Ratings: Moody's: "Aaa/VMIG1"
Standard & Poor's: "AAA/A-1+"
(See "RATINGS" herein.)

NEW ISSUE — BOOK-ENTRY ONLY

$40,385,000
CITY OF ROSEVILLE
VARIABLE RATE DEMAND
ELECTRIC SYSTEM REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2002

Dated: Date of Delivery | *Price: 100%* | *Due: February 1, 2024*

The City of Roseville Variable Rate Demand Electric System Revenue Certificates of Participation, Series 2002 (the "2002 Certificates") evidence and represent the proportionate interests of the Owners thereof in certain installment payments (the "2002 Payments") to be made by the City of Roseville (the "City") under the terms of the Master Installment Purchase Contract, executed and entered into as of November 1, 1997, as supplemented (the "Contract"). The obligation to pay the 2002 Payments is secured by a pledge of the Net Revenues of the City's electric utility (the "Electric System"). The City has certain obligations outstanding that are payable on a parity with the 2002 Payments and certain obligations outstanding payable as Maintenance and Operation Costs prior to the 2002 Payments. Subject to certain conditions under the Contract, the City may incur additional obligations payable from the Net Revenues or as Maintenance and Operation Costs of the Electric System.

The proceeds of the sale of the 2002 Certificates will be used primarily (i) to finance the costs of certain additions, betterments and improvements to the City's Electric System, including a termination payment made in connection with cancellation of a certain power purchase agreement, (ii) to refund certain of the City's outstanding electric system revenue certificates of participation, (iii) to fund a reserve fund, and (iv) to fund the costs of delivering the 2002 Certificates.

The 2002 Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2002 (the "Trust Agreement"), by and between the Authority and BNY Western Trust Company, as trustee (the "Trustee"). The 2002 Certificates will be delivered in fully registered form in denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000 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 2002 Certificates. Upon receipt of payments of principal of, premium, if any, and interest evidenced by the 2002 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 2002 Certificates. See "APPENDIX D — Book-Entry System" herein.

The 2002 Certificates are subject to optional and mandatory prepayment and optional and mandatory tender prior to their respective maturity dates as described herein.

The 2002 Certificates will initially evidence interest in the Weekly Mode. Interest on the 2002 Certificates in the Weekly Mode will be payable on the first Business Day of each month, commencing January 2, 2003. The 2002 Certificates may be converted to the Daily Mode, the Term Mode or a Fixed Rate as described herein.

The scheduled payment of the principal and interest evidenced by the 2002 Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2002 Certificates by FINANCIAL SECURITY ASSURANCE INC. (the "2002 Certificate Insurer"). See "2002 CERTIFICATE INSURANCE" herein.

FSA

In addition, payment of the purchase price of each 2002 Certificate subject to mandatory or optional tender for purchase is secured by amounts available pursuant to a Standby Certificate Purchase Agreement, dated December 18, 2002 (the "Standby Purchase Agreement"), by and among the City, the Trustee and Dexia Crédit Local, acting through its New York Agency (the "Bank"). Under the Standby Purchase Agreement, the Bank agrees to purchase any 2002 Certificates that are subject to mandatory or optional purchase and that are not remarketed on or before the required purchase date. UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF THE BANK TO PURCHASE THE 2002 CERTIFICATES TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED WITHOUT PRIOR NOTICE OR ANY PURCHASE BY THE BANK. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SUCH 2002 CERTIFICATES. See "LIQUIDITY FACILITY" herein.

DEXIA
Crédit Local

THE OBLIGATION OF THE CITY TO MAKE THE 2002 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 2002 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 2002 PAYMENTS AS DESCRIBED HEREIN.

In the opinion of Hawkins, Delafield & Wood, San Francisco, California, Special Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest with respect to the 2002 Certificates is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest with respect to the 2002 Certificates is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Special Counsel, under existing statutes, interest with respect to the 2002 Certificates is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein with respect to tax consequences relating to the 2002 Certificates.

The 2002 Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Hawkins, Delafield & Wood, San Francisco, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and for the Authority by its General Counsel. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation. It is anticipated that the 2002 Certificates will be available for delivery through DTC in New York, New York, on or about December 18, 2002.

MORGAN STANLEY

Dated: December 17, 2002

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 2002 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 Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. 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 will 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 2002 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 "2002 Certificate Insurer") contained under the caption " 2002 Certificate Insurance" and Exhibit F herein, none of the information in this Official Statement has been supplied or verified by the 2002 Certificate Insurer and the 2002 Certificate Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2002 Certificates; or (iii) the tax exempt status of the interest evidenced by the 2002 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 2002 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
ROSEVILLE FINANCE AUTHORITY

City Council/Authority Members

Rocky Rockholm, Mayor/Chair
Gina Garbolino, Mayor Pro Tempore/Vice Chair
Richard Roccucci, Member
Earl Rush, Member
Jim Gray, Member

City Staff/Authority Officers

Allen E. Johnson, City Manager/Executive Director
Russ Branson, Finance Director/Controller & Treasurer
Tom Habashi, Electric Utility Director
Mark Doane, Esq., City Attorney/General Counsel
Carolyn Parkinson, City Clerk/Secretary

SPECIAL SERVICES

Special Counsel

Hawkins, Delafield & Wood
San Francisco, California

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Trustee

BNY Western Trust Company
Los Angeles, California

Verification Agent

The Arbitrage Group
Tuscaloosa, Alabama

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TABLE OF CONTENTS

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OFFICIAL STATEMENT

$40,385,000
CITY OF ROSEVILLE
VARIABLE RATE DEMAND
ELECTRIC SYSTEM REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2002

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 Variable Rate Demand Electric System Revenue Certificates of Participation, Series 2002 (the "2002 Certificates"), in the aggregate principal amount of $40,385,000. 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 2002 Certificates to potential investors is made only by means of the entire Official Statement.

The City of Roseville

The City of Roseville (the "City") is located in southwestern Placer County (the "County"), California, and is the largest city in the County. The City is included in the Sacramento Metropolitan Statistical Area, and because of this close proximity, the City's economy is closely tied to that of the State capital. The City covers 31 square miles and its population is approximately 83,000. See "THE CITY OF ROSEVILLE" herein and "Appendix A- THE CITY OF ROSEVILLE" hereto.

The Roseville Finance Authority

The Roseville Finance 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. 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. See "THE ROSEVILLE FINANCE AUTHORITY" herein.

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 developments in the electric industry in California. See "THE ELECTRIC SYSTEM," "THE CITY'S RESPONSE TO INDUSTRY RESTRUCTURING," "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS" and "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" herein.

The 2002 Certificates

The 2002 Certificates evidence and represent the proportionate interests of the owners thereof in certain Payments (the "2002 Payments") to be made by the City to the Authority pursuant to the Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), as supplemented by the 2002 Supplemental Installment Purchase Contract, dated as of December 1, 2002, each by and between the City and the Authority (the "2002 Supplemental Contract", and together with the Master Contract and certain other Supplemental Installment Purchase Contracts described herein, the "Contract"). The 2002 Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2002 (the "Trust Agreement"), between the Authority and BNY Western Trust Company, as trustee (the "Trustee").

The 2002 Certificates will initially evidence interest in the Weekly Mode as provided in the Trust Agreement; provided that in no event will the rate of interest on any 2002 Certificate exceed at any time the Maximum Rate. "Maximum Rate" is defined by the Trust Agreement as 12% per annum, except that the Maximum Rate for Bank Certificates will be as provided in the Liquidity Facility. Interest on the 2002 Certificates in the Weekly Mode will be payable on the first Business Day of each month, commencing January 2, 2003. The 2002 Certificates may be converted to the Daily Mode, the Term Mode or a Fixed Rate as described herein.

Use of Proceeds

The proceeds of the sale of the 2002 Certificates will be used (i) to finance the costs of certain additions, betterments and improvements to the City's Electric System, including a termination payment made in connection with cancellation of a certain power purchase agreement, (ii) to refund certain of the City's outstanding electric system revenue certificates of participation, (iii) to fund a reserve fund, and (iv) to fund the costs of delivering the 2002 Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The 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 Contract. The 2002 Payments under the Contract are secured by the Net Revenues (as defined in the Master Contract) of the Electric System. The Contract provides that such 2002 Payments are secured by Net Revenues on a parity with other obligations designated by the City as parity obligations (together with the 2002 Payments, the "Parity Obligations") which are incurred on the terms and conditions specified in the Master Contract. See "SECURITY FOR THE 2002 CERTIFICATES- Pledge of Net Revenues Pursuant to the Contract" herein.

The obligation of the City to make the 2002 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 2002 Payments.

Rate Covenant

To provide security for the 2002 Payments securing the 2002 Certificates and other Parity Obligations, the City covenants in the 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 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"). See "SECURITY FOR THE 2002 CERTIFICATES - Rate Covenant." The City's ability to comply with the Rate Covenant may be limited by developments in the electric industry in California. See "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS" and "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" 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). Proceeds of the 2002 Certificates will be used to increase the amount previously on deposit in the Parity Reserve Fund to the Reserve Fund Requirement for the 1997 Certificates, the 1999 Certificates and the 2002 Certificates. Moneys in the Parity Reserve Fund will be transferred by the Trustee to the 2002 Debt Service Fund and to the applicable debt service fund for obligations issued in connection with other Payments under the Contract in the event amounts on deposit therein are insufficient to pay debt service on the 2002 Certificates or such other obligations. See "SECURITY FOR THE 2002 CERTIFICATES - Parity Reserve Fund."

2002 Certificate Insurance

The scheduled payment of the principal and interest evidenced by the 2002 Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2002 Certificates by Financial Security Assurance Inc. (the "2002 Certificate Insurer"). See "2002 CERTIFICATE INSURANCE" herein.

Liquidity Facility

Payment of the purchase price of each 2002 Certificate subject to mandatory or optional tender for purchase is secured by amounts available pursuant to a Standby Certificate Purchase Agreement, dated December 18, 2002 (the "Standby Purchase Agreement"), by and among the City, the Trustee and Dexia Crédit Local, acting through its New York Agency (the "Bank"). Under the Standby Purchase Agreement, the Bank agrees to purchase any 2002 Certificates that are subject to mandatory or optional purchase and that are not remarketed on or before the required purchase date. UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF THE BANK TO PURCHASE THE 2002 CERTIFICATES TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED WITHOUT PRIOR NOTICE OR ANY PURCHASE BY THE BANK. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SUCH 2002 CERTIFICATES. The Trust Agreement defines the term "Liquidity Facility" as initially the Standby Purchase Agreement, or any Alternate Liquidity Facility and defines the term "Liquidity Provider" as the Bank, in its capacity as issuer of the Liquidity Facility, or the issuer of any Alternate Liquidity Facility then in effect. "See "LIQUIDITY FACILITY" herein.

Other Obligations of the Electric System

Pursuant to the Contract, all Net Revenues of the Electric System are pledged to the payment of Parity Obligations, including the 2002 Payments and the 1997 Payments and 1999 Payments (as defined below). The City may incur additional Parity Obligations payable from Net Revenues and obligations payable as Maintenance and Operations Costs on the terms and conditions set forth in the Master Contract.

As of the date of delivery of the 2002 Certificates (and after defeasance of the 1997 Certificates and the 1999 Certificates to be refunded), there will be $1,485,000 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") and $3,520,000 aggregate principal amount of Electric System Revenue Certificates of Participation, Series 1999 (the "1999 Certificates") outstanding representing Payments (the "1999 Payments") under the Master Contract as supplemented by the 1999 Supplemental Installment Purchase Contract dated as of August 1, 1999 (the "1999 Supplemental Contract"). The 1997 Payments and 1999 Payments are payable from the Net Revenues of the Electric System on a parity with the 2002 Payments evidenced by the 2002 Certificates.

In addition to the 1997 Payments, the 1999 Payments and the 2002 Payments (collectively, the "Payments"), the City is obligated on a "take-or-pay" basis to make payments relating to debt service on approximately $124 million principal amount of bonds and notes as of June 30, 2002 under power purchase and transmission capacity agreements with joint powers agencies. Such payments constitute Maintenance and Operation Costs of the Electric System payable prior to any of the Payments required to be made under the Contract. See "ELECTRIC SYSTEM FINANCIAL INFORMATION-Indebtedness."

No Continuing Disclosure

While in the Weekly Mode, the 2002 Certificates are exempt from the continuing disclosure requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

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 will, 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 will have the meanings assigned to such terms in the Trust Agreement or, if not defined in the Trust Agreement, in the Contract.

The City expects to enter into an interest rate swap agreement (the "Swap Agreement") with Morgan Stanley Capital Services Inc. (the "Swap Counterparty"), a wholly owned subsidiary of Morgan Stanley Dean Witter & Co. ("MSDW"), and an affiliate of Morgan Stanley & Co. Incorporated, the underwriter (the "Underwriter"), settling contemporaneously with the issuance of the 2002 Certificates. The Swap Agreement shall have a term extending to the scheduled final maturity date of the 2002 Certificates (the "Scheduled Expiration Date") and shall require the City to make periodic payments calculated on the basis of a fixed rate of interest applied to a notional amount equivalent to the outstanding principal amount of the 2002 Certificates in exchange for receipt of payments calculated based on a variable rate index. See "THE 2002 CERTIFICATES – Interest Rate Swap Agreement" herein.

THE 2002 CERTIFICATES

General

The 2002 Certificates evidence the proportionate interests of the Owners thereof in 2002 Payments to be made by the City pursuant to the Contract. The 2002 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 2002 Certificates. Ownership interests in the 2002 Certificates may be purchased in book-entry form only, in denominations, during any Daily Mode or Weekly Mode, of $100,000 or any integral multiple of $5,000 in excess of $100,000 and, during any Term Mode or for 2002 Certificates bearing interest at a Fixed Rate, $5,000 or any integral multiple thereof. See "Appendix D-BOOK-ENTRY SYSTEM."

Terms of the 2002 Certificates

The 2002 Certificates will initially be issued in the Weekly Mode. The 2002 Certificates will be dated the Date of Delivery and will evidence interest until maturity or prior prepayment as provided in the Trust Agreement; provided that in no event will the rate of interest on any 2002 Certificate exceed at any time the Maximum Rate. Interest on the 2002 Certificates while in the Weekly Mode will be payable on the first Business Day of each month, commencing January 2, 2003. Pursuant to the Trust Agreement, "Interest Payment Date" means (1) with respect to 2002 Certificates in a Term Mode with a Term Interest Rate Period of 12 months or less, the Business Day next succeeding the last day of the Term Interest Rate Period; (2) with respect to 2002 Certificates in a Term Mode with an Interest Rate Period of greater than 12 months each February 1 and August 1 and the Business Day next succeeding the last day of the Term Interest Rate Period, (3) with respect to 2002 Certificates in a Weekly Mode or a Daily Mode, the first Business Day of each month; (4) with respect to 2002 Certificates bearing interest at a Fixed Rate, each February 1 and August 1; (5) any Mode Change Date; (6) the maturity date of the 2002 Certificates; and (7) with respect to Bank Certificates, the dates set forth in the Liquidity Facility. When the 2002 Certificates are in a Daily Mode or a Weekly Mode, interest on the 2002 Certificates will be computed on the basis of a 365/366 day year for the number of days actually elapsed. When the 2002 Certificates are in a Term Mode or bear interest at a Fixed Rate, interest on the 2002 Certificates will be calculated on the basis of a 360-day year and twelve (12) 30-day months.

The 2002 Certificates will mature on February 1, 2024, but are subject to mandatory and optional prepayment as provided in the Trust Agreement. See "Prepayment" below.

Weekly Mode. The City, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Liquidity Provider, may elect to adjust the Mode for the 2002 Certificates from a Daily Mode or a Term Mode to a Weekly Mode. Such direction must be given at least 30 days prior to the effective date of such adjustment and must specify the effective date of such adjustment to a Weekly Mode, which will be (i) with respect to 2002 Certificates in a Daily Mode an Interest Payment Date and (ii) with respect to 2002 Certificates in the Term Mode, (a) the final Interest Payment Date of the then current Term Interest Rate Period or (b) any date on which such 2002 Certificates may be optionally redeemed at a Purchase Price of 100% of the principal amount thereof, plus accrued interest, pursuant to the Trust Agreement.

When the 2002 Certificates are in the Weekly Mode, the 2002 Certificates will evidence interest at the Weekly Interest Rate for each Weekly Interest Rate Period, which will be determined by the Remarketing Agent not later than 2:00 p.m. (California time) on the Rate Determination Date (or by not later than 9:00 a.m. (California time) if the Rate Determination Date is a Business Day following a Wednesday that was not a Business Day). The Trust Agreement defines "Rate Determination Date" as the date on which the interest rate(s) with respect to the 2002 Certificates will be determined, which (i) in the case of the Daily Mode, is required to be each Business Day by 7:30 a.m. California time; (ii) in the case of the Weekly Mode, is required to be each Wednesday or, if Wednesday is not a Business Day, the next following Business Day, or in the case of a conversion to the Weekly Mode is required to be at least one Business Day prior to the Mode Change Date; (iii) in the case of the Term Mode, is required to be at least one Business Day prior to the first day of a Term Interest Rate Period; and (iv) in the case of conversion to a Fixed Rate, is required to be a date determined by the Remarketing Agent which is required to be a least one Business Day prior to the Mode Change Date. The Trust Agreement defines "Weekly Interest Rate Period" as each period a Weekly Interest Rate is in effect for the 2002 Certificates commencing on Thursday and ending on the next Wednesday; provided that the first Weekly Interest Rate Period will begin on the Date of Delivery and the first Weekly Interest Rate Period after any change from a different Mode to a Weekly Interest Mode will begin on the Mode Change Date to the Weekly Interest Mode.

The Weekly Interest Rate will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the 2002 Certificates known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the 2002 Certificates, would enable the Remarketing Agent to sell the 2002 Certificates for such Weekly Interest Rate Period at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Weekly Interest Rate cannot be determined by 9:00 a.m. (California time) on the first day of such Weekly Interest Rate Period, the Weekly Interest Rate for such Weekly Interest Rate Period will remain at the then-existing rate (if the Weekly Interest Rate cannot be determined for a second Weekly Interest Rate Period then the Alternate Rate will be effective as provided in the Trust Agreement). In no event will the Weekly Rate exceed the Maximum Rate.

The Trustee will give notice by mail of an adjustment to a Weekly Mode to the Owners of the 2002 Certificates, with copies to the Liquidity Provider and the City, not less than 15 days prior to the effective date of such Weekly Mode. Such notice must state (1) that the interest rate on the 2002 Certificates will be adjusted to a Weekly Interest Rate, (2) the effective date of such Weekly Mode,

(3) that the 2002 Certificates will be purchased on such effective date pursuant to the Trust Agreement and (4) the procedures for such purchase as provided in (3) above.

Daily Mode. The City, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Liquidity Provider, may elect to adjust the Mode for the 2002 Certificates from a Weekly Mode or a Term Mode to a Daily Mode. Such direction must be given at least 30 days prior to the effective date of such adjustment and must specify the effective date of such adjustment to a Daily Mode, which will be (i) with respect to 2002 Certificates in a Weekly Mode, an Interest Payment Date and (ii) with respect to 2002 Certificates in the Term Mode, (a) the final Interest Payment Date of the then current Term Interest Rate Period or (b) any date on which such 2002 Certificates may be optionally redeemed at a Purchase Price of 100% of the principal amount thereof, plus accrued interest, pursuant to the Trust Agreement.

When the 2002 Certificates are in the Daily Mode, the 2002 Certificates will evidence interest at the Daily Interest Rate, which will be determined by the Remarketing Agent not later than 7:30 a.m. (California time) on each Business Day. The Daily Interest Rate for any day that is not a Business Day will be the Daily Interest Rate last established on a preceding Business Day. The Daily Interest Rate will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the 2002 Certificates known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the 2002 Certificates, would enable the Remarketing Agent to sell the 2002 Certificates on such day at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Daily Interest Rate cannot be determined, the Daily Interest Rate for the next succeeding day will remain at the then-existing rate (if the Daily Interest Rate cannot be determined for five consecutive Business Days then the Alternate Rate will be effective as provided in the Trust Agreement). In no event will the Daily Interest Rate exceed the Maximum Rate.

The Trustee must give notice by mail of an adjustment to a Daily Mode to the Owners of the 2002 Certificates, with copies to the Liquidity Provider and the City, not less than 15 days prior to the effective date of such Daily Mode. Such notice must state (1) that the interest rate on the 2002 Certificates will be adjusted to a Daily Interest Rate, (2) the effective date of such Daily Mode, (3) that the 2002 Certificates will be purchased on such effective date pursuant to the Trust Agreement and (4) the procedures for such purchase as provided in (3) above.

Term Mode. The City, by written direction to the Remarketing Agent, and with the written consent of the Liquidity Provider, may elect to adjust the Mode for the 2002 Certificates from a Daily Mode or a Weekly Mode to a Term Mode or continue in the then effective Term Mode and designate a new Term Interest Rate Period. Such direction (1) must be given at least 30 days (or as soon as practicable if the Term Interest Rate Period is 45 days or less) prior to the effective date of such adjustment and must specify the effective date of such Term Interest Rate Period, which will be (a) in the case of an adjustment from a Daily Mode or a Weekly Mode, an Interest Payment Date and (b) in the case of a continuation of a Term Mode, the last Interest Payment Date of the then current Term Interest Rate Period and (2) must specify the last day of such new Term Interest Rate Period, which will be a day immediately preceding a Business Day. At least 30 days prior to the last day of any Term Interest Rate Period, the City will elect whether the 2002 Certificates will evidence interest at a Daily Interest Rate, a Weekly Interest Rate, a Term Interest Rate or a Fixed Rate after the then effective Term Interest Rate Period.

