
Alterations/Additions	20,825	20,678	26,954	19,069	29,883	17,981
Total	$53,030	$69,156	$61,032	$76,312	$124,954	$66,806
Single Family Units(3)	1,309	1,416	1,607	1,688	2,034	329
Multifamily Units(3)	56	0	0	330	440	164
Total(3)	1,365	1,416	1,607	2,018	2,474	493

(1) Through June 1999 only.
(2) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.
(3) Not in thousands.
Source: Construction Industry Research Board.

The following table summarizes assessed valuations in the City for Fiscal Years 1992-1993 through 1998-99.

CITY OF ROSEVILLE
SUMMARY OF ASSESSED VALUATIONS
Fiscal Years 1992-93 through 1996-97
(In thousands)

Fiscal Year	Secured Valuation	Public Utility	Unsecured Valuation	Total Assessed Valuation
1992-93	$ 3,555,161	$ 11,230	$ 131,700	$ 3,771,142
1993-94	3,740,136	12,547	122,007	3,949,595
1994-95	3,936,917	12,156	153,379	4,181,516
1995-96	4,440,430	12,536	156,872	4,695,131
1996-97	4,821,480	11,123	172,403	5,098,009
1997-98	5,197,710	14,030	192,812	5,404,552
1998-99	5,796,384	16,240	215,203	6,027,829

Source: County of Placer Auditor-Controller.
California Municipal Statistics, Inc.

The following is a history of property tax levies and collections in the City for Fiscal Years 1992-93 through 1997-98.

CITY OF ROSEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 1992-93 through 1997-98
(In thousands)

Fiscal Year	Total Levies	Total Collections	Percent Delinquent
1992-93	$6,054	$5,670	6.3
1993-94	5,512	5,052	8.3
1994-95	5,908	6,049	(-2.4)[(1)]
1995-96	6,591	6,580	0.17
1996-97	6,956	6,166	2.63
1997-98	7,363	6,764	2.03

(1) Reflects one-time Teeter payment from County of Placer.
Source: County of Placer Auditor-Controller.

Set forth below is a list of the ten largest taxpayers in Placer County, by 1998-99 property tax levy.

COUNTY OF PLACER
TEN LARGEST TAXPAYERS
Fiscal Year 1998-99

Taxpayer	1998-99 Tax Levy
NEC Electronics USA Inc.(1)	$7,010,115
Pacific Gas and Electric Co.	4,301,823
Hewlett Packard Co. (1)	3,184,893
Richland Irvine Inc.	2,251,858
Kaiser Foundation Hospitals(1)	2,093,857
Stanford Ranch 1 LLC	1,493,456
Roseville Telephone Company(1)	1,331,682
Pacific Bell	1,172,291
Diamond Creek Partners Ltd.	1,073,386
Evergreen – Creekside LLC	894,158

(1) Located primarily or exclusively within the City of Roseville.
Source: County of Placer Treasurer-Tax Collector.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY OF ROSEVILLE FOR THE FISCAL YEAR ENDED JUNE 30, 1998

CITY OF ROSEVILLE
General Purpose Financial Statements
For the Year Ended June 30, 1998

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MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
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INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS

To the City Council
City of Roseville, California

We have audited the general purpose financial statements of the City of Roseville as of and for the year ended June 30, 1998 as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of June 30, 1997 were audited by other auditors whose opinion dated November 7, 1997 was unqualified.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued reports dated December 1, 1998 on our consideration of the City of Roseville's internal control structure and on its compliance with laws and regulations.

In our opinion, the general purpose financial statements referred to above present fairly in all material respects the financial position of the City of Roseville at June 30, 1998 and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Roseville. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements, and in our opinion is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Maze & Associates

December 1, 1998

COMBINED STATEMENTS OVERVIEW

These statements provide an overview of the combined financial position and the operating results of all fund types and account groups. Individual funds utilized by the City are grouped in these statements as follows:

GOVERNMENTAL FUND TYPE OPERATION

These funds (general, special revenue, debt service and capital projects) are those through which governmental functions are typically funded with the emphasis on sources and uses of resources.

PROPRIETARY FUND TYPE OPERATION

These funds (enterprise and internal service) are used to account for activities similar to private industry with the emphasis on net income determination.

FIDUCIARY FUND TYPE

These funds account for assets held by the City in a trustee capacity or as an agent for others.

ACCOUNT GROUPS

Account groups are used to establish accounting control for the City's general fixed assets and unmatured principal of its general long-term debt. Because these assets and liabilities are long-term they are neither spendable resources nor do they require current appropriation. They are accounted for separate from governmental fund types.

CITY OF ROSEVILLE
COMBINED BALANCE SHEETS
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 1997

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Cash and investments in City Treasury (Note 3)	$9,227,432	$46,441,432		$8,691,068	$116,473,900	$10,919,422
Restricted cash and investments with fiscal agents (Note 3)		512,250	$1,846,345		25,537,365	
Receivables:						
Taxes	1,194,637				18,688	
Accounts	1,041,744	121,741			11,451,810	506,411
Accrued interest	184,584	672,304		83,277	1,566,650	72,589
Due from other government agencies	1,397,749	671,741			1,550,791	18,615
Due from other funds (Note 4)	109,270	50,098			1,658,066	310,000
Prepaid expenses	2,493				111,574	
Advances to other funds (Note 4)		109,183		165,000	1,150,000	5,971,062
Deferred receivables (Note 5)		3,622,994			6,498,376	
Notes receivable (Note 5)	250,619	4,930				
Inventories Note 1I)	439,564				3,633,678	281,069
Prepaid purchased electricity (Note 14)					1,554,886	
Deferred compensation plan investments (Note 11)						
Unamortized bond origination costs					1,402,646	
Unamortized certificates of participation costs origination costs						
Investment in NCPA reserves (Note 15)					8,240,417	
Fixed assets (net where applicable of accumulated depreciation) (Note 6)					267,645,480	5,642,448
Amount available in Debt Service Fund						
Amount to be provided for retirement of general long-term debt						
Total Assets	$13,848,092	$52,206,673	$1,846,345	$8,939,345	$448,494,327	$23,721,616
LIABILITIES						
Accounts payable	$1,474,829	$663,320		$105,014	$4,414,672	$154,776
Accrued liabilities	896,885	1,038,333			920,817	22,381
Due to other funds (Note 4)	98	499,160		30,482	1,595,069	
Due to other government agencies	699	1,852,130				
Advances from other funds (Note 4)	1,656,917	1,263,084			4,475,244	
Current portion of long-term debt (Note 7)					1,572,317	
Current portion of compensated absences						
Deposits	946,368			77,302	379,784	
Deferred revenue (Note 5)	56,589	2,292,306			1,126,529	
Deferred compensation payable (Note11)						
Self-insurance claims payable (Note 12)						4,512,000
Long term debt: (Note 7)						
Notes					234,608	
Special assessments						
Revenue bonds						
Certificates of participation					50,925,000	
Capital leases						
Landfill closure and post closure liability (Note 16)					1,216,387	
Due to member agencies						
Due to bondholders						
Due to others						
Compensated absences (Note 1G)					2,158,899	151,395
Total Liabilities	5,032,385	7,608,333		212,798	69,019,326	4,840,552
FUND EQUITY						
Contributed capital (Note 6C):						
From subdividers					80,033,905	
From other government agencies					13,733,248	
Equity in NCPA joint venture (Note 15)					8,240,417	
Investment in general fixed assets						
Retained earnings: (Note 8)						
Reserved for debt service					4,362,722	
Unreserved					273,104,709	18,881,064
Fund balances (Note 8):						
Reserved for advances		109,183		165,000		
Reserved for inventories	439,564					
Reserved for encumbrances	710,422	423,026		12,905		
Reserved for prepaid expenses	2,493					
Reserved for debt service			$1,846,345			
Reserved for low and moderate income housing		209,434				
Reserved for deferred receivables and notes receivable	250,619	72,691				
Unreserved	7,412,609	43,784,006		8,548,642		
Total Fund Equity	8,815,707	44,598,340	1,846,345	8,726,547	277,467,431	18,881,064
Total Equity and Other Credits	8,815,707	44,598,340	1,846,345	8,726,547	379,475,001	18,881,064
Total Liabilities, Equity and Other Credits	$13,848,092	$52,206,673	$1,846,345	$8,939,345	$448,494,327	$23,721,616

See accompanying notes to financial statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	
Agency	General Fixed Assets	General Long-Term Debt	1998	1997
$19,314,799			$211,068,053	$161,427,817
17,356,559			45,252,519	21,695,458
			1,213,325	1,148,744
256			13,121,962	12,592,905
386,978			2,966,382	2,144,663
178,939			3,817,835	3,324,024
			2,127,434	1,984,005
			114,067	53,129
			7,395,245	8,275,545
128,451			10,249,821	2,233,435
			255,549	364,147
			4,354,311	4,537,277
			1,554,886	2,739,888
				21,456,777
			1,402,646	282,599
				113,622
			8,240,417	
	$98,425,286		371,713,214	351,148,793
		$1,846,345	1,846,345	1,974,484
		27,922,738	27,922,738	27,085,065
$37,365,982	$98,425,286	$29,769,083	$714,616,749	$624,582,377
$1,640,008			$8,452,619	$5,317,811
114,579			2,992,995	2,511,190
2,625			2,127,434	1,984,005
9,014			1,861,843	1,844,662
			7,395,245	8,275,545
			1,572,317	2,176,968
				2,506,000
1,005,678			2,409,132	1,660,234
			3,475,424	1,571,375
				21,456,777
			4,512,000	4,217,931
			234,608	241,925
		$106,451	106,451	114,423
				4,315,000
		21,755,000	72,680,000	35,595,000
		2,838,564	2,838,564	3,996,276
			1,216,387	1,258,571
1,174,209			1,174,209	3,664,954
32,884,936			32,884,936	29,425,741
534,933			534,933	452,427
		5,069,068	7,379,362	3,878,471
37,365,982		29,769,083	153,848,459	136,465,286
			80,033,905	78,145,841
			13,733,248	13,976,749
			8,240,417	
	$98,425,286		98,425,286	84,933,179
			4,362,722	2,605,204
			291,985,773	250,342,272
			274,183	324,183
			439,564	434,504
			1,146,353	767,460
			2,493	18,549
			1,846,345	1,974,484
			209,434	108,530
			323,310	
			59,745,257	54,486,136
			360,335,434	311,061,322
	98,425,286		560,768,290	488,117,091
$37,365,982	$98,425,286	$29,769,083	$714,616,749	$624,582,377

CITY OF ROSEVILLE
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	GOVERNMENTAL FUND TYPES				TOTALS (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Improvement	1998	1997
REVENUES						
Taxes	$32,779,535	$2,411,260		$240,860	$35,431,655	$30,729,846
Licenses and permits	2,365,373				2,365,373	1,711,635
Charges for services	4,282,933	11,577,990			15,860,923	12,477,512
Subventions and grants	2,953,340	5,277,539			8,230,879	8,194,614
Use of money and property	898,250	3,180,194	$112,908	427,045	4,618,397	3,887,872
Fines, forfeitures and penalties	67,305	183,264			250,569	256,322
Miscellaneous revenues	224,844	84,266		8,844	317,954	672,225
Total Revenues	43,571,580	22,714,513	112,908	676,749	67,075,750	57,930,026
EXPENDITURES						
Current						
General government	10,684,363	2,195,589			12,879,952	14,225,322
Public works	8,330,762				8,330,762	7,837,361
Public safety	17,908,183				17,908,183	15,917,315
Library	1,787,070				1,787,070	1,748,321
Parks and recreation	6,300,621				6,300,621	5,953,813
Housing assistance payments		1,460,151			1,460,151	1,431,319
Capital outlay		11,114,749		9,328,331	20,443,080	14,596,616
Debt service (Note 7)						
Principal	1,319,205		535,000		1,854,205	1,748,594
Interest	263,639	80,151	1,030,701		1,374,491	1,500,919
Total Expenditures	46,593,843	14,850,640	1,565,701	9,328,331	72,338,515	64,959,580
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,022,263)	7,863,873	(1,452,793)	(8,651,582)	(5,262,765)	(7,029,554)
OTHER FINANCING SOURCES (USES)						
Sale of property						233,279
Contributions from property owners		83,182		1,539,232	1,622,414	1,678,796
Contributions from developers	370,166	13,500		170,866	554,532	1,458,692
Proceeds from capital lease	153,520				153,520	
Operating transfers in (Note 4)	10,040,766	2,425,383	1,324,654	8,338,519	22,129,322	20,994,635
Operating transfers (out) (Note 4)	(4,295,786)	(9,028,139)		(5)	(13,323,930)	(12,570,197)
Total Other Financing Sources (Uses)	6,268,666	(6,506,074)	1,324,654	10,048,612	11,135,858	11,795,205
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	3,246,403	1,357,799	(128,139)	1,397,030	5,873,093	4,765,651
Fund balances at beginning of year	5,569,304	43,240,541	1,974,484	7,329,517	58,113,846	53,348,195
Fund balances at end of year	$8,815,707	$44,598,340	$1,846,345	$8,726,547	$63,986,939	$58,113,846

See accompanying notes to financial statements

CITY OF ROSEVILLE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ALL GOVERNMENTAL FUND TYPES FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	GENERAL FUND			SPECIAL REVENUE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	$29,224,450	$32,779,535	$3,555,085	$1,841,780	$2,411,260	$569,480
Licenses and permits	1,785,100	2,365,373	580,273			
Charges for services	3,878,063	4,282,933	404,870	9,007,000	11,577,990	2,570,990
Subventions and grants	4,143,175	2,953,340	(1,189,835)	3,186,800	3,180,194	(6,606)
Use of money and property	424,260	898,250	473,990	5,603,535	5,277,539	(325,996)
Fines, forfeitures and penalties	66,855	67,305	450	168,600	183,264	14,664
Miscellaneous revenue	108,900	224,844	115,944	13,200	84,266	71,066
Total Revenues	39,630,803	43,571,580	3,940,777	19,820,915	22,714,513	2,893,598
EXPENDITURES						
Current:						
General government	14,616,907	10,684,363	3,932,544	3,251,146	2,195,589	1,055,557
Public works	9,283,750	8,330,762	952,988			
Public safety	18,822,129	17,908,183	913,946			
Library	1,921,318	1,787,070	134,248			
Parks and recreation	7,552,763	6,300,621	1,252,142			
Housing assistance program				1,440,770	1,460,151	(19,381)
Capital outlay				25,081,863	11,114,749	13,967,114
Debt service						
Principal	1,308,349	1,319,205	(10,856)			
Interest	425,634	263,639	161,995	15,000	80,151	(65,151)
Total Expenditures	53,930,850	46,593,843	7,337,007	29,788,779	14,850,640	14,938,139
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,300,047)	(3,022,263)	11,277,784	(9,967,864)	7,863,873	17,831,737
OTHER FINANCING SOURCES (USES)						
Sale of property						
Contributions from property owners				110,910	83,182	(27,728)
Contributions from developers	183,970	370,166	186,196	107,750	13,500	(94,250)
Proceeds from capital lease		153,520	153,520			
Proceeds from bond issuance						
Operating transfers in (Note 4)	12,037,161	10,040,766	(1,996,395)	4,384,326	2,425,383	(1,958,943)
Operating transfers (out) (Note 4)	(4,510,503)	(4,295,786)	214,717	(14,522,806)	(9,028,139)	5,494,667
Total Other Financing Sources (Uses)	7,710,628	6,268,666	(1,441,962)	(9,919,820)	(6,506,074)	3,413,746
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($6,589,419)	3,246,403	$9,835,822	($19,887,684)	1,357,799	$21,245,483
Fund balances at beginning of year		5,569,304			43,240,541	
Funds not budgeted:						
Roseville Finance Authority						
Foothills Boulevard Extension						
Fund balances at end of year		$8,815,707			$44,598,340	

See accompanying notes to financial statements

DEBT SERVICE			CAPITAL IMPROVEMENT		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
				$240,860	$240,860
	$112,908	$112,908	$290,880	427,045	136,165
				8,844	8,844
	112,908	112,908	290,880	676,749	385,869
			13,860,677	9,328,331	4,532,346
535,000	535,000				
1,044,550	1,030,701	13,849			
1,579,550	1,565,701	13,849	13,860,677	9,328,331	4,532,346
(1,579,550)	(1,452,793)	126,757	(13,569,797)	(8,651,582)	4,918,215
				1,539,232	1,539,232
			25,000	170,866	145,866
			1,100,000		(1,100,000)
1,576,550	1,324,654	(251,896)	10,110,757	8,338,519	(1,772,238)
			(50,000)		50,000
1,576,550	1,324,654	(251,896)	11,185,757	10,048,617	(1,137,140)
($3,000)	(128,139)	($125,139)	($2,384,040)	1,397,035	$3,781,075
	1,974,484			6,911,271	
				448,723	
				(30,482)	
	$1,846,345			$8,726,547	

CITY OF ROSEVILLE
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	Enterprise	Internal Service	TOTALS (Memorandum Only) 1998	1997
OPERATING REVENUES				
Charges for services	$112,321,453	$8,035,332	$120,356,785	$106,038,400
Subventions and grants	2,553,285		2,553,285	1,865,685
Other	659,892	695,752	1,355,644	281,554
Total Operating Revenues	115,534,630	8,731,084	124,265,714	108,185,639
OPERATING EXPENSES				
Purchased power	31,410,808		31,410,808	29,095,720
Distribution:				
Operations	28,329,590	4,178,644	32,508,234	32,283,760
Administration	3,321,876		3,321,876	2,612,878
Depreciation and amortization	10,321,693	1,847,629	12,169,322	9,548,699
Claims expense		771,992	771,992	1,917,243
Total Operating Expenses	73,383,967	6,798,265	80,182,232	75,458,300
Operating Income (Loss)	42,150,663	1,932,819	44,083,482	32,727,339
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	7,505,374	505,182	8,010,556	4,373,935
Interest (expense)	(1,948,716)		(1,948,716)	(1,078,343)
Other				91,823
Net Nonoperating Revenues (Expenses)	5,556,658	505,182	6,061,840	3,387,415
Income (Loss) Before Operating Transfers	47,707,321	2,438,001	50,145,322	36,114,754
Operating transfers in (Note 4)	770,166	341,718	1,111,884	673,467
Operating transfers (out) (Note 4)	(9,438,081)	(479,195)	(9,917,276)	(9,097,905)
Net Income (Loss)	39,039,406	2,300,524	41,339,930	27,690,316
ITEMS AFFECTING CONTRIBUTED CAPITAL				
Depreciation on fixed assets acquired through capital contributions (Note 6)	2,061,089		2,061,089	2,278,429
Retained earnings at beginning of year	236,366,936	16,580,540	252,947,476	222,978,731
Retained earnings at end of year	$277,467,431	$18,881,064	$296,348,495	$252,947,476

See accompanying notes to financial statements

CITY OF ROSEVILLE
COMBINED STATEMENTS OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

			TOTALS (Memorandum Only)	
	Enterprise	Internal Service	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$42,150,663	$1,932,819	$44,083,482	$32,727,339
Adjustments to reconcile operating income to cash flows from operating activities				
Depreciation and amortization	10,321,693	1,847,629	12,169,322	9,548,403
Net change in:				
Accounts receivable	208,034	(105,134)	102,900	(547,812)
Accrued interest	(556,173)	(32,229)	(588,402)	(153,052)
Due to other government agencies	(213,797)	(1,027)	(214,824)	607,809
Prepaid expenses	(111,574)		(111,574)	
Deferred receivables	(6,141,360)		(6,141,360)	(299,666)
Claims receivable				1,428
Inventories	231,855	(43,829)	188,026	334,494
Prepaid purchased electricity	1,185,002		1,185,002	1,184,694
Other assets	34,580		34,580	6,287
Accounts payable	2,530,748	(298,664)	2,232,084	530,160
Accrued liabilities	204,189	1,534	205,723	(30,281)
Deposits	(16)		(16)	49,065
Deferred revenue	(284,105)		(284,105)	(1,674,731)
Self-insurance claims liability		294,069	294,069	412,000
Landfill closure and post closure liability	(42,184)		(42,184)	(74,781)
Compensated absences	264,325	18,348	282,673	216,535
Net Cash Provided from Operating Activities	49,781,880	3,613,516	53,395,396	42,837,891
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net borrowings (repayments) of amounts due from/ to other funds	(186,992)	12,500	(174,492)	639,373
Net borrowings (repayments) of advances from/ to other funds	(100,000)	90,300	(9,700)	61,848
Operating transfers in	770,166	341,718	1,111,884	673,467
Operating transfers (out)	(9,438,081)	(479,195)	(9,917,276)	(9,097,905)
Net Cash Used by Noncapital Financing Activities	(8,954,907)	(34,677)	(8,989,584)	(7,723,217)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	7,505,374	505,182	8,010,556	4,368,335
Disbursements on note receivable	19,165		19,165	6,490
Net change in restricted assets	(22,670,444)		(22,670,444)	(53,934)
Net Cash Provided by (Used in) investing activities	(15,145,905)	505,182	(14,640,723)	4,320,891
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(18,171,854)	(2,076,207)	(20,248,061)	(21,328,264)
Principal paid on debt, bond maturities, special assessments, and equipment contracts	(12,186,968)		(12,186,968)	(1,986,637)
Proceeds from long term debt	44,880,000		44,880,000	
Proceeds from sale of fixed assets				106,929
Interest paid	(1,948,716)		(1,948,716)	(1,078,343)
Contributed capital	3,712,551	(6,899)	3,705,652	7,429,846
Cash Flows (used by) Capital Financing Activities	16,285,013	(2,083,106)	14,201,907	(16,856,469)
Net Cash Flows	41,966,081	2,000,915	43,966,996	22,579,096
Cash and investments at beginning of year	74,507,819	8,918,507	83,426,326	60,847,230
Cash and investments at end of year	$116,473,900	$10,919,422	$127,393,322	$83,426,326

See accompanying notes to financial statements

CITY OF ROSEVILLE
COMBINED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS BUDGET (NON-GAAP LEGAL BASIS) AND ACTUAL ENTERPRISE AND INTERNAL SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$96,797,389	$112,321,453	$15,524,064	$7,771,441	$8,035,332	$263,891
Subventions and grants	2,680,028	2,553,285	(126,743)			
Miscellaneous	878,959	659,892	(219,067)	139,500	695,752	556,252
Total Operating Revenues	100,356,376	115,534,630	15,178,254	7,910,941	8,731,084	820,143
OPERATING EXPENSES						
Purchased power	31,000,000	31,410,808	(410,808)			
Distribution:						
Operations	89,057,881	40,080,718	48,977,163	7,073,573	6,165,956	907,617
Administration	3,034,580	3,321,876	(287,296)			
Claims expense				477,500	771,992	(294,492)
Total Operating Expenses	123,092,461	74,813,402	48,279,059	7,551,073	6,937,948	613,125
Operating Income (Loss)	(22,736,085)	40,721,228	63,457,313	359,868	1,793,136	1,433,268
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	3,924,139	7,505,374	3,581,235	456,950	505,182	48,232
Interest (expense)	(2,559,691)	(1,948,716)	610,975			
Proceeds from sale of bonds	37,000,000	44,880,000	7,880,000			
Debt service - principal (Note 8)	(6,632,400)	(12,186,968)	(5,554,568)			
Other				40,000		(40,000)
Net Nonoperating Revenues (Expenses)	31,732,048	38,249,690	6,517,642	496,950	505,182	8,232
Income (Loss) Before Operating Transfers	8,995,963	78,970,918	69,974,955	856,818	2,298,318	1,441,500
Operating transfer in	729,022	770,166	41,144	360,590	341,718	(18,872)
Operating transfer (out)	(9,619,447)	(9,438,081)	181,366	(481,800)	(479,195)	2,605
Net Income (Loss)	$105,538	70,303,003	$70,197,465	$735,608	2,160,841	$1,425,233
ITEMS AFFECTING CONTRIBUTED CAPITAL						
Depreciation		2,061,089				
Adjustments to budgetary basis:						
Depreciation and amortization		(10,321,693)			(1,847,629)	
Capital outlay		11,751,128			1,987,312	
Proceeds from sale of bonds		(44,880,000)				
Debt service - principal		12,186,968				
Retained earnings at beginning of year		236,366,936			16,580,540	
Retained earnings at end of year		$277,467,431			$18,881,064	

See accompanying notes to financial statements

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL BY DEPARTMENT AND SUMMARY CATEGORY FOR ALL FUND TYPES FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Department/Category	Appropriations	Actual Expenditures	Variance Favorable (Unfavorable)
City Council			
Salaries and benefits	$9,630	$9,525	$105
Operating Services and Supplies	178,525	142,059	36,466
Total City Council	188,155	151,584	36,571
Office of the City Manager			
Salaries and benefits	454,550	422,484	32,066
Operating Services and Supplies	178,670	165,663	13,007
Capital Outlay	13,445	12,816	629
Total Office of the City Manager	646,665	600,963	45,702
Office of the City Attorney			
Salaries and benefits	423,705	392,047	31,658
Operating Services and Supplies	119,040	69,148	49,892
Capital Outlay	4,000	2,752	1,248
Total Office of the City Attorney	546,745	463,947	82,798
Administrative Services			
Salaries and benefits	1,466,910	1,452,139	14,771
Operating Services and Supplies	3,661,699	3,654,044	7,655
Capital Outlay	211,338	128,755	82,583
Debt Service	237,891	197,056	40,835
Total Administrative Services	5,577,838	5,431,994	145,844
City Clerk			
Salaries and benefits	382,025	370,422	11,603
Operating Services and Supplies	71,427	69,984	1,443
Capital Outlay	1,800	1,558	242
Total City Clerk	455,252	441,964	13,288
Central Services			
Salaries and benefits	2,867,580	2,701,562	166,018
Operating Services and Supplies	2,063,263	1,971,664	91,599
Capital Outlay	48,851	46,331	2,520
Capital Improvement Projects	13,235,677	8,925,186	4,310,491
Total Central Services	18,215,371	13,644,743	4,570,628
Finance			
Salaries and benefits	1,917,690	1,849,596	68,094
Operating Services and Supplies	670,343	620,261	50,082
Capital Outlay	44,924	38,827	6,097
Total Finance	2,632,957	2,508,684	124,273
Police			
Salaries and benefits	8,781,125	8,521,087	260,038
Operating Services and Supplies	1,990,773	1,863,662	127,111
Capital Outlay	220,859	105,509	115,350
Total Police	10,992,757	10,490,258	502,499
Fire			
Salaries and benefits	6,521,307	6,330,497	190,810
Operating Services and Supplies	1,308,066	1,088,585	219,481
Capital Outlay	262,648	145,615	117,033
Total Fire	8,092,021	7,564,697	527,324
Library			
Salaries and benefits	1,665,800	1,600,693	65,107
Operating Services and Supplies	396,482	331,535	64,947
Capital Outlay	91,357	48,223	43,134
Total Library	2,153,639	1,980,451	173,188

(Continued)

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BY DEPARTMENT AND SUMMARY CATEGORY FOR ALL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Department/Category	Appropriations	Actual Expenditures	Variance Favorable (Unfavorable)
Community Development			
Salaries and benefits	706,541	671,852	34,689
Operating Services and Supplies	2,602,884	763,929	1,838,955
Capital Outlay	15,000	14,696	304
Capital Improvement Projects	369,080	24,747	344,333
Total Community Development	3,693,505	1,475,224	2,218,281
Housing and Redevelopment			
Salaries and benefits	184,320	151,239	33,081
Operating Services and Supplies	2,094,295	1,847,255	247,040
Capital Outlay		30	(30)
Debt Service	80,000	80,151	(151)
Other Expenditures	83,000	496,896	(413,896)
Total Housing and Redevelopment	2,441,615	2,575,571	(133,956)
Planning			
Salaries and benefits	1,316,440	1,211,425	105,015
Operating Services and Supplies	95,456	57,791	37,665
Capital Outlay	32,100	30,696	1,404
Capital Improvement Projects	189,470	206,815	(17,345)
Total Planning	1,633,466	1,506,727	126,739
Public Works			
Salaries and benefits	4,726,025	4,575,565	150,460
Operating Services and Supplies	4,002,054	3,541,934	460,120
Capital Outlay	677,361	410,010	267,351
Capital Improvement Projects	25,684,117	11,816,317	13,867,800
Total Public Works	35,089,557	20,343,826	14,745,731
Environmental Utilities			
Salaries and benefits	7,321,590	7,154,267	167,323
Operating Services and Supplies	10,878,734	10,629,635	249,099
Capital Outlay	343,140	337,862	5,278
Capital Improvement Projects	43,601,876	5,511,022	38,090,854
Total Environmental Utilities	62,145,340	23,632,786	38,512,554
Parks and Recreation			
Salaries and benefits	5,644,235	5,345,917	298,318
Operating Services and Supplies	4,157,877	3,971,591	186,286
Capital Outlay	182,900	123,705	59,195
Capital Improvement Projects	5,172,649	2,726,813	2,445,836
Other Expenditures	30,150		30,150
Total Parks and Recreation	15,187,811	12,168,026	3,019,785
Electric			
Salaries and benefits	5,786,616	5,659,205	127,411
Operating Services and Supplies	33,451,647	32,635,244	816,403
Capital Outlay	200,050	157,443	42,607
Capital Improvement Projects	14,483,754	6,454,367	8,029,387
Total Electric	53,922,067	44,906,259	9,015,808
Transit			
Operating Services and Supplies		91	(91)
Capital Improvement Projects	53,332	48,428	4,904
Total Transit	53,332	48,519	4,813
Debt Service			
Debt Service	12,721,024	17,703,070	(4,982,046)
Other Expenditures	41,500	73,565	(32,065)
Total Debt Service	12,762,524	17,776,635	(5,014,111)

(Continued)

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BY DEPARTMENT AND SUMMARY CATEGORY FOR ALL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Department/Category	Appropriations	Actual Expenditures	Variance Favorable (Unfavorable)
Community Grants			
Operating Services and Supplies	478,045	424,726	53,319
Total Community Grants	478,045	424,726	53,319
Automotive Replacement			
Operating Services and Supplies		234	(234)
Capital Outlay	2,343,717	1,937,427	406,290
Total Automotive Replacement	2,343,717	1,937,661	406,056

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The financial statements of the City of Roseville include the financial activities of the City as well as the Roseville Redevelopment Agency, the Roseville Finance Authority, and the City of Roseville Housing Authority all of which are controlled by and dependent on the City. While these are separate legal entities, City Council serves in a separate session as their governing body and their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements.

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

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

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

Financial statements for the Redevelopment Agency may be obtained from the City of Roseville at 311 Vernon Street, Suite 206, Roseville, California, 95678. Separate financial statements for the Roseville Finance Authority and Roseville Housing Authority are not issued.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

In order to ensure the proper identification of individual revenue sources and the expenditures made from those revenues, the accounts of the City are organized on the basis of individual funds and account groups, 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. The City's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

In the Combined Financial Statements, these funds are grouped into the fund types and categories discussed below. The financial statements for each individual fund in each fund type are presented in the Combining Financial Statements section of this report.

GOVERNMENTAL FUNDS

General Fund - 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 major revenue sources for this Fund are property taxes, sales taxes, unrestricted revenues from the State, fines and forfeitures and interest income. Expenditures are made for public safety, most street work and other services not required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for financial resources to be used for the payment of principal and interest on long-term debt.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City provides automotive services, central stores and self-insurance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Agency Funds - Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

C. *Measurement Focus*

All **governmental funds** are accounted for on a spending or *flow of current financial resources* measurement focus which means that only *current* assets and *current* liabilities are generally included on their balance sheets. Their reported fund balance is their net current assets, which is considered only to be a measure of *available spendable resources*. Governmental fund operating statements present a summary of sources and uses of available spendable resources during a period by presenting increases and decreases in net current assets.

In those cases when a governmental fund records a long-term receivable or other non-current asset, an offsetting credit is made to deferred revenue or undesignated fund balance is reduced to reflect the fact that this amount is not yet available.

Because of their spending measurement focus, governmental funds exclude fixed assets and noncurrent liabilities. Instead, these assets and liabilities are reported in the General Fixed Assets Account Group and the General Long-Term Obligations Account Group. These account groups measure only financial position; they are not funds and they do not measure results of operations. They maintain accounting control over the City's governmental fund fixed assets and City debt which will be repaid by governmental funds.

Proprietary funds are accounted for on a cost of services or *economic resources* measurement focus, which means that all assets and all liabilities associated with their activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

D. *Basis of Accounting*

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All **governmental funds and agency funds** are accounted for using the *modified accrual basis* of accounting. These fund revenues are recognized when they become measurable *and* available as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts which could not be measured or were not available were not accrued as revenue in the current fiscal year.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are also generally recognized under the modified accrual basis of accounting. An exception to this rule is principal and interest on general long-term debt, which is not recognized by debt service funds until it is due. Financial resources usually are appropriated in funds responsible for repaying debt for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Thus, the liability is recognized by the fund responsible for paying the debt, not the debt service fund.

All **Proprietary Funds** are accounted for using the *accrual basis* of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The City follows those Financial Accounting Standard Board Statements issued before November 30, 1989 which do not conflict with Governmental Accounting Standards Board Statements.

E. *Revenue Recognition For Electric, Water, Sewer, and Garbage Funds*

Revenues are recognized based on cycle billings rendered to customers. There are seven different billings cycles. The first week of the month commercial customers are billed. For the next three weeks there are two sets of residential customers billed each week Revenues for services provided but not billed at the end of a fiscal period are accrued.

F. *Property Tax*

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

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

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

G. *Compensated Absences*

Compensated absences comprise unused vacation leave and vested sick pay, which are accrued as earned. The City's liability for compensated absences is recorded in the General Long Term Obligations Account or Proprietary-type funds as appropriate.

H. *Postemployment Heath Care Benefits*

The City provides health care benefits for 186 retired employees and spouses based on negotiated employee bargaining unit contracts. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement age and have a minimum five years of service while working for the City. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the year ending June 30, 1998, those costs totaled $475,549.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventories

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

J. Fund Reclassification

The Roseville Finance Authority Special Revenue fund has been reclassified as a Debt Service Fund as of July 1, 1997.

K. New Funds

The FEMA Special Revenue Fund was established to account for the activities residential home elevation projects.

The Local Law Enforcement Block Grant Special Revenue Fund was established to account for the activities related to this federal grant.

L. Closed Fund

The Deferred Compensation Agency Fund was closed during the year ended June 30, 1998 to comply with new federal laws.

M. Classification Changes

For the year ended June 30, 1998, certain account classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the 1997-98 presentation.

N. Total Columns on Combined Financial Statements

Although each of the City's funds is a separate accounting entity, the Combined Financial Statements also include total columns, which are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flow in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, since no interfund eliminations have been made in the aggregation of this data.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

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

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

2. Public hearings are conducted to obtain taxpayer comments.

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

4. The City Manager is authorized to transfer budget appropriations between object codes within the same departments in conformance with the adopted policies set by the City Council. Additional appropriations or interfund transfers not included in the original budget resolutions require approval by the City Council.

5. Expenditures may not legally exceed budgeted appropriations at the department level by object category.

6. Formal budgetary integration is employed as a management control device during the year in all funds except Agency Funds and Mello-Roos districts.

7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds, except for Proprietary Funds, which do not budget for depreciation and do budget capital outlay.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. Reconciliation with Original Appropriations

Budgeted expenditure amounts in the budgetary comparison statements are reconciled below with the amounts originally appropriated by City Council:

Fund	Original Appropriations	Amendments (net)	Amended Budget
General Fund	$51,869,061	$2,061,789	$53,930,850
Special Revenue Funds:			
State Gasoline Tax	377,550	701,729	1,079,279
Park Development	1,640,200	1,898,334	3,538,534
Home Improvement		220,000	220,000
Traffic Mitigation	8,030,000	9,042,852	17,072,852
Construction Surcharge	742,450	2,139,957	2,882,407
California Library Services	149,000	83,321	232,321
Fire Facilities	266,450	(3,802)	262,648
Housing Authority Section 8	1,667,838	13,322	1,681,160
Community Development Block Grant	672,655	39,343	711,998
Roseville Redevelopment Agency	768,155	(7,700)	760,455
Native Oak Tree Propagation	320,360		320,360
Non-Native Oak Tree Propagation	48,720		48,720
Home Investment Partnership Program	500,000		500,000
Hospital Proceeds	463,045	15,000	478,045
Debt Service Fund:			
Roseville Financing Authority	3,499,550	(1,920,000)	1,579,550
Capital Projects Funds:			
Building Improvement	995,000	12,240,677	13,235,677
North Central Roseville Community Facilities District No. 1	7,018,815	(6,393,815)	625,000
Northwest Roseville Community Facilities District No. 1	2,992,607	(2,992,607)	
Enterprise Funds:			
Electric	50,478,346	3,969,687	54,448,033
Water	14,544,323	18,117,741	32,662,064
Sewer	15,931,493	7,097,605	23,029,098
Refuse	6,338,291	115,888	6,454,179
Golf Course	2,372,763	(434,537)	1,938,226
Local Transportation	2,361,611	55,832	2,417,443
School-Age Child Care	2,121,915	21,503	2,143,418
Internal Service Funds:			
Automotive Services	2,352,945	(1,222)	2,351,723
Automotive Replacement	1,566,090	777,627	2,343,717
Self Insurance Funds:			
Workers' Compensation	1,500,000	2,000	1,502,000
General Liability	1,210,000	8,633	1,218,633
Unemployment Reserve	60,000		60,000
Vision	75,000		75,000

C. Encumbrances

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

D. *Excess of Expenditures over Appropriations*

The Housing Authority Section 8 Special Revenue Fund and the Redevelopment Low/Moderate Income Housing Special Revenue Fund had expenditures exceeding budget of $35,333 and $93,831, respectively. The Refuse Enterprise Fund had expenditures in excess of budget of $218,635 and the Unemployment Reserve Internal Service Fund had expenditures in excess of budget of $5,804 during the fiscal year. Sufficient revenues were available to cover these expenditures.

NOTE 3 - CASH AND INVESTMENTS

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

A. *Categorization of Credit Risk of Securities Instruments*

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

The City categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. The three levels of risk prescribed by generally accepted accounting principles are described below:

Category 1 - Securities instruments in this category are in the City's name and are in the possession of the Trust Department of the bank employed by the City solely for this purpose. The City is the registered owner of securities held in book entry form by the bank's Trust Department.

Category 2 - Securities instruments and book entry form securities in this category are in the bank's name but are held by its Trust Department in a separate account in the City's name.

Category 3 - None of the City's investments are in this category, which would include only City-owned securities instruments or book entry form securities which were not in the City's name or which were not held by the bank's Trust Department.

Pooled Investments - Pooled investments are not categorized because of their pooled, rather than individual, nature.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments are carried at fair market value (see F. below) and are categorized as follows at June 30:

	1998			
	Category 1	Category 2	Total	1997
Categorized Investments:				
U.S. Government Securities	$205,691,415	$3,586,576	$209,277,991	$136,371,255
Repurchase Agreements				1,381,494
Pooled Investments (non Categorized):				
Mutual Funds and Money Market Funds (U.S. Securities)			5,373,196	5,244,900
State of California Local Agency Investment Fund			20,007,661	10,206,090
California Arbitrage Management Program			9,949,684	16,770,496
Total Investments	$205,691,415	$3,586,576	244,608,532	169,974,235
Cash Deposits with Banks			11,712,040	13,149,040
Total Cash and Investments			$256,320,572	$183,123,275

B. *Classification*

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

	1998	1997
Cash and investments in City Treasury	$211,068,053	$161,427,817
Restricted cash and investments with fiscal agent	45,252,519	21,695,458
Total Cash and Investments	$256,320,572	$183,123,275

Cash and investments are used in preparing Proprietary Fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

C. *Cash Deposits*

Cash in banks is entirely insured or collateralized by the institution holding the deposit. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral is considered to be held in the City's name and places the City ahead of general creditors of the institution. The City has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

The carrying amount of the City's cash deposits was $11,712,040 at June 30, 1998. Bank balances before reconciling items were $12,684,440, of which $211,605 was insured (Category 1), $12,472,835 was collateralized as discussed above (Category 2) at June 30, 1998.

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. *Authorized Investments*

The City's investment policy and the California Government Code allow the City to invest in the following:

- City of Roseville Bonds
- Securities of the U. S. Government or its agencies
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Banker Acceptances
- Commercial Paper
- California Local Agency Investment Fund
- Repurchase Agreements
- Passbook Savings Account Demand Deposits

The City does not enter into reverse repurchase agreements. Trustees under bond indentures may also invest in money market and mutual funds.

E. *Market Risk and Investment Maturities*

Market risk is the risk that investments will decline in market value. The City limits market risk by limiting the types and maturities of its investments and by not borrowing against its investments. Investment yield is ranked after safety and liquidity in making investment decisions. The City's policy is to hold investments to maturity and to match maturities with the City's projected cash flow needs. The City's investments matured as follows at June 30:

	1998
Available immediately	$35,330,541
Maturities of less than three years	173,144,646
Maturities of less than five years	35,756,700
Maturities of more than five years	376,645
Total	$244,608,532

F. *Marking Investments to Fair Market Value (GASB 31)*

In fiscal 1998 the City adopted Government Accounting Standards Board Statement 31, which requires that the City's investments be carried at fair market value instead of cost. Under GASB 31, the City must adjust the carrying value of its investments to reflect their fair market value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year.

GASB 31 applies to all the City's investments, even if they are held to maturity and redeemed at full face value. Since the City's policy is to hold all investments to maturity, the fair market value adjustments required by GASB 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will now reflect changes in its market value at each succeeding fiscal year end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year end.

NOTE 3 - CASH AND INVESTMENTS (Continued)

GASB 31 requires the City to restate June 30, 1997 fund balances for fair market value adjustments, if material. The City has determined that the amounts of any such restatements would not be material.

At June 30, 1998 the fair market value of the City's investments was $625,064 higher than the carrying value, resulting in a recognized gain for accounting purposes which was not realized in cash. The City's portion of this gain has been included in fiscal 1998 income. Agency fund cash balances have been adjusted to reflect the portion of this gain allocable to Agency Funds.

NOTE 4 - INTERFUND TRANSACTIONS

A. Operating Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers, called operating transfers, is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a residual equity transfer may be made to open or close a fund.

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Operating transfers between funds during the fiscal year ended June 30, 1998 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	State Gas Tax Special Revenue Fund	$142,515
	Home Improvement Special Revenue Fund	12,557
	Construction Surcharge Special Revenue Fund	470
	California Library Services Special Revenue Fund	5,060
	Traffic Safety Special Revenue Fund	183,264
	FEMA Special Revenue Fund	74,712
	Fire Facilities Special Revenue Fund	331,052
	Traffic Mitigation Special Revenue Fund	28,009
	Public Facilities Special Revenue Fund	6,050
	Park Development Special Revenue Fund	124,455
	Native Oak Tree Propagation Special Revenue Fund	240
	Non-native Oak Tree Propagation Special Revenue Fund	30
	Pleasant Grove Drain Basin Special Revenue Fund	2,800
	Community Development Block Grant Special Revenue Fund	76,723
	Hospital Sale Proceeds Special Revenue Fund	22,700
	Housing Authority Section 8 Special Revenue Fund	45,900
	Redevelopment Agency of the City of Roseville Special Revenue Fund	42,700
	School-Age Child Care Enterprise Fund	192,210
	Local Transportation Enterprise Fund	222,131
	Golf Course Enterprise Fund	280,100
	Refuse Enterprise Fund	854,237
	Sewer Enterprise Fund	1,352,802
	Water Enterprise Fund	1,336,346
	Electric Enterprise Fund	4,224,993
	Automotive Services Internal Service Fund	440,220
	Automotive Replacement Internal Service Fund	7,450
	Worker's Compensation Internal Service Fund	7,760
	General Liability Internal Service Fund	7,760
	Unemployment Reserve Internal Service Fund	7,760
	Vision Internal Service Fund	7,760
Special Revenue Funds:		
Construction Surcharge	Traffic Mitigation Special Revenue Fund	927,689
Traffic Mitigation	State Gasoline Tax Special Revenue Fund	1,334,278
Park Development	Non-native Oak Tree Propagation Special Revenue Fund	2,975
	Hospital Sale Proceeds Special Revenue Fund	158,910
Home Investment Partnership Program	Community Development Block Grant Special Revenue Fund	1,531
Roseville Finance Authority Debt Service Fund	Roseville Finance Authority Capital Projects Fund	5
	General Fund	1,324,649
Capital Improvement Funds:		
Building	General Fund	2,910,000
	Local Law Enforcement Block Grant Special Revenue Fund	407
	Fire Facilities Special Revenue Fund	727,878
	Public Facilities Special Revenue Fund	4,418,439
	Park Development Special Revenue Fund	275,985
Foothills Boulevard	Traffic Mitigation Special Revenue Fund	5,810
Enterprise Funds:		
Sewer	Water Enterprise Fund	206
Water	Refuse Enterprise Fund	251,368
	Sewer Enterprise Fund	384,517
Electric	Traffic Mitigation Special Revenue Fund	75,000
Local Transportation	General Fund	59,075
Automotive Replacement Internal Service Fund	General Fund	2,062
	School-Age Child Care Enterprise Fund	1,062
	Refuse Enterprise Fund	24,755
	Sewer Enterprise Fund	182,341
	Water Enterprise Fund	36,486
	Electric Enterprise Fund	94,527
	Automotive Services Internal Service Fund	485
Total Interfund Transfers		$23,241,206

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 1998 interfund balances comprised the following:

Fund with Due From	Fund with Due To	Amount
General Fund	Traffic Safety Special Revenue Fund	$23,599
	Redevelopment Agency Special Revenue Fund	85,671
Special Revenue Funds:		
Home Improvement	Redevelopment Agency Special Revenue Fund	50,000
Housing Authority Section 8	General Fund	98
Enterprise Funds:		
Sewer	California Library Services Special Revenue Fund	14,168
	Community Development Block Grant Special Revenue Fund	67,855
	Home Investment Partnership Program Special Revenue Fund	207,867
	Foothills Boulevard Extension Capital Projects Fund	30,482
	Refuse Enterprise Fund	1,335,069
	Other Agency Fund	2,625
Internal Service Fund:		
Automotive Replacement	Redevelopment Agency Special Revenue Fund	50,000
	Golf Course Enterprise Fund	260,000
		$2,127,434

C. *Long-Term Interfund Advances*

At June 30, 1998 the funds below had made advances which were not expected to be repaid within the next year. These long term interfund advances are expected to be repaid out of future revenues.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
General Fund	Automotive Replacement Internal Service Fund	$1,656,917
Redevelopment Agency Special Revenue Fund	Home Improvement Special Revenue Fund	109,183
	Roseville Finance Authority Capital Projects Fund	165,000
	Automotive Replacement Internal Service Fund	988,901
Enterprise Funds:		
Refuse	Sewer Enterprise Fund	1,150,000
Golf Course	Automotive Replacement Internal Service Fund	3,325,244
Total Advances		$7,395,245

NOTE 5 - NOTES RECEIVABLE, DEFERRED RECEIVABLES, AND DEFERRED REVENUE

A. *Notes Receivable*

The City has provided loans to various homeowners and businesses for rehabilitation due to flood damage. The maximum loan amount is $5,000 carrying various interest rates and payment dates. Although these notes are expected to be repaid in full, their balance has been offset by a reservation of fund balance. The balance of these notes receivable at June 30, 1998 was $141,953.

In prior years, the City sold certain fire equipment to Western Placer County JPA. The City receives annual payments of $2,465 towards the purchase of this equipment. At June 30, 1998 the balance due was $4,930.

NOTE 5 - NOTES RECEIVABLE, DEFERRED RECEIVABLES, AND DEFERRED REVENUE (Continued)

B. *Employee Notes Receivable*

All full-time and part-time City employees who have completed their probationary period are eligible to obtain an interest free loan up to $2,500 to purchase a computer. All requests for loans are subject to review by the Management Information Systems Department and must be approved by the Personnel Director. Repayment of these loans is handled through payroll deductions which are spread out equally over a two year period. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 1998, 117 employees had $108,666 in notes due to the City.

C. *Deferred Fees Receivable*

The City has entered into a number of agreements with developers to defer permit fees for various projects within the City. The terms of these agreements call for various interest rates and payment dates. Although these fees are expected to be repaid in full, their balance has been offset by deferred revenue, in governmental funds, as they are not expected to be repaid early enough to be treated as a current asset. The balance of these deferred receivables at June 30, 1998 was $8,371,164.

D. *Housing Rehabilitation and Affordable Housing Deferred Receivables*

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset with the liability, Due to Other Governments as they are not expected to be repaid during fiscal year 1998-99 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the deferred receivables arising from these programs at June 30, 1998 was $909,097.

E. *First Time Home-Buyer Deferred Receivables*

The City engages in a first time home-buyer program designed to encourage home ownership among low income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by due to other governments and deferred revenue as they are not expected to be repaid during fiscal year 1998-99 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the deferred receivables arising from this program at June 30, 1998 was $923,173.

F. *Housing Elevation Deferred Receivable*

In fiscal 1997, the Federal Emergency Management Agency (FEMA) approved Hazard Mitigation Grant Program funds to be used for residential home elevation projects in the City at a maximum of $33,934 per household, with the total federal share not to exceed $1,493,096. The City provides matching funds to each eligible household at a maximum of $5,000 in the form of a zero percent, deferred loan payable upon sale, change of title or change of use. As of June 30, 1998, ten loans were outstanding with a total balance of $46,387.

NOTE 6 - FIXED ASSETS

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

A. *General Fixed Assets*

The General Fixed Assets Account Group provides accounting control over the cost of fixed assets used by the City's governmental funds. The General Fixed Assets Account Group is not a fund and its balances are not financial resources available for expenditure. Rather, these balances provide an historical accounting record of resources expended on general fixed assets. Public domain (infrastructure) general fixed assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized because these assets are immovable and of value only to the public. No depreciation has been provided on general fixed assets.

B. *Proprietary Fund (Enterprise and Internal Service) Fixed Assets and Depreciation*

Proprietary (Enterprise and Internal Service) fund fixed assets are recorded at cost and depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of proprietary fund fixed assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of proprietary fund fixed assets.

Depreciation of all proprietary fund fixed assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the proprietary funds' balance sheet as a reduction in the book value of the fixed assets.

Depreciation of proprietary fund fixed assets in service is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to proprietary fund fixed assets.

Buildings	15-20 years
Equipment	2-20 years
Water and sewer lines	40-50 years
Electric Improvements	30-40 years

C. *Contributed Capital*

The City obtained federal and State grant funds and collects utility capital improvement fees to construct certain utility fund fixed assets. These amounts are accounted for as Contributed Capital. As fixed assets are used, a prorata portion of the annual depreciation expense is allocated against Contributed Capital, reducing its balance as these fixed assets are used up.

NOTE 6 - FIXED ASSETS (Continued)

D. *Fixed Asset Additions and Retirements*

Fixed assets at June 30 comprise:

	1997	Additions	Retirements	Transfers	1998
General Fixed Assets:					
Land and Improvements	$12,976,947	$164,988			$13,141,935
Buildings and Improvements	61,693,438	11,679,699			73,373,137
Machinery and Equipment	6,448,484	1,493,503	$1,180		7,940,807
Capital Leases:					
Buildings and Improvements	3,023,291				3,023,291
Machinery and Equipment	791,019	155,097			946,116
Total General Fixed Assets	$84,933,179	$13,493,287	$1,180		$98,425,286
Enterprise Fixed Assets:					
Land and Improvements	$7,484,142				$7,484,142
Buildings and Improvements	296,860,534	$9,875,339		$6,824,377	313,560,250
Machinery and Equipment	6,590,358	764,207	$45,134		7,309,431
Construction in Progress	8,360,217	5,091,138		(6,824,377)	6,626,978
Subtotal	319,295,251	$15,730,684	$45,134		334,980,801
Less Accumulated Depreciation	(58,493,507)	($8,866,513)	($24,699)		(67,335,321)
Total Enterprise Fixed Assets	$260,801,744				$267,645,480
Internal Service Fixed Assets:					
Machinery and Equipment	$17,052,896	$2,082,444	$1,366,950		$17,768,390
Less Accumulated Depreciation	(11,639,026)	($1,853,866)	($1,366,950)		(12,125,942)
Total Internal Service Fixed Assets	$5,413,870				$5,642,448

NOTE 7 - LONG TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

The General Long Term Obligations Account Group provides accounting control over the principal of the City's general long term debt. This debt will be repaid only out of governmental funds but is not accounted for in these funds because this debt does not require an appropriation or expenditure in this accounting period.

Proprietary Fund (Enterprise and Internal Service) long-term debt is accounted for in the proprietary funds which will repay the debt because these funds are accounted for on the full-accrual basis in a similar manner to commercial operations.