When the 2002 Certificates are in the Term Mode, the 2002 Certificates will evidence interest at the Term Interest Rate, which will be determined by the Remarketing Agent not later than 2:00 p.m. (California time) on a Rate Determination Date for each Term Interest Rate Period. The Term Interest Rate for each Term Interest Rate Period will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the 2002 Certificates known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the 2002 Certificates, would enable the Remarketing Agent to sell the 2002 Certificates at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Interest Rate cannot be determined for any Term Interest Rate Period, the interest rate on the 2002 Certificates will convert to a Weekly Interest Rate. In no event will the Term Interest Rate exceed the Maximum Rate.

The Trustee must give notice by mail of each Term Interest Rate Period to the Owners of the 2002 Certificates, with copies to the Liquidity Provider and the City, not less than 15 days prior to the effective date of such Term Interest Rate Period. Such notice will state (1) that the interest rate on the 2002 Certificates will be adjusted to or continue to be a Term Interest Rate, (2) the effective date of such Term Interest Rate Period, (3) the 2002 Certificates will be purchased on such effective date pursuant to the Trust Agreement, and (4) the procedures of such purchase.

Fixed Interest Rate. The City, by written direction to the Trustee and the Remarketing Agent may convert the 2002 Certificates to a Fixed Rate. Such direction must be given at least 45 days prior to the conversion to the Fixed Rate and must specify the effective date of the Fixed Rate, which will be (a) in the case of an adjustment from a Weekly Mode or a Daily Mode, an Interest Payment Date and (b) in the case of an adjustment from a Term Mode, the last Interest Payment Date of the then current Term Interest Rate Period.

When the 2002 Certificates are to be converted to 2002 Certificates bearing interest at a Fixed Rate, the 2002 Certificates will evidence interest at the Fixed Interest Rate, which will be determined by the Remarketing Agent not later than 2:00 p.m. (California time) on a Rate Determination Date. The Fixed Rate will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the 2002 Certificates known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the 2002 Certificates, would enable the Remarketing Agent to sell the 2002 Certificates at a price equal to the principal amount thereof; provided, however, that if for any reason the Fixed Rate cannot be determined, the interest rate on the 2002 Certificates will convert to a Weekly Interest Rate. In no event will the Fixed Rate exceed the Maximum Rate.

The Trustee must give notice by mail of the conversion to the Fixed Rate to the Owners of the 2002 Certificates, with copies to the Liquidity Provider and the City, not less than 15 days prior to the effective date of such Fixed Rate. Such notice must state (1) that the interest rate on the 2002 Certificates will be adjusted to a Fixed Rate, (2) the effective date of such Fixed Rate, (3) the 2002 Certificates will be purchased on such effective date pursuant to the Trust Agreement and (4) the procedures of such purchase.

Notwithstanding the City's delivery of notice of the exercise of its option to effect a Fixed Rate conversion pursuant to paragraph (i) above, conversion to a Fixed Rate will not take effect if: (A) the City withdraws such notice of conversion not later than the Business Day preceding the date on which the Fixed Rate is to be determined; (B) the Remarketing Agent fails to determine the Fixed

Rate; or (C) the notice to 2002 Certificate Owners required by the Trust Agreement is not given when required. In any of such events, the 2002 Certificates will be payable at the Weekly Rate; provided that the mandatory tender for purchase pursuant to the Trust Agreement will nevertheless be carried out if notice of conversion to the Fixed Rate has been given to the 2002 Certificate Owners. Withdrawal of a conversion notice will be given by the City, to the Authority, the Trustee, the Remarketing Agent, the 2002 Certificate Insurer and the Liquidity Provider, by telephone, promptly confirmed in writing. No cancellation of conversion to the Fixed Rate pursuant to this paragraph will constitute an Event of Default under this Trust Agreement.

From and after a successful remarketing of the 2002 Certificates to the Fixed Rate, on the first day the 2002 Certificates begin to evidence interest at a Fixed Rate, the Liquidity Facility will cease to be required pursuant to the Trust Agreement.

Bank Certificate Rate. Interest on Bank Certificates shall be referenced at the Bank Certificate Rate and payable on each Interest Payment Date as provided for in the Liquidity Facility. "Bank Certificate Rate" is defined under the Trust Agreement as the interest rate represented by the Bank Certificates as determined in accordance with the Liquidity Facility.

Opinion of Counsel. Prior to any change from one Mode to a different Mode, the Trustee must have received an Opinion of Counsel to the effect that the conversion is authorized pursuant to the Trust Agreement and, will not, in and of itself, adversely affect the exclusion from gross income of interest on the 2002 Certificates for federal income tax purposes

Alternate Rate for Interest Calculation. If (a) the Remarketing Agent fails or is unable to determine the Weekly Interest Rate with respect to the 2002 Certificates for two consecutive Weekly Interest Rate Periods as provided in the Trust Agreement, (b) the Remarketing Agent fails or is unable to determine the Daily Interest Rate with respect to the 2002 Certificates for five consecutive Business Days as provided in the Trust Agreement or (c) the method of determining the interest rate(s) with respect to the 2002 Certificates will be held to be unenforceable by a court of law of competent jurisdiction, the 2002 Certificates will thereupon evidence interest at the Alternate Rate in a Weekly Mode or Daily Mode, as applicable, from the last date on which such rate was determined. The 2002 Certificates may resume to evidence interest at a Weekly Interest Rate, Daily Interest Rate or a Term Interest Rate at such time as the Remarketing Agent is able to determine the interest rates with respect to the 2002 Certificates or an Opinion of Counsel is delivered to the effect that the method of determining interest pursuant to the the Trust Agreement is legally enforceable, as applicable.

Determination of Interest Rate Conclusive. The determination of the interest rate on the 2002 Certificates in the Daily Mode or the Weekly Mode by the Remarketing Agent is conclusive and binding upon the Owners of the 2002 Certificates, the Authority, the Liquidity Provider, and the Trustee.

Liquidity Facility Coverage. The City may not convert to a Term Mode, Daily Mode or a Weekly Mode unless (i) the Liquidity Facility has been modified to provide the Required Stated Amount of coverage sufficient to maintain the then current rating on the 2002 Certificates and (ii) in the case of conversion to a Term Mode, the remaining term of the Liquidity Facility is at least equal to the length of the initial Term Interest Rate Period. Pursuant to the Trust Agreement, "Required Stated Amount" means, with respect to the Liquidity Facility, at any time of calculation, an amount equal to the aggregate principal amount of all 2002 Certificates in the Daily Mode, Weekly Mode or Term Mode then Outstanding, together with interest accruing thereon, which, with respect to the Liquidity Facility, is required to be calculated based on an annual rate of interest equal to the Maximum Rate for a period equal to (i) 34 days with respect to 2002 Certificates in a Weekly Mode or Daily Mode and, (ii) the number of days required by each Rating Agency at the time of rating the 2002 Certificates with respect to any 2002 Certificates which are converted to a Term Mode.

Demand Purchase of the 2002 Certificates

While the 2002 Certificates are in the Daily Mode or the Weekly Mode, the Owner of any 2002 Certificate may elect to tender such 2002 Certificates, or portion thereof in an Authorized Denomination, for purchase at a purchase price equal to 100% of the principal amount of such 2002 Certificate (to be tendered), plus accrued and unpaid interest thereon to but not including the date of purchase, on any Business Day (the "Optional Tender Date"), but only:

(i) in the case of the 2002 Certificates in the Weekly Mode, upon receipt by the Remarketing Agent and the Trustee by not later than 9:00 a.m. (California time) at least seven (7) calendar days, prior to such Optional Tender Date of irrevocable written notice from the Owner or the DTC Participant with respect to such 2002 Certificates, and

(ii) in the case of the 2002 Certificates in the Daily Mode, upon receipt by the Remarketing Agent and the Trustee by not later than 7:00 a.m. California time on such Optional Tender Date of irrevocable telephonic notice from the Owner or the DTC Participant with respect to such 2002 Certificates.

Such notice in either case must state (1) the principal amount of the 2002 Certificate (or portion thereof) to be tendered, (2) the 2002 Certificate number or other identification satisfactory to the Remarketing Agent, and (3) the Optional Tender Date on which such 2002 Certificate will be tendered; and (ii) if the 2002 Certificates are not Book-Entry Certificates, delivery of such 2002 Certificate (with an appropriate instrument of transfer duly executed in blank) to the Trustee by 9:30 a.m. (California time) on such Optional Tender Date.

Prepayment

Mandatory Prepayment. The 2002 Certificates are subject to mandatory prepayment prior to such Certificate Payment Date, in part by lot, on the dates provided below, upon notice as provided under the Trust Agreement, from and in the amount of the principal installment of the 2002 Payments due and payable on such dates, at a prepayment price equal to the sum of the principal amount evidenced and represented thereby plus accrued and unpaid interest evidenced and represented thereby to the prepayment date, without a prepayment premium as follows:

Date	Sinking Fund Payment
February 1, 2003	$ 120,000
January 1, 2004	4,360,000
February 1, 2004	205,000
January 1, 2005	4,510,000
February 1, 2005	210,000
January 1, 2006	5,145,000
February 1, 2006	215,000
February 1, 2007	225,000
February 1, 2008	575,000
February 1, 2009	595,000
February 1, 2010	1,220,000
February 1, 2011	1,260,000
February 1, 2012	1,305,000
February 1, 2013	1,345,000
February 1, 2014	1,390,000
February 1, 2015	1,440,000
February 1, 2016	1,490,000
February 1, 2017	1,535,000
February 1, 2018	1,590,000
February 1, 2019	1,645,000
February 1, 2020	1,705,000
February 1, 2021	1,755,000
February 1, 2022	1,820,000
February 1, 2023	1,880,000
February 1, 2024	2,845,000

Optional Prepayment on a Mode Change Date, and During Daily Mode and Weekly Mode. The 2002 Certificates are subject to optional prepayment prior to maturity (i) on any date while the 2002 Certificates are in a Daily Mode or a Weekly Mode (ii) on any Mode Change Date and (iii) on the day following the last day of a Term Interest Rate Period, as a whole or in part from any prepayments made by the City to the Trustee pursuant to the 2002 Supplemental Contract at a prepayment price equal to the principal amount thereof, without premium, plus accrued interest, if any, to the date fixed for prepayment.

Special Prepayment of Bank Certificates. Pursuant to the Standby Purchase Agreement, Bank Certificates shall be redeemed in fourteen (14) equal semi-annual installments commencing on the earlier of the one hundred eighty first (181st) day after the purchase of the Bank Certificates or the first Business Day of the sixth (6th) month after the end of the Purchase Period (as that term is defined in the Standby Purchase Agreement) with interest at the Base Rate (as that term is defined in the Standby Purchase Agreement) plus one hundred basis points (1.0%), payable monthly in arrears. All accrued and unpaid interest and principal of Bank Certificates should be due no later than the seventh (7th) anniversary of the commencement of the special prepayment period. If a Liquidity Facility is replaced by an Alternate Liquidity Facility, the original Liquidity Facility will not be surrendered to its provider until all draws required under the Trust Agreement with respect to such substitution or otherwise have been honored. If at any time there is an Alternate Liquidity Facility, then the times and timing specified in this paragraph may be modified so as to provide Owners the full benefit of the provisions of the Alternate Liquidity Facility.

Selection of the 2002 Certificates; Notice of Prepayment. If less than all Outstanding 2002 Certificates of any particular Certificate Payment Date are to be prepaid at any one time, Bank Certificates will be selected for prepayment prior to any other 2002 Certificates. Subject to the preceding sentence, the Trustee will select the portions of the 2002 Certificates of such Certificate Payment Date to be prepaid by lot in a manner which the Trustee deems to be fair. For purposes of selecting 2002 Certificates to be prepaid, 2002 Certificates of each Certificate Payment Date will be deemed to be composed of five thousand dollars ($5,000) multiples and any such multiple may be separately prepaid. If the Authority elects to prepay 2002 Certificates pursuant to the Trust Agreement, it will notify the Trustee of the prepayment date and the principal amount evidenced and represented by the 2002 Certificates of each Certificate Payment Date to be prepaid on such prepayment date at least five (5) days prior to the date on which the Trustee is required to give notice of such prepayment; provided, that the Trustee may, at its option, waive any such notice or accept any notice received at a later date.

Notice of prepayment must be mailed by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the prepayment date to (i) the respective Owners of the 2002 Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depository and (iii) one or more Information Services. Notice of prepayment to the Securities Depository and the Information Services must be given by registered mail, certified mail, overnight delivery or facsimile transmission. Each notice of prepayment must 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 2002 Certificates to be prepaid, and, if less than all of the 2002 Certificates of any one Certificate Payment Date are to be prepaid, the distinctive certificate numbers of the 2002 Certificates of such Certificate Payment Date to be prepaid and, in the case of the 2002 Certificates to be prepaid in part only, the respective portions of the principal amount evidenced and represented thereby to be prepaid. Each such notice must also state that on said date there will become due and payable on each of said 2002 Certificates the prepayment price thereof and in the case of a 2002 Certificate to be prepaid in part only, the specified portion of the principal amount evidenced and represented thereby to be prepaid, together with accrued and unpaid interest evidenced and represented thereby to the prepayment date, and that from and after such prepayment date interest evidenced and represented thereby will cease to accrue, and will require that such 2002 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.

In the event of prepayment of the 2002 Certificates (other than sinking fund prepayment), the Trustee must mail a notice of prepayment upon receipt of a Written Request of the Authority but only after the Authority files a Certificate of the Authority with the Trustee that on or before the date set for prepayment, the Authority will deposit with or otherwise make available to the Trustee for deposit in the 2002 Prepayment Account the money required for payment of the prepayment price, including accrued interest, of all 2002 Certificates then to be called for prepayment (or the Trustee determines that money will be deposited with or otherwise made available to it in sufficient time for such purpose), together with the estimated expense of giving such notice. If moneys required for payment of the prepayment price, including accrued interest, of all 2002 Certificates then to be called for prepayment, are not deposited with the Trustee on or before the prepayment date, then the Trustee is required to send a notice rescinding the prepayment.

Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and money for the payment of the prepayment price of the 2002 Certificates called for prepayment is held by the Trustee, then on the prepayment date designated in such notice 2002 Certificates so called for prepayment will become due and payable, and from and after the date so designated interest evidenced and represented by such 2002 Certificates will cease to accrue, and the Owners of such 2002 Certificates will have no rights in respect thereof except to receive payment of the prepayment price thereof.

Mandatory Tender for Purchase of the 2002 Certificates

The 2002 Certificates will be purchased pursuant to a mandatory tender (i) on each Mode Change Date, (ii) the first day following the end of a Term Interest Rate Period, (iii) during a Daily Mode, a Weekly Mode, on the effective date of an Alternate Liquidity Facility, (iv) on any date within five days after receipt by the Trustee of written notification from the Liquidity Provider that a termination is scheduled to occur with respect to the Liquidity Facility and (v) on the fifth Business Day preceding the expiration date of the Liquidity Facility if the Trustee has not received an Alternate Liquidity Facility that will be effective on or prior to such expiration date (each a "Purchase Date"), and the DTC Participant or Owner of such 2002 Certificate must tender such 2002 Certificate for purchase as provided in the Trust Agreement and such 2002 Certificate is to be purchased or deemed purchased at a Purchase Price equal to the principal amount thereof plus accrued interest thereon. Subject to the Trust Agreement, payment of the Purchase Price of such 2002 Certificate must be made by close of business (California time), in the same manner as payment of interest on the 2002 Certificates. The Owner must deliver such 2002 Certificates no later than 9:30 a.m. (California time) on the Purchase Date to the Trustee at its corporate trust office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee. With respect to the Book-Entry 2002 Certificates, the Trustee will perfrom such procedures as are appropriate to carry out the foregoing procedures under the Book-Entry System.

Purchase and Remarketing of the 2002 Certificates

2002 Certificates Delivered for Purchase. The Trustee will purchase, but only from the sources listed below, 2002 Certificates required to be purchased by the Trustee in accordance with the Trust Agreement not later than the close of business (California time) on the date such 2002 Certificates are required to be purchased at the Purchase Price provided in the Trust Agreement. Funds for the payment of such Purchase Price by the Trustee will be derived from the following sources in the order of priority indicated:

(i) the remarketing proceeds of the sale of the 2002 Certificates as received from purchasers of the 2002 Certificates pursuant to the Trust Agreement; or

(ii) moneys available to the Trustee representing the proceeds of a draw under the Liquidity Facility.

If moneys sufficient to pay the Purchase Price of the 2002 Certificates to be purchased pursuant to the Trust Agreement are held by the Trustee on the date such 2002 Certificates are to be purchased, any 2002 Certificates to be so purchased will be deemed to have been transferred on such date and to have been purchased. The Owner or the DTC Participants will thereafter have no rights with respect to such 2002 Certificates except to receive payment of the Purchase Price therefor.

Remarketing of the 2002 Certificates; Notice of Interest Rates. 2002 Certificates will be remarketed at par value plus accrued interest, if any.

(i) The Remarketing Agent may not remarket any 2002 Certificates to the Authority or the City.

(ii) The Remarketing Agent will determine the rate of interest to be borne by the 2002 Certificates as provided in the Trust Agreement and will furnish to the Trustee in a timely manner all information necessary for the Trustee to carry out its respective duties under the Trust Agreement.

(iii) The Remarketing Agent will periodically inform the Trustee and the City of the rate of interest borne by the 2002 Certificates from time to time.

(iv) The Remarketing Agent will use its best efforts to sell any 2002 Certificates tendered for purchase to new purchasers. By 8:00 a.m. (California time) on the Purchase Date, the Remarketing Agent must notify the Trustee by telephone of the actual amount of remarketing proceeds on hand.

Delivery of Remarketed 2002 Certificates and Bank Certificates. The Trustee will hold all 2002 Certificates delivered to it in trust for the benefit of the Owners or DTC Participants which will have delivered such 2002 Certificates until moneys representing the Purchase Price of such 2002 Certificates have been delivered to or for the account of or to the order of such Owners or DTC Participants. The Trustee will hold all moneys for the purchase of the 2002 Certificates uninvested in trust for the benefit of the person or entity which have so delivered such moneys until 2002 Certificates purchased with such moneys have been delivered to or for the account of such person or entity. Neither the Authority nor the City will have any right, title, or interest in or to any remarketing proceeds held by the Trustee or the Remarketing Agent. With respect to the Book-Entry 2002 Certificates, the Trustee will perform such procedures as are appropriate to carry out the foregoing procedures under the Book-Entry System.

The 2002 Certificates purchased with moneys obtained by a drawing on the Liquidity Facility ("Bank Certificates") will be registered in the name of the Liquidity Provider or as directed in writing by the Liquidity Provider. The Remarketing Agent will seek to remarket any Bank Certificates prior to remarketing any other 2002 Certificates tendered for purchase. The proceeds of any remarketing of Bank Certificates will be delivered to the Trustee and transferred to the Liquidity Provider. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Bank Certificates, 2002 Certificates in place of such Bank Certificates so purchased will be made available for pick-up by the purchasers thereof. Prior to or contemporaneously with such delivery, the proceeds of such remarketing will have been or will be delivered to the Trustee and transferred to the Liquidity Provider, and the Trustee and the Tender Agent will have received written confirmation from the Liquidity Provider of the reinstatement of the Liquidity Facility. With respect to the Book-Entry 2002 Certificates, the Trustee will perform such procedures as are appropriate to carry out the foregoing procedures under the Book-Entry System.

If any 2002 Certificates are not presented to the Trustee at the time specified in the Trust Agreement (each an "Undelivered Certificate"), then the Authority will execute and deliver to the Trustee for authentication a new 2002 Certificate or 2002 Certificates, as the case may be, in an aggregate principal amount equal to the principal amount of the Undelivered Certificates bearing a number or numbers not contemporaneously outstanding. The Trustee will, at the end of the Purchase

Date, transfer all funds then held on hand by virtue of the fact that 2002 Certificates deemed tendered on such date were not presented for purchase to a segregated account for the 2002 Certificates to be designated the "Unclaimed Moneys Account" and hold the same in trust uninvested, for the payment of the Purchase Price thereof to the former Owners of such 2002 Certificates.

Draws Upon the Liquidity Facility. On the Business Day immediately preceeding the Purchase Date, the Trustee is required to cause the Remarketing Agent to give written notice by facsimile, telex or telegram, to the Liquidity Provider of the principal amount of 2002 Certificates to be tendered on the next Business Day to which, as of 1:00 p.m. (California Time), it did not have commitments to purchase, provided, however, that the failure of the Remarketing Agent to provide such notice will not, in and of itself, negate the obligation of the Liquidity Provider to purchase 2002 Certificates upon and subject to the terms and conditions otherwise provided in the Trust Agreement. By no later than 8:30 a.m. (California Time) on the Purchase Date, the Trustee is required to give written notice of purchase, by facsimile, telex or telegram, pursuant to the Standby Purchase Agreement.

Provided the Liquidity Provider receives notice from the Trustee on the Purchase Date pursuant to the Trust Agreement, the Trustee will receive funds from the Liquidity Provider no later than 11:00 a.m. (California time) on the Purchase Date in the amount necessary to provide to the Trustee the balance of the funds needed to purchase tendered 2002 Certificates on the Purchase Date, such balance will be determined based upon notification provided to the Trustee pursuant to the Trust Agreement. Such moneys will be used only to pay the Purchase Price as provided in the Trust Agreement, and if not so used will be promptly returned to the Liquidity Provider. 2002 Certificates owned by the City (or any Affiliate as defined by the Standby Purchase Agreement) will not be purchased at any time under the Liquidity Facility.

If a Liquidity Facility is replaced by an Alternate Liquidity Facility, the original Liquidity Facility will not be surrendered to its provider until all draws required under the Trust Agreement with respect to such substitution or otherwise have been honored. If at any time there is an Alternate Liquidity Facility, then the times and timing specified in the preceding paragraph may be modified so as to provide Owners the full benefit of the provisions of the Alternate Liquidity Facility.

Delivery of Proceeds of Sale Held by the Remarketing Agent. If the Remarketing Agent has received from the purchasers of the 2002 Certificates remarketing proceeds for the remarketing of all 2002 Certificates to be remarketed pursuant to an optional tender on an Optional Tender Date pursuant to the Trust Agreement or pursuant to a mandatory tender pursuant to the Trust Agreement, the Remarketing Agent will promptly forward to the Trustee by not later than 8 a.m. (California time) on the Purchase Date such remarketing proceeds by wire transfer for transfer to the Owners tendering such 2002 Certificates for purchase or, in the case of the remarketing of Bank Certificates, to the Liquidity Provider as provided in the Trust Agreement. Until such transfer, all such remarketing proceeds will be deposited in a separate, segregated account of the Remarketing Agent and until so applied will be held uninvested in trust for the benefit of the Owners tendering such 2002 Certificates for purchase or the Liquidity Provider, as appropriate.

Remarketing After Default. Notwithstanding anything in the Trust Agreement to the contrary:

(i) if an Event of Default as described in the Trust Agreement has occurred and is continuing and the 2002 Certificate Insurance Policy is in full force and effect and the obligation of the Liquidity Provider under the Liquidity Facility to purchase 2002 Certificates has not been suspended or terminated by reason of such event of default, remarketing of 2002 Certificates will continue as provided under the Trust Agreement; or

(ii) if subsection (i) above does not apply and there will have occurred and be continuing an Event of Default as described in the Trust Agreement, or upon receipt by the Trustee of written notification from the Liquidity Provider that an event of default under the Liquidity Facility has occurred and that the Liquidity Facility has been terminated pursuant to its terms by reason of such default (including but not limited to a termination of the Liquidity Facility caused by S&P, Moody's and Fitch withdrawing the financial strength or claims paying ability rating of the 2002 Certificate Insurer or reducing such rating below BBB- in the case of S&P, Baa3 in the case of Moody's, or BBB- in the case of Fitch), or calling for a mandatory tender of the 2002 Certificates, or for the period during which the Trustee has notice that the amount available to be drawn under the Liquidity Facility will not or has not been reinstated or at any time when no Liquidity Facility is in effect, there will be no remarketing of 2002 Certificates pursuant to the Trust Agreement,. The Trustee will give immediate notice to the Remarketing Agent, the City, the Liquidity Provider and the Owners of the (i) occurrence and continuation of any of the Events of Default set forth in the preceding sentence or the termination of the Liquidity Facility and that, as a result, no remarketing of 2002 Certificates are permitted to the Trust Agreement, and (ii) the curing of any of such Events of Default or reinstatement of the Liquidity Facility and that, as a result, remarketing is again permitted pursuant to the Trust Agreement.

Notices Upon Delivery of Alternate Liquidity Facility. Whenever the City has delivered to the Trustee notice of delivery of an Alternate Liquidity Facility pursuant to the 2002 Supplemental Contract, the Trustee will mail a notice to all Owners of the 2002 Certificates, with a copy to the Liquidity Provider, stating: (i) the name of the issuer of the Alternate Liquidity Facility, (ii) the date on which the Alternate Liquidity Facility will become effective, (iii) the rating expected to apply to the 2002 Certificates after the Alternate Liquidity Facility is delivered, and (iv) if the 2002 Certificates are in the Weekly Mode or the Daily Mode, notice that the 2002 Certificates will be subject to mandatory tender for purchase on the effective date of the Alternate Liquidity Facility. Such notice will be mailed at least fifteen (15) days prior to the effective date of the Alternate Liquidity Facility.

Interest Rate Swap Agreement

The City expects to enter into an interest rate swap agreement (the "Swap Agreement") with Morgan Stanley Capital Services Inc. (the "Swap Counterparty"), a wholly owned subsidiary of Morgan Stanley Dean Witter & Co. ("MSDW"), and an affiliate of Morgan Stanley & Co. Incorporated, the underwriter (the "Underwriter"), settling contemporaneously with the issuance of the 2002 Certificates. The payment obligations of the Swap Counterparty under the Swap Agreement will be general, unsecured obligations of the Swap Counterparty. Pursuant to the related Guarantee to be delivered with respect to the Swap Agreement, MSDW will unconditionally and irrevocably guarantee the due and punctual payment of all amounts payable by the Swap Counterparty under such Swap Agreement. The Swap Agreement will have a term extending to the scheduled final maturity date of the 2002 Certificates (the "Scheduled Expiration Date") and will require the City to make periodic payments calculated on the basis of a fixed rate of interest applied to a notional amount equivalent to the outstanding principal amount of the 2002 Certificates in exchange for receipt of payments calculated based on a variable rate index.

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

REMARKETING AGREEMENT

The City has entered into a Remarketing Agreement for the 2002 Certificates, dated as of December 1, 2002 (the "Remarketing Agreement"), with Morgan Stanley & Co. Incorporated as the Remarketing Agent (the "Remarketing Agent"). Under the Remarketing Agreement, the Remarketing Agent has agreed to use its best efforts to offer for sale all 2002 Certificates tendered in accordance with the provisions of the Trust Agreement.

SECURITY FOR THE 2002 CERTIFICATES

General

The 2002 Certificates evidence and represent the proportionate interests of the Owners in the 2002 Payments to be made by the City to the Authority pursuant to the Contract. 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 2002 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 2002 Payments and the right to enforce the provisions of the Contract. The Trustee also is required to 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 2002 Certificates the Trustee's rights in and priority to the following security granted to it for the payment of the 2002 Certificates: the Trustee's rights as assignee of the 2002 Payments and as beneficiary of any other rights to security for the 2002 Certificates which the Trustee may receive in the future.

The Trust Agreement provides that all of the 2002 Payments received by the Trustee will be immediately deposited in the 2002 Debt Service Fund. All of the 2002 Payments will be held in trust by the Trustee for the benefit of the Owners of the 2002 Certificates but will be disbursed, allocated and applied solely for the uses and purposes provided in the Trust Agreement.

Pledge of Net Revenues pursuant to the Contract

Pursuant to the Contract, all Net Revenues of the Electric System are irrevocably pledged to the payment of all Payments to be made by the City to the Authority, including the 1997 Payments, the 1999 Payments and the 2002 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 Contract. The Contract provides 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 Contract and all other Parity Obligations in accordance with the terms of 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 Maintenance and Operation Costs of the Electric System payable prior to the Payments under the Contract, including the 2002 Payments.

"Electric System" is defined under the Contract 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 Contract 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 Contract 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 the Contract, 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 Contract 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 Contract or any resolution authorizing the execution of any Parity Obligations or of such Contract 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 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.

The Contract provides that the City's obligations to make the 2002 Payments is, subject to the provisions of the Contract relating to defeasance, absolute and unconditional, and until such time as the 2002 Payments will have been paid in full (or provision for the payment thereof will have been made pursuant to the Contract), the City will not discontinue or suspend any 2002 Payments required to be paid by it under the Contract when due, whether or not the Electric System or any part thereof (including the 2002 Financed Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and the 2002 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 2002 Payments or for the performance of any agreements or covenants required to be performed by it contained in the Contract.

Rate Covenant

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

The City's ability to comply with the foregoing rate covenant may be limited by developments in the electric industry in California. See "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS" and "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" herein.

Parity Reserve Fund

The Trust Agreement requires the Trustee to maintain the Parity Reserve Fund established under the 1997 Trust Agreement so long as the Contract has not been discharged in accordance with its terms or any 2002 Certificates remain Outstanding thereunder. Upon receipt of the proceeds of the 2002 Certificates, the Trustee will deposit into the Parity Reserve Fund $1,358,706.28 from the proceeds of the 2002 Certificates which, when added to the amount previously on deposit in the Parity Reserve Fund, equals the Reserve Fund Requirement. Moneys on deposit in the Parity Reserve Fund will be transferred by the Trustee to pay principal and interest evidenced and represented by the 2002 Certificates, the 1999 Certificates, the 1997 Certificates and any future Parity Obligations in the event amounts are insufficient for such purposes.

"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, as amended (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 will no longer maintain ratings as required in accordance with the immediately preceding sentence, the Contract requires the City to provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements. "Maximum Annual Debt Service" is defined by the Master Contract as the greatest Annual Debt Service payable on Parity Obligations in any Fical 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.

Liquidity Facility

Pursuant to the 2002 Supplemental Contract, the City agrees that at any time when the 2002 Certificates are in the Daily Mode, Weekly Mode or Term Mode, it will maintain a Liquidity Facility with a rating of at least "A-1" by S&P or "P-1" by Moody's (the "Minimum Ratings") that is acceptable to the 2002 Certificate Insurer in an amount equal to the Required Stated Amount with respect to such 2002 Certificates in the Daily Mode, Weekly Mode or Term Mode then Outstanding (other than Bank Certificates). The City is required to replace such Liquidity Facility if the Liquidity Facility's rating is withdrawn, suspended or lowered below the Minimum Ratings. The City further agrees that it will not voluntarily terminate a Liquidity Facility then in effect without either: (i) providing for an Alternate Liquidity Facility prior to the effective date of the termination; or (ii) converting the Daily Interest Rate, Weekly Interest Rate or Term Interest Rate to a Fixed Rate. If 2002 Certificates in the Daily Mode, Weekly Mode or Term Mode are then Outstanding, the Trustee will not release the applicable Liquidity Facility until it has received the Alternate Liquidity Facility.

Under the Trust Agreement, the Trustee must hold and maintain any Liquidity Facility for the benefit of the 2002 Certificateholders until the Liquidity Facility expires in accordance with its terms. The Trustee must enforce all terms, covenants and conditions of the Liquidity Facility, including drawing on the 2002 Certificate Insurance Policy as required to provide for the Purchase Price of the 2002 Certificates (other than Bank Certificates or 2002 Certificates owned by the City or the Authority), and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Liquidity Facility, and will not consent to, agree to or permit any amendment or modification of the Liquidity Facility which would materially adversely affect the rights or security of the Owners of the 2002 Certificates.

The Trustee is required to draw moneys under the Liquidity Facility in accordance with the terms thereof in an amount necessary to make full and timely payments of Purchase Price required to be made pursuant to, and in accordance with, the Trust Agreement.

If at any time there has been delivered to the Trustee an Alternate Liquidity Facility meeting the requirements of the Contract, then the Trustee must to the extent required surrender the existing Liquidity Facility to the Liquidity Provider only after the 2002 Certificates have been successfully remarketed pursuant to the Trust Agreement. The existing Liquidity Facility will be returned to the

Liquidity Provider only after the Liquidity Provider has honored any draws required by the Trust Agreement in accordance with the terms thereof.

The 2002 Certificate Insurer has the right to direct conversion of the interest rate evidenced by the 2002 Certificates to a Fixed Rate: (i) upon failure of the Liquidity Provider to purchase the 2002 Certificates; (ii) upon expiration or termination of the Liquidity Facility with no substitute; (iii) if 2002Certificates are held as Bank Certificates for 60 days or more in any Certificate Year; (iv) if Bank Certificates bear interest at the Capped Rate (as such term is defined in the Standby Purchase Agreement) and can be remarketed at a rate of 12% or less or (v) if the City fails to replace the Liquidity Facility as required under the Contract.

Flow of Funds

The City agrees and covenants in the Contract 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 will be applied and used only as provided in the Contract. 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 Contract requires the City to deposit and set aside all remaining money in the Electric Revenue Fund at the following times in the following order of priority:

> *(1)* ***Parity Obligation Payment Fund Deposits.*** On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable under any Parity Payment Agreement, the City will, from the money in the Electric Revenue Fund, deposit in the Parity Obligation Payment Fund which 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 the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations, provided, however, that no moneys in the Electric Revenue Fund will be applied to the payment of any Subordinate Obligations in any Fiscal Year unless amounts on deposit in the Electric Revenue Fund will be sufficient to make the transfers required to be made in such Fiscal Year.

Rate Stabilization Fund

Pursuant to the Contract, 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 Contract 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 developments in the electric industry in California. See "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS" and "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" herein.

Other Obligations

The 1997 Payments evidenced by the 1997 Certificates and the 1999 Payments evidenced by the 1999 Certificates are secured by a pledge of the Net Revenues on a parity with the 2002 Payments. As of the date of delivery of the 2002 Certificates (and after defeasance of the 1997 Certificates and the 1999 Certificates to be refunded), \$1,485,000 aggregate principal amount of the 1997 Certificates were outstanding and \$3,520,000 aggregate principal amount of the 1999 Certificates were outstanding. In addition to the Payments, the City is obligated on a "take-or-pay" basis to make payments relating to debt service on approximately \$124 million principal amount of bonds and notes as of June 30, 2002 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 Contract. 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, the 1999 Payments and the 2002 Payments, but only subject to the specific conditions set forth in the Contract, which are conditions precedent to the execution of any such Parity Obligations, including the condition that there be on file with the Trustee either:

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

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

Notwithstanding the foregoing, the Contract specifies that there will 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."

2002 CERTIFICATE INSURANCE

Set forth below is a brief summary of certain information concerning the 2002 Certicate Insurer and the terms of the 2002 Certificate Insurance Policy. Information with respect to the 2002 Certificate Insurer has been supplied to the City by the 2002 Certificate Insurer. The following discussion does not purport to be complete and is qualified in its entirety by reference to the 2002 Certificate Insurance Policy.

2002 Certificate Insurance Policy

Concurrently with the issuance of the 2002 Certificates, Financial Security Assurance Inc. (the "2002 Certificate Insurer") will issue its municipal bond insurance policy for the 2002 Certificates (the "2002 Certificate Insurance Policy"). The 2002 Certificate Insurance Policy guarantees the scheduled payment of the principal and interest evidenced by the 2002 Certificates when due as set forth in the form of the 2002 Certificate Insurance Policy contained in Exhibit F attached hereto.

The 2002 Certificate Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The 2002 Certificate Insurer

The 2002 Certificate Insurer is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or the 2002 Certificate Insurer is liable for the obligations of the 2002 Certificate Insurer.

At September 30, 2002, the 2002 Certificate Insurer's total policyholders' surplus and contingency reserves were approximately $1,728,433,000 and its total unearned premium reserve was approximately $972,390,000 in accordance with statutory accounting principles. At September 30, 2002, the 2002 Certificate Insurer's total shareholder's equity was approximately $1,928,564,000 and its total net unearned premium reserve was approximately $814,684,000 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 2002 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 2002 Certificate Insurance Policy does not protect investors against changes in market value of the 2002 Certificates, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. The 2002 Certificate Insurer makes no representation regarding the 2002 Certificates or the advisability of investing in the 2002 Certificates. The 2002 Certificate Insurer makes no representation regarding this Official Statement, nor has it participated in the preparation thereof, except that the 2002 Certificate Insurer has provided to the City the information presented under this caption for inclusion in this Official Statement.

LIQUIDITY FACILITY

General

Payment of the purchase price of each 2002 Certificate subject to mandatory or optional tender for purchase is secured by amounts available pursuant to a Standby Certificate Purchase Agreement, dated December 18, 2002 (the "Standby Purchase Agreement"), by and among the City, the Trustee and Dexia Crédit Local, acting through its New York Agency (the "Bank").

During the term of the Standby Purchase Agreement, the Standby Purchase Agreement will provide liquidity for the purchase of 2002 Certificates which are delivered to the Trustee but not remarketed by the Remarketing Agent. In addition, the Standby Purchase Agreement will provide liquidity for the mandatory purchase of tendered 2002 Certificates (i) upon certain changes in interest rate periods, (ii) upon the expiration (without extension) of the Standby Purchase Agreement, (iii) except as otherwise provided in the Trust Agreement, upon the replacement of the Standby Purchase Agreement with an Alternate Liquidity Facility and (iv) at the direction of the Bank following the occurrence of certain "events of termination" under the Standby Purchase Agreement. The Standby Purchase Agreement will expire on December 18, 2009 prior to the final maturity of the 2002 Certificates, unless extended or terminated as described herein. The City has the right and may elect to terminate the Standby Purchase Agreement in its discretion.

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF THE BANK TO PURCHASE 2002 CERTIFICATES TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED WITHOUT PRIOR NOTICE OR ANY PURCHASE BY THE BANK. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE 2002 CERTIFICATES TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE STANDBY CERTIFICATE PURCHASE AGREEMENT DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE 2002 CERTIFICATES. *THE STANDBY CERTIFICATE PURCHASE AGREEMENT PROVIDES FOR* THE PURCHASE OF TENDERED 2002 CERTIFICATES ONLY.

Purchase of Tendered 2002 Certificates by the Bank

The Bank has agreed to purchase during the Purchase Period, eligible 2002 Certificates which have been tendered for optional purchase or which are tendered for mandatory purchase and which are not remarketed as provided in the Trust Agreement. The Purchase Period begins on the date the Standby Purchase Agreement shall become effective and ends on the earliest of (a) December 18, 2009; (b) the date on which no 2002 Certificates are outstanding; (c) the date on which the Bank's commitment has been terminated in its entirety and the Bank is no longer obligated to purchase 2002 Certificates; (d) the conversion of the 2002 Certificates to a Fixed Rate under the Trust Agreement; (e) the date on which the City delivers an Alternate Liquidity Facility to the Trustee in accordance with the terms of the Trust Agreement; or (f) the occurrence of an Event of Termination (as further described below). The price to be paid by the Bank for such 2002 Certificates will be equal to the aggregate principal amount on such 2002 Certificates without premium, plus interest accrued thereon on the purchase date, unless, in the case of interest, the purchase date is an interest payment date. Under certain circumstances as described below, the obligation of the Bank to purchase tendered 2002 Certificates will be automatically suspended or terminated, without prior notice or demand, and the Trustee will be unable to require the purchase of 2002 Certificates under the Standby Purchase Agreement.

Events of Default and Termination

The remedies upon the occurrence of an event of default or an event of termination under the Standby Purchase Agreement differ significantly and depend upon the nature of the particular event of default or event of termination. See "Remedies Upon an Event of Default" below. Each of the following is an "Event of Default" under the Standby Purchase Agreement:

(a) Any principal or interest due on the 2002 Certificates is not paid when due and such principal or interest is not paid by the 2002 Certificate Insurer when, as, and in the amounts required to be paid pursuant to the terms of the 2002 Certificate Insurance Policy; or

(b) The 2002 Certificate Insurer shall in writing claim that the 2002 Certificate Insurance Policy with respect to the payment of principal or interest on the 2002 Certificates is not valid and binding on the 2002 Certificate Insurer, and repudiate the obligations of the 2002 Certificate Insurer under the 2002 Certificate Insurance Policy with respect to payment of principal of or interest on the 2002 Certificates, or the 2002 Certificate Insurer shall initiate any legal proceedings to seek an adjudication that the 2002 Certificate Insurance Policy, with respect to the payment of principal of or interest on the 2002 Certificates or the special redemption of 2002 Certificates purchased by the Bank as provided for pursuant to the Standby Purchase Agreement, is not valid and binding on the 2002 Certificate Insurer or any court or governmental authority with jurisdiction to rule on the validity of the 2002 Certificate Insurance Policy shall announce, find or rule that the 2002 Certificate Insurance Policy is not valid and binding on the 2002 Certificate Insurer; or

(c) The occurrence of a 2002 Certificate Insurer Event of Insolvency which means the occurrence and continuance of one or more of the following events: (a) the issuance, under Article 74 of the Insurance Law of New York or any successor provision thereof (or any other law to which the 2002 Certificate Insurer is at the time subject), of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the 2002 Certificate Insurer that is not dismissed within ninety (90) days; (b) the commencement by the 2002 Certificate Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, supervision, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of the 2002 Certificate Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the 2002 Certificate Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the 2002 Certificate Insurer of an assignment for the benefit of creditors; (e) the failure of the 2002 Certificate Insurer to generally pay its debts or claims as they become due; (f) the initiation by the 2002 Certificate Insurer of any actions to authorize any of the foregoing; or (g) S&P, Moody's and Fitch shall withdraw the financial strength or claims paying ability rating of the 2002 Certificate Insurer or shall reduce such rating below BBB- in the case of S&P, Baa3 in the case of Moody's and BBB- in the case of Fitch; or

(d) Any default by the 2002 Certificate Insurer in making payment when, as and in the amounts required to be made pursuant to the express terms and provisions of any other policy issued by the 2002 Certificate Insurer insuring publicly–rated bonds and such failure shall continue for thirty (30) days unless the obligation of the 2002 Certificate Insurer to pay is being contested by the 2002 Certificate Insurer in good faith by appropriate proceedings; or

(e) Any material representation or warranty made by the City under or in connection with the Standby Purchase Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(f) Non–payment of any commitment fees and certain other amounts payable under the Standby Purchase Agreement (together with interest thereon at the Default Rate) within ten (10) days after the Trustee, the 2002 Certificate Insurer and the City have received written notice from the Bank that the same were not paid when due; or

(g) Non–payment of any other fees or amounts payable under the Standby Purchase Agreement (together with interest thereon at the Default Rate) within twenty (20) days after written notice thereof to the City, Trustee and the 2002 Certificate Insurer by the Bank; or

(h) The breach by the City of certain covenants under the Standby Purchase Agreement; or

(i) The breach by the City of any terms or provisions of the Standby Purchase Agreement (other than as specified in (a) through (h) above) which is not remedied within thirty (30) days after written notice thereof shall have been received by the City and the 2002 Certificate Insurer by the Bank; or

(j) (i) The City shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding–up, liquidation, dissolution, composition or other relief with respect to it or its Debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the City shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a receiver or similar official or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the City any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the City shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the City shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its Debts; or

(k) Any material provision of the Standby Purchase Agreement or any Related Document (other than the 2002 Certificate Insurance Policy) shall at any time for any reason cease to be valid and binding on the City or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or by any governmental authority having jurisdiction, or the City shall deny that it has any further liability or obligation under any such document, or such document is cancelled or terminated without the Bank's prior written consent; or

(l) The 2002 Certificate Insurer shall fail to maintain a claims paying ability rating by Moody's of Aa3 (or its equivalent) or higher or by S&P of AA- (or its equivalent) or higher or by Fitch of AA- (or its equivalent) or higher for a period of thirty (30) consecutive days; or

(m) The occurrence of any "event of default" as defined in any of the Related Documents (which is not waived pursuant to the terms thereof) which is not otherwise described in the Standby Purchase Agreement, other than the failure of the Bank to provide funds for the purchase of Tendered 2002 Certificates when required by the terms and conditions of the Standby Purchase Agreement.