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

NOTE 7 - LONG TERM DEBT (Continued)

Current Year Transactions and Balance

	Original Issue Amount	Balance June 30, 1997	Additions	Retirements	Balance June 30, 1998
General Long Term Debt:					
Certificates of Participation:					
1993 Public Facilities Bond, 2.8%-5.1%, due 8/1/20	$23,970,000	$22,290,000		$535,000	$21,755,000
Installment Purchase Obligations:					
Public Safety Building, 6.1%-6.3%, due 1/15/01	2,130,449	603,244		136,640	466,604
Equipment	719,809	98,632	$153,520	66,822	185,330
Roseville Automall 6.5%, due 12/31/01	8,000,000	3,294,401		1,107,771	2,186,630
Total	10,850,258	3,996,277	153,520	1,311,233	2,838,564
Other Long Term Obligations					
Hilltop Debt / Foothill Blvd. Extension, due 4/1/07	114,423	114,423		7,972	106,451
TOTAL	$34,934,681	$26,400,700	$153,520	$1,854,205	$24,700,015
Enterprise Long Term Debt:					
Certificates of Participation:					
1985 Electric System Project, 4.5%-6.4%, 2/1/01	$13,355,000	$5,455,000		$5,455,000	
1997 Electric System Revenue, 3.6%-5.25%, due 2/1/17	11,880,000		$11,880,000	1,485,000	$10,395,000
1993 Golf Course Project, 4.6%-6.0%, due 8/1/23	9,325,000	9,250,000		155,000	9,095,000
1997 Water Utility Revenue, 3.9%-5.2%, due 12/1/18	33,000,000		33,000,000		33,000,000
Total	67,560,000	14,705,000	44,880,000	7,095,000	52,490,000
Revenue Bonds:					
1978 Sewer Serial Bond, 5.3%-5.6%, due 12/1/99	1,800,000	315,000		315,000	
1987 Sewer Serial Bond, 7.0%-7.4%, due 12/1/02	9,730,000	4,770,000		4,770,000	
Total	11,530,000	5,085,000		5,085,000	
Other Long Term Obligations:					
Notes, 5%, due 10/1/17	284,262	248,893		6,968	241,925
TOTAL	$79,374,262	$20,038,893	$44,880,000	$12,186,968	$52,731,925

B. *1993 Certificates of Participation*

The City issued Certificates of Participation in the original principal amount of $23,970,000 on October 1 1993 to advance refund and defease the outstanding $16,855,000 principal amount of the 1989 Refunding Revenue Bonds and to reimburse the City for some of the costs of the Corporation Yard Improvement. Principal payments are payable annually on August 1 and interest payments are due semi-annually on February 1 and August 1, through August 1, 2020.

C. *1985 Electric System Project Certificates of Participation*

The City issued Certificates of Participation in the original principal amount of $13,355,000 on February 1 1987 with the proceeds to refinance the cost of certain electrical transmission and substation facilities. Principal payments are payable annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2001. The 1985 COP's were refunded by the 1997 Electric System Revenue Certificates of Participation.

D. *1997 Electric System Revenue Certificates of Participation*

The City issued Certificates of Participation in the original principal amount of $11,880,000 on November 1, 1997 to finance a substation for the Electrical System and to refinance the 1985 COP's. Principal payments are payable annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2017.

NOTE 7 - LONG TERM DEBT (Continued)

E. *1993 Golf Course Project Certificates of Participation*

The City issued Certificates of Participation in the original principal amount of $9,325,000 on October 1 1993 to provide funds to acquire and construct the Golf Course Improvements. Principal payments are payable annually on August 1 and interest payments are due semi-annually on February 1 and August 1, through August 1, 2023.

F. *1997 Water Utility Revenue Certificates of Participation*

The City issued Certificates of Participation in the original principal amount of $33,000,000 on September 1, 1997 to finance the acquisition, construction, and installation of additions to the water utility system. Principal payments are payable annually on December 1 and interest payments are due semi-annually on December 1 and June 1, through December 1, 2018.

G. *1978 Sewer Revenue Bonds*

The City issued Certificates of Participation in the original principal amount of $1,800,000 on May 1, 1978 to finance the acquisition, construction, and installation of additions to the water utility system. Principal payments were payable annually on December 1 and interest payments were due semi-annually on December 1 and June 1. These bonds were repaid in advance of their December 1, 1999 due date, in fiscal 1998 with available Sewer Fund resources.

H. *1987 Sewer Revenue Bonds*

The City issued Revenue Refunding Bonds in the original principal amount of $9,730,000 on July 1 1987 to advance refund the Series B Bonds outstanding for the City of Roseville. Principal and interest payments are payable annually on December 1, through December 1, 2002. These bonds were repaid in advance of their December 1, 2002 due date, in fiscal 1998 with available Sewer Fund resources.

I. *Debt Service Requirements*

Annual debt service requirements are shown below for all long-term debt except installment purchase obligations:

For the Year Ending June 30	1993 Public Facilities Certificates of Participation	Hilltop Debt	Enterprise Certificates of Participation	Notes Payable	Totals
1999	$1,576,090	$15,963	$4,155,210	$19,414	$5,766,677
2000	1,574,045	16,317	5,170,430	19,413	6,780,205
2001	1,575,095	16,136	5,171,485	19,413	6,782,129
2002	1,569,470	16,379	3,855,845	19,413	5,461,107
2003	1,572,158	16,552	3,858,098	19,413	5,466,221
Thereafter	28,070,542	66,592	63,923,095	287,400	92,347,629
	35,937,400	147,939	86,134,163	384,466	122,603,968
Less amount representing interest	14,182,400	41,488	33,644,163	142,541	48,010,592
Principal amount due	$21,755,000	$106,451	$52,490,000	$241,925	$74,593,376

NOTE 7 - LONG TERM DEBT (Continued)

J. *Debt Service Reserves With Trustees*

The City is required to maintain amounts of Restricted Cash and Investments with trustees or fiscal agents under the terms of certain debt issues. These funds are pledged as reserves to be used if the City fails to meet its obligations under the debt issues. These reserves totaled $21,349,940 at June 30, 1998.

The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. All these funds have been invested as permitted under the Code.

K. *Installment Purchase Obligations*

The City is purchasing various pieces of computer equipment on the installment basis. The City is also entered into a long term contracts for the lease/purchase of its public safety building and the Roseville Automall. Future installments payable are:

Year Ending June 30	General Long-Term
1999	$1,527,971
2000	1,278,887
2001	235,938
2002	40,566
2003	21,567
Total payments due	3,104,929
Less amount representing interest	266,365
Principal payments due	$2,838,564

L. *Debt Without City Commitment*

Special Assessment Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in general long-term debt of the City. The outstanding balance of each of these issues as of June 30, 1997 is as follows:

Roseville Financing Authority Hospital Lease	$25,500,000
Rocky Ridge/Harding Refunding District	2,205,000
Taylor Road Sewer Assessment District	49,000
North Roseville-Rocklin Sewer Refunding District	2,060,000
Foothills Boulevard Extension Assessment District	4,340,000
Northeast Roseville Community Facilities District #1	20,145,000
Northeast Roseville Community Facilities District #2	13,090,000
North Central Roseville Community Facilities District #1	85,755,000
Northwest Roseville Community Facilities District #1	30,805,000
Total	$183,949,000

NOTE 8 - FUND BALANCES AND RETAINED EARNINGS

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

A. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves. At June 30, 1998, reservations included:

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserves for **inventories, prepaid expenses, advances, deferred receivables, and notes receivable** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserve for **low/moderate income housing** is the portion of redevelopment fund balance legally required to be set-aside for low/moderate income housing expenditures.

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long term liabilities.

B. Fund Balance and Retained Earnings Deficits

The Construction Surcharge Special Revenue Fund had a deficit fund balance of $47,790, the Redevelopment Agency of the City of Roseville Special Revenue Fund had a deficit fund balance of $1,005,640. The Foothills Boulevard Extension Capital Projects Fund had a deficit fund balance of $30,482. The Refuse Enterprise Fund had deficit retained earnings of $1,922,993, and the Unemployment Reserve Internal Service Fund had deficit retained earnings of $3,605 at June 30, 1998. Future revenues are expected to offset these deficits.

NOTE 9 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains seven enterprise funds. These funds are intended to be self-supporting, through user fees charged for services rendered. Segment information for these funds for the year ended June 30, 1998 follows:

	Electric	Water	Sewer	Refuse	Golf Course	Local Transportation	School-Age Child Care
Operating revenue	$57,368,546	$15,129,403	$27,165,607	$8,155,216	$2,685,146	$2,696,341	$2,334,371
Depreciation & amortization	4,368,973	1,214,745	3,484,368	128,963	754,454	362,994	7,196
Operating income (loss)	13,818,537	8,049,760	17,276,225	1,512,798	504,445	721,815	267,083
Nonoperating revenues (expenses) net	2,383,971	1,492,419	2,085,909	20,754	(475,192)	41,487	7,310
Net income	11,957,988	8,805,026	17,442,680	403,192	(250,847)	600,246	81,121
Total fund equity	150,396,631	65,201,850	156,686,530	(1,922,993)	6,222,629	2,846,766	43,588
Changes in contributed capital:							
Beginning balances	33,937,736	20,349,221	30,402,153		5,306,950	2,114,154	5,477
Contributions:							
Subdividers	2,424,562	729,236	565,231				(5,477)
Other Government Agencies						(1,000)	
Accumulated depreciation	(952,502)	(353,422)	(755,164)				
Ending balances	35,409,796	20,725,035	30,212,220		5,306,950	2,113,154	
Net working capital	52,315,034	53,095,237	44,512,551	(273,892)	952,555	1,200,695	79,580
Fixed asset net additions and (retirements):							
Buildings and improvements	14,687,679	1,361,002	647,398		3,637		
Machinery and equipment	58,748	69,279	108,529	155,981		284,996	41,540
Construction in progress	(5,827,510)	3,979,377	72,820		42,074		
Net fixed asset additions	8,918,917	5,409,658	828,747	155,981	45,711	284,996	41,540
Total assets	164,382,494	101,617,849	157,683,447	2,332,190	19,143,206	3,128,897	206,244
1985 Electric System Project Certificates of Participation payable from operating revenues	10,395,000						
1993 Golf Course Project Certificates of Participation payable from operating revenues					9,095,000		
1997 Water Utility Revenue Certificates of Participation payable from operating revenues		33,000,000					
Notes payable from operating revenues		241,925					

NOTE 10 - PENSION PLAN

CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service; one year of credited service is equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 1998, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2% - 2.7%	1.426% - 2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	12.823%	7.741%
Actuarially required contributions	$1,648,826	$3,559,572

The City's labor contracts require it to pay employee contributions as well as its own.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the pension benefit obligation.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 8.5% is assumed, including inflation at 4.5%. Annual salary increases are assumed to vary by duration of service and annual retirement benefit increases are assumed to be 4.5%. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period ends June 30, 2011 for both the Miscellaneous and Safety Plans.

The Plans' actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30:

NOTE 10 - PENSION PLAN (Continued)

Safety Plan:

Valuation Date	Actuarial Value of Asset	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
1994	$22,222,144	$21,385,953	($836,191)	103.9%	$5,732,627	(14.587%)
1995	24,738,657	24,240,594	(498,063)	102.1%	6,263,238	(7.952%)
1996	28,697,279	28,695,099	(2,180)	100.0%	6,199,148	(0.035%)

Miscellaneous Plan:

Valuation Date	Actuarial Value of Asset	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
1994	$39,261,859	$40,533,322	$1,271,463	96.9%	$20,152,123	6.309%
1995	43,885,361	45,459,401	1,574,040	96.5%	22,326,898	7.050%
1996	51,183,637	53,597,032	2,413,395	95.5%	21,132,004	11.421%

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

The market value of the net assets in the Plans changed as follows during the year ended June 30, 1996:

	Safety	Miscellaneous
Additions to Plan Assets:		
Employer Contributions	$786,872	$1,317,147
Plan Member Contributions	576,891	1,504,263
Net Investment Income	3,361,668	6,016,566
Deductions from Plan Assets:		
Benefits Paid	765,761	1,431,921
Refunds of Contributions	1,047	107,779
Net Assets Held for Pension Benefits		
Beginning of Year	24,738,657	43,885,361
End of Year	28,697,280	51,183,637

NOTE 11 - DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

In fiscal 1997 the City signed new Deferred Compensation Plan administration agreements with ICMA to provide for the administration and management of employees deferred compensation plan assets. These agreements incorporate changes in the laws governing deferred compensation plan assets which now require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these new plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

NOTE 12 - RISK MANAGEMENT

The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks. The City maintains insurance coverage from a commercial carrier for its long-term disability and dental benefit plan.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

A. Risk Coverage

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to $10,000,000, property damage up to $295,000,000, and boiler and machinery up to $15,000,000. The City has a self-insured retention or deductible of $500,000, $500,000, and $5,000, respectively, per claim. Once the City's self-insured retention for general liability claims is met CJPRMA becomes responsible for payment of all claims up to the limit. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. During the fiscal year ended June 30, 1998, the City contributed $382,646 for coverage during the current year and received a refund of $169,009 of prior year excess contributions.

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to $500,000 and provides additional coverage up to statutory limits. The City has a self-insured retention of up to $250,000 per claim. During the fiscal year ended June 30, 1998, the City contributed $33,956 for current year coverage.

NOTE 12 - RISK MANAGEMENT (Continued)

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The following types of loss risks are covered by the above authorities under the terms of their respective joint-powers agreements and through commercial insurance policies as follows:

Type of Coverage	Coverage Limits
Liability	$10,000,000
Worker's Compensation	Statutory Limit
All Risk Fire & Property except earthquake and flood	295,000,000
Boiler & Machinery	15,000,000

Financial statements for the risk pools may be obtained from CJPRMA, 6140 Stoneridge Mall Road, Suite 380, Pleasanton, CA 94588-3235 and LAWCX, c/o Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621;.

B. Insurance Internal Service Funds

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

The change in the Worker's Compensation Internal Service Fund's claims liability, including claims incurred but not reported is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	1998	1997
Claims liability, beginning of year	$2,562,000	$2,150,000
Current year claims	1,180,000	1,588,107
Change in prior year claims	(248,000)	
Claims paid, current year claims	(143,000)	(1,176,107)
Claims paid, prior year claims	(733,000)	
Claims liability, end of year	$2,618,000	$2,562,000

NOTE 12 - RISK MANAGEMENT (Continued)

The City's liability for uninsured general liability claims, including claims incurred but not reported is reported in the General Liability Internal Service Fund. The liability is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	1998	1997
Claims liability, beginning of year	$1,650,000	$1,650,000
Current year claims	760,000	256,292
Change in prior year claims	(95,000)	
Claims paid, current year claims	(144,000)	(256,292)
Claims paid, prior year claims	(277,000)	
Claims liability, end of year	$1,894,000	$1,650,000

The Unemployment Reserve and Vision Internal Service Funds had no outstanding claims liability at June 30, 1998.

NOTE 13 - ROSEVILLE COMMUNITY HOSPITAL

During fiscal year 1994, the Roseville Community Hospital Corporation (Corporation) purchased the Roseville Community Hospital Facility from the City. The City maintains an Agency Fund to act as a pass-through for the debt service payments relating to 1989 RFA Hospital Lease Revenue Bonds from the Corporation to the fiscal agent. The debt is not included in the City's General Purpose Financial Statements and the City is not liable for the repayment of these bonds in the event of default. During the year ended June 30, 1998 the lease and sublease were amended to transfer the liability from the Corporation to the Sutter Roseville Medical Center.

NOTE 14 - PREPAID PURCHASED ELECTRICITY

In prior years, the City completed construction and transferred ownership of certain electrical transmission lines to the Western Area Power Administration in exchange for a reduction in future power supply costs of approximately 5%. The related construction costs have been capitalized on the City's balance sheet and are being amortized as the economic benefit of the reduced electricity costs is realized. The amount amortized for fiscal year 1998 was $1,185,002.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. General

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among fifteen public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the members position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

During the year ended June 30, 1998, the City incurred expenses totaling $25,379,047 for purchased power and assessments earned by NCPA.

Since the City receives no income from NCPA, changes in its equity in NCPA are reflected by adjustments to the Investment in NCPA Projects and Reserves, and Equity in NCPA Joint Ventures accounts, and are not reflected in the Statement of Revenues, Expenses and Changes in Retained Earnings.

The City's Interest in certain NCPA Projects and Reserve, as computed by NCPA, is set forth below.

	June 30, 1998
General Operating Reserve (including advances)	$6,002,372
Undivided equity interest, at cost, in certain NCPA Power Projects:	
Geothermal Projects	430,944
Calaveras Hydroelectric Project	641,488
Combustion Turbine Project No. 1	234,004
Geothermal Public Power Line	NIL
Combustion Turbine Project No. 2	635,919
Graeagle Hydroelectric Project	NIL
Northwest Power Purchase Contract	295,690
	$8,240,417

The General Operating Reserve represents the City's portion of funds which resulted from the settlement with third parties of issues with financial consequences and reconciliations of several prior years' budgets for programs. It is recognized that all the funds credited to the City are linked to the collection of revenue from the City's ratepayers, or to the settlement of disputes relating to electric power supply and that the money was collected from the City's ratepayers to pay power bills. Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employees post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam field depletion which will require funding to cover debt service and operational costs in excess of the expected value of the electric power. The General Operating Reserve is intended to minimize the number and amount of individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City has left them with NCPA as a reserve against these contingencies identified by NCPA.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

B. *Projects*

Geothermal Projects

A purchased power agreement with NCPA obligates the City for 3.9875% of the operating costs and debt service of the two NCPA 110-megawatt geothermal steam powered generating plants, Plant Number 1 and Plant Number 2.

NCPA's Geothermal Project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. Results of the continuing well analysis program indicate that the potential productive capacity of the geothermal steam reservoir is less than originally estimated. Therefore, NCPA has modified the operations of the Geothermal Project to reduce the average annual output from past levels. As a result, the per unit cost of energy generated by the projects is higher than anticipated.

NCPA will continue to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and is attempting to increase water reinjection at strategic locations. NCPA, other steam developers, and the Lake County Sanitation District have constructed a wastewater pipeline project that greatly increased the amount of water available for reinjection.

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, when compared to local investor-owned utility rates, while meeting all electric system obligations including those to NCPA. In January 1996, NCPA issued $167,940,000 (1996 Refunding Series B), and $5,420,000 (1996 Taxable Series C) in variable rate revenue bonds, the proceeds of which were used to refund a portion of the 1987 Refunding Series A Revenue Bonds. The City is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 1998, the book value of this Project's plant, equipment and other assets was $648,452,163, while its long term debt totaled $605,544,875 and other liabilities totaled $42,907,288. The City's share of the Project's long term debt amounted to $24,091,603 at that date.

Calaveras Hydroelectric Project

In July 1981, NCPA agreed with Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project and to finance its construction. Debt service payments to NCPA began in February, 1990 when the project was declared substantially complete and power was delivered to the participants. Under its power purchase agreement with NCPA, the City is obligated to pay 12% of this Project's debt service and operating costs. At June 30, 1998, the book value of this Project's plant, equipment and other assets was $570,593,864, while its long term debt totaled $564,193,169 and other liabilities totaled $6,400,695. The City's share of the Project's long term debt amounted to $67,703,180 at that date. On July 8, 1998, NCPA completed the $301,490,000 refunding of revenue bonds at an interest rate of 5.30% and a net present value savings of $48,000,000.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Combustion Turbine Project No. 1

In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities, began full commercial operation in June 1986, providing reserve and peaking power. In December 1989, NCPA issued $68,958,257 in fixed rate revenue bonds, the proceeds of which were used to defease the bonds then outstanding. Under the NCPA power purchase agreement, the City is obligated to pay 13.2510% of this Project's debt service and operating costs. At June 30, 1998, the book value of this Project's plant, equipment and other assets was $51,479,108, while its long term debt totaled $49,441,133 and other liabilities totaled $2,037,975. The City's share of the Project's long term debt amounted to $6,551,445 at that date.

Geothermal Public Power Line

In 1983, NCPA, Sacramento Municipal Utility District, the City of Santa Clara and the Modesto Irrigation District (joint owners) initiated studies for a Geothermal Public Power Line (GPPL) which would carry power generated at several existing and planned geothermal plants in the Geysers area to a location where the joint owners could receive it for transmission to their load centers. NCPA has an 18.5% share of this Project and the City has a 14.1756% participation in NCPA's share. In 1989, the development of the proposed Geothermal Public Power Line was discontinued because NCPA was able to contract for sufficient transmission capacity to meet its needs in the Geysers. However, because the project financing provided funding for an ownership interest in a PG&E transmission line, a central dispatch facility and a performance bond pursuant to the Interconnection Agreement with PG&E, as well as an ownership interest in the proposed GPPL, NCPA issued $16,000,000 in long-term, fixed-rate revenue bonds in November 1989 to defease the remaining variable rate refunding bonds used to refinance this project. The City is obligated to pay its 14.1756% share of the related debt service, but debt service costs are covered through NCPA billing mechanisms that allocate the costs to members based on use of the facilities and services.

At June 30, 1998, the book value of this Project's plant, equipment and other assets was $12,627,209, while its long term debt totaled $12,627,209. The City's share of the Project's long term debt amounted to $1,789,983 at that date.

Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)

The City is a participant in a 49.8 megawatt Steam Injected Gas Turbine project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued $152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project, a similar project for the Turlock Irrigation District in Ceres, and Lodi system facilities. Under the NCPA power purchase agreement, the City is obligated to pay 36.50% of the debt service and operating costs for the Lodi unit.

The City's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, the City and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. The City is obligated to pay 17.9218%.

At June 30, 1998, the book value of this Project's plant, equipment and other assets was $87,241,767, while its long term debt totaled $85,441,376 and other liabilities totaled $1,800,391. The City's share of the Project's long term debt amounted to $31,186,102 at that date.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Graeagle Hydroelectric Project

The City's participation in this small hydroelectric project was approved in 1993. Although this project does not involve any financing, it does involve a long-term contractual commitment to purchase the power produced by the project.

Northwest Power Purchase Contract

The City's participation with other NCPA members in a long-term contract for purchase of power from the Washington Water Power Company was approved in 1993. At that date the City did not have a share of the Project's long term debt. On February 1, 1997, the NCPA issued $18,310,000 in Northwest Resource Revenue Bonds. The proceeds will permit early termination of the contract by financing a portion of a payment to be made under the Northwest Power Purchase Contract and costs of issuance of the debt. Under the NCPA Agreement for Financing Electric Capacity, the City is obligated to pay 22.6940% of this debt service. At June 30, 1998 the book value of this Project's total assets was $21,174,882, while its long term debt totaled $16,272,031 and other liabilities totaled $5,442,851. The City's share of the Project's long-term debt amounted to $3,692,775 at that date.

California Electric Industry Restructuring

In September 1996, the California State legislature signed into law Assembly Bill 1890 (AB 1890) deregulating the electric power supply market and restructuring the electric power industry in California. While the majority of the legislation is directed at investor-owned utilities (IOU), the City and other California public utilities are affected by the restructuring of markets serving 70% of the electric load in California and the introduction of direct access in neighboring service territories.

NCPA's Industry Restructuring Task Force plays an active role in protecting members contractual rights in FERC, California Public Utilities Commission (CPUC), and legislative regulatory proceedings. Priorities are the preservation of local rate making authority for publicly owned utilities, assuring that NCPA member investments are fully recovered, removing IRS restrictions on the use of NCPA and member assets after deregulation, and maintaining members' preference access to power from the Central Valley Project and Western Area Power Authority.

NCPA's Generation Operations and Marketing, Pooling and Member Services Business Units seek to enhance members' competitive position by capitalizing on new marketing and service opportunities resulting from restructuring. Generation Operations and Marketing services work in tandem to optimize system operations and identify market power sales/purchase opportunities.

In addition, as restructuring increased the need for scheduling coordinators, NCPA was able to market its scheduling capabilities. During the 1996-1997 fiscal year, NCPA provided scheduling and interchange management services for eight power marketers, including PG & E Services, US Generating Company, and Cinergy.

NCPA is working to expand membership and services to other public sector organizations. The agency modified its scheduling systems to serve the Bay Area Rapid Transit (BART) which became an NCPA member in August 1997.

NCPA Financial Information

NCPA's financial statements can be obtained from NCPA, 180 Cirby Way, Roseville, CA 95678.

NOTE 16 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the Roseville sanitary landfill site, which is closed, through the year 2024. Accordingly, the City has recorded a liability and expense in the Enterprise Refuse Fund for the estimated postclosure care cost. The recorded amount is based on applicable state and local laws and regulations concerning closure and postclosure care. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users or the usage of future tax revenues.

NOTE 17 - CONTINGENT LIABILITIES

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 15. The City's estimated share of such debt outstanding at June 30, 1998 was $135,015,088. Under certain circumstances, the City may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

The City was served with a lawsuit October 19,1998, alleging that the City's long-standing practice of transferring a percentage of the amounts annually budgeted by the City's Water, Wastewater and Solid Waste departments violates the provisions of Proposition 218. Proposition 218 related issues have not been litigated to conclusion in California yet, so no controlling precedent exists. However, per the City Attorney, the City has put forth a number of plausible defenses, and expects to vigorously defend the action.

The City has initiated a number of eminent domain property acquisitions for various projects including the planned civic center, the widening of Atlantic Street and the Cirby, Dry and Linda Creek flood control project. At June 30, 1998 some of these property acquisitions were still in litigation and the State of California was holding eminent domain deposits for these acquisitions.

The City participates in Federal and State grant programs. These programs have been audited through the fiscal year ended June 30, 1998 by the City's independent accountants in accordance with the provisions of the federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, other than disclosed above, which is likely to have a material adverse effect on the financial position of the City.

NOTE 18 - YEAR 2000 RESOURCES COMMITTED

The City's financial software is year 2000 compliant for both hardware and software. The Police CAD system, data base file server, water, electric and sewer systems are year 2000 compliant as well. The City's Customer Information Utility Billing system is expected to be compliant by July 1999. The City is currently inventorying its other systems, identifying any hardware or software that needs updating. The City expects all systems to be upgraded by the third calendar quarter of 1999.

The City has also formed a Year 2000 committee to review the City as a whole to ensure normal business functions will continue with the arrival of the new millennium.

GENERAL FUND

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

CITY OF ROSEVILLE
GENERAL FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 1998 AND 1997

	1998	1997
ASSETS		
Cash and investments in City Treasury	$9,227,432	$7,723,797
Receivables:		
Taxes	1,194,637	1,129,372
Accounts	1,041,744	509,682
Accrued interest	184,584	110,449
Due from other government agencies	1,397,749	1,304,017
Due from other funds	109,270	48,039
Prepaid expenses	2,493	18,549
Deferred receivables		3,316
Notes receivable	250,619	337,587
Inventories	439,564	434,504
Total Assets and other debits	$13,848,092	$11,619,312
LIABILITIES		
Accounts payable	$1,474,829	$1,285,446
Accrued liabilities	896,885	706,817
Due to other funds	98	12,500
Due to other government agencies	699	
Advances from other funds	1,656,917	1,656,917
Current portion of compensated absences		1,698,000
Deposits	946,368	649,587
Deferred revenue	56,589	40,741
Total Liabilities	5,032,385	6,050,008
FUND BALANCES		
Reserved for inventories	439,564	434,504
Reserved for encumbrances	710,422	639,018
Reserved for notes receivable	250,619	
Reserved for prepaid expenses	2,493	18,549
Unreserved	7,412,609	4,477,233
Total Fund Balances	8,815,707	5,569,304
Total Liabilities and Fund Balances	$13,848,092	$11,619,312

CITY OF ROSEVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	1998			1997
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Taxes	$29,224,450	$32,779,535	$3,555,085	$28,857,502
Licenses and permits	1,785,100	2,365,373	580,273	1,711,635
Charges for services	3,878,063	4,282,933	404,870	4,060,937
Subventions and grants	4,143,175	2,953,340	(1,189,835)	3,113,767
Use of money and property	424,260	898,250	473,990	637,816
Fines, forfeitures and penalties	66,855	67,305	450	56,348
Miscellaneous revenues	108,900	224,844	115,944	466,693
Total Revenues	39,630,803	43,571,580	3,940,777	38,904,698
EXPENDITURES				
Current:				
General government	14,616,907	10,684,363	3,932,544	11,361,692
Public works	9,283,750	8,330,762	952,988	7,837,361
Public safety	18,822,129	17,908,183	913,946	15,917,315
Library	1,921,318	1,787,070	134,248	1,748,321
Parks and recreation	7,552,763	6,300,621	1,252,142	5,953,813
Debt service				
Principal	1,308,349	1,319,205	(10,856)	1,233,594
Interest	425,634	263,639	161,995	351,365
Total Expenditures	53,930,850	46,593,843	7,337,007	44,403,461
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,300,047)	(3,022,263)	11,277,784	(5,498,763)
OTHER FINANCING SOURCES (USES)				
Contributions from property owners				10,500
Contributions from developers	183,970	370,166	186,196	785,587
Proceeds from capital lease		153,520	153,520	
Operating transfers in	12,037,161	10,040,766	(1,996,395)	9,164,351
Operating transfers (out)	(4,510,503)	(4,295,786)	214,717	(2,326,991)
Total Other Financing Sources (Uses)	7,710,628	6,268,666	(1,441,962)	7,633,447
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($6,589,419)	3,246,403	$9,835,822	2,134,684
Fund balance at beginning of year		5,569,304		3,434,620
Fund balance at end of year		$8,815,707		$5,569,304

SPECIAL REVENUE FUNDS

These funds account for the proceeds from specific revenue sources that are legally restricted to expenditures for specified purposes.