(n) The City shall have defaulted in the payment or performance of any obligation related to the Electric System of a principal amount of $5,000,000 or more, which constitutes Debt, and such default permits the acceleration of the payment of moneys.

Remedies Upon an Event of Default

If any Event of Default occurs and is continuing, the Bank has the following remedies:

In the case of an Event of Default specified in paragraphs (a), (c) or (d) of the preceding subcaption, the Available Commitment, the Purchase Period and the obligation of the Bank to purchase 2002 Certificates shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase 2002 Certificates (an "Event of Termination"). Promptly upon the Bank's obtaining knowledge of any such Event of Termination, the Bank shall give written notice of the same to the Trustee, the City, the Remarketing Agent and the 2002 Certificate Insurer; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the termination of the Bank's Available Commitment and of its obligation to purchase 2002 Certificates pursuant to the Standby Purchase Agreement.

In the case of an Event of Default specified in paragraphs (f), (g), (h) (as it relates to amending the Standby Purchase Agreement), (j), (k), (l), or (n) of the preceding subcaption, the Bank may terminate the Available Commitment and Purchase Period by giving written notice to the Trustee, the City, the Remarketing Agent and the 2002 Certificate Insurer, specifying the date on which the Available Commitment and Purchase Period shall terminate, which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee (the "Purchase Termination Date"), and on and after the Purchase Termination Date, the Bank shall be under no further obligation to purchase 2002 Certificates under the Standby Purchase Agreement.

In the case of an Event of Default as specified in paragraph (b) of the preceding subcaption, the Bank's obligations to purchase 2002 Certificates shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase until the Available Commitment is reinstated as described in the Standby Purchase Agreement. Promptly upon the Bank's obtaining knowledge of any such Event of Default, the Bank shall give written notice of the same to the City, the Trustee, the Remarketing Agent and the 2002 Certificate Insurer; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligations to purchase 2002 Certificates. If a court with jurisdiction to rule on the validity of the 2002 Certificate Insurance Policy shall thereafter enter a final, nonappealable judgment that the 2002 Certificate Insurance Policy is not valid and binding on the 2002 Certificate Insurer, then the Bank's obligation to purchase 2002 Certificates shall immediately terminate. If a court with jurisdiction to rule on the validity of the 2002 Certificate Insurance Policy shall find or rule that the 2002 Certificate Insurance Policy is valid and binding on the 2002 Certificate Insurer, the Bank's obligations to purchase 2002 Certificates shall be automatically reinstated and the terms of the Standby Purchase Agreement will continue in full force and effect (unless otherwise terminated or suspended by its terms). Notwithstanding the foregoing, if, upon the earlier of the Stated Expiration Date or the date which is three (3) years after the effective date of suspension of the Bank's obligations, litigation is still pending and a judgment regarding the validity of the 2002 Certificate Insurance Policy as the subject of such Event of Default has not been obtained, then the Available Commitment and the obligation of the Bank to purchase 2002 Certificates shall at such time immediately terminate, and thereafter the Bank shall be under no obligation to purchase 2002 Certificates.

During the pendency of an Event of Default pursuant to paragraph (c) (with respect to an order described in clause (a) of paragraph (c)) or in paragraph (d) of the preceding subcaption (a "Potential Event of Termination"), the Bank's obligations to purchase 2002 Certificates shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase 2002 Certificates until the Available Commitment is reinstated as described hereafter. Promptly upon the Bank's obtaining knowledge of any such Potential Event of Termination, the Bank shall give written notice of the same to the City, the Trustee, the Remarketing Agent and the 2002 Certificate Insurer of such suspension; provided, however, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Purchaser's obligations under the Standby Purchase Agreement. In the event such Potential Event of Termination is cured prior to becoming an Event of Termination, the Bank's obligations shall be automatically reinstated and the terms of the Standby Purchase Agreement will continue in full force and effect (unless it is otherwise terminated or suspended by its terms).

In addition to the rights and remedies set forth in the preceding paragraphs, in the case of any Event of Default, upon the election of the Bank: (i) all amounts payable under the Standby Purchase Agreement (other than payments of principal and redemption price of and interest on the 2002 Certificates or payments of Excess Certificate Interest) shall upon notice to the City become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the City; and (ii) the Bank shall have all the rights and remedies available to it under the Standby Purchase Agreement, the Related Documents, the 2002 Certificate Insurance Policy or otherwise pursuant to law or equity; provided, however, that the Bank shall not have the right to terminate its obligation to purchase 2002 Certificates or to declare any amount due and payable except as expressly provided. Without limiting the generality of the foregoing, the Bank agrees to purchase 2002 Certificates on the terms and conditions of the Standby Purchase Agreement notwithstanding the institution or pendency of any bankruptcy, insolvency or similar proceeding with respect to the City. The Bank will not assert as a defense to its obligation to purchase 2002 Certificates under the Standby Purchase Agreement (A) the institution or pendency of a bankruptcy, insolvency or similar proceeding with respect to the City, or (B) a determination by a court of competent jurisdiction in a bankruptcy, insolvency or similar proceeding with respect to the City that the Standby Purchase Agreement is not enforceable against the City under applicable bankruptcy, insolvency or similar laws.

Extension, Reduction, Adjustment or Termination of the Standby Purchase Agreement

The Standby Purchase Agreement will expire on December 18, 2009 unless earlier terminated or, with the consent of the Bank in its sole and absolute discretion, extended for an additional period or periods, in each case in accordance with the provisions of the Standby Purchase Agreement.

Upon (i) any redemption, defeasance or other payment of all or any portion of the principal amount of the 2002 Certificates or (ii) any purchase by the Bank of 2002 Certificates tendered or deemed tendered in accordance with the terms of the Trust Agreement, the Bank's purchase commitment under the Standby Purchase Agreement with respect to principal of 2002 Certificates shall automatically be reduced by the principal amount of the 2002 Certificates so redeemed, defeased or otherwise paid or purchased, as the case may be. The Bank's commitment with respect to interest shall be equal to thirty-four (34) days' interest on the principal amount of 2002 Certificates (assuming an interest rate of twelve percent (12%) per annum). The commitment with respect to interest will be adjusted downward by an amount in proportion to the reduction of the commitment as to principal because of the redemption, defeasance or other payment of 2002 Certificates or the purchase by the Bank of 2002 Certificates tendered or deemed tendered in accordance with the terms of the Trust Agreement.

Limitations of Standby Purchase Agreement

The ability to obtain funds under the Standby Purchase Agreement in accordance with its terms may be limited by federal or state law. Bankruptcy, conversatorship, receivership and similar laws governing financial institutions or any issuer of the Standby Purchase Agreement may prevent or restrict payment under the Standby Purchase Agreement. To the extent the short-term rating on the 2002 Certificates depends on the rating of the Bank, the short-term ratings on the 2002 Certificates could be downgraded or withdrawn if the Bank were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Standby Purchase Agreement.

The obligation of the Bank to purchase unremarketed 2002 Certificates pursuant to the Standby Purchase Agreement is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Standby Purchase Agreement is not a guaranty to pay the purchase price of 2002 Certificates tendered for purchase. The Standby Purchase Agreement is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the 2002 Certificates should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty.

THE BANK

The Bank is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. The Bank is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of more than 17 billion euros as of March 14, 2001, the Dexia Group ranks in the top third of the Euronext 100 companies.

The Bank specializes in the Dexia Group's first line of business-public and project finance and financial services for the public sector. Worldwide, the Bank federates group entities involved in this business and spearheads their development. The Bank has recognized expertise in local sector financing and project finance. It is backed by a network of specialized banks, which employ 2,500 professionals.

Through this network of subsidiaries, affiliates and branches, the Bank is present in almost all of the countries of the European Union. It is progressively expanding its activities to Asia Pacific, South America and the Caribbean, and countries around the Mediterranean. The Bank, known as Dexia Public Finance Bank until March 8, 2001, is a bank with its principal office located in Paris, France. In issuing the Standby Purchase Agreement for the 2002 Certificates, the Bank will act through its New York Agency, which is licensed by the Banking Department of the State of New York as an unincorporated agency of Dexia Credit Local, Paris. The Bank is the leading local authority lender in Europe, funding its lending activities in 2001 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2001, total funding raised by the Bank and Dexia Municipal Agency was 12.4 billion euros.

The acquisition by the Dexia Group of Financial Security Assurance Holdings Ltd. ("FSA Holdings"), the holding company for FSA was completed on July 5, 2000. As of December 31, 2001, the Bank had total consolidated assets of 155.5 billion euros, outstanding medium and long term loans to customers of 129 billion euros and shareholders' equity of nearly 3.3 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 644 million euros. These figures were determined in accordance with generally accepted accounting principles in France. The Bank maintains its records and prepares its financial statements in euros. At December 31, 2001, the exchange rate was 1.0000 euro equals 0.8813 United States dollar. Such exchange rate fluctuates from time to time. The Bank is rated Aa2 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

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

PLAN OF FINANCE

The 2002 Certificates will finance the costs of certain additions, betterments and improvements to the City's Electric System, including a termination payment made in connection with cancellation of a certain power purchase agreement (see "THE ELECTRIC SYSTEM- Power Supply" herein) and refund certain of the City's outstanding electric system revenue certificates of participation (the "2002 Financed Project"). The subject matter of the 2002 Supplemental Contract consists of various capital improvements to the Electric System, including capital improvements originally financed with the proceeds of the Refunded Certificates and future capital improvements that are made as part of the City's capital budget for the Electric System for the Fiscal Year 2002-03 and 2003-04.

Plan of Refunding

On November 13, 1997, the City provided for the execution and delivery of the 1997 Certificates to provide funds to finance an electric substation and refund certain outstanding Electric System certificates of participation.

The 1997 Certificates are outstanding in the aggregate principal amount of $5,775,000. A portion of the 2002 Certificates are being issued to refund a $4,290,000 principal portion of the 1997 Certificates, consisting of the 1997 Certificates that mature on February 1, 2010 and February 1, 2017. A portion of the proceeds of the sale of the 2002 Certificates will be deposited into the Escrow Fund established pursuant to the Escrow Agreement, dated as of December 1, 2002, by and between the City and BNY Western Trust Company, as the escrow agent (the "Escrow Agent"). Such amounts, together with any amounts transferred from certain funds held under the trust agreement for the 1997 Certificates, will be invested in United States Treasury Securities that mature in such amounts and at such times and bear interest at such rates as to provide amounts sufficient to pay on February 1, 2008 the prepayment price of 101% of the principal amount thereof and accrued interest thereon with respect to such 1997 Certificates to be refunded. See "VERIFICATION OF COMPUTATIONS" herein.

On August 18, 1999, the City provided for the execution and delivery of the 1999 Certificates to provide funds to finance the costs of certain capital improvements to the Electric System.

The 1999 Certificates are outstanding in the aggregate principal amount of $21,205,000. A portion of the 2002 Certificates are being issued to refund a $17,685,000 principal portion of the 1999 Certificates, consisting of the 1999 Certificates that mature on February 1, 2010, February 1, 2011, February 1, 2012, February 1, 2013, February 1, 2017 and February 1, 2024. A portion of the proceeds of the sale of the 2002 Certificates will be deposited into the Escrow Fund established pursuant to the Escrow Agreement, dated as of December 1, 2002, by and between the City and BNY Western Trust Company, as the escrow agent (the "Escrow Agent"). Such amounts, together with any amounts transferred from certain funds held under the trust agreement for the 1999 Certificates, will be invested in United States Treasury Securities that mature in such amounts and at such times and bear interest at such rates as to provide amounts sufficient to pay on August 1, 2009 the prepayment price of 101% of the principal amount thereof and accrued interest thereon with respect to such 1999 Certificates to be refunded. See "VERIFICATION OF COMPUTATIONS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the 2002 Certificates.

Sources of Funds	
Principal Amount of the 2002 Certificates	
Total Sources of Funds	$40,385,000
Uses of Funds	
Deposit to Improvement Fund	$13,300,000
Deposit to Escrow Fund	25,013,700
Deposit to Parity Reserve Fund(1)	1,358,706
Costs of Issuance(2)	712,594
Total Uses of Funds	$40,385,000

(1) The amount necessary to cause the amount in the Parity Reserve Fund to be equal to the Reserve Fund Requirement when added to the amount of $2,115,297 previously on deposit in the Parity Reserve Fund with respect to the 1997 Certificates and the 1999 Certificates.

(2) Includes fees for the 2002 Certificate Insurance Policy, fees and expenses of the Bank, legal fees, financial advisory fees, rating agency fees, printing fees, underwriter's discount and other costs of issuance.

THE CITY OF ROSEVILLE

The City is located in Placer County (the "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 of 83,000, is the largest city in the County as well as the residential and industrial center of the County.

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 member's final two years.

Members of the Council and their terms of office are shown below.

Member	Position	Term Expires
Rocky Rockholm	Mayor	2004
Gina Garbolino	Mayor Pro Tempore	2006
Richard Roccucci	Member	2004
Earl Rush	Member	2006
Jim Gray	Member	2006

Senior staff of the City includes:

Allen E. Johnson, City Manager, has worked for the City of Roseville for over 18 years and has served as the City Manager since 1988. As City Manager, Mr. Johnson is responsible for overseeing the operations of the City. He has a Master's degree in Public Administration and a Bachelor's degree in Business Administration.

Russ Branson, Finance Director, is responsible for the accounting, budget, cash management, payroll, utility billing and public finance aspects of the City. Mr. Branson also manages the finances of the South Placer Wastewater Authority. He has been with the City since April 2001. Prior to assuming his current position, Mr. Branson served as an urban land economist for Economic & Planning Systems in Sacramento for 11 years. Mr. Branson has a Master's degree in Business Administration.

Mark Doane, City Attorney, began working for the City in 1994. Prior to joining the City, Mr. Doane had 24 years of public sector legal experience. Mr. Doane advises the City Council and all board and commissions on legal propriety of proposed actions, represents the City in civil litigation and acts as a liaison to outside counsel, prosecutes municipal code violations, and acts as general counsel to the City's Housing Authority and the Redevelopment Agency.

For a discussion of the City's overall organization, finances and economic information, see "Appendix A- THE CITY OF ROSEVILLE" and "Appendix B- AUDITED FINANCIAL STATEMENTS OF THE CITY OF ROSEVILLE FOR THE FISCAL YEAR ENDED JUNE 30, 2001."

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 69 megawatts ("MW") of electric capacity from federal hydroelectric projects. Steady population growth created a need to obtain resources beyond this 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 126 miles of overhead lines and over 465 miles of underground lines. During Fiscal Year 2001-02, it served 40,879 customers, comprised of approximately 36,373 residential customers and approximately 4,506 commercial and industrial customers, with a peak demand of approximately 239 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 Brown has served as Assistant Electric Utility Director-Distribution since June 2001. He began working for Roseville Electric in 1987 after graduating from California State University, Sacramento with a Bachelor of Science degree in Electrical Engineering. He is responsible for the distribution operations of the Electric System which include operating and maintaining the City's electric distribution system, preparing budgets, managing 70 employees, and planning system improvement projects and overseeing their design and construction. Mr. Brown is a registered electrical engineer in the State of California.

Thomas C. Green has served as Power Supply Manager since April 2001. Mr. Green is responsible for managing the City's electric supply portfolio including power market assessment, risk management, power purchases and sales, settlements, transmission, and administration. He is also responsible for the management of contractual relations with the Western Area Power Administration of the federal government ("Western"), NCPA and the California Independent System Operator ("ISO"). Prior to joining the City, Mr. Green was employed by NCPA where he led marketing and contractual activities related to bulk electric power services to NCPA members.

Rates

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

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

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

The City's monthly residential electric rates include a $4.00 service charge plus $.0841 per kWh consumed. For non-residential customers, the monthly service charge ranges from $6.50 to $300.00 plus $.0784 to $.0565 per kWh consumed. Certain non-residential users are also subject to a demand charge ranging from $1.85 per kW to $2.69 per kW.

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:

- July 2002- 4% rate rebate, based upon total monthly electric charges, to all electric customers, which will last from September 2002 through August 2003.
- December 2001- 5% increase for residential and 7.5% increase for commercial.
- October 2000- revenue neutral rate realignment among the unbundled charges by residential and commercial rates.
- January 2000- revenue neutral rate adjustment to unbundled residential and commercial rates.
- July 1997- revenue neutral rate adjustment, increasing residential rates 7% and decreasing business rates an average of 3.5%.
- February 1995– 5% decrease for large commercial and industrial customers implemented in 1% steps through July 1998.

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

Revenues and Sales

Demand. From Fiscal Year 1997-98 through Fiscal Year 2000-01, electricity use in the City increased by approximately 7.5% annually. In Fiscal Year 2001-02, electricity use declined by 3.8% due to increased customer conservation. Increased conservation and declining electricity use is consistent with overall customer use throughout California during Fiscal Year 2001-02. See "Energy Efficiency and Conservation" below. Over the past five years, the City's population has increased nearly 5% each year. This growth rate has been a result of expansion in all sectors of the economy. Hewlett-Packard ("HP") and major health care facilities (Kaiser-Permanente and Sutter/Roseville) have expanded their facilities and operations in the community. Additionally, a million square foot regional Galleria shopping mall, a large retail shopping area, hotels and significant office space have been completed and have contributed to the City's economy. In addition to retail commercial development, there also has been a strong residential growth trend adding over 6,000 residential units over the past 5 years.

During Fiscal Year 2002-03, electricity use in the City is expected to increase by more than 9% compared to Fiscal Year 2001-02 levels. The City attributes this increase to growth and reduced conservation. Over the next five years, growth is expected to continue. Retail, commercial, medical facilities and hotels are planned or under construction. Residential development also is expected to continue throughout the City, with approximately 2,500 new residences anticipated over the next five years. The City is studying a landowner proposal for the annexation of unincorporated areas proposed to be developed west of the City. The areas currently include approximately 3,000 acres and 8,000 proposed units. If this annexation were to occur, the City does not expect that it would have a material impact on Net Revenues of the Electric System.

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.

City of Roseville
Electric Department
Customers, Sales, Revenues and Demand
Fiscal Years Ended June 30

	1998	1999	2000	2001	2002
Number of Customers					
Residential	28,480	30,915	32,732	34,341	36,373
Commercial	4,024	4,151	4,524	4,326	4,506
Total Customers	32,504	35,066	37,256	38,667	40,879
Kilowatt-Hour Sales					
Residential	235,966,554	259,209,709	276,228,987	306,908,683	297,252,852
Commercial	527,480,816	552,289,155	599,456,965	658,493,552	631,099,644
Total kWh sales	763,447,370	811,498,864	875,685,952	965,402,235	928,352,496
Revenues					
Residential	$18,979,800	$22,470,120	$23,633,807	$25,845,807	$26,050,644
Commercial	35,748,574	37,107,668	39,686,624	45,611,652	45,495,713
Total	$54,728,374	$59,577,788	$63,320,431	$71,457,459	$71,546,357
Peak Demand (kWh)	190,873	231,331	242,840	243,150	239,400

Source: City of Roseville.

Ten Largest Customers. The ten largest customers of the City's Electric System, as of June 30, 2002, are shown in the following table. These customers accounted for 32% of total kWh sales and 26% of revenues. The largest customer, NEC Electronics Corporation ("NEC"), accounted for 15% of total kWh sales and 11% of total revenues. The smallest of the ten largest customers, Union Pacific Railroad, accounted for 0.8% of total kWh sales and 0.7% of revenues.

City of Roseville
Electric Department
Ten Largest Customers
as of June 30, 2002

Customer	Type of Business
NEC	Computer Manufacturing
Hewlett Packard	Computer Manufacturing
Cassie Hill Center	Data Processing
Sutter Roseville Medical Center	Medical Care
Kaiser Hospital	Medical Care
Roseville Telephone Company	Telecommunications
Albertson's Distribution Center	Refrigerated Warehousing
Urban Retail Properties/Galleria	Retail
City of Roseville WWTP	Wastewater Treatment
Union Pacific Railroad	Railroad

Source: City of Roseville.

Rate Comparison

The City's current retail electric rates are among the lowest in California and over 40% lower than other retail electric rates being charged in the Sacramento region. An average residential or industrial customer in the City, pays approximately 40% less than comparable PG&E customers.

Power Supply

Purchased Power. The City acquires power supply from 3 major sources as described in the following table; a long-term contract with Western, entitlements to a percentage of the capacity and energy of certain NCPA generation projects and market. In Fiscal Year 2002-03, the City anticipates a small overall surplus energy supply.

In Fiscal Year 2001-02, the City's average cost of wholesale purchased power delivered to the Electric System was 5.6 cents per kWh.

See "Term Purchase Agreements" below and "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS—Developments Since the Passage of AB 1890 — PG&E Bankruptcy; Edison/CPUC Settlement Agreement" and "—Impact of Recent Conditions on the City" herein.

City of Roseville Electric Department Power Supply Resources
Fiscal Year Ended June 30, 2002

Source	Capacity Available (MW)[1]	Actual Energy (GWh)	% of Total Energy
Purchased Power[2]:			
Western	69	394	40%
NCPA			
Geothermal Project	11	88	9
Hydroelectric Project	44	70	7
Combustion Turbine Project No. 1	17	1	0
STIG Project, Unit One	19	30	3
Seattle City Light[3]	21	(10)	(1)
Other[4]	75	408	42
TOTAL	256	981	100%

(1) Non-coincident capacity available.
(2) Entitlements, firm allocations and contract amounts.
(3) This is a seasonal exchange agreement where the City receives more capacity and Seattle receives more energy on an annual basis. During Fiscal Year 2001-02, it was agreed that the City would receive cash payments instead of energy.
(4) Net firm and non-firm energy purchases.
Source: City of Roseville.