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 1997

	State Gasoline Tax	Park Development	Home Improvement	Traffic Mitigation	Construction Surcharge	Law Enforcement Services
ASSETS						
Cash and investments in City Treasury	$1,964,662	$3,558,193	$270,460	$11,353,682	$32,415	$152,267
Restricted cash and investments with fiscal agents						
Receivables:						
Accounts			97,527	3,300		
Accrued interest	30,309	44,869	3,293	130,817		1,854
Due from other government agencies						
Due from other funds			50,000			
Advances to other funds			109,183			
Deferred receivables		619,389	114,148	834,916		
Notes receivables						
Total Assets	$1,994,971	$4,222,451	$644,611	$12,322,715	$32,415	$154,121
LIABILITIES						
Accounts payable	$8,638	$132,524		$403,646	$80,205	
Accrued liabilities						
Due to other funds						
Due to other government agencies		107,621				
Advances from other funds						
Deferred revenue		619,389	$46,387	834,916		
Total Liabilities	8,638	859,534	46,387	1,238,562	80,205	
FUND BALANCES						
Reserved for:						
Advances			109,183			
Encumbrances		10,776		329,985	31,253	
Low and moderate income housing						
Deferred receivables and notes receivable			67,761			
Unreserved	1,986,333	3,352,141	421,280	10,754,168	(79,043)	$154,121
Total Fund Balances (Deficit)	1,986,333	3,362,917	598,224	11,084,153	(47,790)	154,121
Total Liabilities and Fund Balances	$1,994,971	$4,222,451	$644,611	$12,322,715	$32,415	$154,121

	California Library Services	Traffic Safety	Fire Facilities	Housing Authority Section 8	Community Development Block Grant	Redevelopment Agency of the City of Roseville	Public Facilities	Native Oak Tree Propagation	Non-native Oak Tree Propagation
	$31,843		$3,980,399	$337,174		$1,228,083	$636,080	$734,742	$302,322
						111,605			
		$6,836		14,078					
	388		49,989			15,146	6,854	8,922	3,507
	20,758	16,763			$67,855	42,827			
				98					
			147,871		542,909	20,000	142,161		
			4,930						
	$52,989	$23,599	$4,183,189	$351,350	$610,764	$1,417,661	$785,095	$743,664	$305,829
	$428		$1,333	$7,863		$20,654	$1,170		$5,946
				104,441		933,892			
	14,168	$23,599			$67,855	185,671			
					542,909				
						1,263,084			
			147,871	165,911		20,000	142,161		
	14,596	23,599	149,204	278,215	610,764	2,423,301	143,331		5,946
	43,556		7,456						
						209,434			
			4,930						
	(5,163)		4,021,599	73,135		(1,215,074)	641,764	$743,664	299,883
	38,393		4,033,985	73,135		(1,005,640)	641,764	743,664	299,883
	$52,989	$23,599	$4,183,189	$351,350	$610,764	$1,417,661	$785,095	$743,664	$305,829

(Continued)

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 1997

	Pleasant Grove Drain Basin	Home Investment Partnership Program	Hospital Sale Proceeds	FEMA	Local Law Enforcement Block Grant
ASSETS					
Cash and investments in City Treasury	$5,215,930		$16,643,180		
Restricted cash and investments with fiscal agents			400,645		
Receivables:					
Accounts					
Accrued interest	63,018		313,338		
Due from other government agencies		$207,867		$315,671	
Due from other funds					
Advances to other funds					
Deferred receivables		1,201,600			
Notes receivables					
Total Assets	$5,278,948	$1,409,467	$17,357,163	$315,671	
LIABILITIES					
Accounts payable	$680		$233		
Accrued liabilities					
Due to other funds		$207,867			
Due to other government agencies		1,201,600			
Advances from other funds					
Deferred revenue				$315,671	
Total Liabilities	680	1,409,467	233	315,671	
FUND BALANCES					
Reserved for:					
Advances					
Encumbrances					
Low and moderate income housing					
Deferred receivables and notes receivable					
Unreserved	5,278,268		17,356,930		
Total Fund Balances (Deficit)	5,278,268		17,356,930		
Total Liabilities and Fund Balances	$5,278,948	$1,409,467	$17,357,163	$315,671	

TOTALS	
1998	1997
$46,441,432	$44,787,057
512,250	111,373
121,741	22,786
672,304	662,935
671,741	522,458
50,098	194,180
109,183	159,183
3,622,994	1,862,461
4,930	7,395
$52,206,673	$48,329,828
$663,320	$310,128
1,038,333	570,652
499,160	964,476
1,852,130	1,820,647
1,263,084	1,303,384
2,292,306	120,000
7,608,333	5,089,287
109,183	159,183
423,026	107,844
209,434	108,530
72,691	
43,784,006	42,864,984
44,598,340	43,240,541
$52,206,673	$48,329,828

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	State Gasoline Tax	Park Development	Home Improvement	Traffic Mitigation	Construction Surcharge	Law Enforcement Services
REVENUES						
Taxes						
Charges for services		$2,827,953		$5,910,525		
Subventions and grants	$1,231,699			1,361,249		$144,209
Use of money and property	123,365	222,914	$25,171	629,830	$4,916	6,616
Fines, forfeitures and penalties						
Miscellaneous revenues	121	6,618	3,062	152		
Total Revenues	1,355,185	3,057,485	28,233	7,901,756	4,916	150,825
EXPENDITURES						
Current						
General government			46,387			
Housing assistance payments						
Capital outlay	614,138	2,300,032		6,791,086	1,123,012	
Debt service						
Interest						
Total Expenditures	614,138	2,300,032	46,387	6,791,086	1,123,012	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	741,047	757,453	(18,154)	1,110,670	(1,118,096)	150,825
OTHER FINANCING SOURCES (USES)						
Sale of property						
Contributions from property owners		83,182				
Contributions from developers						
Operating transfers in		161,885		1,334,278	927,689	
Operating transfers out	(1,476,793)	(400,440)	(12,557)	(1,036,508)	(470)	
Total Other Financing Sources (Uses)	(1,476,793)	(155,373)	(12,557)	297,770	927,219	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(735,746)	602,080	(30,711)	1,408,440	(190,877)	150,825
Fund balances (deficits) at beginning of year	2,722,079	2,760,837	628,935	9,675,713	143,087	3,296
Fund balances (deficits) at end of year	$1,986,333	$3,362,917	$598,224	$11,084,153	($47,790)	$154,121

California Library Services	Traffic Safety	Fire Facilities	Housing Authority Section 8	Community Development Block Grant	Redevelopment Agency of the City of Roseville	Public Facilities	Native Oak Tree Propagation	Non-native Oak Tree Propagation
		$1,902,834			$508,426			
$85,783						$1,633,228	$197,660	$147,281
36,527			$1,776,021	$441,489	7,260			
2,729		226,738	3,864		71,532	57,197	37,894	12,241
	$183,264							
150			6,515	31,671	19,672			
125,189	183,264	2,129,572	1,786,400	473,160	606,890	1,690,425	235,554	159,522
193,379			256,342	253,047	774,135		2,932	21,814
			1,460,151					
		146,771		139,710				
					80,151			
193,379		146,771	1,716,493	392,757	854,286		2,932	21,814
(68,190)	183,264	1,982,801	69,907	80,403	(247,396)	1,690,425	232,622	137,708
					13,500			
(5,060)	(183,264)	(1,058,930)	(45,900)	(78,254)	(42,700)	(4,424,489)	(240)	(3,005)
(5,060)	(183,264)	(1,058,930)	(45,900)	(78,254)	(29,200)	(4,424,489)	(240)	(3,005)
(73,250)		923,871	24,007	2,149	(276,596)	(2,734,064)	232,382	134,703
111,643		3,110,114	49,128	(2,149)	(729,044)	3,375,828	511,282	165,180
$38,393		$4,033,985	$73,135		($1,005,640)	$641,764	$743,664	$299,883

(Continued)

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	Pleasant Grove Drain Basin	Home Investment Partnership Program	Hospital Sale Proceeds	FEMA	Local Law Enforcement Block Grant
REVENUES					
Taxes					
Charges for services	$775,560				
Subventions and grants		$204,373		$74,712	
Use of money and property	289,724		$1,465,056		$407
Fines, forfeitures and penalties					
Miscellaneous revenues		16,305			
Total Revenues	1,065,284	220,678	1,465,056	74,712	407
EXPENDITURES					
Current					
General government		222,827	424,726		
Housing assistance payments					
Capital outlay					
Debt service					
Interest					
Total Expenditures		222,827	424,726		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,065,284	(2,149)	1,040,330	74,712	407
OTHER FINANCING SOURCES (USES)					
Sale of property					
Contributions from property owners					
Contributions from developers					
Operating transfers in		1,531			
Operating transfers out	(2,800)		(181,610)	(74,712)	(407)
Total Other Financing Sources (Uses)	(2,800)	1,531	(181,610)	(74,712)	(407)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	1,062,484	(618)	858,720		
Fund balances (deficits) at beginning of year	4,215,784	618	16,498,210		
Fund balances (deficits) at end of year	$5,278,268		$17,356,930		

TOTALS	
1998	1997
$2,411,260	$1,872,344
11,577,990	8,416,575
5,277,539	5,018,860
3,180,194	2,866,666
183,264	199,974
84,266	149,641
22,714,513	18,524,060
2,195,589	2,863,630
1,460,151	1,431,319
11,114,749	7,146,279
80,151	74,545
14,850,640	11,515,773
7,863,873	7,008,287
	233,279
83,182	51,900
13,500	139,565
2,425,383	2,212,602
(9,028,139)	(10,133,388)
(6,506,074)	(7,496,042)
1,357,799	(487,755)
43,240,541	43,728,296
$44,598,340	$43,240,541

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	STATE GASOLINE TAX			PARK DEVELOPMENT		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes						
Charges for current services				$1,657,000	$2,827,953	$1,170,953
Subventions and grants	$1,178,200	$1,231,699	$53,499			
Use of money and property	208,900	123,365	(85,535)	162,230	222,914	60,684
Fines, forfeitures and penalties						
Miscellaneous revenues		121	121		6,618	6,618
Total Revenues	1,387,100	1,355,185	(31,915)	1,819,230	3,057,485	1,238,255
EXPENDITURES						
Current						
General government						
Housing assistance payments						
Capital outlay	1,079,279	614,138	465,141	3,538,534	2,300,032	1,238,502
Debt service						
Interest						
Total Expenditures	1,079,279	614,138	465,141	3,538,534	2,300,032	1,238,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	307,821	741,047	433,226	(1,719,304)	757,453	2,476,757
OTHER FINANCING SOURCES (USES)						
Contributions from property owners				110,910	83,182	(27,728)
Contributions from developers				107,750		(107,750)
Operating transfers in				161,885	161,885	
Operating transfers out	(3,376,984)	(1,476,793)	1,900,191	(671,264)	(400,440)	270,824
Total Other Financing Sources (Uses)	(3,376,984)	(1,476,793)	1,900,191	(290,719)	(155,373)	135,346
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($3,069,163)	(735,746)	$2,333,417	($2,010,023)	602,080	$2,612,103
Fund balances (deficits) at beginning of year		2,722,079			2,760,837	
Fund balances (deficits) at end of year		$1,986,333			$3,362,917	

HOME IMPROVEMENT			TRAFFIC MITIGATION			CONSTRUCTION SURCHARGE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			$5,300,000	$5,910,525	$610,525			
			16,000	1,361,249	1,345,249			
$13,100	$25,171	$12,071	358,800	629,830	271,030	$7,900	$4,916	($2,984)
	3,062	3,062		152	152			
13,100	28,233	15,133	5,674,800	7,901,756	2,226,956	7,900	4,916	(2,984)
220,000	46,387	$173,613						
			17,072,852	6,791,086	10,281,766	2,882,407	1,123,012	1,759,395
220,000	46,387	173,613	17,072,852	6,791,086	10,281,766	2,882,407	1,123,012	1,759,395
(206,900)	(18,154)	188,746	(11,398,052)	1,110,670	12,508,722	(2,874,507)	(1,118,096)	1,756,411
50,000		(50,000)	1,420,778	1,334,278	(86,500)	2,751,663	927,689	(1,823,974)
(12,670)	(12,557)	113	(1,059,267)	(1,036,508)	22,759	(470)	(470)	
37,330	(12,557)	(49,887)	361,511	297,770	(63,741)	2,751,193	927,219	(1,823,974)
($169,570)	(30,711)	$138,859	($11,036,541)	1,408,440	$12,444,981	($123,314)	(190,877)	($67,563)
	628,935			9,675,713			143,087	
	$598,224			$11,084,153			($47,790)	

(Continued)

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	LAW ENFORCEMENT SERVICES			CALIFORNIA LIBRARY SERVICES		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes						
Charges for current services				$100,000	$85,783	($14,217)
Subventions and grants		$144,209	$144,209	35,000	36,527	1,527
Use of money and property	$7,960	6,616	(1,344)	20,990	2,729	(18,261)
Fines, forfeitures and penalties						
Miscellaneous revenues					150	150
Total Revenues	7,960	150,825	142,865	155,990	125,189	(30,801)
EXPENDITURES						
Current						
General government				232,321	193,379	38,942
Housing assistance payments						
Capital outlay						
Debt service						
Interest						
Total Expenditures				232,321	193,379	38,942
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,960	150,825	142,865	(76,331)	(68,190)	8,141
OTHER FINANCING SOURCES (USES)						
Contributions from property owners						
Contributions from developers						
Operating transfers in						
Operating transfers out				(5,060)	(5,060)	
Total Other Financing Sources (Uses)				(5,060)	(5,060)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$7,960	150,825	$142,865	($81,391)	(73,250)	$8,141
Fund balances (deficits) at beginning of year		3,296			111,643	
Fund balances (deficits) at end of year		$154,121			$38,393	

TRAFFIC SAFETY			FIRE FACILITIES			HOUSING AUTHORITY SECTION 8		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			$1,400,000	$1,902,834	$502,834			
						$1,666,990	$1,776,021	$109,031
			190,890	226,738	35,848	1,200	3,864	2,664
$168,600	$183,264	$14,664						
						13,200	6,515	(6,685)
168,600	183,264	14,664	1,590,890	2,129,572	538,682	1,681,390	1,786,400	105,010
						240,390	256,342	(15,952)
						1,440,770	1,460,151	(19,381)
			262,648	146,771	115,877			
			262,648	146,771	115,877	1,681,160	1,716,493	(35,333)
168,600	183,264	14,664	1,328,242	1,982,801	654,559	230	69,907	69,677
(168,600)	(183,264)	(14,664)	(1,758,028)	(1,058,930)	699,098	(45,900)	(45,900)	
(168,600)	(183,264)	(14,664)	(1,758,028)	(1,058,930)	699,098	(45,900)	(45,900)	
			($429,786)	923,871	$1,353,657	($45,670)	24,007	$69,677
				3,110,114			49,128	
				$4,033,985			$73,135	

(Continued)

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	COMMUNITY DEVELOPMENT BLOCK GRANT			CITY OF ROSEVILLE REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes				$441,780	$508,426	$66,646
Charges for current services						
Subventions and grants	$674,655	$441,489	($233,166)	8,690	7,260	(1,430)
Use of money and property				55,260	71,532	16,272
Fines, forfeitures and penalties						
Miscellaneous revenues		31,671	31,671		19,672	19,672
Total Revenues	674,655	473,160	(201,495)	505,730	606,890	101,160
EXPENDITURES						
Current						
General government	465,855	253,047	212,808	745,455	774,135	(28,680)
Housing assistance payments						
Capital outlay	246,143	139,710	106,433			
Debt service						
Interest				15,000	80,151	(65,151)
Total Expenditures	711,998	392,757	319,241	760,455	854,286	(93,831)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,343)	80,403	117,746	(254,725)	(247,396)	7,329
OTHER FINANCING SOURCES (USES)						
Contributions from property owners						
Contributions from developers					13,500	13,500
Operating transfers in						
Operating transfers out	(246,746)	(78,254)	168,492	(142,700)	(42,700)	100,000
Total Other Financing Sources (Uses)	(246,746)	(78,254)	168,492	(142,700)	(29,200)	113,500
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($284,089)	2,149	$286,238	($397,425)	(276,596)	$120,829
Fund balances (deficits) at beginning of year		(2,149)			(729,044)	
Fund balances (deficits) at end of year					($1,005,640)	

PUBLIC FACILITIES			NATIVE OAK TREE PROPAGATION			NON-NATIVE OAK TREE PROPAGATION		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$1,400,000	$1,633,228	$233,228	$25,000	$197,660	$172,660	$25,000	$147,281	$122,281
382,150	57,197	(324,953)	22,680	37,894	15,214	14,630	12,241	(2,389)
1,782,150	1,690,425	(91,725)	47,680	235,554	187,874	39,630	159,522	119,892
			320,360	2,932	317,428	48,720	21,814	26,906
			320,360	2,932	317,428	48,720	21,814	26,906
1,782,150	1,690,425	(91,725)	(272,680)	232,622	505,302	(9,090)	137,708	146,798
(5,303,462)	(4,424,489)	878,973	(240)	(240)		(23,005)	(3,005)	20,000
(5,303,462)	(4,424,489)	878,973	(240)	(240)		(23,005)	(3,005)	20,000
($3,521,312)	(2,734,064)	$787,248	($272,920)	232,382	$505,302	($32,095)	134,703	$166,798
	3,375,828			511,282			165,180	
	$641,764			$743,664			$299,883	

(Continued)

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	PLEASANT GROVE DRAIN BASIN			HOME INVESTMENT PARTNERSHIP PROGRAM		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes						
Charges for current services	$500,000	$775,560	$275,560			
Subventions and grants				$500,000	$204,373	($295,627)
Use of money and property	217,360	289,724	72,364			
Fines, forfeitures and penalties						
Miscellaneous revenues					16,305	16,305
Total Revenues	717,360	1,065,284	347,924	500,000	220,678	(279,322)
EXPENDITURES						
Current						
General government				500,000	222,827	277,173
Housing assistance payments						
Capital outlay						
Debt service						
Interest						
Total Expenditures				500,000	222,827	277,173
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	717,360	1,065,284	347,924		(2,149)	(2,149)
OTHER FINANCING SOURCES (USES)						
Contributions from property owners						
Contributions from developers						
Operating transfers in					1,531	1,531
Operating transfers out	(2,800)	(2,800)				
Total Other Financing Sources (Uses)	(2,800)	(2,800)			1,531	1,531
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$714,560	1,062,484	$347,924		(618)	($618)
Fund balances (deficits) at beginning of year		4,215,784			618	
Fund balances (deficits) at end of year		$5,278,268				

HOSPITAL SALE PROCEEDS			FEMA			LOCAL LAW ENFORCEMENT BLOCK GRANT		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$1,519,250	$1,465,056	($54,194)	$1,524,000	$74,712	($1,449,288)	$3,500	$407	($3,093)
1,519,250	1,465,056	(54,194)	1,524,000	74,712	(1,449,288)	3,500	407	(3,093)
478,045	424,726	53,319						
478,045	424,726	53,319						
1,041,205	1,040,330	(875)	1,524,000	74,712	(1,449,288)	3,500	407	(3,093)
(181,610)	(181,610)		(1,524,000)	(74,712)	1,449,288		(407)	(407)
(181,610)	(181,610)		(1,524,000)	(74,712)	1,449,288		(407)	(407)
$859,595	858,720	($875)				$3,500		($3,500)
	16,498,210							
	$17,356,930							

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	TOTALS		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	$1,841,780	$2,411,260	$569,480
Charges for current services	9,007,000	11,577,990	2,570,990
Subventions and grants	5,603,535	5,277,539	(325,996)
Use of money and property	3,186,800	3,180,194	(6,606)
Fines, forfeitures and penalties	168,600	183,264	14,664
Miscellaneous revenues	13,200	84,266	71,066
Total Revenues	19,820,915	22,714,513	2,893,598
EXPENDITURES			
Current			
General government	3,251,146	2,195,589	1,055,557
Housing assistance payments	1,440,770	1,460,151	(19,381)
Capital outlay	25,081,863	11,114,749	13,967,114
Debt service			
Interest	15,000	80,151	(65,151)
Total Expenditures	29,788,779	14,850,640	14,938,139
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,967,864)	7,863,873	17,831,737
OTHER FINANCING SOURCES (USES)			
Contributions from property owners	110,910	83,182	(27,728)
Contributions from developers	107,750	13,500	(94,250)
Operating transfers in	4,384,326	2,425,383	(1,958,943)
Operating transfers out	(14,522,806)	(9,028,139)	5,494,667
Total Other Financing Sources (Uses)	(9,919,820)	(6,506,074)	3,413,746
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($19,887,684)	1,357,799	$21,245,483
Fund balances (deficits) at beginning of year		43,240,541	
Fund balances (deficits) at end of year		$44,598,340	

DEBT SERVICE FUND

The Debt Service Fund is used to account for the payment of interest and principal on the general debt service of the City and related entities.

CITY OF ROSEVILLE
ROSEVILLE FINANCE AUTHORITY DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 1998 and 1997

	1998	1997
ASSETS		
Restricted cash and investments with fiscal agents	$1,846,345	$1,974,484
Total Assets	$1,846,345	$1,974,484
FUND BALANCES		
Reserved for debt service	$1,846,345	$1,974,484
Total Fund Balances	$1,846,345	$1,974,484

CITY OF ROSEVILLE
ROSEVILLE FINANCE AUTHORITY DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	TOTALS	
	1998	1997
REVENUES		
Use of money and property	$112,908	$114,121
Total Revenues	112,908	114,121
EXPENDITURES		
Debt service		
Principal retirement	535,000	515,000
Interest and fiscal charges	1,030,701	1,075,009
Total Expenditures	1,565,701	1,590,009
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,452,793)	(1,475,888)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	1,324,654	1,575,942
Total Other Financing Sources (Uses)	1,324,654	1,575,942
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(128,139)	100,054
Fund balances at beginning of year	1,974,484	1,874,430
Fund balances at end of year	$1,846,345	$1,974,484

CITY OF ROSEVILLE
ROSEVILLE FINANCE AUTHORITY DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Use of money and property		$112,908	$112,908
Total Revenues		112,908	112,908
EXPENDITURES			
Debt Service			
Principal retirement	$535,000	535,000	
Interest and fiscal charges	1,044,550	1,030,701	13,849
Total Expenditures	1,579,550	1,565,701	13,849
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,579,550)	(1,452,793)	126,757
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,576,550	1,324,654	(251,896)
Total Other Financing Sources (Uses)	1,576,550	1,324,654	(251,896)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($3,000)	(128,139)	($125,139)
Fund balance at beginning of year		1,974,484	
Fund balance at end of year		$1,846,345	

CAPITAL PROJECTS FUNDS

Capital Projects Funds are utilized to account for resources used for the acquisition and construction of capital facilities by the City, with the exception of those assets financed by proprietary funds.

CITY OF ROSEVILLE
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 1997

	Building	Foothills Boulevard	Roseville Finance Authority	North Central Roseville Community Facilities District No. 1	Foothills Boulevard Extension	Northwest Roseville Community Facilities District No. 1
ASSETS						
Cash and investments in City Treasury	$2,896,617	$186,173	$283,723	$4,413,116		$911,439
Receivables:						
Accrued interest	34,852			37,328		11,097
Due from other funds						
Advances to other funds			165,000			
Total Assets	$2,931,469	$186,173	$448,723	$4,450,444		$922,536
LIABILITIES						
Accounts payable	$82,846			$22,168		
Deposits				77,302		
Due to other funds					$30,482	
Total Liabilities	82,846			99,470	30,482	
FUND BALANCES						
Fund Balances:						
Reserved for advances			165,000			
Reserved for encumbrances	12,905					
Unreserved	2,835,718	$186,173	283,723	4,350,974	(30,482)	$922,536
Total Fund Balances (Deficit)	2,848,623	186,173	448,723	4,350,974	(30,482)	922,536
Total Liabilities and Fund Balances	$2,931,469	$186,173	$448,723	$4,450,444		$922,536

TOTALS	
1998	1997
$8,691,068	$7,479,831
83,277	59,011
	566,734
165,000	165,000
$8,939,345	$8,270,576
$105,014	$910,577
77,302	
30,482	30,482
212,798	941,059
165,000	165,000
12,905	20,598
8,548,642	7,143,919
8,726,547	7,329,517
$8,939,345	$8,270,576

CITY OF ROSEVILLE
CAPITAL PROJECT FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	Building	Foothills Boulevard	Roseville Finance Authority	North Central Roseville Community Facilities District No. 1	Foothills Boulevard Extension	Northwest Roseville Community Facilities District No. 1
REVENUES:						
Taxes				$240,860		
Subventions and grants						
Use of money and property	$183,118			190,704		$53,223
Miscellaneous revenue	8,584			260		
Total Revenues	191,702			431,824		53,223
EXPENDITURES:						
Capital outlay	8,925,186			403,145		
Total Expenditures	8,925,186			403,145		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,733,484)			28,679		53,223
OTHER FINANCING SOURCES (USES)						
Contributions from property owners				1,539,232		
Contributions from developers				170,866		
Operating transfers in	8,332,709	$5,810				
Operating transfers (out)			(5)			
Total Other Financing Sources (Uses)	8,332,709	5,810	(5)	1,710,098		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(400,775)	5,810	(5)	1,738,777		53,223
Fund balance (deficit) at beginning of year	3,249,398	180,363	448,728	2,612,197	(30,482)	869,313
Fund balance (deficit) at end of year	$2,848,623	$186,173	$448,723	$4,350,974	($30,482)	$922,536

TOTALS	
1998	1997
$240,860	
	$61,987
427,045	269,269
8,844	55,891
676,749	387,147
9,328,331	7,450,337
9,328,331	7,450,337
(8,651,582)	(7,063,190)
1,539,232	1,616,396
170,866	533,540
8,338,519	8,041,740
(5)	(109,818)
10,048,612	10,081,858
1,397,030	3,018,668
7,329,517	4,310,849
$8,726,547	$7,329,517

CITY OF ROSEVILLE
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	BUILDING			FOOTHILLS BOULEVARD		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes						
Use of money and property	$123,080	$183,118	60,038			
Miscellaneous revenues		8,584	8,584			
Total Revenues	123,080	191,702	68,622			
EXPENDITURES						
Capital outlay	13,235,677	8,925,186	4,310,491			
Total Expenditures	13,235,677	8,925,186	4,310,491			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,112,597)	(8,733,484)	4,379,113			
OTHER FINANCING SOURCES (USES)						
Contributions from property owners						
Contributions from developers						
Proceeds from bond issuance	1,100,000		(1,100,000)			
Operating transfers in	10,110,757	8,332,709	(1,778,048)		$5,810	$5,810
Operating transfers (out)				($50,000)		50,000
Total Other Financing Sources (Uses)	11,210,757	8,332,709	(2,878,048)	(50,000)	5,810	55,810
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($1,901,840)	(400,775)	$1,501,065	($50,000)	5,810	$55,810
Fund balance at beginning of year		3,249,398			180,363	
Funds not budgeted:						
Roseville Finance Authority						
Foothills Boulevard Extension						
Fund balance at end of year		$2,848,623			$186,173	

NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1			NORTHWEST ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1			TOTALS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
	$240,860	$240,860					$240,860	$240,860
$134,300	190,704	56,404	$33,500	$53,223	$19,723	$290,880	427,045	136,165
	260	260					8,844	8,844
134,300	431,824	297,524	33,500	53,223	19,723	290,880	676,749	385,869
625,000	403,145	221,855				13,860,677	9,328,331	4,532,346
625,000	403,145	221,855				13,860,677	9,328,331	4,532,346
(490,700)	28,679	519,379	33,500	53,223	19,723	(13,569,797)	(8,651,582)	4,918,215
	1,539,232	1,539,232					1,539,232	1,539,232
25,000	170,866	145,866				25,000	170,866	145,866
						1,100,000		(1,100,000)
						10,110,757	8,338,519	(1,772,238)
						(50,000)		50,000
25,000	1,710,098	1,685,098				11,185,757	10,048,617	(1,137,140)
($465,700)	1,738,777	$2,204,477	$33,500	53,223	$19,723	($2,384,040)	1,397,035	$3,781,075
	2,612,197			869,313			6,911,271	
							448,723	
							(30,482)	
	$4,350,974			$922,536			$8,726,547	

ENTERPRISE FUNDS

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

CITY OF ROSEVILLE
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 1997

	Electric	Water	Sewer	Refuse	Golf Course	Local Transportation
ASSETS						
Current Assets:						
Cash and investments in City Treasury	$43,244,762	$30,228,540	$40,897,326	$325,229	$636,474	$997,835
Restricted cash and investments with fiscal agents	1,086,737	23,506,183	49,000		895,445	
Receivables						
Taxes	18,688					
Accounts	8,057,582	1,028,051	1,115,183	1,145,693	83,070	17,466
Accrued interest	513,595	527,755	503,950	3,560	2,899	13,074
Due from other government agencies		369,360	748,225			433,206
Due from other funds			1,658,066			
Inventories	3,332,148	263,390	38,140			
Total Current Assets	56,253,512	55,923,279	45,009,890	1,474,482	1,617,888	1,461,581
Prepaid expenses	111,574					
Advances to other funds			1,150,000			
Deferred receivables	40,000	84,754	6,373,622			
Notes receivable						
Prepaid purchased electricity	1,554,886					
Unamortized bond origination costs	335,377	888,762			178,507	
Unamortized certificates of participation origination costs						
Investment in NCPA reserves	8,240,417					
Fixed assets, net of accumulated depreciation	97,846,728	44,721,054	105,149,935	857,708	17,346,811	1,667,316
Total Assets	$164,382,494	$101,617,849	$157,683,447	$2,332,190	$19,143,206	$3,128,897
LIABILITIES						
Current Liabilities						
Accounts payable	$1,002,736	$2,593,457	$328,488	$383,190	$6,955	$79,049
Accrued liabilities	325,822	201,373	81,251	30,115	227,885	4,432
Due to other funds				1,335,069	260,000	
Current portion of long-term debt	1,400,000	7,317			165,000	
Current portion of compensated absences						
Deposits	266,289	25,895	87,600			
Deferred revenue	943,631				5,493	177,405
Total Current Liabilities	3,938,478	2,828,042	497,339	1,748,374	665,333	260,886
Long-Term Liabilities						
Advances from other funds				1,150,000	3,325,244	
Notes		234,608				
Revenue bonds						
Certificates of participation	8,995,000	33,000,000			8,930,000	
Landfill closure and post closure liability				1,216,387		
Compensated absences	1,052,385	353,349	499,578	140,422		21,245
Total Long-Term Liabilities	10,047,385	33,587,957	499,578	2,506,809	12,255,244	21,245
Total Liabilities	13,985,863	36,415,999	996,917	4,255,183	12,920,577	282,131
FUND EQUITY						
Contributed capital:						
From subdividers	35,398,251	19,516,973	19,811,731		5,306,950	
From other government agencies	11,545	1,208,060	10,400,489			2,113,154
Net contributed capital	35,409,796	20,725,033	30,212,220		5,306,950	2,113,154
Equity in NCPA joint venture	8,240,417					
Retained earnings						
Reserved for debt service	1,055,202	2,612,320			695,200	
Unreserved	105,691,216	41,864,497	126,474,310	(1,922,993)	220,479	733,612
Total Retained Earnings	106,746,418	44,476,817	126,474,310	(1,922,993)	915,679	733,612
Total Fund Equity	150,396,631	65,201,850	156,686,530	(1,922,993)	6,222,629	2,846,766
Total Liabilities and Fund Equity	$164,382,494	$101,617,849	$157,683,447	$2,332,190	$19,143,206	$3,128,897

School-Age Child Care	TOTALS 1998	TOTALS 1997
$143,734	$116,473,900	$74,507,819
	25,537,365	2,866,921
	18,688	19,372
4.765	11,451,810	11,659,160
1,817	1,566,650	1,010,477
	1,550,791	1,336,994
	1,658,066	852,552
	3,633,678	3,865,533
150,316	161,890,948	96,118,828
	111,574	34,580
	1,150,000	1,890,000
	6,498,376	357,016
		19,165
	1,554,886	2,739,888
	1,402,646	282,599
		113,622
	8,240,417	
55,928	267,645,480	260,801,744
$206,244	$448,494,327	$362,357,442
$20,797	$4,414,672	$1,883,924
49,939	920,817	716,628
	1,595,069	976,547
	1,572,317	2,176,968
		762,000
	379,784	379,800
	1,126,529	1,410,634
70,736	10,009,188	8,306,501
	4,475,244	5,315,244
	234,608	241,925
		4,315,000
	50,925,000	13,305,000
	1,216,387	1,258,571
91,920	2,158,899	1,132,574
91,920	59,010,138	25,568,314
162,656	69,019,326	33,874,815
	80,033,905	78,145,841
	13,733,248	13,969,850
	93,767,153	92,115,691
	8,240,417	
	4,362,722	2,605,204
43,588	273,104,709	233,761,732
43,588	277,467,431	236,366,936
43,588	379,475,001	328,482,627
$206,244	$448,494,327	$362,357,442

CITY OF ROSEVILLE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	Electric	Water	Sewer	Refuse	Golf Course
OPERATING REVENUES					
Charges for services	$57,313,353	$14,630,391	$27,152,509	$8,118,634	$2,683,897
Subventions and grants					
Other	55,193	499,012	13,098	36,582	1,249
Total Operating Revenues	57,368,546	15,129,403	27,165,607	8,155,216	2,685,146
OPERATING EXPENSES					
Purchased power	31,410,808				
Distribution:					
Operations	6,410,041	4,555,140	6,075,480	6,210,938	1,425,284
Administration	1,360,187	1,309,758	329,534	302,517	963
Depreciation and amortization	4,368,973	1,214,745	3,484,368	128,963	754,454
Total Operating Expenses	43,550,009	7,079,643	9,889,382	6,642,418	2,180,701
Operating Income	13,818,537	8,049,760	17,276,225	1,512,798	504,445
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	2,587,109	2,528,186	2,263,659	20,754	56,869
Interest (expense)	(203,138)	(1,035,767)	(177,750)		(532,061)
Net Nonoperating Revenues (Expenses)	2,383,971	1,492,419	2,085,909	20,754	(475,192)
Income (Loss) Before Operating Transfers	16,202,508	9,542,179	19,362,134	1,533,552	29,253
Operating transfers in	75,000	635,885	206		
Operating transfers (out)	(4,319,520)	(1,373,038)	(1,919,660)	(1,130,360)	(280,100)
Net Income (Loss)	11,957,988	8,805,026	17,442,680	403,192	(250,847)
ITEMS AFFECTING CONTRIBUTED CAPITAL					
Add depreciation on fixed assets	952,502	353,423	755,164		
Retained earnings at beginning of year	93,835,928	35,318,368	108,276,466	(2,326,185)	1,166,526
Retained earnings at end of year	$106,746,418	$44,476,817	$126,474,310	($1,922,993)	$915,679

Local Transportation	School-Age Child Care	TOTALS 1998	1997
$303,980	$2,118,689	$112,321,453	$98,248,378
2,367,031	186,254	2,553,285	1,865,685
25,330	29,428	659,892	229,498
2,696,341	2,334,371	115,534,630	100,343,561
		31,410,808	29,095,720
1,603,417	2,049,290	28,329,590	29,007,156
8,115	10,802	3,321,876	2,612,878
362,994	7,196	10,321,693	7,974,037
1,974,526	2,067,288	73,383,967	68,689,791
721,815	267,083	42,150,663	31,653,770
41,487	7,310	7,505,374	4,086,180
		(1,948,716)	(1,078,343)
41,487	7,310	5,556,658	3,007,837
763,302	274,393	47,707,321	34,661,607
59,075		770,166	568,670
(222,131)	(193,272)	(9,438,081)	(8,631,535)
600,246	81,121	39,039,406	26,598,742
		2,061,089	2,278,429
133,366	(37,533)	236,366,936	207,489,765
$733,612	$43,588	$277,467,431	$236,366,936

CITY OF ROSEVILLE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	Electric	Water	Sewer	Refuse	Golf Course
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	$13,818,537	$8,049,760	$17,276,225	$1,512,798	$504,445
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation and amortization	4,368,973	1,214,745	3,484,368	128,963	754,454
Net change in:					
Accounts receivable	62,895	134,496	91,067	(16,596)	(47,309)
Accrued interest	85,192	(402,866)	(246,943)	(222)	17,392
Due from other government agencies		(255,879)	327,612		
Prepaid expenses	(111,574)				
Deferred receivables	4,434	(84,754)	(6,061,040)		
Inventories	229,330	(1,842)	4,367		
Prepaid purchased electricity	1,185,002				
Other assets			34,580		
Accounts payable	100,813	2,171,670	187,317	65,021	(6,437)
Accrued liabilities	55,989	141,784	(14,726)	4,905	(1,013)
Deposits	(13,006)	1,745	11,495		
Deferred revenue	(293,063)				(1,042)
Landfill closure and post closure liability				(42,184)	
Compensated absences	144,715	56,654	28,604	19,055	
Net Cash Provided by Operating Activities	19,638,237	11,025,513	15,122,926	1,671,740	1,220,490
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net borrowings of amounts due from/to other funds			(805,686)	618,694	
Net borrowings (repayments) of advances from/ to other funds			740,000	(740,000)	(100,000)
Operating transfers in	75,000	635,885	206		
Operating transfers (out)	(4,319,520)	(1,373,038)	(1,919,660)	(1,130,360)	(280,100)
Net Cash Used by Noncapital Financing Activities	(4,244,520)	(737,153)	(1,985,140)	(1,251,666)	(380,100)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	2,587,109	2,528,186	2,263,659	20,754	56,869
Disbursements on note receivable					19,165
Net change in restricted investments	294,758	(23,506,183)	595,453		(54,472)
Cash Flows used by Investing Activities	2,881,867	(20,977,997)	2,859,112	20,754	21,562
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of fixed assets	(10,479,941)	(6,340,741)	(863,327)	(115,599)	(45,710)
Principal paid on debt, bond maturities, special assessments, and equipment contracts	(6,940,000)	(6,968)	(5,085,000)		(155,000)
Proceeds from long term debt	11,880,000	33,000,000			
Proceeds from sale of fixed assets					
Interest paid	(203,138)	(1,035,767)	(177,750)		(532,061)
Contributed capital	2,424,562	729,235	565,231		
Cash Flows used by Capital Financing Activities	(3,318,517)	26,345,759	(5,560,846)	(115,599)	(732,771)
Net Cash Flows	14,957,067	15,656,122	10,436,052	325,229	129,181
Cash and investments at beginning of year	28,287,695	14,572,418	30,461,274		507,293
Cash and investments at end of year	$43,244,762	$30,228,540	$40,897,326	$325,229	$636,474

Local Transportation	School-Age Child Care	TOTALS 1998	1997
$721,815	$267,083	$42,150,663	$31,653,770
362,994	7,196	10,321,693	7,974,037
(14,639)	(1,880)	208,034	(492,839)
(7,252)	(1,474)	(556,173)	(171,402)
(285,530)		(213,797)	625,397
		(111,574)	
		(6,141,360)	(299,666)
		231,855	110,007
		1,185,002	1,184,694
		34,580	6,287
(3,844)	16,208	2,530,748	400,110
1,247	16,003	204,189	(34,909)
(250)		(16)	49,065
10,000		(284,105)	(1,674,731)
		(42,184)	(74,781)
8,024	7,273	264,325	198,838
792,565	310,409	49,781,880	39,453,877
		(186,992)	726,065
		(100,000)	(260,652)
59,075		770,166	568,670
(222,131)	(193,272)	(9,438,081)	(8,631,535)
(163,056)	(193,272)	(8,954,907)	(7,597,452)
41,487	7,310	7,505,374	4,080,580
		19,165	6,490
		(22,670,444)	(53,934)
41,487	7,310	(15,145,905)	4,033,136
(284,996)	(41,540)	(18,171,854)	(19,536,330)
		(12,186,968)	(1,986,637)
		44,880,000	
			5,600
		(1,948,716)	(1,078,343)
(1,000)	(5,477)	3,712,551	7,429,846
(285,996)	(47,017)	16,285,013	(15,165,864)
385,000	77,430	41,966,081	20,723,697
612,835	66,304	74,507,819	53,784,122
$997,835	$143,734	$116,473,900	$74,507,819

CITY OF ROSEVILLE
ENTERPRISE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
BUDGET (NON-GAAP LEGAL BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	ELECTRIC			WATER		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$55,699,500	$57,313,353	$1,613,853	$11,325,870	$14,630,391	$3,304,521
Subventions and grants						
Other	25,000	55,193	30,193	819,759	499,012	(320,747)
Total Operating Revenues	55,724,500	57,368,546	1,644,046	12,145,629	15,129,403	2,983,774
OPERATING EXPENSES						
Purchased power	31,000,000	31,410,808	(410,808)			
Distribution:						
Operations	22,365,582	12,834,127	9,531,455	31,296,350	9,106,307	22,190,043
Administration	1,082,451	1,360,187	(277,736)	1,365,714	1,309,758	55,956
Total Operating Expenses	54,448,033	45,605,122	8,842,911	32,662,064	10,416,065	22,245,999
Operating Income (Loss)	1,276,467	11,763,424	10,486,957	(20,516,435)	4,713,338	25,229,773
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	1,697,970	2,587,109	889,139	706,980	2,528,186	1,821,206
Interest (expense)	(356,500)	(203,138)	153,362	(1,337,100)	(1,035,767)	301,333
Proceeds from sale of bonds		11,880,000	11,880,000	37,000,000	33,000,000	(4,000,000)
Debt service - principal	(1,493,440)	(6,940,000)	(5,446,560)	(6,970)	(6,968)	2
Net Nonoperating Revenues (Expenses)	(151,970)	7,323,971	7,475,941	36,362,910	34,485,451	(1,877,459)
Income (Loss) Before Operating Transfers	1,124,497	19,087,395	17,962,898	15,846,475	39,198,789	23,352,314
Operating Transfers In	75,000	75,000		598,540	635,885	37,345
Operating Transfers (Out)	(4,326,095)	(4,319,520)	6,575	(1,464,511)	(1,373,038)	91,473
Net Income (Loss)	($3,126,598)	14,842,875	$17,969,473	$14,980,504	38,461,636	$23,481,132
ITEMS AFFECTING CONTRIBUTED CAPITAL						
Depreciation on fixed assets		952,502			353,423	
Adjustment to budgetary basis:						
Depreciation and amortization		(4,368,973)			(1,214,745)	
Capital outlay		6,424,086			4,551,167	
Proceeds from sale of bonds		(11,880,000)			(33,000,000)	
Debt service-principal		6,940,000			6,968	
Retained earnings at beginning of year		93,835,928			35,318,368	
Retained earnings at end of year		$106,746,418			$44,476,817	

SEWER			REFUSE			GOLF COURSE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$16,631,330	$27,152,509	$10,521,179	$8,084,394	$8,118,634	$34,240	$2,701,295	$2,683,897	($17,398)
	13,098	13,098	16,200	36,582	20,382		1,249	1,249
16,631,330	27,165,607	10,534,277	8,100,594	8,155,216	54,622	2,701,295	2,685,146	(16,149)
22,717,048	6,318,688	16,398,360	6,179,814	6,370,297	(190,483)	1,938,226	1,470,994	467,232
312,050	329,534	(17,484)	274,365	302,517	(28,152)		963	(963)
23,029,098	6,648,222	16,380,876	6,454,179	6,672,814	(218,635)	1,938,226	1,471,957	466,269
(6,397,768)	20,517,385	26,915,153	1,646,415	1,482,402	(164,013)	763,069	1,213,189	450,120
1,467,180	2,263,659	796,479	19,930	20,754	824	31,029	56,869	25,840
(333,120)	(177,750)	155,370				(532,971)	(532,061)	910
(4,976,990)	(5,085,000)	(108,010)				(155,000)	(155,000)	
(3,842,930)	(2,999,091)	843,839	19,930	20,754	824	(656,942)	(630,192)	26,750
(10,240,698)	17,518,294	27,758,992	1,666,345	1,503,156	(163,189)	106,127	582,997	476,870
55,482	206	(55,276)						
(1,981,811)	(1,919,660)	62,151	(1,118,850)	(1,130,360)	(11,510)	(285,600)	(280,100)	5,500
($12,167,027)	15,598,840	$27,765,867	$547,495	372,796	($174,699)	($179,473)	302,897	$482,370
	755,164							
	(3,484,368)			(128,963)			(754,454)	
	243,208			159,359			45,710	
	5,085,000						155,000	
	108,276,466			(2,326,185)			1,166,526	
	$126,474,310			($1,922,993)			$915,679	

(Continued)

CITY OF ROSEVILLE
ENTERPRISE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
BUDGET (NON-GAAP LEGAL BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	LOCAL TRANSPORTATION			SCHOOL-AGE CHILD CARE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$255,000	$303,980	$48,980	$2,100,000	$2,118,689	$18,689
Subventions and grants	2,450,128	2,367,031	(83,097)	229,900	186,254	(43,646)
Other	18,000	25,330	7,330		29,428	29,428
Total Operating Revenues	2,723,128	2,696,341	(26,787)	2,329,900	2,334,371	4,471
OPERATING EXPENSES						
Purchased power						
Distribution:						
Operations	2,417,443	1,888,413	529,030	2,143,418	2,091,892	51,526
Administration		8,115	(8,115)		10,802	(10,802)
Total Operating Expenses	2,417,443	1,896,528	520,915	2,143,418	2,102,694	40,724
Operating Income (Loss)	305,685	799,813	494,128	186,482	231,677	45,195
NONOPERATING REVENUES (EXPENSES)						
Interest revenue		41,487	41,487	1,050	7,310	6,260
Interest (expense)						
Proceeds from sale of bonds						
Debt service - principal						
Net Nonoperating Revenues (Expenses)		41,487	41,487	1,050	7,310	6,260
Income (Loss) Before Operating Transfers	305,685	841,300	535,615	187,532	238,987	51,455
Operating Transfers In		59,075	59,075			
Operating Transfers (Out)	(250,370)	(222,131)	28,239	(192,210)	(193,272)	(1,062)
Net Income (Loss)	$55,315	678,244	$622,929	($4,678)	45,715	$50,393
ITEMS AFFECTING CONTRIBUTED CAPITAL						
Depreciation on fixed assets						
Adjustment to budgetary basis:						
Depreciation and amortization		(362,994)			(7,196)	
Capital outlay		284,996			42,602	
Proceeds from sale of bonds						
Debt service-principal						
Retained earnings at beginning of year		133,366			(37,533)	
Retained earnings at end of year		$733,612			$43,588	

TOTALS		
Budget	Actual	Variance Favorable (Unfavorable)
$96,797,389	$112,321,453	$15,524,064
2,680,028	2,553,285	(126,743)
878,959	659,892	(219,067)
100,356,376	115,534,630	15,178,254
31,000,000	31,410,808	(410,808)
89,057,881	40,080,718	48,977,163
3,034,580	3,321,876	(287,296)
123,092,461	74,813,402	48,279,059
(22,736,085)	40,721,228	63,457,313
3,924,139	7,505,374	3,581,235
(2,559,691)	(1,948,716)	610,975
37,000,000	44,880,000	7,880,000
(6,632,400)	(12,186,968)	(5,554,568)
31,732,048	38,249,690	6,517,642
8,995,963	78,970,918	69,974,955
729,022	770,166	41,144
(9,619,447)	(9,438,081)	181,366
$105,538	70,303,003	$70,197,465
	2,061,089	
	(10,321,693)	
	11,751,128	
	(44,880,000)	
	12,186,968	
	236,366,936	
	$277,467,431	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments within the same City on a cost reimbursement basis.

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 1997

	Automotive Services	Automotive Replacement	Self Insurance Funds: Worker's Compensation	Self Insurance Funds: General Liability	Self Insurance Funds: Unemployment Reserve	Self Insurance Funds: Vision
ASSETS						
Current Assets						
Cash and investments in City Treasury	$106,593	$4,713,242	$2,776,029	$3,128,236	$5,468	$118,942
Receivables						
Accounts	15,722	468,530	21,891	268		
Accrued interest	483		34,463	36,162	45	1,436
Due from other government agencies	18,615					
Due from other funds		310,000				
Inventories	281,069					
Total Current Assets	422,482	5,491,772	2,832,383	3,164,666	5,513	120,378
Other Assets						
Advances to other funds		5,971,062				
Fixed Assets (net of accumulated depreciation)	37,313	5,580,556	24,579			
Total Other Assets	37,313	11,551,618	24,579			
Total Assets	$459,795	$17,043,390	$2,856,962	$3,164,666	$5,513	$120,378
LIABILITIES						
Current Liabilities						
Accounts payable	$37,178	$26,789	$5,770	$5,009	$9,118	
Accrued liabilities	22,381					
Current portion of compensated absences						
Self-insurance claims payable			2,618,000	1,894,000		
Total Current Liabilities	59,559	26,789	2,623,770	1,899,009	9,118	
Long-term Liabilities						
Compensated absences	151,395					
Total Liabilities	210,954	26,789	2,623,770	1,899,009	9,118	
FUND EQUITY						
Contributed capital:						
From other government agencies						
Total Contributed Capital						
Retained earnings						
Unreserved	248,841	17,016,601	233,192	1,265,657	(3,605)	120,378
Total Retained Earnings	248,841	17,016,601	233,192	1,265,657	(3,605)	120,378
Total Fund Equity	248,841	17,016,601	233,192	1,265,657	(3,605)	120,378
Total Liabilities and Fund Equity	$459,795	$17,043,390	$2,856,962	$3,164,666	$5,513	$120,378

	TOTALS	
Central Stores	1998	1997
$70,912	$10,919,422	$8,918,507
	506,411	401,277
	72,589	40,360
	18,615	17,588
	310,000	322,500
	281,069	237,240
70,912	12,108,106	9,937,472
	5,971,062	6,061,362
	5,642,448	5,413,870
	11,613,510	11,475,232
$70,912	$23,721,616	$21,412,704
$70,912	$154,776	$453,440
	22,381	20,847
		46,000
	4,512,000	4,217,931
70,912	4,689,157	4,738,218
	151,395	87,047
70,912	4,840,552	4,825,265
		6,899
		6,899
	18,881,064	16,580,540
	18,881,064	16,580,540
	18,881,064	16,587,439
$70,912	$23,721,616	$21,412,704

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997

			Self Insurance Funds			
	Automotive Services	Automotive Replacement	Worker's Compensation	General Liability	Unemployment Reserve	Vision
OPERATING REVENUES						
Charges for services	$2,798,631	$2,427,034	$1,499,986	$1,210,000	$35,724	$63,957
Other	67,049		447,845	180,858		
Total Operating Revenue	2,865,680	2,427,034	1,947,831	1,390,858	35,724	63,957
OPERATING EXPENSES						
Operations	2,265,595	(945)	1,290,731	617,417		5,846
Depreciation and amortization	16,875	1,830,244	510			
Claims expense			56,000	585,753	65,804	64,435
Total Operating Expenses	2,282,470	1,829,299	1,347,241	1,203,170	65,804	70,281
Total Operating Income (Loss)	583,210	597,735	600,590	187,688	(30,080)	(6,324)
NONOPERATING REVENUES						
Interest revenue	1,098	180,010	151,592	163,636	1,474	7,372
Other						
Total Nonoperating Revenues (Expenses)	1,098	180,010	151,592	163,636	1,474	7,372
INCOME (LOSS) BEFORE OPERATING TRANSFERS	584,308	777,745	752,182	351,324	(28,606)	1,048
Operating transfers in		341,718				
Operating transfers out	(440,705)	(7,450)	(7,760)	(7,760)	(7,760)	(7,760)
Net Income (loss)	143,603	1,112,013	744,422	343,564	(36,366)	(6,712)
Retained earnings (deficit) at beginning of year	105,238	15,904,588	(511,230)	922,093	32,761	127,090
Retained earnings (deficit) at end of year	$248,841	$17,016,601	$233,192	$1,265,657	($3,605)	$120,378

TOTALS	
1998	1997
$8,035,332	$7,790,022
695,752	52,056
8,731,084	7,842,078
4,178,644	3,276,604
1,847,629	1,574,662
771,992	1,917,243
6,798,265	6,768,509
1,932,819	1,073,569
505,182	287,755
	91,823
505,182	379,578
2,438,001	1,453,147
341,718	104,797
(479,195)	(466,370)
2,300,524	1,091,574
16,580,540	15,488,966
$18,881,064	$16,580,540