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. In Fiscal Year 2001-02, the average cost of energy to the City from Western was 2 cents per kWh.

Through 2004, the price of Western power to the City is subject to change based on changes in Western's acquisition costs. Such acquisition costs include, among other things, energy purchases from PG&E under the Western-PG&E integration agreement, California ISO costs for grid management charges and regulatory must run charges, and costs under Western's transmission agreements with PG&E.

Beginning January 1, 2005, electric service from Western to the City will be renewed under a new 20-year contract referred to as the "Base Resource Contract." The Base Resource Contract will provide the City with 4.58170% of the Western Base Resource which is principally the generating capability of the Central Valley Project and certain Western power purchases determined by Western to be available for marketing through NCPA.

On March 29, 2001, PG&E filed proposed changes in rates under its integration agreement with Western, pursuant to Section 205 of the Federal Power Act. In its filing, PG&E sought authority from FERC to pass on its costs to purchase power to support Western's hydroelectric resources to Western's customers and to replace the rate methodology which required PG&E to charge rates based on the average cost of its thermal generation. If allowed to become effective, PG&E's proposed changes would have increased Western's costs by hundreds of millions of dollars over the remaining term of the agreement which expires at the end of 2004.

PG&E's filing was vigorously opposed by Western and by most of Western's customers. On September 21, 2001, a FERC Administrative Law Judge issued a decision determining that PG&E had no contractual authority to make such a filing. This decision was upheld by FERC and the PG&E filing was rejected in its entirety. However, PG&E has appealed this ruling to the United States Court of Appeals for the D.C. Circuit. Final briefs on this matter were filed November 29, 2002 and oral arguments are scheduled for March 13, 2003. In the event that PG&E's appeal is ultimately successful, it is unclear to what extent costs might be assessed retroactively.

In April 2001, PG&E filed for bankruptcy protection. PG&E has affirmed its intention to honor all contracts and agreements which were in place at the time of its bankruptcy filing, including the Western-PG&E integration agreement. The Western-PG&E integration agreement has been included as an obligation in both the PG&E proposed Plan of Reorganization and the CPUC proposed Plan of Reorganization.

NCPA Hydroelectric Project Number One. The City has a 12.00% entitlement share of the generating output of NCPA's Hydroelectric Project Number One (the "NCPA Hydroelectric Project"). In addition, the City has purchased an assignment from the City of Palo Alto, California of an additional 6.52% entitlement share of the NCPA Hydroelectric Project, which is effective through 2004. The NCPA 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.

NCPA financed the NCPA Hydroelectric Project through the issuance of the NCPA Hydroelectric Project Number One Revenue Bonds, of which approximately $501.8 million was outstanding as of September 30, 2002. The City's share in the NCPA Hydroelectric Project and in such bonds is 9.9%. The City's share of debt service for its 12% entitlement share of these bonds continues to the year 2032 and annual debt service (net of certain economic defeasance portfolios established in 1998) ranges from $2.4 million to $4.3 million.

The NCPA 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 NCPA Hydroelectric Project until 2032, (ii) managed the construction of the NCPA Hydroelectric Project and (iii) operates the generating and recreational facilities of the NCPA Hydroelectric Project. Under a separate FERC-issued license with an expiration date coterminous with the NCPA Hydroelectric Project's License No. 2409 (Project No. 11197), NCPA holds the license and owns the 230 kV Collierville-Bellota and 21 kV Spicer Meadow-Cabbage Patch transmission lines.

In February 1990, the operating portions of the NCPA Hydroelectric Project were declared substantially complete and commercially operable. The operation of the NCPA Hydroelectric Project is determined by consideration of its storage capacity and available stream flows. The NCPA Hydroelectric Project has a 105-year record (1895 to 2000) of streamflows. Based upon the record, the NCPA Hydroelectric Project's average production is estimated to be 550 GWh annually. Using the driest period of record (1976-1977), the NCPA Hydroelectric Project is estimated to produce 180 GWh annually. The NCPA Hydroelectric Project generation for Fiscal Year 2001-02 was 237 GWh.

Potential seismic sources in the area of the Stanislaus River Basin have been identified by PG&E that may, if proven to have credibility, affect the Hydroelectric Project facilities. NCPA and Tri-Dam project conducted an initial investigation, finding that, for the most part, the new faults shown on the 1994 Fault Activity Map of California, closest to the NCPA Hydroelectric Project do not appear to exist. It is recommended, however, that further field investigations be performed for selected areas. Determining the cost for structural upgrades, if required to improve factors of safety, is pending the further field investigations.

In 1997, NCPA began investigating the potential need for stabilizing an area abutting a forest service road for NCPA Hydroelectric Project purposes as well as for other uses designated by the Forest Service. NCPA initiated geotechnical investigations to determine the extent of the instability, the mechanism of movement, the risk to its facilities and possible stabilization measures. Any rapid failure of this landmass is considered highly unlikely by NCPA's consultants. Indications are that this landmass poses no immediate threat. NCPA has undertaken initial stabilization measures and is in the process of determining the most effective means of long term stabilization. All efforts made to stabilize the slope have been carefully reviewed by and coordinated with FERC, the United States Forest Service, the California Department of Water Resources ("DWR"), and the Division of Safety of Dams.

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

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

NCPA financed the NCPA Geothermal Project with NCPA Geothermal Project Number 3 Revenue Bonds, of which $234.6 million were outstanding as of September 30, 2002. The annual debt service on these bonds ranges from $3.0 million to $56.4 million, with final maturity of July 1, 2010. The City has purchased from NCPA, pursuant to power sales contracts, a 7.88% entitlement share in the NCPA Geothermal Project and is obligated to pay a like percentage of all of the debt service and operating costs of such plants. For Fiscal Year 2001-02, the City received 83,394 MWh of electric energy from the NCPA Geothermal Project at an average cost of $75.70 per MWh.

Due to a decline in the steam field production, the NCPA Geothermal Project is currently being operated at an average of 150 MW rather than the base load of 238 MW. NCPA has implemented a number of strategies to reduce the rate of decline in steam field productions such as lowering steam turbine operating pressures to improve mass flow, and augmenting mass flow by managing the injection of plant condensate and supplemental water. These changes were effective in reducing the decline in steam production. Due to current operating protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease, reaching approximately 110 MW by the year 2010, and remaining in excess of 60 MW through 2025, the end of the study period. The average annual generation for Fiscal Year 2001-02 was 140.7 MW gross.

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

The NCPA Combustion Turbine Project provides capacity (i) that is economically dispatched during the peak load period to the extent permitted by air quality restrictions and (ii) that is used to meet capacity reserve requirements. Such reserve capacity is operated only during emergency periods when other resources are unexpectedly out of service. NCPA financed the NCPA Combustion Turbine Project through the issuance of the NCPA Combustion Turbine Project Number One Revenue Bonds, of which $27.8 million were outstanding as of September 30, 2002. The debt service on these bonds is approximately $4.3 million annually with a final maturity of August 15, 2010.

The City has purchased from NCPA pursuant to a power sale contract a 13.58% entitlement share in the NCPA Combustion Turbine Project. As is typical of reserve and peaking resources, the average cost per kWh of power delivered to participants in the NCPA Combustion Turbine Project is comparatively expensive. For Fiscal Year 2001-02, the City received 667 MWh of electric energy from the NCPA Combustion Turbine Project at an average energy cost of $2,054 per MWh.

NCPA Steam Injected Gas Turbine Generator Project. In 1992, NCPA undertook its multiple capital facilities project, including (i) one Steam Injected Gas Turbine (a "STIG"), Unit One, with a design rating of 49.9 MW located in Lodi, (ii) a second STIG, 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"). NCPA financed the NCPA Steam Injected Gas Turbine Generator Project through the issuance of $152.3 aggregate principal amount of Multiple Capital Facilities 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 the NCPA Multiple Capital Facilities Revenue Bonds.

The acquisition and construction of the Lodi Facilities could not be undertaken, as contemplated, by Lodi, and the Lodi Facilities project was abandoned. Payment of the Outstanding NCPA Multiple Capital Facilities Revenue Bonds allocable to the Lodi Facilities, in the approximate principal amount of $11.3 million, was provided for through the deposit of amounts in an irrevocable escrow fund pursuant to an escrow agreement between NCPA and the trustee for the NCPA Multiple Capital Facilities Revenue Bonds. All of the Outstanding NCPA Multiple Capital Facilities Revenue Bonds allocable to the Lodi Facilities were 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 portion of the NCPA Multiple Capital Facilities Revenue Bonds not previously refunded. As a result of the refunding, all of the Outstanding NCPA Multiple Capital Facilities Revenue Bonds were paid or redeemed by September 3, 2002. Approximately $67.9 million of the NCPA Capital Facilities Revenue Bonds was outstanding as of September 30, 2002. The annual debt service on the NCPA Capital Facilities Revenue Bonds ranges from $485,000 to $5.9 million, with a final maturity in 2026.

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 purchased from NCPA a 36.55% entitlement share in the NCPA Multiple Capital Facilities Project. NCPA has entered into arrangements on behalf of the NCPA Multiple Capital Facilities Project Participants to provide for a gas supply for Unit One. NCPA has estimated the average cost of capacity from Unit One to be $13.61/kW-mo. for 2002-03. For Fiscal Year 2001-02, the City received 30,366 MWh of electric energy from Unit One at an average cost of $216 per MWh.

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

Term Purchase Agreements. The City has recently entered into two long-term energy purchase agreements each for 25 MW, delivered all hours through 2004. In June of 2001, the City entered into a fixed-price contract, which supplies on-peak power generally in 25 MW increments in varying months through 2004, increases to 50 MW during all on-peak hours in 2005, and further increases to 100 MW during all on-peak hours from 2006 through 2010. This contract is expected to meet approximately one-third of the City's energy needs through 2010.

Future Power Supply Resources. The City expects that it will obtain additional resources from market purchases or investment in generation facilities, either independently, through NCPA or other agencies.

Transmission

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

Pursuant to Project Agreement No. 3 for the COTP (the "TANC Agreement"), the City is entitled to 2.313% of TANC's share of COTP transfer capability (approximately 29.35 MW). In return, the City has severally agreed to pay, on an unconditional take or pay basis, 2.295% of the construction costs of the COTP, including debt service, and 2.313% of TANC's COTP operating and maintenance expenses. In 1991, Palo Alto agreed to assign 7.68 MW of its entitlement in this project to the City through 2004.

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

Tesla–Midway Transmission Service. The southern physical terminus of the COTP is near PG&E's Tesla Substation in the San Francisco Bay Area. The COTP is connected to Western's Tracy and Olinda Substations. TANC has arranged for PG&E to provide TANC and its members with 300 MW of firm bi-directional transmission capacity in its transmission system between its Tesla Substation and the Midway Substation (the "Tesla-Midway Service") under an agreement known as the South of Tesla Principles. The City's share of this Tesla-Midway Transmission Service is 5 MW. The City utilizes its allocation of Tesla-Midway Transmission Service for firm and non-firm power transactions when available and economic to do so.

Distribution

The City owns and operates the electrical distribution system serving retail customers within the City's boundaries. The distribution system is connected at the two connection points, the 230-kv-Berry Street Receiving Station and the 230-kv Fiddyment Station. The distribution system consists of over 126 miles of overhead lines, 465 miles of underground lines and 14 substations. The City performs continued maintenance on its distribution system to sustain service reliability.

Dispatch and Scheduling

The City participates in the NCPA Power Pool. In accordance with the NCPA pooling agreement, NCPA schedules and dispatches the pool members' generation resources to meet the pool members' loads on an economic dispatch basis from NCPA projects and long- and short-term power supply contracts. The City provides such dispatch and scheduling services from its dispatch control center located at its headquarters office in the City.

Forecast of Capital Expenditures

The City's five-year capital plan for the distribution system contemplates annual capital expenditures in amounts ranging from approximately $4 million to $9 million.

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. In the future, the City may decide to make further investments in new generation or transmission resources.

Energy Efficiency and Conservation

AB 1890 requires that the City spend 2.85% of gross revenues or about $2.2 million per year on public benefit programs. Basic programs were developed from 1998 to 2001 and include rate assistance to qualifying low income families, incentives for energy efficient equipment in commercial and residential buildings, demonstrations of renewable and advanced technologies and education for the community in energy efficiency practices. In 2001, the Electric System enhanced the residential and commercial energy efficiency programs to focus on summer peak consumption reductions, as well as energy conservation. The California energy crisis brought about unprecedented participation from both the residential and commercial market. During 2001-02, special funds from the state provided a demand reduction response system for the larger commercial/industrial customer facilities in addition to web access to their hourly electric consumption data. The City was also successful in receiving state funds to retrofit all traffic signals to LED technology. A special summer program was implemented providing customers a 10% discount if they reduced energy consumption by 10% over the previous year. This program won the 2002 California Municipal Utility Association annual award for community service programs. A residential new construction photovoltaics program, development of a geo-exchange educational program, enhancements to the Electric System's web-based energy efficiency education and information programs were enhancements during 2002. Plans for 2003 include energy efficiency programs for residential and commercial new construction, a commercial photovoltaic incentive program as well as installing demonstration photovoltaic projects at a number of municipal facilities.

Employees

As of June 30, 2002, approximately 84 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, 2002. 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. The City had no unfunded pension benefit obligation as of June 30, 2002.

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 two joint powers authorities, the California Joint Powers Risk Management Authority, that provides excess coverage up to $25,000,000 for casualty and liability, and the Local Agency Workers' Compensation Excess Joint Powers Authority, for excess coverage up to $10,000,000 for workers' compensation.

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:

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

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; and
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, 2002, the City had outstanding $27 million principal amount of Electric System Revenue Certificates of Participation payable from Net Revenues of its Electric System (the "Outstanding Certificates"). The Outstanding Certificates are payable on a parity with the 2002 Certificates and subordinate to the payments required to be made with respect to the City's obligations to NCPA and TANC described below. Approximately $21.975 million of the Outstanding Certificates will be refunded with the proceeds of the 2002 Certificates. See "PLAN OF FINANCE" herein.

The City participates in certain joint powers agencies, including NCPA and TANC. Obligations of the City, as well as its other agreements with TANC and NCPA constitute operating expenses of the Electric System payable prior to any of the payments required to be made on the Electric System revenue certificates of participation. The agreements with NCPA and TANC are on a "take or pay" basis, which requires payments to be made whether or not projects are operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain "step up" provisions obligating the City to pay a share of the obligations of a defaulting participant and granting the City a corresponding increased entitlement to electricity (generally, the City's "step-up" obligation is limited to 25% of the City's scheduled payments on such obligations). The City's participation and share of debt service obligation (without giving effect to any "step up" provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

City of Roseville
Electric Department
Outstanding Debt of Joint Powers Agencies
As of June 30, 2002
(Dollar Amounts in Millions)

	Outstanding Debt	Roseville Participation	Roseville Share of Outstanding Debt
NCPA			
Geothermal Project	$301.7	7.880%	$23.77
Transmission Project	6.8	14.180	.96
Hydroelectric Project	506.3	12.000	60.75
Combustion Turbine Project No. 1	30.6	13.580	4.16
Capital Facilities, Unit One	65.6	36.500	23.93
TANC			
Bonds	370.7	2.295	8.51
Notes	69.9	2.295	1.60
TOTAL	$1,351.6		$123.68

Source: City of Roseville.

Audited Financial Statements

The table below presents summaries of financial data relating to the City's Electric Fund for Fiscal Years 1997-98 through 2001-02. This data is extracted from the City's Annual Financial Reports for such fiscal years, except for Fiscal Year 2001-02, which was estimated on an unaudited basis by the City.

The City's Annual Financial Report is 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, City of Roseville, 311 Vernon Street, Roseville, California 95678.

Significant Accounting Policies

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

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

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

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

Revenues, Expenses and Net Income of the Electric Fund

The following table presents a five-year summary of the revenues, expenses, net income and other matters for the City's Electric Fund for Fiscal Years 1997-98 through 2001-02. This data is extracted from the City's Annual Financial Reports for such fiscal years, except for Fiscal Year 2001-02, which was estimated on an unaudited basis by the City.

City of Roseville
Electric Fund
Statement of Revenues and Expenses
Fiscal Years 1997-98 through 2001-02
(Dollars in Thousands)

	Fiscal Year Ended June 30				
	1998	1999	2000	2001	2002[1] (unaudited)
Operating Revenues	$57,368	$69,212[2]	$69,134	$77,576	$74,173
Operating Expenses[3]	(43,550)	(47,175)	(57,237)	(61,719)	(78,230)[9]
Operating Income	$13,818	$22,037	$11,897	$15,857	(4,057)
Net Non-operating Revenues	2,384	1,244	2,335	4,790	2,371
Contributions[4]	0	0	0	16,302	15,608
Net Operating Transfers[5]	(4,244)	(4,400)	(4,808)	(5,573)	(6,974)
Net Income	$11,958	$18,881	$ 9,424	$31,376	$ 6,948
Selected Balance Sheet Information:					
Net Plant in Service	$97,008	$106,926	$125,699	$141,287	$161,989
Construction Work in Progress	$ 839	$ 3,478	$ 7,309	$ 9,575	$ 7,636
Long-Term Debt	$10,395[6]	$ 8,995[6]	$ 29,175[7]	$ 27,665[7]	$ 26,980[7]
Debt Service	$ 1,797	$ 1,848	$ 2,693	$ 2,839	$ 2,009
Debt Service Coverage Ratio[8]	9.81	13.27	5.47	8.93	1.43
Rate Stabilization Fund ("RSF") Balance	$34,938	$ 41,743	$53,826	$ 57,326	$ 48,358
Coverage Ratio, including RSF Balance[10]	29.25	35.85	25.46	29.12	25.50

(1) Unaudited estimates calculated by the City.
(2) Includes a one time $6 million allocation for debt service from NCPA.
(3) Includes purchased power costs and payments to NCPA and TANC.
(4) Includes contributions in aid of construction and capital contributions from developers.
(5) Represents transfers to the City's general fund for franchise fees, indirect costs, Corp Yard rent and GIS contribution.
(6) Represents the 1997 Certificates.
(7) Represents the 1997 Certificates and 1999 Certificates.
(8) Represents the sum of Operating Income plus depreciation less contributions-in-aid of construction plus interest income ("Adjusted Operating Income") divided by net debt service as detailed below.

Adjusted Operating Income	1998	1999	2000	2001	2002
Operating Income	$13,818	$22,037	$11,897	$15,857	$(4,057)
Plus Depreciation/Amortization	4,369	3,496	4,237	4,523	3,735
Plus Interest Revenue (excluding Unrealized Gain (Loss))	2,020	2,512	4,237	4,960	3,185
Less Contributions in Aid Construction	(2,585)	(3,531)	(5,645)	0	0
Adjusted Operating Income	$17,622	$24,514	$14,726	$25,340	$2,863
Net Debt Service	$ 1,797	$ 1,848	$ 2,693	$ 2,839	$2,009

(9) Operating Expenses do not include $11.5 million voluntary payment to NCPA for early redemption of NCPA bonds. This payment was made by the City from RSF funds. Increase in Operating Expenses resulted primarily from: (a) reserve credits for power purchases held at NCPA totaling $4 2 million being credited against 2000-01 power expenditures, thereby reducing 2000-01 reported expenses; these credits were shown as expenses in 2001-02, increasing 2001-02 reported expenses and (b) energy prices increasing without corresponding sales increase.
(10) The Master Contract permits inclusion of the balance in the RSF Fund in calculating the Debt Service Coverage, which is shown in the table. The Master Contract also requires deduction of Reserve Fund earnings from Debt Service, which is not shown in this table.

Management Discussion of Operations

During Fiscal Year 2001-02, the Electric System's operating costs increased due to significant electric power market changes. The Electric System's Fiscal Year 2001-02 costs increases were attributable primarily to a drop in market prices that reduced offsetting revenues to NCPA's costs. NCPA's sale of excess power at higher prices had previously offset NCPA's costs and, thus, lowered the City's payments to NCPA. To reduce the chance of significant swings in non-NCPA operating costs due to market changes, the City has entered into new, fixed price, power purchase contracts.

Additionally, during Fiscal Year 2001-02, operating revenues of the Electric System decreased from the prior year due to reduced electricity consumption which was primarily the result of California's energy crisis. During this time, although the number of Electric System customers increased, all customer sectors reduced energy use through conservation and energy efficiency measures. See "THE ELECTRIC SYSTEM- Energy Efficiency and Conservation" herein.

THE CITY'S RESPONSE TO INDUSTRY RESTRUCTURING

Customer Choice

In January of 2000, the City Council approved a number of policies, which included providing consumers with access to the electricity supplier of their choice. In May of 2000, wholesale electricity prices began to rise, leading many energy competitors to withdraw from the retail business. In early 2001, the State began acquiring power to serve the customers of the California investor-owned utilities ("IOUs"), prompting the CPUC to suspend retail competition to ensure payment of the state's long-term contracts. The CPUC action, the lack of competitors and the fact that not a single City customer opted to select another supplier, led the Electric System to reconsider its customer choice program. In early 2001, the Electric System began negotiating long-term agreements with its 20 key industrial and commercial customers, exclusive of NEC and HP, which already had agreements. All customers agreed to be full requirement customers of the Electric System for 5 years. The City now has 22 long-term contracts. The contracts stipulate that rates may be changed from time to time to reflect the cost of service. In July of 2001, the City Council terminated the customer choice program.

Contracts with Largest Customers

In response to deregulation of the electric industry in California, the City has entered into long-term retail electric sales agreements with its largest customers in order to maintain reasonable and competitive rates. The following is a summary of certain provisions relating to the retail electric services agreements. The Electric System will supply the customers' full electric energy requirements.

- Customer will install or operate self-generation only by mutual agreement.
- Agreements are for pricing at the rate tariff and are for 5 years in term.
- The Electric System and Customer agree to joint annual planning meetings to ascertain changes in anticipated load growth and supply needs.
- Customer agrees to work with the Electric System to identify non-critical load suitable for energy reductions during system emergencies.

- The City agrees to provide retail wheeling through its distribution system for the two largest customers, NEC and HP (main campus only) until 2022 and 2021 respectively.

Response to California Energy Crisis

When prices began to rise substantially in May 2000, the Electric System acted quickly to acquire sufficient power at fixed prices to meet its customer needs. In August of 2000, the City executed a contract for 50 MW per hour of firm power continuously for 5 years that was terminated in August 2002. In June of 2001, the City entered into another fixed-price contract, which supplies on-peak power generally in 25 MW increments in varying months through 2004, increases to 50 MW during all on-peak hours in 2005, and further increases to 100 MW during all on-peak hours from 2006 through 2010. This contract is expected to meet approximately one-third of the City's energy needs through 2010. To replace the energy supply from the 50 MW contract terminated in August 2002, the City has recently entered into two long-term energy purchase agreements each for 25 MW, delivered all hours through 2004. The replacement contracts were at contract prices approximately $16/MWh less than the price under the 50 MW contract.

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

Rate Stabilization Fund

The City Council adopted a policy establishing a Rate Stabilization Fund to hedge for price volatility. The RSF currently has a balance of approximately $48 million as of June 30, 2002. Amounts in the Rate Stabilization Fund are anticipated to be used to pay down supply expenses to keep the City's electric rates stable. The City estimates that under current annual revenue estimates, the Rate Stabilization Fund is expected to be sufficient to pay for any known contingency related to the power supply.

Power Supply Risk Management

Currently, the City purchases all of its annual energy requirement to serve retail customers from its contract with Western, its participation in NCPA generation projects and long-term contracts, thereby providing resources to fully meet its load requirement, as well as providing reasonable reserves. Generally, within the limits of its risk management policies, the City purchases or sells energy that is deficit or surplus to its retail customer needs within the short-term economy energy market using the scheduling and dispatch services of the NCPA. The City employs a series of power supply risk management measures to manage its power supply costs. These measures require the City to manage budget cost exposure due to market price volatility to within five percent of the City's total purchased power cost; focus risk management trading activity within periods when market price exposure is greatest; and limit the buying and selling of wholesale power such that there is less than ten percent market exposure on a rolling 12 month basis.

Termination of the NCPA/PG&E Interconnection Agreement

The NCPA/PG&E Interconnection Agreement that provided transmission services for the delivery of the NCPA Project generation to the City terminated August 31, 2002. NCPA Project generation and most market purchases are delivered over the ISO Controlled Grid to the electric system of Western, to which the City is physically interconnected. The City entered into a Metered Subsystem ("MSS") Agreement with the ISO effective September 1, 2002. The MSS Agreement provides the control area services previously provided by the NCPA/PG&E Interconnection Agreement. The City employs NCPA as its Scheduling Coordinator to perform the power resource scheduling requirements of the ISO Tariff. In its role as Scheduling Coordinator, NCPA acts as an MSS Aggregator to jointly schedule the power resources of the members of the NCPA Power Pool, including those of the City.

Other Areas

Other areas in which the City has prepared for deregulation include marketing and energy efficiency. The City has increased its customer communication program, established a key and major accounts program, and has expanded energy services including energy efficiency consulting and incentives, an in-depth education program, green power products and renewable generation. The focus of the Electric System's efforts is building a strong customer retention program, an important part of building loyalty and planning for the future. A 2001 customer survey by the City indicated that ninety-eight percent of the customers responding rated the Electric System as either good or very good.

The City is actively involved in NCPA's efforts to restructure and refinance its debt obligations to reduce potential 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.

RATE REGULATION

The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not currently subject to the regulatory jurisdiction of the CPUC, and presently neither the CPUC nor 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.

FERC could potentially assert jurisdiction over rates of licensees of hydroelectric projects and customers of such licensees under Part 1 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 the NCPA Hydroelectric Project. There is a question as to whether FERC has jurisdiction 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 1 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 the NCPA Hydroelectric Project, it is unlikely that any reasonable rates and charges would be found to be contrary to applicable federal regulatory standards.

Under 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 FERC-approved rates.

FERC also has jurisdiction to regulate those rates and has asserted that jurisdiction in Minnesota Municipal Power Agency v. Southern Minnesota Municipal Power Agency, 66 FERC 61,223 (1994) and 68 FERC 61,060 (1994). However, FERC's asserted jurisdiction over municipal rates does not extend to the rates for power sales and applies only to transmission service ordered by FERC pursuant to Section 211 of the Federal Power Act, as amended by the Energy Policy Act.

To the extent that the City makes use of any open access transmission tariff filed by a FERC-jurisdictional utility pursuant to FERC Order 888, the City triggers certain reciprocal obligations under the tariff, including the obligation to provide open access transmission service to certain other utilities, to make information about its facilities available on a computer bulletin board and to separate its transmission personnel from its marketing personnel.

As is described under "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS" herein, it is possible that transmission facilities of the City will be included in a California statewide or even Westwide network administered by the California Independent System Operator (the "ISO" as hereinafter defined) or a Regional Transportation Organization ("RTO") at some time in the future. It is unclear at this stage how the City will be recompensed for the use of those transmission facilities by others, and that lack of clarity is currently the largest obstacle to such participation.

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. As previously discussed, 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.

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.

DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS

Background; California Electric Market Deregulation

The State of California has attempted to establish a competitive electric energy market. This effort, initially begun by the CPUC, was augmented by state legislative action. FERC issued orders granting the federal authorizations necessary to implement the California deregulation program.

In September 1996, AB 1890 became effective, which facilitated deregulation of the California electric energy market. AB 1890 mandated the organization of the ISO and a Power Exchange (PX), each is a nonprofit, public benefit corporation. The ISO and the PX commenced operations on March 31, 1998, with the ISO assuming operational control of the transmission facilities of the IOUs and the PX serving as the spot market for the purchase of output of the IOUs' generating assets and for the sale of electricity to meet their service requirements. On March 9, 2001, the PX has ceased trading activities and filed for bankruptcy protection.

While AB1890 exempted municipal utilities, including the City, from provision of direct access, it provided strong incentives for participation by all utilities. 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 municipal 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 or new customers.

Finally, 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. This expenditure mandate was extended until 2012 by Assembly Bill 995, which became effective on January 1, 2000.

Developments Since the Passage of AB 1890

Set forth below is a discussion of certain developments that have occurred since the passage of AB 1890 and the effort to deregulate the California energy markets.

AB 1890 Rate Freeze; Financial Difficulties of the IOUs and other Market Participants. In mid-2000, wholesale electricity prices in California began to rise rapidly. At the time, retail electricity rates charged by the three major IOUs in California (PG&E, SDG&E SCE) were frozen by California law. The resulting shortfall between retail rate revenues and wholesale power costs adversely affected the creditworthiness of the IOUs and their ability to purchase electricity. The creditworthiness of the ISO and the PX are directly tied to that of the IOUs because of the significant financial obligations of the IOUs to the ISO and the PX. As a result of the deteriorating financial conditions of such agencies, power suppliers began expressing concerns about supplying energy to such California entities. On December 15, 2000, FERC issued an order eliminating the requirement that California IOUs buy energy through the PX and prohibiting them from selling energy to the PX. In that order FERC also directed the PX to discontinue purchasing energy on April 30, 2001. By January 31, 2001, the PX had become insolvent and ceased trading activities. On March 9, 2001, the PX filed for protection under Chapter 11 of the federal Bankruptcy Code. On November 14, 2001, participating creditors filed a disclosure statement and a plan of reorganization for the PX.

IOU Rate Increases. Since January 2001, the CPUC has authorized substantial rate increases in the service areas of the three major IOUs in California. In addition, all three of such IOUs have applications pending before the CPUC seeking authorization to increase rates further to recover past losses and increase future revenues. The amount and timing of future rate increases for electricity supplied by DWR and the IOUs may be affected by a number of factors, including rehearings and appeals of the applicable CPUC orders and the PG&E bankruptcy.

State Intervention. In January 2001, California Governor Gray Davis determined that the electricity available from California' utilities was insufficient to prevent widespread and prolonged disruption of electric service in California and proclaimed a state of emergency to exist in California under the California Emergency Services Act (the "Emergency Services Act"). The Governor directed the Department of Water Resources of the State of California ("DWR") to enter into contracts and arrangements for the purchase and sale of electric power if necessary to assist in mitigating the effects of the emergency (the "Power Supply Program"). Following the Governor's proclamation under the California Emergency Services Act, the Power Supply Program was further authorized by the enactment of legislation (Chapters 4 and 9, First Extraordinary Session of 2001, hereafter referred to as the "Power Supply Act") and the adoption of related orders by the CPUC. DWR began selling electricity to approximately 10 million retail end-use customers of the three major IOUs in California (the "Customers") in January 2001.

Suspension of Direct Access. On March 21, 2002, the CPUC adopted a decision suspending as of September 20, 2001 the right of retail end-use customers (with certain limited exceptions) of the IOUs to purchase electricity from suppliers other than DWR and the IOUs (i.e., direct access) until DWR is no longer a supplier of electricity. On November 7, 2002, the CPUC imposed a charge on many former retail end-use customers who chose to enter electricity contracts with power providers other than the IOUs. The surcharge, up to 2.7 cents per kWh, will apply to all entities that signed direct access contracts between February 1, 2001 and September 20, 2001 and will result in nearly $500 million in annual payments. The revenue from this surcharge will fund the DWR bond account, DWR's power account and a separate account for utilities. See "State Activities in Connection with Current Conditions" below.

PG&E Bankruptcy; Edison/CPUC Settlement Agreement. On April 6, 2001, PG&E filed for voluntary protection under Chapter 11 of the federal Bankruptcy Code. PG&E's parent company, PG&E Corp., has not filed for bankruptcy protection. The bankruptcy proceedings (hereinafter, the "PG&E Bankruptcy") are pending in U.S. Bankruptcy Court in San Francisco, California. Bankruptcies involving large and complex companies typically take several years to conclude. PG&E has filed an amended plan of reorganization and a disclosure statement which was approved by the bankruptcy court. The plan seeks an extensive restructuring of PG&E's business and the transfer of certain of its assets, including its electric and gas transmission assets, to newly created limited liability companies. PG&E has also filed the plan at FERC, the Securities and Exchange Commission and the Nuclear Regulatory Commission seeking their approval of the elements under their jurisdiction. On April 15, 2002, the CPUC filed an alternate plan of reorganization and disclosure statement. Both plans have been submitted to the creditors for consideration and voting. Confirmation objections to both plans have been filed with the bankruptcy court. On August 30, 2002, the CPUC and the Official Committee of Unsecured Creditors jointly filed an amended plan of reorganization for PG&E, together with a joint motion seeking, among other things, to resolicit votes on preference for the amended plan of reorganization. On September 30, 2002, the bankruptcy court approved a limited form of resolicitation. The City has certain financial exposure to PG&E through NCPA arising from transactions through the ISO as a result of the PG&E Bankruptcy filing. NCPA has filed a claim for recovery of such amounts in the PG&E proceedings

On October 2, 2001, Edison and the CPUC announced the proposed settlement of certain pending litigation which is intended to allow Edison to recover from ratepayers a substantial portion of its accumulated debts. Edison had previously indicated that it might seek bankruptcy law protection if the Legislature did not enact legislation to assist its financial recovery. The settlement between Edison and the CPUC was approved by the district court over the objections of The Utility Reform Network ("TURN"), a nonprofit consumer organization. TURN appealed the stipulated judgment resulting from the settlement. On September 23, 2002, the Ninth Circuit Court of Appeals affirmed the decision of the district court as to certain questions arising under federal law, but certified to the California Supreme Court certain questions relating to the validity of the settlement agreement under California law. The potential impacts of further proceedings relating to this suit on the creditworthiness of Edison are uncertain.

FERC Price Mitigation. On June 19, 2001, FERC ordered the implementation of cost-based price mitigation in the spot electricity markets for California and the rest of the area within the Western Systems Coordinating Council. During periods of reserve deficiency (i.e., when reserves are below 7% in California and a Stage 1 alert is announced), FERC's order requires sellers that have available energy to submit bids that are no higher than the unit's marginal cost to replace natural gas used for generation plus variable ownership and maintenance costs. Sellers that are marketers cannot bid higher than these cost-based prices. The order further limits spot market prices during all non-reserve deficiency periods to a maximum of 85% of the highest price established during the most recent Stage 1 alert. This action significantly reduced spot power prices in the western United States. FERC's price mitigation order took effect on June 20, 2001 and was scheduled to terminate on September 30, 2002. On July 11, 2002 FERC issued an order replacing the previous formula for calculating the price cap with a hard cap of $91.87 per MWh, which would remain in effect from July 12, 2002 through September 30, 2002. On July 17, 2002, FERC issued an order establishing a hard price cap of $250 per MWh effective October 1, 2002. FERC has indicated it established the price cap at this level to promote further development of new generating resources in California.

State Activities in Connection with Current Conditions. DWR's power supply program has been financed by unsecured loans from the General Fund (and certain other funds) of the State, plus retail customer payments received by DWR. As of May 31, 2002, DWR had, since the start of the program on January 17, 2001, incurred power purchase obligations and administrative expenses aggregating slightly more than $13 billion, of which $6.2 billion was advanced from the State General Fund (of which approximately $116 million has been repaid) and $5.2 billion was paid from retail customer payments received by DWR. Advances from the State General Fund ceased in June 2001 after DWR arranged secured loans from banks and other financial institutions providing net proceeds aggregating approximately $4.1 billion. Pursuant to the Power Supply Act, DWR has issued approximately $11.26 billion of revenue bonds to fund its Power Purchase Program (or provide long-term financing for costs that have been financed on an interim basis with advances from the General Fund of the State and the interim loan from certain lenders). The revenue bonds will be repaid from a dedicated revenue stream derived from retail end use customer payments for electricity. See "Suspension of Direct Access" herein. The CPUC and the California Electricity Oversight Board have each brought action (which actions have been consolidated) at FERC pursuant to Section 206 of the Federal Power Act against all sellers of energy under long-term contracts to DWR, by complaints filed on February 25, 2002. These actions seek rescission of, or in the alternative, a reduction in the rates charged under the long-term contracts on the basis that such rates are unjust and unreasonable. On April 25, 2002, FERC required that the parties first engage in mediation to attempt to achieve resolution through settlement prior to the matter going to hearing. That mediation process is underway and to date the CPUC and the California Electricity Oversight Board have withdrawn their complaints against certain of the generators with whom negotiations have resulted in renegotiated contracts, and a small number of contracts are proceeding to rehearing. A trial-type hearing is currently scheduled to commence with respect to non-settling respondents on December 2, 2002.

Legislation was enacted in May 2001 to create the California Consumer Power and Conservation Financing Authority, a new state agency that is authorized to build, purchase and obtain by eminent domain, electricity generation and transmission facilities and natural gas transmission facilities, to encourage energy conservation programs and to issue revenue bonds to finance such programs. The City is unable to determine at this time what impact the California Consumer Power and Conservation Financing Authority will have on the California electric utility market.

While the State has reported that it expects that over time the measures described above, coupled with conservation, load management and improved energy efficiency, will continue to enable the State to avoid disruptions of the supply of electricity to the public, and will maintain lower wholesale power prices and ultimately promote the financial recovery of the IOUs, the situation continues to be fluid and subject to many uncertainties. There can be no assurance that there will not be future disruptions in power supplies or related developments which could adversely affect the State economy, the City's power costs or revenues or the operating environment of the Electric System.

Litigation. A number of lawsuits and regulatory proceedings have been commenced concerning various aspects of the current energy situation. These include, for example, disputes over rates set by the CPUC; alleged overcharging for the sale of electricity (including sales by municipal utilities); responsibility for electricity and natural gas purchases made by the IOUs and the ISO. Reliant Energy Services, Inc. and Reliant Energy Power Generation, Inc. (collectively, "Reliant") presented a claim against several California public power entities, including NCPA, arising out of the putative class or representative actions denominated as the Wholesale Electricity Antitrust Cases I & II, Judicial Council Coordination Proceeding Nos. 4204 and 4205, wherein the plaintiffs allege that Reliant and other entities have manipulated the market for wholesale electricity in California. NCPA rejected the Reliant claim by operation of law on January 17, 2002. NCPA's General Counsel and NCPA consider the claim presented by Reliant to NCPA to be without merit and NCPA intends to defend against the claim vigorously. NCPA also has been served with summons and a complaint in a declaratory relief action brought in four state court lawsuits known as the Judicial Council Coordination Proceeding No. 4203, pending in the Superior Court, Sacramento County, California. The cases relate to the actions of the Governor of California in "commandeering" the block forward contracts of PG&E in the PX, before it filed for bankruptcy protection. NCPA is actively following the foregoing matters as well as the PG&E and PX bankruptcy proceedings. Adverse rulings in certain of these cases may affect the NCPA's and the City's power costs or result in refunds payable by NCPA and the City to the State or other entities. The City is unable to predict the outcome of such litigation, investigations and proceedings.

Impact of Recent Conditions on the City. It is likely that there will continue to be significant volatility in energy prices in California due to a variety of factors which affect both the supply and demand for electric energy in the Western United States. These factors include, but are not limited to, insufficient generation resources, fuel costs and availability, weather, transmission congestion 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 and therefore could materially adversely affect the respective financial condition of the City. The City has power supply contracts and other arrangements relating to its system supply of power which are of specified durations. The City, individually and/or through NCPA, undertakes resource planning activities and plans for its resource needs in order to mitigate against such price volatility and its spot market rate exposure. See "THE ELECTRIC SYSTEM"- "Power Supply- Future Power Supply Resources" herein.

In addition, the City has entered into various power purchase, transmission service and other arrangements with the IOUs or with other entities that have related arrangements with the IOUs. See "THE CITY'S RESPONSE TO INDUSTRY RESTRUCTURING" herein. In bankruptcy proceedings, such as the PG&E bankruptcy, the debtor (PG&E) or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject any of its executory contracts. In the event of assumption, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant agreements. Rejection of an executory contract by the debtor would give rise to an unsecured claim of the other parties for damages. In the event of rejection by PG&E in its bankruptcy proceeding of any of the contracts to which the City is a party or beneficiary, the City may be required, under certain circumstances, to replace the services or power supplied under these arrangements. Such replacement could be at an increased cost, which could result in substantially higher electric rates being charged by the City. Such increased costs may not be recovered in bankruptcy proceedings.

The City, either individually or through NCPA, sells energy into the market that is not needed for its respective customer demands, and engages in certain wholesale energy trading activities. In related cases filed with FERC by various power purchasers, FERC has initiated proceedings to determine the extent to which sellers in the California and Pacific Northwest power markets sold power at prices above the FERC-determined just and reasonable rate. The City made certain sales at the market price during the relevant time frames (October 2, 2000 - June 20, 2001 in California; December 25, 2000 – June 20, 2001 in the Pacific Northwest) and is participating in these proceedings to defend against any claim that portions of the revenues derived from those sales should be refunded to purchasers. The outcome of these proceedings is unpredictable, but it appears unlikely that the City will incur any substantial liability to make refunds on sales made into the Pacific Northwest. The Presiding Judge recommended against assessing refund liability against municipal utilities or any other entities. FERC has not yet acted. With respect to California, FERC is requiring municipal utilities to participate in the refund proceedings with all other sellers, and insists that municipal utilities can be assessed refund liability in this context. Any final assessment will likely be appealed, but in any event, NCPA does not anticipate the total refund liability to be in excess of approximately $5 million of which the City does not anticipate its refund liability to be in excess of approximately $1.35 million.

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 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 the 2002 Payments by virtue of the "impairments clause" of the United States Constitution.

OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Energy Policy Act of 1992

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

As amended by the Energy Policy Act, Sections 211, 212 and 213 of the Federal Power Act provide FERC authority, upon application by any electric utility, federal power marketing agency or any other person or entity generating electric energy for sale or resale to require a transmitting utility to provide transmission services (including any enlargement of transmission capacity necessary to provide such services) to the applicant at rates, charges, terms and conditions set by FERC based on standards and provisions in the Federal Power Act. Under the Energy Policy Act, electric utilities owned by municipalities and other public agencies which own or operate electric power transmission facilities which are used for the sale of electric energy at wholesale are "transmitting utilities" subject to the requirements of Sections 211, 212 and 213. The Energy Policy Act specifically denies FERC the authority to mandate "retail wheeling" under which a retail customer located in one utility's service area could obtain power from another utility or from non-utility power generator.

Changes in Federal Regulation of Electric Utilities

On April 24, 1996, FERC issued a final rule that effected significant changes in the regulation of transmission services provided by public utilities (as defined in the Federal Power Act) that own, operate or control interstate transmission facilities and which are subject to FERC jurisdiction over wholesale contracts, rates and services ("jurisdictional utilities"). The City is not a public utility and is not a jurisdictional utility under the Federal Power Act.

The final rule, Order No. 888, (i) requires the provision of open access transmission services on a nondiscriminatory basis by all jurisdictional utilities by requiring all such utilities to file tariffs that offer other entities seeking to effect wholesale power transactions the same transmission services they provide themselves, under comparable terms and conditions and (ii) requires a nonjurisdictional utility, such as the City, that purchases transmission services from a jurisdictional utility under an open access tariff and that owns or controls transmission facilities to, in turn, provide open access service to the jurisdictional utility under terms that are comparable to the service that the nonjurisdictional utility provides itself. This is referred to as the reciprocity requirement. Order No. 888 also includes provisions which permits a jurisdictional utility to recover under certain conditions so-called "stranded costs" for generating and other facilities from wholesale customers of a utility which use open access transmission service to purchase from other power suppliers.

On review, the United States Court of Appeals for the District of Columbia Circuit largely affirmed Order 888. On March 4, 2002, the United States Supreme Court further affirmed the Court of Appeals decision.