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE AMOUNTS FISCAL YEAR ENDED JUNE 30, 1997

	Automotive Services	Automotive Replacement	Self Insurance Funds: Worker's Compensation	Self Insurance Funds: General Liability	Self Insurance Funds: Unemployment Reserve
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	$583,210	$597,735	$600,590	$187,688	($30,080)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation and amortization	16,875	1,830,244	510		
Net change in:					
Accounts receivable	(15,295)	(83,067)	(14,510)	7,738	
Accrued interest	(483)		(17,168)	(14,562)	229
Due from other government agencies	(1,027)				
Claims receivable					
Inventories	(43,829)				
Accounts payable	(4,423)	(189,700)	(11,004)	(6,021)	9,118
Accrued liabilities	1,534				
Self insurance claims payable			56,000	244,000	(1,469)
Compensated absences	18,348				
Cash Flows from Operating Activities	554,910	2,155,212	614,418	418,843	(22,202)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net repayments of amounts due from/to other funds		12,500			
Net borrowings of advances from/to other funds		90,300			
Operating transfers in		341,718			
Operating transfers (out)	(440,705)	(7,450)	(7,760)	(7,760)	(7,760)
Net Cash Provided by (Used from) Noncapital Financing Activities	(440,705)	437,068	(7,760)	(7,760)	(7,760)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,098	180,010	151,592	163,636	1,474
Net Cash Provided from Investing Activities	1,098	180,010	151,592	163,636	1,474
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Acquisition and construction of fixed assets	(17,450)	(2,034,399)	(24,358)		
Proceeds from sale of fixed assets					
Contributed capital	(6,899)				
Cash Flows from Capital Financing Activities	(24,349)	(2,034,399)	(24,358)		
Net Cash Flows	90,954	737,891	733,892	574,719	(28,488)
Cash and investments at beginning of year	15,639	3,975,351	2,042,137	2,553,517	33,956
Cash and investments at end of year	$106,593	$4,713,242	$2,776,029	$3,128,236	$5,468

		TOTALS	
Vision	Central Stores	1998	1997
($6,324)		$1,932,819	$1,073,569
		1,847,629	1,574,366
		(105,134)	(54,973)
(245)		(32,229)	18,350
		(1,027)	(17,588)
			1,428
		(43,829)	224,487
(5,906)	($90,728)	(298,664)	130,050
		1,534	4,628
(4,462)		294,069	412,000
		18,348	17,697
(16,937)	(90,728)	3,613,516	3,384,014
		12,500	(86,692)
		90,300	322,500
		341,718	104,797
(7,760)		(479,195)	(466,370)
(7,760)		(34,677)	(125,765)
7,372		505,182	287,755
7,372		505,182	287,755
		(2,076,207)	(1,791,934)
			101,329
		(6,899)	
		(2,083,106)	(1,690,605)
(17,325)	(90,728)	2,000,915	1,855,399
136,267	161,640	8,918,507	7,063,108
$118,942	$70,912	$10,919,422	$8,918,507

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
BUDGET (NON-GAAP LEGAL BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	AUTOMOTIVE SERVICES			AUTOMOTIVE REPLACEMENT		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$2,666,000	$2,798,631	$132,631	$2,302,000	$2,427,034	$125,034
Other	30,000	67,049	37,049			
Total Operating Revenue	2,696,000	2,865,680	169,680	2,302,000	2,427,034	125,034
OPERATING EXPENSES						
Operations	2,351,723	2,283,045	68,678	2,343,717	1,944,559	399,158
Claims expense						
Total Operating Expenses	2,351,723	2,283,045	68,678	2,343,717	1,944,559	399,158
Total Operating Income (Loss)	344,277	582,635	238,358	(41,717)	482,475	524,192
NONOPERATING REVENUES (EXPENSES)						
Interest revenue		1,098	1,098	214,370	180,010	(34,360)
Other				40,000		(40,000)
Total Nonoperating Revenues		1,098	1,098	254,370	180,010	(74,360)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	344,277	583,733	239,456	212,653	662,485	449,832
Operating transfers in				360,590	341,718	(18,872)
Operating transfers out	(443,310)	(440,705)	2,605	(7,450)	(7,450)	
Net income (loss)	($99,033)	143,028	$242,061	$565,793	996,753	$430,960
Adjustment to budgetary basis:						
Capital outlay		17,450			1,945,504	
Depreciation and amortization		(16,875)			(1,830,244)	
Retained earnings at beginning of year		105,238			15,904,588	
Retained earnings at end of year		$248,841			$17,016,601	

WORKER'S COMPENSATION			GENERAL LIABILITY			UNEMPLOYMENT RESERVE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$1,499,990	$1,499,986	($4)	$1,210,000	$1,210,000		$36,751	$35,724	($1,027)
	447,845	447,845	109,500	180,858	$71,358			
1,499,990	1,947,831	447,841	1,319,500	1,390,858	71,358	36,751	35,724	(1,027)
1,502,000	1,315,089	186,911	866,133	617,417	248,716			
	56,000	(56,000)	352,500	585,753	(233,253)	60,000	65,804	(5,804)
1,502,000	1,371,089	130,911	1,218,633	1,203,170	15,463	60,000	65,804	(5,804)
(2,010)	576,742	578,752	100,867	187,688	86,821	(23,249)	(30,080)	(6,831)
112,380	151,592	39,212	119,010	163,636	44,626	2,790	1,474	(1,316)
112,380	151,592	39,212	119,010	163,636	44,626	2,790	1,474	(1,316)
110,370	728,334	617,964	219,877	351,324	131,447	(20,459)	(28,606)	(8,147)
(7,760)	(7,760)		(7,760)	(7,760)		(7,760)	(7,760)	
$102,610	720,574	$617,964	$212,117	343,564	$131,447	($28,219)	(36,366)	($8,147)
	24,358							
	(510)							
	(511,230)			922,093			32,761	
	$233,192			$1,265,657			($3,605)	

(Continued)

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
BUDGET (NON-GAAP LEGAL BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	VISION			TOTALS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$56,700	$63,957	$7,257	$7,771,441	$8,035,332	$263,891
Other				139,500	695,752	556,252
Total Operating Revenue	56,700	63,957	7,257	7,910,941	8,731,084	820,143
OPERATING EXPENSES						
Operations	10,000	5,846	4,154	7,073,573	6,165,956	907,617
Claims expense	65,000	64,435	565	477,500	771,992	(294,492)
Total Operating Expenses	75,000	70,281	4,719	7,551,073	6,937,948	613,125
Total Operating Income (Loss)	(18,300)	(6,324)	11,976	359,868	1,793,136	1,433,268
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	8,400	7,372	(1,028)	456,950	505,182	48,232
Other				40,000		(40,000)
Total Nonoperating Revenues	8,400	7,372	(1,028)	496,950	505,182	8,232
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(9,900)	1,048	10,948	856,818	2,298,318	1,441,500
Operating transfers in				360,590	341,718	(18,872)
Operating transfers out	(7,760)	(7,760)		(481,800)	(479,195)	2,605
Net income (loss)	($17,660)	(6,712)	$10,948	$735,608	2,160,841	$1,425,233
Adjustment to budgetary basis:						
Capital outlay					1,987,312	
Depreciation and amortization					(1,847,629)	
Retained earnings at beginning of year		127,090			16,580,540	
Retained earnings at end of year		$120,378			$18,881,064	

AGENCY FUNDS

Agency Funds account for assets held by a governmental unit in the capacity of agent for individuals, governmental entities, and non-public organizations.

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Balance June 30, 1997	Additions	Reductions	Balance June 30, 1998
Cirby Way West				
Cash and investments in City Treasury	$46,124			$46,124
Due to bondholders	$46,124			$46,124
Foothills Boulevard				
Cash and investments in City Treasury	$165,023	$28,072	$112,622	$80,473
Accrued interest receivable	6,266		6,266	
Total Assets	$171,289	$28,072	$118,888	$80,473
Due to bondholders	$171,289	$28,072	$118,888	$80,473
Hilltop				
Cash and investments in City Treasury	$115,208	$3,553	$88,495	$30,266
Accrued interest receivable	167	245	167	245
Total Assets	$115,375	$3,798	$88,662	$30,511
Due to bondholders	$115,375	$3,798	$88,662	$30,511
North Roseville/Rocklin Sewer				
Cash and investments in City Treasury	$419,650	$424,237	$389,107	$454,780
Accrued interest receivable	1,890	2,651	1,890	2,651
Total Assets	$421,540	$426,888	$390,997	$457,431
Due to bondholders	$421,540	$426,888	$390,997	$457,431
Rocky/Ridge Harding				
Cash and investments in City Treasury	$467,343	$411,389	$367,207	$511,525
Accrued interest receivable	1,447	2,128	1,447	2,128
Total Assets	$468,790	$413,517	$368,654	$513,653
Due to bondholders	$468,790	$413,517	$368,654	$513,653
Champion Oaks				
Cash and investments in City Treasury	$21,138			$21,138
Due to bondholders	$21,138			$21,138

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Balance June 30, 1997	Additions	Reductions	Balance June 30, 1998
Foothills Boulevard Extension				
Cash and investments in City Treasury	$1,002,651	$865,071	$723,147	$1,144,575
Accrued interest receivable	4,431	6,931	4,431	6,931
Total Assets	$1,007,082	$872,002	$727,578	$1,151,506
Due to bondholders	$1,007,082	$872,002	$727,578	$1,151,506
Olympus Point Children's Art				
Cash and investments in City Treasury	$75,286		$810	$74,476
Accrued interest receivable	671	$915	671	915
Total Assets	$75,957	$915	$1,481	$75,391
Accounts payable	$117	$559	$117	$559
Due to others	75,840	356	1,364	74,832
Total Liabilities	$75,957	$915	$1,481	$75,391
Northeast Roseville Community Facilities District #1				
Cash and investments in City Treasury	$910,419	$2,005,451	$1,782,546	$1,133,324
Restricted cash and investments with fiscal agents	2,749,480	91,332		2,840,812
Accrued interest receivable	19,369	26,126	19,369	26,126
Total Assets	$3,679,268	$2,122,909	$1,801,915	$4,000,262
Due to bondholders	$3,679,268	$2,122,909	$1,801,915	$4,000,262
Northwest Roseville Community Facilities District #1				
Cash and investments in City Treasury	$1,963,219	$2,480,498	$2,802,299	$1,641,418
Restricted cash and investments with fiscal agents	3,007,992	184,455		3,192,447
Accrued interest receivable	78,681	82,539	78,681	82,539
Total Assets	$5,049,892	$2,747,492	$2,880,980	$4,916,404
Deposits		$401,906		$401,906
Due to bondholders	$5,049,892	2,345,586	$2,880,980	4,514,498
Total Liabilities	$5,049,892	$2,747,492	$2,880,980	$4,916,404

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Balance June 30, 1997	Additions	Reductions	Balance June 30, 1998
SERSP Lighting & Landscaping				
Cash and investments in City Treasury	$33,187	$40,082	$27,654	$45,615
Accounts payable	$1,250		$1,250	
Due to bondholders	31,937	$40,082	26,404	$45,615
Total Liabilities	$33,187	$40,082	$27,654	$45,615
Olympus Point Lighting and Landscaping				
Cash and investments in City Treasury	$193,974	$116,502	$113,993	$196,483
Accounts payable	$8,631		$8,631	
Due to bondholders	185,343	$116,502	105,362	$196,483
Total Liabilities	$193,974	$116,502	$113,993	$196,483
Payroll Revolving				
Cash and investments in City Treasury	$438,084	$485,840	$438,084	$485,840
Accounts payable	$438,084	$485,840	$438,084	$485,840
Deferred Compensation				
Deferred compensation plan assets	$21,456,777		$21,456,777	
Deferred compensation payable	$21,456,777		$21,456,777	
Roseville Community Hospital Trust				
Restricted cash and investments with fiscal agents	$3,351,697		$88,752	$3,262,945
Due to bondholders	$3,351,697		$88,752	$3,262,945

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Balance June 30, 1997	Additions	Reductions	Balance June 30, 1998
Highway 65 JPA				
Cash and investments in City Treasury	$3,494,683	$1,437,793	$3,948,999	$983,477
Accrued interest receivable	30,557	11,798	30,557	11,798
Due from other government agencies	139,999	178,939	139,999	178,939
Deferred receivable	8,820		4,097	4,723
Total Assets	$3,674,059	$1,628,530	$4,123,652	$1,178,937
Accounts payable	$9,105	$4,728	$9,105	$4,728
Due to member agencies	3,664,954	1,623,802	4,114,547	1,174,209
Total Liabilities	$3,674,059	$1,628,530	$4,123,652	$1,178,937
Northeast Roseville Community Facilities District #2				
Cash and investments in City Treasury	$851,607	$1,534,319	$1,387,156	$998,770
Restricted cash and investments with fiscal agents	1,479,651	49,696	36,430	1,492,917
Accrued interest receivable	50,223	54,778	50,223	54,778
Total Assets	$2,381,481	$1,638,793	$1,473,809	$2,546,465
Due to bondholders	$2,381,481	$1,638,793	$1,473,809	$2,546,465
North Central Roseville Community Facilities District #1				
Cash and investments in City Treasury	$6,236,364	$9,800,036	$6,785,922	$9,250,478
Restricted cash and investments with fiscal agents	6,153,860	413,578		6,567,438
Accrued interest receivable	63,668	184,682	63,668	184,682
Total Assets	$12,453,892	$10,398,296	$6,849,590	$16,002,598
Due to bondholders	$12,453,892	$10,398,296	$6,849,590	$16,002,598
Dry Creek Drainage Basin				
Cash and investments in City Treasury	$310,106	$71,042	$322,292	$58,856
Accrued interest receivable	2,635	637	2,635	637
Deferred receivable	1,822	35,430		37,252
Total Assets	$314,563	$107,109	$324,927	$96,745
Accounts Payable		$53,920		$53,920
Accrued liabilities	$273,670	27,591	$273,670	27,591
Due to bondholders	40,893	25,598	51,257	15,234
Total Liabilities	$314,563	$107,109	$324,927	$96,745

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Balance June 30, 1997	Additions	Reductions	Balance June 30, 1998
Other				
Cash and investments in City Treasury	$1,266,740	$1,571,090	$680,649	$2,157,181
Accounts receivable		256		256
Accrued interest receivable	1,426	13,548	1,426	13,548
Due from other government agencies	2,968		2,968	
Deferred receivable		86,476		86,476
Total Assets	$1,271,134	$1,671,370	$685,043	$2,257,461
Accounts payable	$17,109	$1,094,961	$17,109	$1,094,961
Accrued liabilities	222,576	86,988	222,576	86,988
Due to other government agencies	24,015	9,014	24,015	9,014
Due to other funds		2,625		2,625
Deposits payable	630,847		27,075	603,772
Due to others	376,587	477,782	394,268	460,101
Total Liabilities	$1,271,134	$1,671,370	$685,043	$2,257,461
Total Agency Funds				
Cash and investments in City Treasury	$18,010,806	$21,274,975	$19,970,982	$19,314,799
Restricted cash and investments with fiscal agents	16,742,680	739,061	125,182	17,356,559
Deferred compensation plan investments	21,456,777		21,456,777	
Accounts receivable		256		256
Accrued interest receivable	261,431	386,978	261,431	386,978
Due from other government agencies	142,967	178,939	142,967	178,939
Deferred receivable	10,642	121,906	4,097	128,451
Total Assets	$56,625,303	$22,702,115	$41,961,436	$37,365,982
Accounts payable	$474,296	$1,640,008	$474,296	$1,640,008
Accrued liabilities	496,246	114,579	496,246	114,579
Due to other government agencies	24,015	9,014	24,015	9,014
Due to other funds		2,625		2,625
Deferred compensation payable	21,456,777		21,456,777	
Deposits payable	630,847	401,906	27,075	1,005,678
Due to member agencies	3,664,954	1,623,802	4,114,547	1,174,209
Due to bondholders	29,425,741	18,432,043	14,972,848	32,884,936
Due to others	452,427	478,138	395,632	534,933
Total Liabilities	$56,625,303	$22,702,115	$41,961,436	$37,365,982

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of the provisions of the Master Installment Purchase Contract and the Trust Agreement. This summary is not intended to be definitive and is qualified in its entirely by reference to the aforementioned documents. Copies of the Master Installment Purchase Contract and the Trust Agreement are available upon request from the Trustee.

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined herein or elsewhere in this Official Statement have the meanings set forth in the Master Installment Purchase Contract and the Trust Agreement.

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

"Adjusted Annual Debt Service" means, for any Fiscal Year or any designated 12-month period in question, the Annual Debt Service for such Fiscal Year or 12-month period minus the sum of (i) for the purposes of the rate covenant of the City pursuant to the Master Contract, the earnings from the investments in the Parity Reserve Fund deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period, and (ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon (other than from the Parity Reserve Fund), all as set forth in a Certificate of the City.

"Adjusted Annual Net Revenues" means, for any Fiscal Year or any designated 12-month period in question, the Adjusted Annual Revenues during such Fiscal Year or 12-month period less the Maintenance and Operation Costs during such Fiscal Year or 12-month period.

"Adjusted Annual Revenues" means, for any Fiscal Year or any designated 12-month period in question, the Revenues during such Fiscal Year or 12-month period plus, for the purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, the amounts on deposit in the Rate Stabilization Fund (or any other unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Maintenance and Operation Costs and/or Annual Debt Service for such Fiscal Year or 12-month period) as of the first day of such Fiscal Year or 12-month period minus, for the purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, earnings from the investments in the Parity Reserve Fund that are deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period.

"Annual Debt Service" means, for any Fiscal Year or any designated 12-month period in question, the required payments scheduled to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided that for purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, the Reserve Fund Requirement and conditions for the execution of Parity Obligations:

Generally. Except as otherwise provided by subparagraph (B) with respect to Variable Interest Rate Parity Obligations and by subparagraph (C) with respect to Parity Obligations with respect to which a Payment Agreement is in force, interest on any Parity Obligation will be calculated based on the actual amount of interest that is payable under that Parity Obligation;

Interest on Variable Interest Rate Parity Obligations. The amount of interest deemed to be payable on any Variable Interest Rate Parity Obligation will be calculated on the assumption that the interest rate on that Parity Obligation would be equal to the rate (the "assumed RBI-based rate") that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which the calculation is made;

Interest on Parity Obligations with Respect to Which a Payment Agreement Is in Force. The amount of interest deemed to be payable on any Parity Obligations with respect to which a Payment Agreement is in force will, so long as the Qualified Counterparty thereto is not in default thereunder, be based on the net economic effect on the City expected to be produced by the terms of such Parity Obligation and such Payment Agreement, including but not limited to the effects that (i) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead will be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead will be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Parity Obligation with respect to which a Payment Agreement is in force will, so long as the Qualified Counterparty thereto is not in default thereunder, be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Parity Obligation plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating Payment Agreement Receipts and Payment Agreement Payments under such Payment Agreement, the following assumptions will be made:

(1) Counterparty Obligation to Pay Actual Variable Interest Rate on Variable Interest Rate Parity Obligations. If the Payment Agreement obligates a Qualified Counterparty to make payments to the City based on the actual Variable Interest Rate on a Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation and obligates the City to make payments to the Qualified Counterparty based on a fixed rate, payments by the City to the Qualified Counterparty will be assumed to be made at the fixed rate specified by the Payment Agreement and payments by the Qualified Counterparty to the City will be assumed to be made at the actual Variable Interest Rate on such Parity Obligation, without regard to the occurrence of any event that, under the provisions of the Payment Agreement, would permit the Qualified Counterparty to make payments on any basis other than the actual Variable Interest Rate on such Parity Obligation, and such Parity Obligation will set forth a debt service schedule based on that assumption;

(2) Variable Interest Rate Parity Obligations and Payment Agreements Having the Same Variable Interest Rate Components. If both a Payment Agreement and the related Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation, include a variable interest rate payment component that is required to be calculated on the same basis (including, without limitation, on the basis of the same variable interest rate index), it will be assumed that the variable interest rate payment component payable pursuant to the Payment Agreement is equal in amount to the variable interest rate component payable on such Parity Obligation;

(3) Variable Interest Rate Parity Obligations and Payment Agreements Having Different Variable Interest Rate Component. If a Payment Agreement obligates either the City or the Qualified Counterparty to make payments of a variable interest rate component on a basis that is different (including, without limitation, on a different variable interest rate index) from the basis that is required to be used to calculate interest on the Parity Obligation that would, but

for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation it will be assumed:

City Obligated to Make Payments Based on Variable Interest Rate Index. If payments by the City under the Payment Agreement are based on a variable interest rate index and payments by the Qualified Counterparty are based on a fixed interest rate, payments by the City to the Qualified Counterparty will be based upon an interest rate equal to the assumed RBI-based rate, and payments by the Qualified Counterparty to the City will be based on the fixed rate specified by the Payment Agreement; and

City Obligated to Make Payment Based on Fixed Interest Rate. If payments by the City under the Payment Agreement are based on a fixed interest rate and payments by the Qualified Counterparty are based on a variable interest rate index, payments by the City to the Qualified Counterparty will be based on an interest rate equal to the rate (the "assumed fixed payor rate") that is one hundred and five percent (105%) of the fixed interest rate specified by the Payment Agreement to be paid by the City, and payments by the Qualified Counterparty to the City will be based on a rate equal to the actual variable interest rate on the Variable Interest Rate Parity Obligation,

(4) Certain Payment Agreements May Be Disregarded. Notwithstanding the provisions of subparagraphs (C)(1), (2) and (3) of this definition, the City will not be required to (but may at its option) take into account as set forth in subparagraph (C) of this definition (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

Debt Service on Parity Payment Agreements. No interest will be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on a related Parity Obligation under subparagraph (C) of this definition; provided, that for any period during which Payment Agreement Payments are not taken into account in calculating Annual Debt Service on any Parity Obligation because the Parity Payment Agreement is not then related to any Parity Obligation, interest on that Parity Payment Agreement will be taken into account by assuming:

(1) City Obligated to Make Payments Based on Fixed Interest Rate. If the City is obligated to make Payment Agreement Payments based on a fixed interest rate and the Qualified Counterparty is obligated to make payments based on a variable interest rate index, payments by the City will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made; and

(2) City Obligated to Make Payments Based on Variable Interest Rate Index. If the City is obligated to make Payment Agreement Payments based on a variable interest rate index and the Qualified Counterparty is obligated to make payments based on a fixed interest rate, payments by the City will be based on an interest rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement; and

(3) Certain Payment Agreements May be Disregarded. Notwithstanding the provisions of subparagraphs (D)(1) and (2) of this definition, the City will not be required to (but may at its option) take into account (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

Balloon Parity Obligations. For purposes of calculating Annual Debt Service on any Balloon Parity Obligations, it will be assumed that the principal of those Balloon Parity Obligations, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a term of thirty (30) years from the date of issuance.

"Authority" means the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State.

"Average Annual Debt Service" means the sum of the Annual Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of Parity Obligations) and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations, divided by the number of such Fiscal Years.

"Balloon Parity Obligation" means any Parity Obligation described as such in such Parity Obligation.

"Business Day" means any day (other than a Saturday or a Sunday) on which banks in New York, New York, are open for business and on which the Trustee is open for business at its corporate trust office in San Francisco, California.

"Certificate of the Authority" means an instrument in writing signed by the Executive Director of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

"Certificate of the City" means an instrument in writing signed by the City Manager, the Finance Director, or any other officer of the City duly authorized by the City Council for that purpose.

"Certificate Payment Date" means, with respect to any Certificate, the Certificate Payment Date designated therein, which is the February 1 on which or, in the case of Certificates subject to mandatory sinking fund prepayment by which, the principal component of the final 1997 Payment evidenced and represented thereby will become due and payable.

"City" means the City of Roseville, a charter city and municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

"Contracts" means the Contract and all Supplemental Contracts.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Master Contract, the Trust Agreement and the sale of the Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Certificates, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

"Electric Revenue Fund" means the City of Roseville Electric Utility Fund continued pursuant to the Master Contract.

"Electric Service" means the service furnished, made available or provided by the Electric System.

"Electric System" means the electric public utility system of the City, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto now owned by the City and all other properties, structures or works for the generation, transmission or distribution of electricity hereafter acquired by the City, including all contractual rights for electricity or the transmission thereof, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired.

"Engineer's Report" means a report signed by an Independent Engineer.

"Event of Default" means an event described in the Master Contract and the Trust Agreement.

"Federal Securities" means direct obligations of, or obligations the interest on and principal of which arc unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including a receipt, certificate or any other evidence of any ownership interest in such an obligation, or in specified portions thereof (which may consist of specified portions of interest thereon).

"Finance Director" means the Finance Director of the City.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the City Council of the City as the Fiscal Year of the City or by the Authority as its Fiscal Year, as applicable.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures selected by the City, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Improvement Fund" means the City of Roseville Electric System Improvement Fund established pursuant to the Master Contract.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the City, and who, or each of whom --

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the City or the Authority, as applicable;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City or the Authority, as applicable; and

(3) is not connected with the City or the Authority, as applicable as a director, officer or employee of the City or the Authority, as applicable, but who may be regularly retained to audit the accounting records of and make reports thereon to the City or the Authority, as applicable.

"Independent Engineer" means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to public electric utilities systems, appointed and paid by the City, and who or each of whom --

(1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

"Information Services" means Financial Information, Incorporated's "Daily Called Certificate Service," 30 Montgomery Street, 10th Floor, Jersey City, Now Jersey 07302, Attention: Editor; Kenny Information Services, "Called Certificate Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service's "Municipal and Government," 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attention: Called Certificates Department; and Standard & Poor's Corporation's "Called Certificate Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"Interest Payment Date" means February 1 and August 1 of each year, commencing February 1, 2000.

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

Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. Anything contained in the Master Contract to the contrary notwithstanding, "Maintenance and Operation Costs" will include all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

"Master Contract" means the Master Installment Purchase Contract executed and entered into as of November 1, 1997, by and between the City and the Authority, as the same may be amended or supplemented from time to time.

"Maximum Annual Debt Service" means the greatest Annual Debt Service payable on Parity Obligations in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

"Maximum Annual Payments" means the greatest total Payments payable in any Fiscal Year during the period commencing with the then current Fiscal Year and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "Moody's" will be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

"Net Proceeds" means, when used with respect to any condemnation award or with respect to any insurance proceeds, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such award or such proceeds.

"Net Revenues" means, for any Fiscal Year or any designated 12-month period in question, the Revenues during such Fiscal Year or 12-month period less the Maintenance and Operation Costs during such Fiscal Year or 12-month period.

"1999 Certificate Insurer" shall mean Financial Security Assurance, Inc., a New York stock insurance company, or any successor thereto or assignee thereof, as issuer of the 1999 Certificate Insurance Policy.

"1999 Certificate Insurance Policy" shall mean the municipal bond insurance policy issued by the 1999 Certificate Insurer insuring the payment when due of the principal of and interest evidenced and represented by the Certificates as provided therein.