On May 13, 1999, FERC issued a notice of proposed rulemaking concerning the formation of regional transmission organizations ("RTOs"). FERC is encouraging the voluntary formation of regional organizations independent from owners of generation and other market participants that will provide transmission access on a non-discriminatory basis to buyers and sellers of power. IOUs and publicly-owned utilities are being encouraged to participate in the formation and operation of RTOs, but are not, at this time, being ordered by FERC to participate. After receiving comments from interested parties, FERC issued a final rule on December 20, 1999 (i.e., Order 2000). Under the rule, IOUs were required to file with FERC by October 15, 2000 a proposal for an RTO, consistent with the rule, that was to be operational by December 15, 2001 or, alternatively, a description of efforts to participate in an RTO, any existing obstacles to RTO participation, and any plans to work toward RTO participation. Utilities that are members of an existing FERC-approved independent system operator, such as the ISO, were required to file by January 15, 2001. California entities did not submit an RTO proposal by the January 15, 2001 deadline, but did submit such a proposal to FERC on June 1, 2001. Since that time, FERC has adopted a "go slow" approach to the issue of RTO formation in the West, and other findings and orders are expected. In addition, federal legislation was introduced that would authorize FERC to order transmission owners, including publicly owned utilities, to join an RTO. No prediction can be made by the City at this time whether any such legislation will be enacted, or if enacted in such form, whether FERC would seek to exercise such authority. Currently, FERC is engaged in a wholesale overhaul of the California market design, referred to as the "MDO2 proceeding", which in turn is tied to a more general revision of its design for markets and transmission rights. NCPA has participated in many of these proceedings over the years, both on its own behalf and as part of its participation in the California Municipal Utilities Association. These proceedings will have potential impacts on every electric utility doing business in California. It is not certain at this time what impact, if any, FERC's final rule will have on the City.

Proposed Federal Deregulation and Tax Legislation

Many bills have been introduced in the United States House of Representatives and the United States Senate to deregulate the electric utility industry on the federal or state level. Many of the bills provide for open competition in the furnishing of electricity to all retail customers (*i.e.*, retail wheeling). In addition, various bills have been introduced which would impact the issuance of tax-exempt bonds for transmission and generation facilities. No prediction can be made by the City as to whether any of these bills or any similar federal bills proposed in the future will become law or, if they become law, what their final form or effect would be. Such effect could be material to the City. However, the Internal Revenue Service has recently issued new rules that will, preserve the tax-exempt status of bonds issued to finance transmission facilities, where control is turned over to an Independent System Operator or Regional Transmission Organization, subject to certain conditions.

Other Factors

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed above, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described below, (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 IOUs, (f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (g) "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and others, (h) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations, (i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (j) changes from projected future load requirements, (k) increases in costs and uncertain availability of capital, (l) shifts in the availability and relative costs of different fuels (including the recent high cost of natural gas), (m) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as have been occurring in California, (n) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, and (o) other legislative changes, voter initiatives, referenda and statewide propositions. Any of these factors (as well as other factors) could have an adverse 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 the business operations and financial condition of the City, but the effects could be significant. The foregoing is a brief discussion of certain of these factors. 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 2002 Certificates should obtain and review such information.

THE ROSEVILLE FINANCING 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. 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.

VERIFICATION OF COMPUTATIONS

Upon delivery of the 2002 Certificates, The Arbitrage Group, independent accountants, will deliver a report on the arithmetical accuracy of certain computations contained in schedules provided to them by the Underwriter relating to the adequacy of the maturing principal of and interest with respect to certain obligations and certain other moneys to pay all of the principal and prepayment premium, if any, and the interest due with respect to the Refunded Certificates as such principal, prepayment premium and interest become due and payable. See "PLAN OF FINANCE" herein.

TAX MATTERS

Opinion of Special Counsel

In the opinion of Hawkins, Delafield & Wood, San Francisco, California, Special Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest with respect to the 2002 Certificates is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest with respect to the 2002 Certificates is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Special Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the City and others in connection with the 2002 Certificates, and Special Counsel has assumed compliance by the Authority and the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest with respect to the 2002 Certificates from gross income under Section 103 of the Code.

In addition, in the opinion of Special Counsel, under existing statutes, interest with respect to the 2002 Certificates is exempt from personal income taxes imposed by the State.

Special Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2002 Certificates. Special Counsel renders its opinion under existing statutes and court decisions as of the execution and delivery date, and assumes no obligation to update its opinion after the execution and delivery date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Special Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest with respect to the 2002 Certificates.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the execution and delivery of the 2002 Certificates in order that interest with respect to the 2002 Certificates be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2002 Certificates, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest with respect to the 2002 Certificates to become included in gross income for Federal income tax purposes retroactive to their execution and delivery date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the City have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest with respect to the 2002 Certificates from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2002 Certificates. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a 2002 Certificate. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2002 Certificates.

Prospective owners of the 2002 Certificates should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest with respect to the 2002 Certificates may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. Additionally, the Internal Revenue Service has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated by the Internal Revenue Service after the date of execution and delivery of the 2002 Certificates will not have an adverse effect on the tax-exempt status or market price of the 2002 Certificates or that an audit initiated by the Internal Revenue Service involving other tax-exempt bonds will not have an adverse affect on the market price of the 2002 Certificates.

A copy of the proposed form of opinion of Special Counsel is attached hereto as Appendix E.

APPROVAL OF LEGALITY

The 2002 Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Hawkins, Delafield & Wood, San Francisco, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and for the Authority by its General Counsel. Certain legal matters will be passed upon for the Underwriter by Jones Hall, a Professional Law Corporation.

LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the City in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of the City taken with respect to the 2002 Certificates.

There is no litigation pending, or to the knowledge of the City, threatened, questioning the existence of the City or the title of the officers of the City to their respective offices. There is no litigation pending, or to the knowledge of the City, threatened, questioning or affecting in any material respect the financial condition of the Electric System.

Present lawsuits and other claims against the Electric System are incidental to the ordinary course of operations of the Electric System and are largely covered by the City's self-insurance program. In the opinion of the City's management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position of the City.

FINANCIAL STATEMENTS

The audited general purpose financial statements of the City as of June 30, 2001 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 financial statements should be read in their entirety. 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, Inc. and Standard & Poor's Ratings Services are expected to assign a rating of "Aaa/VMIG1" and "AAA/A-1+", respectively, to the 2002 Certificates, with the understanding that, upon delivery of the 2002 Certificates, the 2002 Certificate Insurance Policy will be delivered by the 2002 Certificate Insurer and the Standby Purchase Agreement will be delivered by the Bank. An explanation of the significance of the ratings may be obtained from Moody's Investors Service, Inc. at 99 Church Street, New York, New York, 10007, (212) 553-0300 and Standard & Poor's Ratings Services at 25 Broadway, New York, New York 10004, (212) 438-2000. 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 2002 Certificates.

UNDERWRITING

The 2002 Certificates are being purchased for reoffering by Morgan Stanley & Co. Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the 2002 Certificates at a price of $40,252,706.80 (which reflects a $132,293.20 Underwriter's discount). The Underwriter will purchase all of the 2002 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 2002 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 2002 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 2002 Certificates.

AVAILABILITY OF DOCUMENTS

Copies of this Official Statement, the Trust Agreement, the Contract 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., 50 California Street, Suite 2130, 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 2002 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 2002 Certificates and the Authority or the City.

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

CITY OF ROSEVILLE

By: /s/ Russ Branson
Finance Director

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APPENDIX A

THE CITY OF ROSEVILLE

The City of Roseville is located in Placer County (the "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 of 83,000, is the largest city in the 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 1998 and 2002, the City's population increased 19.4%, compared to a 15.3% increase for the County and 7.3% for the State for the same period. The following table shows population statistics for the period 1998 to 2002 for the City, County and State of California (the "State").

CITY OF ROSEVILLE, PLACER COUNTY
AND STATE OF CALIFORNIA
POPULATION[1]
1998 through 2002

Year	City of Roseville	Placer County	State of California
1998	71,600	229,700	32,657,000
1999	76,700	238,300	33,140,000
2000	79,300	246,100	33,753,000
2001	82,100	254,900	34,385,000
2002	85,500	264,900	35,037,000

Source: California Department of Finance
(1) Data as of January for the year shown.

Effective Buying Income

The following table summarizes the total effective buying income and the median household effective buying income for the City, County, the State and the United States for the years 1997 to 2001.

COUNTY OF PLACER, CALIFORNIA AND UNITED STATES
EFFECTIVE BUYING INCOME
1997 through 2001

	Median Household Effective Buying Income	Total Effective Buying Income
1997		
City of Roseville	$44,066	$ 1,291,571
County of Placer	41,985	4,171,857
State of California	36,483	524,439,600
United States	34,618	4,399,988,035
1998		
City of Roseville	$45,985	$ 1,443,617
County of Placer	43,716	4,378,159
State of California	37,091	551,999,317
United States	35,377	4,621,491,730
1999		
City of Roseville	$49,820	$ 1,651,752
County of Placer	47,701	4,919,467
State of California	39,492	590,376,663
United States	37,233	4,877,786,658
2000		
City of Roseville	$54,826	$ 1,943,859
County of Placer	54,389	6,030,354
State of California	44,464	652,190,282
United States	39,129	5,230,824,904
2001		
City of Roseville	$54,635	$ 2,012,656
County of Placer	49,427	5,833,619
State of California	43,532	650,521,407
United States	38,365	5,303,481,498

Source: Sales & Marketing Management Survey of Buying Power

Employment and Industry

The unemployment rate for the City was 3.8% as of the end of 2001. This figure compares favorably to the unemployment rate for the State of 5.3% and the United States of 4.8% for the same period. The annual average civilian labor force, employment and unemployment figures for the period 1998 through October 2002 are summarized in the following table:

CITY OF ROSEVILLE, COUNTY OF PLACER, CALIFORNIA AND UNITED STATES
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT[1]
Annual Averages for Years 1998 through 2002

Year and Area	Civilian Labor Force	Employment	Unemployment	Rate
1998				
City of Roseville	29,900	28,700	1,290	4.3%
Placer County	114,000	109,300	4,700	4.1
State of California	16,336,500	15,367,500	969,000	5.9
United States	137,678,000	131,472,000	6,206,000	4.5
1999				
City of Roseville	31,770	30,690	1,080	3.0%
Placer County	120,900	117,000	3,900	3.2
State of California	16,596,500	15,731,700	864,800	5.2
United States	139,384,000	133,503,000	5,881,000	4.2
2000				
City of Roseville	32,710	31,610	1,100	3.4%
Placer County	124,400	120,400	4,000	3.2
State of California	17,090,800	16,245,600	845,200	4.9
United States	140,871,000	135,219,000	5,653,000	4.0
2001				
City of Roseville	33,650	32,360	1,290	3.8%
Placer County	127,900	123,300	4,600	3.6
State of California	16,362,300	16,435,200	927,100	5.3
United States	141,822,000	135,043,000	6,779,000	4.8
2002				
City of Roseville	34,800	32,700	1,680	4.9%
Placer County	130,700	124,600	6,100	4.6
State of California	17,660,800	15,573,600	1,087,200	6.2
United States	143,123,000	134,914,000	8,209,000	5.7

Source: California Employment Development Department

[1] Data for 1998, 2001 Benchmark; data for 1999-2002, 2001 Benchmark; data for 2002 is preliminary as of October 2002; all data not seasonally adjusted.

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

PLACER COUNTY
EMPLOYMENT BY INDUSTRY
1997 through 2001

Industry	1997	1998	1999	2000	2001
Mining & Construction	7,000	8,200	9,800	11,400	13,900
Manufacturing	10,300	10,900	11,800	12,900	12,600
Transportation. & Public Utilities	3,700	3,800	3,900	4,200	4,300
Wholesale & Retail Trade	23,500	24,600	25,800	27,800	30,000
Finance, Insurance & Real Estate	4,500	5,100	5,400	6,100	6,800
Services	24,900	26,400	27,800	31,000	32,400
Government	14,400	15,700	16,800	17,700	18,200
Sub-Total	88,300	94,700	101,300	111,100	118,200
Agriculture	500	400	300	300	400
Total	88,800	95,100	101,600	111,400	118,600

Source: California Employment Development Department

The following table shows the largest employers in the City.

CITY OF ROSEVILLE
LARGEST EMPLOYERS
2000-01

Business Name	Industry	Employees
Hewlett-Packard	Computer Manufacturing	6,597
Kaiser Permanente	Healthcare	2,000
Sutter Roseville Medical Center	Healthcare	1,365
Union Pacific Railroad	Transportation	1,294
NEC Electronics, Inc.	Computer Manufacturing	1,049
Roseville Joint Union High School District	Education	1000
City of Roseville	Government	935
SureWest Communications	Telecommunications	750
Roseville City :Schools	Education	661
Agilent Technology	Computer Software	450

Source: City of Roseville, Community Development Department

Taxable Sales

Taxable transactions in the City through the third quarter of 2001 exceeded $1.9 billion annually. A summary of taxable transactions in the City is shown below.

CITY OF ROSEVILLE
TAXABLE TRANSACTIONS
1997 to 2001
(In thousands)

	1997	1998	1999	2000	2001[1]
Apparel	$ 31,738	$ 29,863	$ 32,672	$ 67,603	$ 75,824
General Merchandise	168,402	185,347	216,270	306,446	243,169
Food Stores	42,575	46,327	56,650	64,750	48,042
Eating and Drinking Places	84,277	93,141	114,344	140,862	130,655
Home Furnishing and Appliances	23,796	32,623	46,138	59,436	56,004
Building Materials and Farm Implements	98,107	106,667	127,130	146,088	129,109
Auto Dealers and Auto Supplies	543,251	601,395	767,375	879,626	680,200
Service Stations	50,104	50,189	60,337	84,345	69,970
Other Retail Stores	138,286	169,936	187,597	273,708	229,943
TOTAL RETAIL STORES	$1,180,536	$1,315,488	$1,608,513	$2,022,864	$1,662,916
All Other Outlets	296,081	344,128	404,427	372,430	314,393
TOTAL ALL OUTLETS	$1,476,617	$1,659,616	$2,012,940	$2,395,294	$1,977,309
TOTAL NUMBER OF PERMITS	2,356	2,423	2,482	2,637	2,967

Source: California State Board of Equalization
[1] Data through third quarter 2001.

The City issued building permits valued in excess of $574,912,000 in 2002. Of this total dollar volume, approximately 77% consisted of new residential construction.

CITY OF ROSEVILLE
BUILDING PERMIT VALUATIONS
1998 to 2002
(In thousands)

	1998	1999	2000	2001	2002
Residential					
Single Family	$342,596	$231,550	$313,769	$356,214	$415,059
Multi Family	30,707	38,746	83,145	61,931	22,891
Alterations/Additions	4,054	1,584	1,593	2,456	2,172
Total	$377,357	$271,880	$398,507	$420,601	$440,122
Non-Residential					
New Commercial	$81,526	$95,295	$43,819	$50,213	$86,633
New Industrial	5,419	64,940	15,237	6,214	2,922
Others	8,126	13,989	17,908	11,554	18,880
Alterations/Additions	29,883	36,642	65,858	40,608	26,355
Total	$124,954	$210,866	$142,822	$108,589	$134,790
TOTAL VALUATIONS	$502,311	$482,746	$541,329	$529,190	$574,912
Single Family Units	2,034	1,204	1,393	1,456	1,820
Multifamily Units	440	609	1,116	762	299
Total	2,474	1,813	2,509	2,218	2,119

Source: Construction Industry Research Board.

The following table summarizes assessed valuations in the City for Fiscal Years 1995-96 through 2001-02.

CITY OF ROSEVILLE
SUMMARY OF ASSESSED VALUATIONS
Fiscal Years 1995-96 through 2001-02
(In thousands)

Fiscal Year	Secured Valuation	Public Utility	Unsecured Valuation	Total Assessed Valuation
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
1999-00	6,413,527	11,254	226,718	6,651,500
2000-01	7,164,911	12,571	256,347	7,433,829
2001-02	8,186,727	15,446	335,149	8,537,322

Source: California Municipal Statistics, Inc.

The following is a history of property tax levies and collections in the City for Fiscal Years 1996-97 through 2001-02.

CITY OF ROSEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 1996-97 through 2001-02
(In thousands)

Fiscal Year	Total Levies	Total Collections	Percent Delinquent
1996-97	$ 6,575,862	$ 6,333,043	2.63%
1997-98	6,960,657	6,763,734	2.03
1998-99	7,784,194	7,583,018	1.88
1999-00	8,542,362	8,338,701	1.49
2000-01	9,511,460	9,321,824	1.51
2001-02	10,845,803	10,644,856	1.49

Source: County of Placer Auditor-Controller.

Set forth below is a list of the ten largest taxpayers in the County, by 2000-01 property tax.

COUNTY OF PLACER
TEN LARGEST TAXPAYERS
Fiscal Year 2000-01

Taxpayer	2000-01 Tax Levy
NEC Electronics USA Inc.	$5,939,207
Hewlett Packard Co.	5,385,153
PG&E	3,849,559
Roseville Telephone Co.	1,377,011
Pacific Bell & Subsidiaries	991,038
Squaw Valley Ski Corporation	621,142
Urban Roseville LLC	594,541
Squaw Creek Associates	578,980
Fairfield Properties	566,597
SierraPine	518,285

Source: County of Placer Treasurer-Tax Collector.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY OF ROSEVILLE FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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CITY OF ROSEVILLE

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2001

Prepared by

FINANCE DEPARTMENT

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CITY OF ROSEVILLE
General Purpose Financial Statements
For the Year Ended June 30, 2001

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MAZE & ASSOCIATES

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ACCOUNTANCY CORPORATION
1931 San Miguel Drive - Suite 100
Walnut Creek, California 94596
(925) 930-0902 • FAX (925) 930-0135
E-Mail: maze@mazeassociates.com
Website: www.mazeassociates.com

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 years ended June 30, 2001 and 2000 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued reports dated November 30, 2001 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, 2001 and 2000 and the results of its operations and the cash flows of its proprietary fund types for the years then ended, in conformity with generally accepted accounting principles.

The general purpose financial statements referred to above follow the requirements of the Government Accounting Standards Board's Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions,* which was implemented for the year ended June 30, 2001.

Our audits were 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.

November 30, 2001

Maze & Associates

A Professional Corporation

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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.

ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2000

	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)	$17,590,729	$76,047,465		$13,390,122	$102,689,173	$18,030,378
Restricted cash and investments with fiscal agents (Note 3)		640,277	$1,664,345	17,789,300	11,089,755	42,805
Receivables	8,897,339	4,165,214		141,747	25,158,474	858,592
Due from other funds (Note 4B)	317,683	230,526		93,744	508,616	405,244
Prepaid expenses	2,032	8,488			11,224,495	
Advances to other funds (Note 4C)	8,587,888	400,000		868,970		5,022,029
Deferred receivables (Note 6)		5,866,971			2,027,231	
Notes receivable (Note 5)	167,969	4,333,759				
Inventories (Note 1I)	402,930				5,587,835	315,128
Prepaid purchased electricity (Note 15)					5,822,188	
Unamortized bond origination costs					1,686,782	
Investment in NCPA reserves (Note 16)					2,752,230	
Investment in SPWA reserves (Note 17)					131,405,267	
Fixed assets (net where applicable of accumulated depreciation) (Note 8)					416,711,448	11,146,733
Amount available in Debt Service Fund						
Amount to be provided for retirement of general long-term debt						
Total Assets	$35,966,570	$91,692,700	$1,664,345	$32,283,883	$716,663,494	$35,820,909
LIABILITIES						
Accounts payable	$3,061,191	$3,157,122		$2,479,459	$7,721,127	$179,824
Accrued liabilities	1,605,509	1,046,551			1,700,465	45,988
Due to other funds (Note 4B)	31,996	797,583		253,759	446,269	25,496
Due to other government agencies	25,125	3,817,755			607,584	
Advances from other funds (Note 4C)		10,795,759			4,083,128	
Current portion of long-term debt (Note 9)					3,045,826	
Deposits	1,199,044			9,815	512,427	
Deferred revenue (Notes 5 & 6)	454,311	8,687,518			3,814,255	
Self-insurance claims payable (Note 14)						4,621,000
Long term debt: (Note 9)						
Notes					210,387	
Special assessments						
Certificates of participation					65,115,000	
Revenue bonds					96,346,762	
Capital leases						
Landfill closure and post closure liability (Note 18)					706,003	
Due to member agencies						
Due to bondholders						
Due to others						
Compensated absences (Note 1G)					3,320,377	210,582
Total Liabilities	6,377,176	28,302,288		2,743,033	187,629,610	5,082,890
FUND EQUITY						
Contributed capital (Note 8C):						
From subdividers					85,464,803	
From other government agencies					12,004,435	
Equity in joint venture (Notes 16 and 17)					57,527,610	
Investment in general fixed assets						
Retained earnings: (Note 11)						
Reserved for debt service					5,999,796	
Unreserved					368,037,240	30,738,019
Fund balances (Note 11):						
Reserved for advances	8,587,888	400,000		868,970		
Reserved for inventories	402,930					
Reserved for encumbrances	1,526,180	1,380,935		110,832		
Reserved for prepaid expenses	2,032					
Reserved for debt service			$1,664,345			
Reserved for low and moderate income housing		361,832				
Reserved for deferred receivables and notes receivable	167,969	57,699				
Unreserved:						
Designated for economic reserve	6,119,700					
Designated for carryover of capital improvement projects	3,241,484			28,561,048		
Undesignated	9,541,211	61,189,946				
Total Fund Equity	29,589,394	63,390,412	1,664,345	29,540,850	374,037,036	30,738,019
Total Equity and Other Credits	29,589,394	63,390,412	1,664,345	29,540,850	529,033,884	30,738,019
Total Liabilities, Equity and Other Credits	$35,966,570	$91,692,700	$1,664,345	$32,283,883	$716,663,494	$35,820,909