"1999 Debt Service Fund" means the fund by that name established pursuant to the Trust Agreement.

"1999 Interest Account" means the account by that name established pursuant to the Trust Agreement.

"1999 Parity Reserve Account" means the account in the Parity Reserve Fund so designated established pursuant to the Trust Agreement.

"1999 Payments" means the installment payments of interest, principal, and prepayment premium, if any, payable by the City under and pursuant to the 1999 Supplemental Contract.

"1999 Prepayment Account" means the account by that name established pursuant to the Trust Agreement.

"1999 Principal Subaccount" means the subaccount by that name established pursuant to the Trust Agreement.

"1999 Project" means capital improvements to the City's electric system, including electric transmission and distribution system improvements as identified in, but not limited to, Roseville Electric's Capital Improvement Program for the 1999-2000 through 2001-2002 fiscal years; which Capital Improvement Program includes circuit and substation capacity additions, circuit upgrades and replacements and circuit control, protection and measurement devices and equipment, and all reports, surveys and feasibility studies relating to any of the foregoing.

"1999 Sinking Fund Subaccount" means the subaccount by that name established pursuant to the Trust Agreement.

"1999 Supplemental Contract" means that certain 1999 Supplemental Installment Purchase Contract, dated as of August 1, 1999 by and between the City and the Authority.

"1997 Certificates" means the Electric System Revenue Certificates of Participation, Series 1999 evidencing and representing proportionate interests of the owners thereof in the payments made under the 1997 Supplemental Contract.

"1997 Supplemental Contract" means that certain 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997, by and between the City and the Authority.

"1997 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, by and between the Authority and First Trust of California, National Association, as original trustee thereunder with respect to the 1997 Certificates.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, retained by the City or the Authority, as applicable.

"Outstanding," when used as of any particular time with reference to Parity Obligations, means all Parity Obligations which have not been paid or otherwise satisfied as provided in the Master Contract, and when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates paid or deemed to have been paid within the meaning of the Trust Agreement; and (3) Certificates in lieu of or in substitution for which other Certificates have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means any person who will be the registered owner of any Certificate.

"Parity Bank Agreements" means an agreement with a bank or other financial institution relating to an irrevocable letter of credit, guarantee or other credit enhancement device providing liquidity or irrevocable credit or security for the payment of Parity Obligations.

"Parity Obligation Payment Fund" means the City of Roseville Electric System Parity Obligation Payment Fund established pursuant to the Master Contract.

"Parity Obligations" means all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity with the charge and lien upon the Net Revenues for the payment of the Payments, other than (i) Parity Payment Agreements and (ii) Parity Bank Agreements (provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City).

"Parity Payment Agreement" means a Payment Agreement which is a Parity Obligation.

"Parity Reserve Fund" means the City of Roseville Electric System Parity Reserve Fund established pursuant to the 1997 Trust Agreement.

"Payment Agreement" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, cash flow, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty in connection with, or incidental to, the entering into of any Parity Obligation, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, cash flows, options on such payments, or any combination thereof or any similar device.

"Payment Agreement Payments" means the amounts required to be paid periodically by the City to the Qualified Counterparty pursuant to a Payment Agreement

"Payment Agreement Receipts" means the amounts required to be paid periodically by the Qualified Counterparty to the City pursuant to a Payment Agreement.

"Payment Date" means any date on which Payments are scheduled to be paid by the City under and pursuant to any Supplemental Contract.

"Payments" means the installment payments scheduled to be paid by the City under and pursuant to the Contracts.

"Permitted Investments" means any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy (copies of which the Authority will cause the City to provide on a current basis to the Trustee) and to the extent then permitted by law:

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest

and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

a) Federal Home Loan Mortgage Corporation (FHLMC)

b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations

c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes

d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations

e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

g) Financing Corporation (FICO) Debt obligations

h) Resolution Funding Corporation (REFCORP) Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated 'A-1' or better by S&P.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million.

6. Commercial paper (having original maturities of not more than 270 days) rated 'A-1+' by S&P and 'Prime-1' by Moody's.

7. Money market funds rated 'Aam' or 'AAm-G' by S&P, or better.

8. "State Obligations", which means:

a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated 'A3' by Moody's and 'A' by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated 'A-1+' by S&P and 'MIG-1' by Moody's.

c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated 'AA' or better by S&P and 'Aa' or better by Moody's.

9. Pre-refunded municipal obligations rated 'AAA' by S & P and 'Aaa' by Moody's meeting the following requirements:

a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least 'A' by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least 'A' by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated 'A' or better by S&P and Moody's and acceptable to the Insurer, provided that:

a) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an 'A' rating in an 'A' rated structured financing (with a market value approach);

b) The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

d) All other requirements of S&P in respect of repurchase agreements shall be met.

e) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below 'A-' by S&P or 'A3' by Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least 'A' by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least 'AA' by S&P and 'Aa' by Moody's; provided that, by the terms of the investment agreement:

a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

d) the Authority or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Authority and the Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;

e) the investment agreement shall provide that if during its term

i) the provider's rating by either S&P or Moody's falls below 'AA-' or 'Aa3', respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an 'A' rating in an 'A' rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below 'A-' or 'A3', respectively, the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee.

f) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

g) the investment agreement must provide that if during its term

i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and

ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

12. shares in the California Asset Management Program;

"Project" means any additions, betterments, extensions or improvements to the Electric System designated by the City Council of the City as a Project, the cost of acquisition and construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Parity Obligation as provided therein.

"Qualified Counterparty" means a party (other than the City) who is the other party to a Payment Agreement and (1) (a) whose senior debt obligations are rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating any Parity Obligations (without regard to any gradations within a rating category), or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been, or whose debt service obligations have been, assigned a credit rating in one of the three highest rating categories of each of the Rating Agencies then rating any Parity Obligations, and (2) who is otherwise qualified to act as the other party to a Payment Agreement with the City under any applicable laws.

"Rate Stabilization Fund" means the fund by that name established pursuant to the Master Contract.

"Rating Agencies" means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating any Parity Obligations at the Request of the City.

"RBI" means the *Bond Buyer* Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

"Request of the City" means an instrument in writing signed by the City Manager of the City, the Finance Director, or any other officer of the City duly authorized by the City Council for that purpose.

"Reserve Fund Requirement" means, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) ten percent (10%) of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition will no longer maintain such ratings as required as described in the immediately preceding sentence, the City will provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

"Revenues" means all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or arising from the Electric System, including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund, but excluding (i) proceeds of taxes, (ii) refundable deposits made to establish credit and advances or contributions in aid of construction and line extension fees, and

(iii) any charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portion of costs associated with assets and obligations ("stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than Contracts, the payments of which obligations will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City.

"Securities Depositaries" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; and Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Certificate Department, Fax: (215) 496-5058; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Certificate of the Authority to the Trustee.

"Sinking Fund Payments" means the payments required under the Trust Agreement to be deposited in the 1999 Sinking Fund Subaccount.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "S&P" will be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

"State" means the State of California.

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Net Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and pursuant to the Master Contract and applicable law, the installment payments under and pursuant to which are payable from Net Revenues.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the Certificates, executed and delivered by the Authority and the City on the date of delivery of the Certificates, including any and all exhibits attached thereto.

"Trust Agreement" or "1999 Trust Agreement" means that certain Trust Agreement, dated as of August 1, 1999, between the Authority and the Trustee.

"Trust Agreements" means all trust agreements or indentures which are executed and delivered in connection with Parity Obligations, including the Trust Agreement.

"Trustee" means U.S. Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, or any association or corporation which may at any time be substituted in its place, as provided in the Trust Agreement.

"Variable Interest Rate" means any variable interest rate or rates to be paid under any Parity Obligations, the method of computing which variable interest rate will be as specified in the applicable Parity Obligation, which Parity Obligation will also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate will remain in effect, and (ii) the time or times based upon which any change in such variable interest rate will become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

"Variable Interest Rate Parity Obligations" means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that Parity Obligations will not be treated as Variable Interest Rate Parity Obligations if the net economic effect of interest rates on particular Payments or Parity Obligations and interest rates on other Payments of the same Supplemental Contract or Parity Obligations, as set forth in such Supplemental Contract or Parity Obligations, or the net economic effect of a Payment Agreement with respect to particular Parity Obligations, in either case is to produce obligations that bear interest at a fixed interest rate, and Supplemental Contracts with respect to which a Payment Agreement is in force will be treated as Variable Interest Rate Parity Obligations if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate, all in accordance with the definition of "Annual Debt Service" set forth in the Master Contract.

"Written Request of the Authority" means an instrument in writing signed by the Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

THE MASTER INSTALLMENT PURCHASE CONTRACT

Under the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City and appoints the City as its agent for the purpose of such acquisition and construction. Certain provisions of the Master Contract are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE MASTER CONTRACT.

Acquisition, Construction and Sale of Projects; Funds

Acquisition, Construction and Sale of Projects. Pursuant to the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City, and in order to implement such provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such agreements, construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Projects.

The City agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose pursuant to the Master Contract, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and the Authority agrees to and sells the Projects to the City. Notwithstanding the foregoing, it is expressly understood and agreed that the Authority will be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses will be paid by the City, regardless of whether the funds deposited in the Improvement Fund are sufficient to cover all such costs.

Improvement Fund. The Master Contract establishes the City of Roseville Electric System Improvement Fund (the "Improvement Fund"), which fund the City agrees to maintain until the completion of the acquisition and construction of the Projects to be funded from the separate accounts to be established in such fund as provided in the Supplemental Contracts. All money in the Improvement Fund will be used and withdrawn by the City to pay the costs of the Projects (or to reimburse the City for such costs) upon receipt of a Request of the City. The City will maintain on file a record of all expenditures from the Improvement Fund, including appropriate Requests of the City evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of the acquisition and construction of each Project to be funded from the Improvement Fund, any remaining balance in the Improvement Fund allocable to such Project will be transferred by the City to the Electric Revenue Fund.

Rate Stabilization Fund. The Master Contract establishes a City of Roseville Electric System Rate Stabilization Fund (the "Rate Stabilization Fund"), which fund the City agrees to maintain so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Revenues. Notwithstanding the foregoing, no Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with the additional Parity Obligations test or the rate covenant of the City pursuant to the Master Contract and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such section.

Electric Revenue Fund. In order to carry out and effectuate the obligation of the City contained in the Master Contract and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Revenues received by it will be deposited when and as received in the City of Roseville Electric System Revenue Fund (the "Electric Revenue Fund"), which fund will be a continuation of the Electric Utility Fund established by the City and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, and all money on deposit in the Electric Revenue Fund will be applied and used only as provided in the Master Contract. The City will pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for

Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable, and all remaining money on deposit in the Electric Revenue Fund will be set aside and deposited by the City at the following times in the following order of priority:

Parity Obligation Payment Fund Deposits. On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payments become due and payable by the City under any Parity Payment Agreement, the City will, from the money in the Electric Revenue Fund, deposit in The City of Roseville Electric System Parity Obligation Payment Fund (the "Parity Obligation Payment Fund"), which fund is established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity Payment Agreements on such next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable by the City under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

Parity Reserve Fund Deposits. On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations which are not Supplemental Contracts, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

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

Investments. Any moneys held in the Electric Revenue Fund or the Parity Obligation Payment Fund will be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Master Contract.

Any moneys held in the Rate Stabilization Fund will be invested in Permitted Investments which will mature at such dates as the City will determine but prior to the final date on which payments are due under any outstanding Parity Obligation. All investment earnings from moneys or deposits in the Electric Revenue Fund, the Parity Obligation Payment Fund and the Rate Stabilization Fund will be retained in such fund.

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which will be held separately) established pursuant to the Master Contract into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the City under the Master Contract will be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments credited to such fund or account will, except as otherwise provided in the Master Contract, be valued at the lower of cost or market value (inclusive of all interest accrued but not paid).

Execution of Parity Obligations and Other Obligations

Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligations the payments of which are payable from the Net Revenues on a parity with the Payments due under all Supplemental Contracts, provided, however, there will be on file with the Trustee either:

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

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

Notwithstanding the foregoing provisions, there will be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any Outstanding Parity Obligation.

Procedure for the Execution of Parity Obligations. Before the execution of any Parity Obligation, there will first be delivered to the City and the Trustee (which shall serve as trustee in respect to each and every Parity Obligation which is a Supplemental Contract) the following documents or money or securities:

(i) An executed counterpart of the Supplemental Contract or other Parity Obligation;

(ii) A Request of the City as to the delivery of such Parity Obligation;

(iii) An Opinion of Counsel substantially to the effect that (a) the City has the right and power under applicable law to execute and deliver the Parity Obligation, and the Parity Obligation has been duly and lawfully executed and delivered by the City, is in full force and effect and is a valid and binding special obligation of the City and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditors' rights), and (b) such Parity Obligation has been duly and validly authorized and issued in accordance with the Master Contract;

(iv) A Certificate of the City or an Engineer's Report as required pursuant to the applicable provisions of the Master Contract, containing such statements as may be reasonably necessary to show compliance with the requirements of the applicable provisions of the Master Contract;

(v) either (a) if the Parity Obligation is a Supplemental Contract, an amount of money to be deposited in the Parity Reserve Fund so as to increase the amount on deposit therein to the Reserve Fund Requirement, or (b) if the Parity Obligation is other than a Supplemental Contract, a Certificate of the City certifying that a separate reserve has been established for such Parity Obligation if required by the terms of such Parity Obligation and that provision has been made to fund such reserve or that no reserve is required by the terms of such Parity Obligation;

(vi) Such further documents, money and securities as are required by the provisions of the Master Contract and the resolution, indenture, contract or other obligation providing for the issuance of such Parity Obligation; and

(vii) With respect to any Parity Obligation issued in connection with a Payment Agreement, evidence that the incurrence of such Parity Obligation and Payment Agreement will not in and of itself cause a downgrade of the rating issued by the Rating Agencies then rating Parity Obligations.

Other Obligations. The City may incur Subordinate Obligations without meeting any of the tests set forth in the Master Contract.

Covenants

Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms of the Master Contract, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Contract required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by a Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Electric System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Use of Proceeds. The Authority and the City agree that the proceeds of the Contracts will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition and construction of the Projects and to pay the incidental costs and expenses related thereto as provided in the Master Contract and therein.

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Electric System and will keep the Electric System free of any and all liens against any portion of the Electric System. In the event any such lien attaches to or is filed against any portion of the Electric System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Electric System. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Electric System.

Sale or Other Disposition of Property. The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Electric System or any real or personal property comprising a part of the Electric System if such sale, transfer or disposition would cause the City to be unable to meet the requirements of the rate covenant of the City pursuant to the Master Contract.

Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and in conformity with law.

Maintenance and Operation of the Electric System; Budgets. The City will maintain and preserve the Electric System in good repair and working order at all times and will operate the Electric System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than October 1 of each year, a budget approved by the City Council setting forth the estimated Maintenance and Operation Costs for the then current Fiscal Year and will take such action as may be necessary to include all Payments required to be made under the Master Contract in its annual budget; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget will be filed by the City with the Authority.

Compliance with Contracts for Use of the Electric System. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Electric System and all other contracts affecting or involving the Electric System to the extent that the City is a party thereto.

Insurance. The City will procure and maintain such insurance relating to the Electric System which it will deem advisable or necessary to protect its interests and the interests of the Authority, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with public electric utility systems similar to the Electric System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained in the Master Contract will provide that the Authority will be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the Electric System, which records will be available for inspection by the Authority at reasonable hours and under reasonable conditions.

The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2000) --

(1) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to its attention in connection with such examination that caused it to believe that the City was not in compliance with any of the agreements or covenants contained in the Master Contract; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Electric System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Payments under the Contracts and the rights of the Authority to the Payments under the Contracts and will warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Electric System or any part thereof when the same will become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Electric System or any part thereof, but the City will not be required to comply with any regulations or requirements so long as the validity or application thereof will be contested in good faith and contesting such validity or application will not materially impair operation of the Electric System.

Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least one hundred ten percent (110%) of Adjusted Annual Debt Service for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Master Contract.

Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates, fees and charges applicable to the Electric Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing herein will prevent the City, in its sole and exclusive discretion, from permitting other parties from selling electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales will not relieve the City of its obligations under the Master Contract.

Eminent Domain and Insurance Proceeds. If all or any part of the Electric System will be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Electric System, the Net Proceeds thereof, at the option of the City, will be applied either to the proportional prepayment of Outstanding Parity Obligations or will be used to substitute other components for the condemned or destroyed components of the Electric System.

Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Contracts and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Contracts.

Events of Default and Remedies

Events of Default and Acceleration of Principal. If one or more of the following Events of Default will happen, that is to say --

(1) if default will be made in the due and punctual payment of any payment on any Parity Obligation when and as the same will become due and payable;

(2) if default will be made by the City in the performance of any of the agreements or covenants contained in the Master Contract or in any Parity Obligation required to be performed by it, and such default will have continued for a period of sixty (60) days after the City will have been given notice in writing of such default by the Authority; or

(3) if the City will file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction will approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction will assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Authority will, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Master Contract to the contrary notwithstanding, subject to the condition, however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the City will deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments or the unpaid principal amount of any payments under any Parity Obligation referred to in clause (i) above due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Payments and the accrued interest thereon due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate will have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Net Revenues upon Acceleration. All Net Revenues upon the date of the declaration of acceleration by the Authority as provided in the Master Contract and all Net Revenues thereafter received will be applied in the following order:

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the Master Contract regarding events of default, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Parity Obligations, and, if the amount available will not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Parity Obligations which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Parity Obligations on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Net Revenues may also be applied to make payments required under any Parity Payment Agreement on a parity with the payments under paragraphs Second and Third above, to the extent and in the manner provided by the terms of such Parity Obligation relating to such Parity Payment Agreement.

Other Remedies. The Authority will have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the law and the agreements and covenants required to be performed by it or him contained in the Contracts;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. Nothing in the Master Contract will affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Net Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or will affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

A waiver of any default or breach of duty or contract by the Authority will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by law or by the Master Contract may be enforced and exercised from time to time and as often as will be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Master Contract conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Master Contract or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Discharge of Obligations

(a) If the City will pay or cause to be paid all the Payments at the times and in the manner provided in the Master Contract, the right, title and interest of the Authority in the Master Contract and the obligations of the City under the Master Contract and under all Supplemental Contracts will cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of any of the Payments will on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided therein.

(c) All or any portion of unpaid principal installments of the Payments will, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (i) there will have been deposited with the Trustee either money in an amount which will be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, will be sufficient (as evidenced by a report of an Independent Certified Public

Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority, and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority will pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant to the Master Contract other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments will continue to be held in trust for the payment thereof.

Miscellaneous

Liability of City Limited to Net Revenues. Notwithstanding anything contained in the Master Contract, the City will not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained in the Master Contract. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Payments is a special obligation of the City payable solely from the Net Revenues as provided in the Master Contract. The general fund of the City is not liable, and neither the credit nor taxing power of the City is pledged, for the payment of the Payments.

THE TRUST AGREEMENT

The Trust Agreement sets forth the terms of the Certificates, the nature and extent of the security therefor, various rights of the Owners, rights and duties and immunities of the Trustee and rights and obligations of the Authority. Certain provisions of the Trust Agreement are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE TRUST AGREEMENT.

Equal Security

In consideration of the acceptance of the Certificates by the Owners thereof, the Trust Agreement will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of all Certificates authorized, executed, and delivered under the Trust Agreement and then Outstanding to secure the full and final payment of the interest, principal, and prepayment premiums, if any, evidenced and represented by the Certificates which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained in the Trust Agreement; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Certificates over any other Certificates by reason of the number or date thereof or the time of authorization, execution, or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

1999 Payments

Deposit of 1999 Payments. The Trustee agrees to establish, maintain and hold in trust the 1999 Debt Service Fund, for so long as any Certificates will be Outstanding under the Trust Agreement. All 1999 Payments received by the Trustee will be immediately deposited in the 1999 Debt Service Fund and will be disbursed and applied only as provided in the Trust Agreement.

Establishment and Maintenance of Accounts for Use of Money in the 1999 Debt Service Fund. Subject to the terms of the Trust Agreement, all money in the 1999 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 1999 Debt Service Fund (each of which is created by the Trust Agreement and each of which the Trustee agrees and covenants to maintain) in the following order of priority:

(a) 1999 Interest Account, and

(b) 1999 Prepayment Account (with a 1999 Principal Subaccount and a 1999 Sinking Fund Subaccount therein).

All money in each of such accounts and subaccounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement.

1999 Interest Account. On the Business Day immediately preceding each February 1 and August 1, commencing on February 1, 2000, the Trustee will set aside from the 1999 Debt Service Fund and deposit in the 1999 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the Certificates becoming due and payable on such February 1 or August 1, as the case may be.

No deposit need be made in the 1999 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest evidenced and represented by the Certificates becoming due and payable on such Interest Payment Date.

All money in the 1999 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it will become due and payable (including accrued interest evidenced and represented by any Certificates purchased or prepaid prior to their respective Certificate Payment Date).

1999 Prepayment Account. On the Business Day immediately preceding each February 1, commencing on February 1, 2000, the Trustee will set aside from the 1999 Debt Service Fund and deposit in the 1999 Principal Subaccount in the 1999 Prepayment Account an amount of money equal to the principal amount evidenced and represented by the Outstanding serial Certificates with a Certificate Payment Date of such February I and in the 1999 Sinking Fund Subaccount in the 1999 Prepayment Account the amount of all Sinking Fund Payments required to be made on such February 1.

No deposit need be made in the 1999 Prepayment Account if the amount contained in the 1999 Principal Subaccount therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding serial Certificates with a Certificate Payment Date of such February 1 and the amount contained in the 1999 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such February 1.

All money in the 1999 Principal Subaccount in the 1999 Prepayment Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the serial Certificates as they will become due and payable, whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the 1999 Sinking Fund Subaccount in the 1999 Prepayment Account will be used and withdrawn by the Trustee only to purchase or to prepay or to pay term Certificates, and with respect to the 1999 Sinking Fund Subaccount, on each Sinking Fund Payment date, the Trustee will apply the Sinking Fund Payment required on that date to the prepayment (or payment at Certificate Payment Date, as the case may be) of the term Certificates upon the notice and in the manner provided in the Trust Agreement; provided, however, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation of term Certificates at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the 1999 Interest Account) as may be directed in a Written Request of the Authority, except that the purchase price (excluding accrued interest) will not exceed the prepayment price that would be payable for such term Certificates upon prepayment by application of such Sinking Fund Payment, and if during the twelve-month period immediately preceding any Sinking Fund Payment date the Trustee has so purchased term Certificates, such Certificates so purchased will be applied to the extent of the full principal amount evidenced and represented thereby to reduce the Sinking Fund Payment.

1999 Parity Reserve Account

The Trustee agrees and covenants to maintain the 1999 Parity Reserve Account so long as the Master Contract has not been discharged in accordance with its terms or any Certificates remain Outstanding under the Trust Agreement notwithstanding that the Parity Reserve Fund is no longer maintained under the 1997 Trust Agreement. Amounts on deposit in the 1999 Parity Reserve Account are pledged to the payment of the Certificates and any obligations issued in connection with a Supplemental Contract and shall be applied only for such purposes as are permitted by the Trust Agreement. The Trustee will deposit in the 1999 Parity Reserve Account the amount which, together with the amounts otherwise on deposit in the Parity Reserve Fund, is equal to the Reserve Fund Requirement and such other amounts transferred to the Trustee by the City pursuant to the Master Contract, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the 1999 Parity Reserve Account will be transferred by the Trustee to the 1999 Debt Service Fund to pay principal and interest evidenced and represented by the Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the 1999

Parity Reserve Account, transfer or cause to be transferred to any applicable debt service fund established under a trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a Supplemental Contract. Amounts on deposit in the 1999 Parity Reserve Account which, together with the amounts otherwise on deposit in the Parity Reserve Fund, is in excess of the Reserve Fund Requirement shall, at the Written Request of the Authority, be withdrawn from the 1999 Parity Reserve Account and applied as directed by such Written Request.

Deposit and Investments of Money in Accounts and Funds

Subject to the terms of Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement will be invested in Permitted Investments at the Written Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance with the Trust Agreement; provided, however, that if no such Written Request is received by the Trustee, the Trustee will invest such money in those Permitted Investments described in clause (7) of the definition thereof. Subject to the Trust Agreement, all interest or profits received on any money so invested will be deposited in the 1999 Debt Service Fund.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Trust Agreement.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Trust Agreement.

The Trustee will not be liable for any loss from any Permitted Investment acquired, held, or disposed of at the Written Request of the Authority.

Assignment to Trustee; Enforcement of Obligations

The Authority transfers, assigns and sets over to the Trustee all of the 1999 Payments and any and all rights and privileges it has under the Master Contract, including, without limitation, the right to collect and receive directly all of the 1999 Payments and the right to enforce the provisions of the Master Contract; and any 1999 Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee. The Trustee also will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the Certificates the Trustee's rights in and priority to the following security granted to it for the payment of the Certificates: the Trustee's rights as assignee of the 1999 Payments under the Master Contract and as beneficiary of any other rights to security for the Certificates which the Trustee may receive in the future.

The Trustee may, in performing the obligations set out above, rely and will be protected in acting or refraining from acting upon an Opinion of Counsel furnished by the City.

Covenants

Compliance with Trust Agreement. The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement; and the Authority will not suffer or permit any default by it to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained in the Trust Agreement and in the Certificates.

Observance of Laws and Regulations. The Authority and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Tax Covenants. The Authority covenants with the Owners of the Certificates that, notwithstanding any other provisions of the Trust Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest evidenced and represented by the Certificates under Section 103 of the Code. The Authority will not, directly or indirectly, use or permit the use of proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest evidenced and represented by the Certificates.

The Authority will not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, or any other funds of the Authority, that would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Certificates are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The Authority will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Certificates as "governmental bonds."

The Authority will not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

The Authority will not make any use of the proceeds of the Certificates or any other funds of the Authority, or take or omit to take any other action, that would cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. These covenants will survive payment in full or defeasance of the Certificates.

Accounting Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the 1999 Payment and the proceeds of the Certificates, and such books will be available for inspection by the Authority, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority a complete financial statement covering receipts, disbursements, allocation and application of 1999 Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the 1999 Payments and the proceeds of the Certificates or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant will remain in full force and effect even though all Certificates secured may have been fully paid and satisfied.

Amendments to Master Contract. Except for any Supplemental Contract delivered in accordance with the terms of the Master Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Master Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent will be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security given for the payment of the Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount evidenced and represented by the Certificates then Outstanding to such supplement, amendment, modification or termination; provided, however, that no such supplement, amendment, modification or termination will reduce the amount of 1999 Payments to be made to the Authority or the Trustee by the City pursuant to the Master Contract, or extend the time for making such 1999 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with the Trust Agreement.

Recording and Filing. The Trustee upon receipt of a Written Request of the Authority will, at the expense of the Authority, file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee; provided, however, that the Trustee will not be required to execute a special or general consent to service of process, or to qualify as a foreign corporation in connection with any such filing, recording, registration, refiling or rerecording in any jurisdiction in which it is not now so subject.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

The Trustee

General. U.S. Trust Company, National Association will serve as the Trustee for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates presented for payment and for the purpose of canceling all paid or prepaid Certificates as provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in either San Francisco, California or Los Angeles, California.

The Authority may at any time (unless there exists any Event of Default as defined in Trust Agreement) and upon the written request of the 1999 Certificate Insurer shall, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor will be a bank or trust company doing business and having a principal office in either San Francisco, California or Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000 and subject to supervision or examination by federal or state authority, acceptable to the 1999 Certificate Insurer. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and the 1999 Certificate Insurer and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the Certificates will be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the Certificates, or will incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the Certificates or in law or equity. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement except for its own active or passive negligence, willful misconduct or breach of duty.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

Amendment of the Trust Agreement

General. The Trust Agreement and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Agreement which will become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, are filed with the Trustee; provided, however, that before executing any such Supplemental Trust Agreement the Trustee may first obtain at the Authority's expense an Opinion of Counsel that such Supplemental Trust Agreement complies with the provisions of the Trust Agreement, on which opinion the Trustee may conclusively rely. No such amendment will (1) extend the Certificate Payment Date of, or change the payment dates of, or reduce the rate of interest or principal or prepayment premium, if any, evidenced and represented by any Certificate without the express written consent of the Owner of such Certificate, or (2) reduce the percentage of Certificates required for the written consent to any such amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption without the consent of any Owners, but only to the extent permitted by law, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes:

1. to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;

2. to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement;

3. to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;

4. to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest evidenced and represented by the Certificates from gross income for federal income tax purposes under the Code or the exemption of such interest from State of California personal income taxes;

5. to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the Certificates by any of the Rating Agencies; or

6. to add to the rights of the Trustee.

Amendment by Mutual Consent. The Trust Agreement does not prevent any Owner from accepting any amendment as to the particular Certificates held by him, provided, that due notation thereof is made on such Certificates.

Events of Default; Waiver of Default

Events of Default. If an Event of Default (as that term is defined in the Master Contract) will happen, then such Event of Default will constitute a default under the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding may exercise the remedies provided to the Authority in the Master Contract; provided, that nothing contained in the Trust Agreement will affect or impact the right of action of any Owner to institute suit directly against the City to enforce payment of the obligation evidenced and represented by such Owner's Certificates.

Other Remedies of the Trustee. The Trustee will have the right --

1. by mandamus or other action or proceeding or suit at law or in equity to enforce the Authority's rights under the Master Contract against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Master Contract;

2. by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

3. by suit in equity upon the happening of any Event of Default under the Trust Agreement to enforce the Authority's rights under the Master Contract to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of any duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or any acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee, and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

No Liability by the City to the Owners. Except for the payment when due of the 1999 Payments and the performance of the other agreements and covenants required to be performed by it contained in the Master Contract, the City will not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the 1999 Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the 1999 Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Master Contract.

Defeasance

Discharge of Trust Agreement. When the obligations of the City under the Master Contract will cease pursuant to the Master Contract (except for the right of the Trustee and the obligation of the City to have the money and securities mentioned therein applied to the payment of Payments as therein set forth), then and in that case the obligations created by the Trust Agreement will thereupon cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and securities to the payment of the Certificates as set forth the Trust Agreement and the right of the Trustee to collect any fees or expenses due thereunder and the Trustee will turn over to the City, as an overpayment of 1999 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the Certificates at maturity or on prepayment, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the Certificates, and after such payment, the Trust Agreement will become void.

If moneys or Federal Securities are deposited with and held by the Trustee as provided in the Trust Agreement, the Trustee will mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to the Trust Agreement, stating that (a) moneys or Federal Securities are so held by it, and (b) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement.

Deposit of Money or Securities with Trustee. Whenever in the Trust Agreement or the Master Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities (certified to be sufficient by a report of an Independent Certified Public Accountant) in the necessary amount to pay or prepay any Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and will be --

1. lawful money of the United States of America in an amount equal to the principal amount represented by such Certificates and all unpaid interest represented thereby to maturity, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount plus accrued interest to such date of prepayment plus a prepayment premium, if any, represented by such Certificates; or

2. Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the principal of and interest on which when due will provide, in its opinion of an Independent Certified Public Accountant, delivered to the Trustee, money sufficient to pay the principal plus prepayment premium, if any, plus all accrued interest to maturity or to the prepayment date, as the case may be, represented by the Certificates to be paid or prepaid, as such amounts become due; provided, however, that in the case of Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case the Trustee will have been irrevocably instructed (by the terms of the Trust Agreement and the Master Contract or by Written Request of the City) to apply such money to the payment of such principal plus prepayment premium, if any, plus interest represented by such Certificates.

Notwithstanding anything contained in the Trust Agreement to the contrary, in the event that the interest and/or the principal evidenced and represented by any of the Certificates shall be paid by the 1999 Certificate Insurer pursuant to the 1999 Certificate Insurance Policy, such Certificates shall remain Outstanding under the Trust Agreement for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid, and the assignment and pledge of the Trust Agreement and all agreements, covenants and other obligations of the City under the Contract assigned to the Trustee for the benefit of the Owners of the Certificates shall continue to exist and shall run to the benefit of the 1999 Certificate Insurer, and the 1999 Certificate Insurer shall be subrogated to the rights of such Owners.

Unclaimed Money. Notwithstanding anything contained in the Trust Agreement to the contrary, any money held by the Trustee in trust for the payment and discharge of any of the Certificates which remains unclaimed for two years after the date when such Certificates have become due and payable, either at their stated Certificate Payment Dates or by call for prepayment prior to Certificate Payment Date, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Certificates have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 1999 Payments evidenced and represented by such Certificates; provided, however, that before being required to make any such payment to the City, the Trustee will, at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

Provisions Relating to the 1999 Certificate Insurer

For so long as, and only during such time as, the 1999 Certificate Insurance Policy is in effect and the 1999 Certificate Insurer has not failed to comply with its payment obligations thereunder, the following provisions shall be in effect, and any conflict between the provisions described below and the provisions of any other section of the Trust Agreement shall be governed by the provisions described below:

(a) The prior written consent of the 1999 Certificate Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Parity Reserve Fund.

(b) The 1999 Certificate Insurer shall be deemed to be the sole Owner of the Certificates insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Certificates insured by it are entitled to take pursuant to Article VII (pertaining to defaults and remedies) and Article V (pertaining to the Trustee) of the Trust Agreement.

(c) In the event the maturity of the Certificates is accelerated, the 1999 Certificate Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the 1999 Certificate Insurer's obligations under the 1999 Certificate Insurance Policy with respect to such Certificates shall be fully discharged.

(d) No grace period for a covenant default shall exceed 30 days, nor be extended for more than 60 days, without the prior written consent of the 1999 Certificate Insurer.

(e) The 1999 Certificate Insurer shall be granted the right to remove the Trustee.

(f) The 1999 Certificate Insurer shall be included as a third party beneficiary to Trust Agreement and the Contracts.

(g) No modification, amendment or supplement to the Trust Agreement, the Contracts or any other transaction document (each a "Related Document") may become effective except upon obtaining the prior written consent of the 1999 Certificate Insurer.

(h) Copies of any modification or amendment to the Trust Agreement or any other Related Document shall be sent to S&P and Moody's at least 10 days prior to the effective date thereof.

(i) Rights of the 1999 Certificate Insurer to direct or consent to Authority, Trustee or Owners actions under the Trust Agreement shall be suspended during any period in which the 1999 Certificate Insurer is in default in its payment obligations under the 1999 Certificate Insurance Policy (except to the extent of amounts previously paid by the 1999 Certificate Insurer and due and owing to the 1999 Certificate Insurer) and shall be of no force or effect in the event the 1999 Certificate Insurance Policy is no longer in effect or the 1999 Certificate Insurer asserts that the 1999 Certificate Insurance Policy is not in effect or the 1999 Certificate Insurer shall have provided written notice that it waives such rights.

(j) The rights granted to the 1999 Certificate Insurer under the Trust Agreement or any other Related Document to request, consent to or direct any action are rights granted to the 1999 Certificate Insurer in consideration of its issuance of the 1999 Certificate Insurance Policy. Any exercise by the 1999 Certificate Insurer of such rights is merely an exercise of the 1999 Certificate Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners nor does such action evidence any position of the 1999 Certificate Insurer, positive or negative, as to whether Owner consent is required in addition to consent of the 1999 Certificate Insurer.

(k) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or any combination thereof, shall be authorized to be used to effect defeasance of the Certificates unless the 1999 Certificate Insurer otherwise approves.

To accomplish defeasance the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the 1999 Certificate Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the 1999 Certificate Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Certificates are no longer "Outstanding" under the Trust Agreement; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, the Trustee and the 1999 Certificate Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the 1999 Certificate Insurer and shall be accompanied by such opinions of counsel as may be required by the 1999 Certificate Insurer. The 1999 Certificate Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Certificates shall be deemed "Outstanding" under the Trust Agreement unless and until they are in fact paid and retired or the above criteria are met.

(l) Amounts paid by the 1999 Certificate Insurer under the 1999 Certificate Insurance Policy shall not be deemed paid for purposes of the Trust Agreement and shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Trust Agreement.

(m) The Trust Agreement shall not be discharged unless all amounts due or to become due to the 1999 Certificate Insurer have been paid in full or duly provided for.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of August 1, 1999 is entered into by and between the City of Roseville (the "City") and U.S. Trust Company, National Association, as trustee (the "Trustee") under a Trust Agreement, dated as of August 1, 1999 (the "Trust Agreement"), by and between the Roseville Finance Authority (the "Authority") and the Trustee, in connection with the execution and delivery of $21,630,000 Electric System Revenue Certificates of Participation, Series 1999 (the "Certificates"), evidencing and representing proportionate interests of the owners thereof in certain installment payments to be made by the City. The Certificates are being executed and delivered pursuant to the Trust Agreement in order to provide financing for the acquisition and construction of certain public improvements, to finance certain costs of issuance and to fund a reserve fund. Capitalized terms used in this Disclosure Agreement shall have the respective meanings specified above or in Section 2 hereof or if not defined therein, shall have the meanings given such terms pursuant to the Trust Agreement.

SECTION 1 Purpose of this Disclosure Agreement. This Disclosure Agreement shall constitute a written undertaking for the benefit of the Owners and Beneficial Owners of the Certificates and is being executed and delivered in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2 Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year.

"Installment Purchase Contract" shall mean that certain Master Installment Purchase Contract, dated as of November 1, 1997, by and between the City and the Authority, as supplemented by that certain 1999 Supplemental Installment Purchase Contract, dated as of August 1, 1999, by and between the City and the Authority.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities information Repository for purposes of the Rule.

"Owner" shall mean a registered owner of the Certificates.

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3 Provision of Annual Reports

(a) The City shall provide, or cause to be provided by the Trustee or any other person or entity, not later than January 31 of each year (beginning in January 2000) to each Repository an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Agreement, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) The City shall provide, or cause to be provided by the Trustee or any other person or entity, in a timely manner, notice of any failure of the City to provide an Annual Report by the date specified in subsection (a) above to each Repository a notice in substantially the form attached hereto as Exhibit A.

SECTION 4 Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

1. Principal amount of the Certificates outstanding as of the end of the immediately preceding Fiscal Year.

2. Balance in the Parity Reserve Fund as of the end of the immediately preceding Fiscal Year and a statement of the Reserve Fund Requirement (as those terms are defined in the Installment Purchase Contract).

3. Balance in the Rate Stabilization Fund as of the end of the immediately preceding Fiscal Year.

4. Updated information comparable to the information in Table 1 entitled "City of Roseville Electric Department Customers, Sales, Revenues and Demand" as it appears in the Official Statement dated August 3, 1999 relating to the Certificates (the "Official Statement").

5. Updated information comparable to the information in Table 2 entitled "City of Roseville Electric Department Ten Largest Customers" as it appears in the Official Statement.

6. Updated information comparable to the information in Table 3 entitled "City of Roseville Electric Department Power Supply Resources" as it appears in the Official Statement.

7. Updated information comparable to the information in Table 5 entitled "City of Roseville Electric Department Outstanding Debt of Joint Powers Agencies" as it appears in the Official Statement.

8. The audited financial statements of the City for the prior fiscal year, prepared in accordance with Generally Accepted Account Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or the City or related public entities, which have been submitted to each of the Repositories; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

SECTION 5 Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. principal and interest payment delinquencies.

2. non-payment related defaults.

3. modifications to rights of Certificate holders.

4. optional, contingent or unscheduled Certificate calls.

5. defeasances.

6. rating changes.

7. adverse tax opinions or events affecting the tax-exempt status of the Certificates.

8. unscheduled draws on the debt service reserves reflecting financial difficulties.

9. unscheduled draws on the credit enhancements reflecting financial difficulties.

10. substitution of the credit or liquidity providers or their failure to perform.

11. release, substitution or sale of property securing repayment of the Certificates.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Certificates pursuant to the Trust Agreement.

SECTION 6 Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

SECTION 7 Termination. The City and the Trustee's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. In addition, the Trustee's obligations hereunder shall terminate upon its resignation or removal as trustee in accordance with the provisions of the Trust Agreement.

This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the City (1) delivers to the Trustee an opinion of Cox, Castle & Nicholson LLP, or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and Trustee, to the effect that those portions of the Rule which require this Disclosure Agreement, or any of the provisions hereof, do not or no longer apply to the Certificates, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each Repository.

If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8 Amendment; Waiver(a)This Disclosure Agreement may be amended, by written Disclosure Agreement of the parties, without the consent of the holders of the Certificates (except to the extent required under clause (4)(ii) of this Section 8 below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have delivered to the Trustee an opinion of Cox, Castle & Nicholson LLP, or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) the City shall have delivered to the Trustee an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Certificates or (ii) the holders of the Certificates consent to the amendment to this Disclosure Agreement with consent of holders of the Certificates pursuant to the terms of the Trust Agreement as in effect on the date of this Disclosure Agreement; and (5) the City shall have delivered copies of such opinion and amendment to each Repository.

(b) In addition to subsection (a) above, this Disclosure Agreement may be amended and any provision of this Disclosure Agreement may be waived, by written agreement of the parties, without the consent of the holders of the Certificates, if all of the following conditions are satisfied; (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Agreement which is applicable to this Disclosure Agreement, (2) the City shall have delivered to the Trustee an opinion of Counsel, addressed to the City and the Trustee, to the effect that performance by the City and Trustee under this Disclosure Agreement as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) the City shall have delivered copies of such opinion and amendment to each Repository.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, the Annual Report of the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences sin the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of such amendment shall be provided by the City to each Repository.

SECTION 9 Benefit: Third-Party Beneficiaries; Enforcement. (a) The provisions of this Disclosure Agreement shall inure solely to the benefit of the City, the Trustee and the holders from time to time of the Certificates, except that beneficial owners of Certificates shall be third-party beneficiaries of this Disclosure Agreement.

(b) Except as provided in this subsection (b), the provisions of this Disclosure Agreement shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Disclosure Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Certificates, or by the Trustee on behalf of the holders of Outstanding Certificates or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Certificates; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Disclosure Agreement. In consideration of the third-party beneficiary status of beneficial owners of Certificates pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Certificates for purposes of this subsection (b).

(c) Any failure by the City or the Trustee to perform in accordance with this Disclosure Agreement shall not constitute a default or an Event of Default under the Trust Agreement, and the rights and remedies provided by the Trust Agreement upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the State.

SECTION 10 Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City or dissemination Agent from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall not thereby have any obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 11 Duties, Immunities and Liabilities of Trustee. Article 5 of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Agreement were (solely for this purpose) contained in the Trust Agreement. The Trustee shall have only such duties under this Disclosure Agreement as are specifically set forth herein, and the City agrees to indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Trust Agreement. The obligations of the City under this Section shall survive resignation or removal of the Trustee and payment of the Certificates.

SECTION 12 Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13 Choice of Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California, provided that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the parties have each caused this Disclosure Agreement to be executed by their duly authorized representatives, and the City has caused its corporate seal to be hereunto affixed and attested by an authorized representative, all as of the date first above written.

CITY OF ROSEVILLE

By:______________________________
Title: Director of Finance

U.S. TRUST COMPANY, NATIONAL ASSOCIATION

By:______________________________
Authorized Signatory

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF ROSEVILLE

Name of Issue: ELECTRIC SYSTEM REVENUE
CERTIFICATES OF PARTICIPATION, SERIES 1999

Date of Issuance: _______________, 1999

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement dated _______________, 1999 relating to the Certificates and by Section 2.08 of the 1997 Supplemental Installment Purchase Contract, executed and entered into as of August 1, 1999, by and between the City and the Roseville Finance Authority. The City anticipates that the Annual Report will be filed by ____________________________.

Dated: __________________________

CITY OF ROSEVILLE, CALIFORNIA

By______________________________________

APPENDIX E

BOOK-ENTRY SYSTEM

BOOK-ENTRY SYSTEM

General. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Certificates. The ownership interest of one fully registered Certificate for each series and maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of which (and/or their representatives) own DTC. Access to the DTC system is also-available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

The DTC Participants will receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Certificate (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Certificates acquired. Transfers of ownership interests in the Certificates will be accomplished by book entries made by DTC and in turn by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except as specifically provided in the Trust Agreement.

So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references in this Official Statement to the owners of the Certificates or registered owners of the Certificates shall mean Cede & Co. and shall not mean the Beneficial Owners of the Certificates.

DTC may determine to discontinue providing its services with respect to the Certificates at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, Certificate certificates are required to be delivered as described in the Trust Agreement. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Certificates.

The Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. In such event, Certificate certificates will be delivered as described in the Trust Agreement.

Conveyance of notices and other communications by DTC to DTC Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among DTC, DTC Participants and Indirect Participants, subject to any statutory and regulatory requirements as may be in effect from time to time.

Payments of principal of, premium, if any, and interest on the Certificates will be made to DTC or its nominee, Cede & Co., as registered owner of the Certificates. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings of Certificates shown on the records of DTC. Payments by DTC Participants and

Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Authority, the City, the Trustee or the Underwriter, subject to any statutory and regulatory requirements as may be in effect from time to time.

While the Certificates are in the book-entry system, redemption and tender notices shall be sent to Cede & Co. If less than all of the Certificates are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct DTC Participant in such issued to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates. Under its usual procedures, DTC will mail an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct DTC Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The following three paragraphs are designated by DTC as a Year 2000 readiness disclosure within the meaning of the Year 2000 Information and Readiness Disclosure Act.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plans include a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant, and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans, as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for information purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

The Authority, the City, the Trustee and the Underwriter cannot and do not give any assurances that DTC will distribute to DTC Participants, or that DTC Participants or others will distribute payments of principal of, interest and premium, if any, on the Certificates paid or any redemption or other notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority, the City, the Trustee and the Underwriter have no responsibility or liability for the failure of the DTC or any DTC Participant to make any payments or give any notice to a Beneficial Owner with respect to the Certificates or any error or delay relating thereto.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of DTC Services. DTC may discontinue providing its services with respect to the Certificates at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law or, the Authority may terminate its participation in the system of book-entry transfers through DTC at any time. In the event that the book-entry system is discontinued, procedures and record keeping, notices, and payment of principal, interest and other payments on the Certificates will be governed by the provisions of the Trust Agreement.

APPENDIX F

FORM OF OPINION OF SPECIAL COUNSEL

FORM OF OPINION OF SPECIAL COUNSEL

[Date of Closing]

City Council
City of Roseville
Roseville, California

$21,630,000
Electric System Revenue Certificates of Participation, Series 1999 Evidencing and Representing Proportionate Interests of the Owners Thereof in 1999 Payments to be made by the City of Roseville

Ladies and Gentlemen:

We have acted as special counsel to the City of Roseville (the "City") in connection with the execution and delivery of $21,630,000 principal amount of Electric System Revenue Certificates of Participation, Series 1999, dated August 1, 1999 (the "Certificates"), evidencing and representing proportionate interests of the owners thereof in 1999 Payments (as that term is defined in the Trust Agreement referred to below) to be made by the City under and pursuant to that certain Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Installment Purchase Contract"), by and between the City and the Roseville Finance Authority (the "Authority"), as supplemented by that certain 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997 (the "1997 Supplemental Installment Purchase Contract"), by and between the City and the Authority, and as further supplemented by that certain 1999 Supplemental Installment Purchase Contract, dated as of August 1, 1999 by and between the City and the Authority (the "1999 Supplemental Installment Purchase Contract"). The Master Installment Purchase Contract, as supplemented by the 1997 Supplemental Installment Purchase Contract and the 1999 Supplemental Installment Purchase Contract is referred to herein as the "Installment Purchase Contract." All of the Authority's rights to receive such 1999 Payments have been assigned by the Authority to U.S. Trust Company, National Association, as trustee (the "Trustee"), pursuant to that certain Trust Agreement, dated as of August 1, 1999 (the "Trust Agreement"), by and between the Authority and the Trustee. The Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

In our capacity as special counsel, we have reviewed relevant laws of the State of California, including the City Charter; executed copies of the 1999 Supplemental Installment Purchase Contract and the Trust Agreement; certifications and resolutions of the City, the Authority, the Trustee, and others; opinions of counsel to the City, the Authority and the Trustee; and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Certain requirements and procedures contained or referred to in the 1999 Supplemental Installment Purchase Contract and the Trust Agreement or other relevant documents relating to the Certificates may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of municipal bonds. We express no opinion as to the exclusion of the interest represented by the Certificates from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than this firm.

With respect to the opinions expressed herein, the rights and obligations under the Certificates and the 1999 Supplemental Installment Purchase Contract and the Trust Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally, to the application of such principles of equity as the court having jurisdiction may impose, regardless of whether such enforceability is considered in a proceeding in equity or at law, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 1999 Supplemental Installment Purchase Contract and the Trust Agreement have been duly authorized, executed and delivered by the Authority; the 1999 Supplemental Installment Purchase Contract has been duly authorized, executed and delivered by the City; and, assuming (in the case of the Trust Agreement) due authorization, execution and delivery by the Trustee, such agreements are valid and binding obligations of the Authority and the City (as the case may be), enforceable against the Authority and the City (as the case may be) in accordance with their respective terms.

2. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the City to make the 1999 Payments under the 1999 Supplemental Installment Purchase Contract is a special obligation of the City payable solely from Net Revenues (as such term is defined in the Installment Purchase Agreement). The general fund of the City is not liable, and neither the faith and credit nor taxing power of the City is pledged, for the payment of the 1999 Payments under the Installment Purchase Contract.

4. Based on existing statutes, regulations, rulings and judicial decisions and assuming compliance by the City and the Authority with certain covenants in the Trust Agreement and the Installment Purchase Contract and with requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of Certificate proceeds and the compliance with certain requirements regarding the rebate of certain investment earnings to the United States Treasury, interest represented by the Certificates is not includable in the gross income of the owners of the Certificates for purposes of federal income taxation. Failure by the Authority or the City to comply with the above covenants and requirements may cause interest represented by the Certificates to be included in gross income retroactive to the date of execution and delivery of the Certificates.

Interest represented by the Certificates will not be treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals or corporations; however, interest represented by the Certificates will be included as an adjustment in the calculation of the alternative minimum taxable income of corporations and may therefore affect the federal alternative minimum tax liability of corporations. We express no opinion regarding other tax consequences caused by ownership of, or the receipt of interest represented by, the Certificates.

5. Interest represented by the Certificates is exempt from present State of California personal income taxes.

Respectfully submitted,

APPENDIX G

FORM OF CERTIFICATE INSURANCE POLICY

FINANCIAL SECURITY ASSURANCE℠

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By____________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the Insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By ______________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022 (212) 826-0100

Form 500NY (CA 1/91)

CAROSE0899

DO NOT STAPLE THIS FORM 105805

3 R B

FORM G-36(OS) - FOR OFFICIAL STATEMENTS

:TION I - MATERIALS SUBMITTED

THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1.[X] A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)
(a) DATE RECEIVED FROM ISSUER: 08/11/1999 (b) DATE SENT TO MSRB: 08/11/1999

2.[ ] AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)
(a) DATE RECEIVED FROM ISSUER: ______ (b) DATE SENT TO MSRB: ______

IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g. preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE: [X]

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original form G-36 (OS)): [ ]

:TION II - IDENTIFICATION OF ISSUE(S)

:h issue must be listed separately.

more space is needed to list additional issues, please include on a separate sheet and check here: [ ]

IE OF ;UER	CITY OF ROSEVILLE, CALIFORNIA ELECTRIC SYSTEM REVENUE CERTIFICATES OF PARTICIPATION, SERIES 1999	STATE: CA
:SCRIPTION ISSUE	CITY OF ROSEVILLE, CALIFORNIA ELECTRIC SYSTEM REVENUE CERTIFICATES OF PARTICIPATION, SERIES 1999	DATED DATE: 08/01/1999
E OF UER		STATE:
CRIPTION ISSUE		DATED DATE:
:E OF .UER		STATE:
:CRIPTION ISSUE		DATED DATE:

TION III - TRANSACTION INFORMATION

LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 02/01/2024

DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 08/03/1999

ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 08/18/1999

IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE: [ ]

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

TION IV - UNDERWRITER ASSESSMENT INFORMATION

information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The aging underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

MANAGING UNDERWRITER PaineWebber Incorporated SEC REG. NUMBER: 8-16267

TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING $ 21,630,000

PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from the amount shown in item B above): $

CHECK ALL THAT APPLY

1.[ ] At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

2.[ ] At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

3.[ ] This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of $100,000 or more and sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

ON V - CUSIP INFORMATION
rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for
number assignment under the eligibility criteria of the CUSIP Service Bureau.

:USIP-9 NUMBERS OF THE ISSUE(S)

·ity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
1/2002	777807AA6	02/01/2003	777807AB4	02/01/2004	777807AC2
1/2005	777807AD0	02/01/2006	777807AE8	02/01/2007	777807AF5
1/2008	777807AG3	02/01/2009	777807AH1	02/01/2010	777807AJ7
1/2011	777807AK4	02/01/2012	777807AL2	02/01/2013	777807AM0
1/2017	777807AN8	02/01/2024	777807AP3		

IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW: [ ]
(Please see instructions in Form G-36 Manual)
LIST ALL CUSIP-6 NUMBERS ASSIGNED: ______
State the reason why such securities have not been assigned a "CUSIP-9": ______

IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE: [ ]
State the reason why such securities are ineligible for CUSIP number assignment: ______

ION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE
UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER
)RMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.

"RECEIVED"
AUG 12 1999
"M.S.R.B."

ON BEI :TION IV ABOVE

SIGNE! ______

NAME: underwriter)
(PRIN

PHONE and
:
(Include phone and fax numbers at which you are most likely
accompanying materials)

E: 1. Please refer to form G-36 Manual for detail instructic :NED FOR
2. All items on this form must be completed or noted as i
CORRECTION.
3. Two properly completed copies of this form and two co| statement must
be included to be considered sent to the MSRB within ' ia, Virginia
4. Submit this form and accompanying materials to MSRB, I
22314.