See accompanying notes to financial statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	
Agency	General Fixed Assets	General Long-Term Obligations	2001	2000
$124,942,319			$352,690,186	$289,497,196
142,416,844			173,643,326	70,044,027
4,500,346			43,721,712	33,302,818
			1,555,813	2,121,270
			11,235,015	26,322
			14,878,887	23,750,231
3,457,403			11,351,605	13,947,552
			4,501,728	3,845,963
			6,305,893	6,208,842
			5,822,188	5,893,463
			1,686,782	1,781,407
			2,752,230	2,287,352
			131,405,267	
	$130,276,892		558,135,073	460,589,097
		$1,664,345	1,664,345	1,603,009
		27,459,597	27,459,597	27,694,472
$275,316,912	$130,276,892	$29,123,942	$1,348,809,647	$942,593,021
$7,577,147			$24,175,870	$22,399,913
1,118,102			5,516,615	4,368,483
710			1,555,813	2,121,270
18,094			4,468,558	3,203,661
			14,878,887	23,750,231
			3,045,826	2,783,066
626,926			2,348,212	2,348,784
			12,956,084	10,652,368
			4,621,000	4,507,000
			210,387	218,858
		$78,779	78,779	88,632
		20,025,000	85,140,000	87,740,000
			96,346,762	
		1,582,504	1,582,504	1,935,971
			706,003	911,558
226,932,620			226,932,620	1,925,540
37,037,278			37,037,278	34,461,765
2,006,035			2,006,035	1,003,528
		7,437,659	10,968,618	9,685,208
275,316,912		29,123,942	534,575,851	214,105,836
			85,464,803	88,180,601
			12,004,435	12,387,655
			57,527,610	2,287,352
	$130,276,892		130,276,892	114,013,990
			5,999,796	5,999,796
			398,775,259	390,441,760
			9,856,858	16,666,041
			402,930	494,769
			3,017,947	2,358,908
			2,032	17,990
			1,664,345	1,603,009
			361,832	56,614
			225,668	241,534
			6,119,700	5,533,700
			31,802,532	46,830,294
			70,731,157	41,373,172
			528,960,056	511,617,587
	130,276,892		814,233,796	728,487,185
$275,316,912	$130,276,892	$29,123,942	$1,348,809,647	$942,593,021

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CITY OF ROSEVILLE
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	GOVERNMENTAL FUND TYPES				TOTALS (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Improvement	2001	2000
REVENUES						
Taxes	$51,092,405	$5,529,361			$56,621,766	$49,441,890
Licenses and permits	2,431,091				2,431,091	2,210,596
Charges for services	8,202,129	19,613,394		$25,634	27,841,157	25,878,364
Subventions and grants	5,180,262	10,338,022			15,518,284	16,785,739
Use of money and property	1,156,756	4,660,223	$119,599	3,128,400	9,064,978	6,779,306
Fines, forfeitures and penalties	66,900	398,339			465,239	354,984
Miscellaneous revenues	272,626	509,511		520,740	1,302,877	434,172
Total Revenues	68,402,169	41,048,850	119,599	3,674,774	113,245,392	101,885,051
EXPENDITURES						
Current						
General government	14,210,158	1,975,099			16,185,257	12,889,225
Community development and planning	4,321,936	1,301,661			5,623,597	5,747,501
Public works	10,873,585				10,873,585	16,652,261
Public safety:						
Police	13,868,406				13,868,406	11,798,987
Fire	9,197,433				9,197,433	8,752,263
Library	2,169,391	176,463			2,345,854	2,206,762
Parks and recreation	8,781,180	898,710			9,679,890	6,963,057
Housing assistance payments		1,737,541			1,737,541	1,496,176
Capital outlay	254,655	15,103,229		37,476,651	52,834,535	63,197,651
Payments under developer agreement (Note 7)	1,603,838				1,603,838	
Debt service (Note 9)						
Principal	481,040		600,000		1,081,040	2,642,740
Interest and fiscal charges	128,969	190,787	975,696		1,295,452	1,262,038
Total Expenditures	65,890,591	21,383,490	1,575,696	37,476,651	126,326,428	133,608,661
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,511,578	19,665,360	(1,456,097)	(33,801,877)	(13,081,036)	(31,723,610)
OTHER FINANCING SOURCES (USES)						
Contributions from property owners				8,224,249	8,224,249	45,162,789
Contributions from developers	55,540	2,123,417		7,814	2,186,771	3,326,057
Proceeds from sale of property		1,200,000			1,200,000	
Proceeds from capital lease	271,598				271,598	78,368
Operating transfers in (Note 4A)	16,439,715	13,712,584	1,517,433	7,454,719	39,124,451	29,356,569
Operating transfers (out) (Note 4A)	(18,534,358)	(9,924,995)		(716,042)	(29,175,395)	(20,521,671)
Total Other Financing Sources (Uses)	(1,767,505)	7,111,006	1,517,433	14,970,740	21,831,674	57,402,112
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	744,073	26,776,366	61,336	(18,831,137)	8,750,638	25,678,502
Fund balances at beginning of year, as restated (Note 11D)	28,845,321	36,355,714	1,603,009	48,371,987	115,176,031	89,497,529
Residual equity transfer in (Note 1K)		258,332		32,763,267	33,021,599	
Residual equity transfer (out) (Note 1K)				(32,763,267)	(32,763,267)	
Fund balances at end of year	$29,589,394	$63,390,412	$1,664,345	$29,540,850	$124,185,001	$115,176,031

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, 2001

	GENERAL FUND			SPECIAL REVENUE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	$46,034,100	$51,092,405	$5,058,305	$4,412,517	$5,529,361	$1,116,844
Licenses and permits	2,116,370	2,431,091	314,721			
Charges for services	6,187,469	8,202,129	2,014,660	17,770,330	19,613,394	1,843,064
Subventions and grants	5,076,022	5,180,262	104,240	12,675,602	10,338,022	(2,337,580)
Use of money and property	895,880	1,156,756	260,876	2,805,190	4,629,317	1,824,127
Fines, forfeitures and penalties	73,000	66,900	(6,100)	200,000	398,339	198,339
Miscellaneous revenue	386,900	272,626	(114,274)	539,600	507,332	(32,268)
Total Revenues	60,769,741	68,402,169	7,632,428	38,403,239	41,015,765	2,612,526
EXPENDITURES						
Current:						
General government	14,241,338	14,210,158	31,180	845,000	783,802	61,198
Community development and planning	5,779,084	4,321,936	1,457,148	6,101,919	2,492,958	3,608,961
Public works	13,317,417	10,873,585	2,443,832			
Public safety:						
Police	14,307,189	13,868,406	438,783			
Fire	9,527,896	9,197,433	330,463			
Library	2,485,936	2,169,391	316,545	189,365	176,463	12,902
Parks and recreation	9,558,291	8,781,180	777,111	1,480,395	898,710	581,685
Housing assistance program				1,705,530	1,737,541	(32,011)
Capital outlay	3,128,792	254,655	2,874,137	33,229,877	15,103,229	18,126,648
Payments under developer agreement		1,603,838	(1,603,838)			
Debt service						
Principal	547,783	481,040	66,743			
Interest and fiscal charges	64,281	128,969	(64,688)		190,787	(190,787)
Total Expenditures	72,958,007	65,890,591	7,067,416	43,552,086	21,383,490	22,168,596
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,188,266)	2,511,578	14,699,844	(5,148,847)	19,632,275	24,781,122
OTHER FINANCING SOURCES (USES)						
Contributions from property owners						
Contributions from developers	2,074,317	55,540	(2,018,777)	1,500,000	2,123,417	623,417
Proceeds from capital lease		271,598	271,598			
Proceeds from sale of property					1,200,000	1,200,000
Operating transfers in	16,988,888	16,439,715	(549,173)	7,973,246	13,712,584	5,739,338
Operating transfers (out)	(13,527,415)	(18,534,358)	(5,006,943)	(19,950,775)	(9,924,995)	10,025,780
Total Other Financing Sources (Uses)	5,535,790	(1,767,505)	(7,303,295)	(10,477,529)	7,111,006	17,588,535
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($6,652,476)	744,073	$7,396,549	($15,626,376)	26,743,281	$42,369,657
Fund balances at beginning of year, as restated		28,845,321			35,899,216	
Residual equity transfer in					258,332	
Residual equity transfer (out)						
Funds not budgeted:						
Special Revenue Funds:						
Trench Cut Recovery					2,243	
Affordable Housing					487,340	
Capital Projects Fund:						
Roseville Finance Authority						
Fund balances at end of year		$29,589,394			$63,390,412	

See accompanying notes to financial statements

DEBT SERVICE			CAPITAL IMPROVEMENT		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
				$25,634	$25,634
$88,000	$119,599	$31,599	$1,837,390	3,087,129	1,249,739
				520,740	520,740
88,000	119,599	31,599	1,837,390	3,633,503	1,796,113
			52,025,963	37,476,651	14,549,312
$600,000	600,000				
975,100	975,696	(596)			
1,575,100	1,575,696	(596)	52,025,963	37,476,651	14,549,312
(1,487,100)	(1,456,097)	31,003	(50,188,573)	(33,843,148)	16,345,425
			3,655,936	8,224,249	4,568,313
			165,000	7,814	(157,186)
1,575,100	1,517,433	(57,667)	18,301,328	7,454,719	(10,846,609)
			(2,156,470)	(716,042)	1,440,428
1,575,100	1,517,433	(57,667)	19,965,794	14,970,740	(4,995,054)
$88,000	61,336	($26,664)	($30,222,779)	(18,872,408)	$11,350,371
	1,603,009			15,220,915	
				32,732,808	
				(30,459)	
				489,994	
	$1,664,345			$29,540,850	

CITY OF ROSEVILLE
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

			TOTALS (Memorandum Only)	
	Enterprise	Internal Service	2001	2000
OPERATING REVENUES				
Charges for services	$128,691,396	$12,127,934	$140,819,330	$137,228,404
Subventions and grants	3,979,007		3,979,007	3,215,077
Sale of wholesale power	6,186,595		6,186,595	
Other	771,375	352,696	1,124,071	841,357
Total Operating Revenues	139,628,373	12,480,630	152,109,003	141,284,838
OPERATING EXPENSES				
Purchased power	44,974,174		44,974,174	42,231,342
Distribution:				
Operations	38,847,066	5,142,877	43,989,943	38,730,642
Administration	3,363,836		3,363,836	3,933,592
Depreciation and amortization	10,587,838	2,472,087	13,059,925	11,654,725
Claims expense		1,807,073	1,807,073	368,771
Total Operating Expenses	97,772,914	9,422,037	107,194,951	96,919,072
Operating Income (Loss)	41,855,459	3,058,593	44,914,052	44,365,766
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	12,070,072	1,638,265	13,708,337	10,128,992
Interest and fiscal charges (expense)	(5,377,806)		(5,377,806)	(2,826,973)
Other		176,870	176,870	111,109
Net Nonoperating Revenues (Expenses)	6,692,266	1,815,135	8,507,401	7,413,128
Income (Loss) Before Contributions and Operating Transfers	48,547,725	4,873,728	53,421,453	51,778,894
Contribution in aid of construction	6,328,425		6,328,425	
Capital contributions from developers	13,884,805		13,884,805	
Capital contributions from SPWA member agencies	19,529,157		19,529,157	
Operating transfers in (Note 4A)	1,779,768	1,855,815	3,635,583	2,918,288
Operating transfers (out) (Note 4A)	(12,823,792)	(760,847)	(13,584,639)	(11,753,186)
Net Income (Loss)	77,246,088	5,968,696	83,214,784	42,943,996
ITEMS AFFECTING CONTRIBUTED CAPITAL				
Depreciation on fixed assets acquired through capital contributions (Note 8)	3,099,018		3,099,018	2,994,234
Retained earnings at beginning of year	371,672,233	24,769,323	396,441,556	350,503,326
Residual equity transfer (out) (Note 17)	(77,980,303)		(77,980,303)	
Retained earnings at end of year	$374,037,036	$30,738,019	$404,775,055	$396,441,556

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, 2001
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

			TOTALS (Memorandum Only)	
	Enterprise	Internal Service	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$41,855,459	$3,058,593	$44,914,052	$45,373,785
Adjustments to reconcile operating income to cash flows from operating activities				
Depreciation and amortization	10,587,838	2,472,087	13,059,925	11,654,725
Net change in:				
Accounts receivable	(8,013,759)	(105,083)	(8,118,842)	(1,780,198)
Accrued interest	1,207,543	(3,327)	1,204,216	(1,183,119)
Due from other government agencies	(547,881)	(7,296)	(555,177)	(232,592)
Prepaid expenses	(11,216,163)		(11,216,163)	(1,016,351)
Deferred receivables	64,322		64,322	(138,803)
Inventories	(166,990)	(21,900)	(188,890)	(1,024,712)
Prepaid purchased electricity	(149,357)		(149,357)	397,934
Accounts payable	(279,664)	(203,775)	(483,439)	1,561,001
Accrued liabilities	5,204	9,160	14,364	734,067
Due to other government agencies	607,584		607,584	
Deposits	55,025		55,025	42,057
Deferred revenue	125,030		125,030	722,909
Self-insurance claims liability		114,000	114,000	(850,000)
Landfill closure and post closure liability	(205,555)		(205,555)	(210,505)
Compensated absences	480,555	13,074	493,629	514,830
Net Cash Provided from Operating Activities	34,409,191	5,325,533	39,734,724	54,565,028
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net borrowings (repayments) of amounts due from/ to other funds	(135,709)	70,252	(65,457)	250,556
Net borrowings (repayments) of advances from/ to other funds	(405,244)	2,062,161	1,656,917	50,000
Operating transfers in	1,779,768	1,855,815	3,635,583	2,918,288
Operating transfers (out)	(12,823,792)	(760,847)	(13,584,639)	(11,753,186)
Residual equity transfer (out)	(52,733,766)		(52,733,766)	
Net Cash Used by Noncapital Financing Activities	(64,318,743)	3,227,381	(61,091,362)	(8,534,342)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	12,070,072	1,638,265	13,708,337	10,128,992
Net change in restricted assets	8,435,784		8,435,784	7,252,565
Net Cash Provided by (Used in) investing activities	20,505,856	1,638,265	22,144,121	17,381,557
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(62,660,506)	(4,664,746)	(67,325,252)	(56,014,624)
Transfer of connection fees to SPWA	(4,726,068)		(4,726,068)	
Principal paid on debt, bond maturities, special assessments, and equipment contracts	(2,783,067)		(2,783,067)	(2,672,683)
Proceeds from long term debt				21,630,000
Proceeds from sale of fixed assets		176,870	176,870	111,109
Interest and fiscal charges paid	(2,980,520)		(2,980,520)	(2,826,973)
Contribution in aid of construction	6,328,425		6,328,425	
Capital contributions from developers	13,884,805		13,884,805	
Contributed capital				8,269,829
Cash Flows (used by) Capital Financing Activities	(52,936,931)	(4,487,876)	(57,424,807)	(31,503,342)
Net Cash Flows	(62,340,627)	5,703,303	(56,637,324)	31,908,901
Cash and investments at beginning of year	165,029,800	12,369,880	177,399,680	145,490,779
Cash and investments at end of year	$102,689,173	$18,073,183	$120,762,356	$177,399,680
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Transfer of SPWA fixed assets to City	$42,612,170		$42,612,170	
Transfer of accounts receivable to SPWA	(657,319)		(657,319)	
Transfer of due from other government agencies to SPWA	(2,915,751)		(2,915,751)	
Transfer of deferred receivables to SPWA	(5,728,787)		(5,728,787)	
Interest on SPWA Revenue Bonds	2,397,286		2,397,286	

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, 2001

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$121,120,446	$128,691,396	$7,570,950	$11,843,750	$12,127,934	$284,184
Subventions and grants	4,619,343	3,979,007	(640,336)			
Sale of wholesale power	6,100,000	6,186,595	86,595			
Miscellaneous	433,663	771,375	337,712	50,000	320,607	270,607
Total Operating Revenues	132,273,452	139,628,373	7,354,921	11,893,750	12,448,541	554,791
OPERATING EXPENSES						
Purchased power	59,400,000	44,974,174	14,425,826			
Distribution:						
Operations	217,690,215	87,224,113	130,466,102	10,649,579	9,783,616	865,963
Administration	4,270,426	3,363,836	906,590			
Claims expense				2,029,000	1,807,073	221,927
Total Operating Expenses	281,360,641	135,562,123	145,798,518	12,678,579	11,590,689	1,087,890
Operating Income (Loss)	(149,087,189)	4,066,250	153,153,439	(784,829)	857,852	1,642,681
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	7,778,086	12,070,072	4,291,986	1,138,943	1,638,265	499,322
Interest and fiscal charges (expense)	(2,991,168)	(5,377,806)	(2,386,638)			
Proceeds from bond issuance	90,000,000		(90,000,000)			
Debt service - principal (Note 9)	(2,783,070)	(2,783,067)	3			
Other					176,870	176,870
Net Nonoperating Revenues (Expenses)	92,003,848	3,909,199	(88,094,649)	1,138,943	1,815,135	676,192
Income (Loss) Before Operating Transfers	(57,083,341)	7,975,449	65,058,790	354,114	2,672,987	2,318,873
Contribution in aid of construction	4,352,000	6,328,425	1,976,425			
Capital contributions from developers		13,884,805	13,884,805			
Capital contributions from SPWA member agencies		19,529,157	19,529,157			
Operating transfer in	12,268,122	1,779,768	(10,488,354)	2,712,500	1,855,815	(856,685)
Operating transfer (out)	(24,779,037)	(12,823,792)	11,955,245	(608,920)	(760,847)	(151,927)
Net Income (Loss)	($65,242,256)	36,673,812	$101,916,068	$2,457,694	3,767,955	$1,310,261
ITEMS AFFECTING CONTRIBUTED CAPITAL						
Depreciation		3,099,018				
Adjustments to budgetary basis:						
Depreciation and amortization		(10,587,838)			(2,472,087)	
Capital outlay		48,377,047			4,640,739	
Debt service - principal		2,783,067				
Retained earnings at beginning of year, budgeted funds		371,672,233			24,769,323	
Residual equity transfer (out)		(77,980,303)				
Retained earnings at end of year, fund not budgeted:						
Central Stores Internal Service Fund					32,089	
Retained earnings at end of year		$374,037,036			$30,738,019	

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, 2001

Department/Category	Appropriations	Actual Expenditures	Variance Favorable (Unfavorable)
City Council			
Salaries and Benefits	$21,250	$21,100	$150
Operating Services and Supplies	316,345	314,286	2,059
Total City Council	337,595	335,386	2,209
Office of the City Manager			
Salaries and Benefits	767,655	738,369	29,286
Operating Services and Supplies	301,021	196,195	104,826
Capital Outlay	175,216	80,709	94,507
Total Office of the City Manager	1,243,892	1,015,273	228,619
Office of the City Attorney			
Salaries and Benefits	586,453	584,822	1,631
Operating Services and Supplies	240,890	218,906	21,984
Capital Outlay	11,000	2,514	8,486
Total Office of the City Attorney	838,343	806,242	32,101
Administrative Services			
Salaries and Benefits	2,584,055	2,610,677	(26,622)
Operating Services and Supplies	5,470,232	4,714,189	756,043
Capital Outlay	417,068	547,703	(130,635)
Debt Service	543,500	548,308	(4,808)
Total Administrative Services	9,014,855	8,420,877	593,978
City Clerk			
Salaries and Benefits	470,765	385,647	85,118
Operating Services and Supplies	163,585	159,243	4,342
Capital Outlay	35,000	34,885	115
Total City Clerk	669,350	579,775	89,575
Central Services			
Salaries and Benefits	3,486,474	3,226,203	260,271
Operating Services and Supplies	2,775,240	2,645,949	129,291
Capital Outlay	70,300	34,178	36,122
Capital Improvement Projects	26,379,450	10,805,361	15,574,089
Total Central Services	32,711,464	16,711,691	15,999,773
Finance			
Salaries and Benefits	2,511,210	2,333,142	178,068
Operating Services and Supplies	1,205,238	1,078,659	126,579
Capital Outlay	89,000	46,954	42,046
Total Finance	3,805,448	3,458,755	346,693
Police			
Salaries and Benefits	11,006,541	10,778,679	227,862
Operating Services and Supplies	2,795,036	2,553,564	241,472
Capital Outlay	505,612	536,163	(30,551)
Total Police	14,307,189	13,868,406	438,783
Fire			
Salaries and Benefits	7,489,260	7,447,097	42,163
Operating Services and Supplies	2,038,637	1,750,337	288,300
Capital Outlay	672,133	346,952	325,181
Capital Improvement Projects	93,581	57,938	35,643
Total Fire	10,293,611	9,602,324	691,287

(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, 2001

Department/Category	Appropriations	Actual Expenditures	Variance Favorable (Unfavorable)
Library			
Salaries and Benefits	2,105,750	1,830,594	275,156
Operating Services and Supplies	493,251	437,129	56,122
Capital Outlay	79,000	78,131	869
Debt Service	2,800	2,964	(164)
Total Library	2,680,801	2,348,818	331,983
Community Development			
Salaries and Benefits	1,440,250	1,334,559	105,691
Operating Services and Supplies	1,166,488	752,084	414,404
Capital Outlay	13,900	12,714	1,186
Capital Improvement Projects	549,807	26,854	522,953
Total Community Development	3,170,445	2,126,211	1,044,234
Housing and Redevelopment			
Salaries and Benefits	346,705	320,673	26,032
Operating Services and Supplies	3,079,296	888,163	2,191,133
Capital Outlay	2,500	2,418	82
Debt Service		189,128	(189,128)
Capital Improvement Projects	3,432,760	204,482	3,228,278
Other Expenditures	342,780	539,992	(197,212)
Total Housing and Redevelopment	7,204,041	2,144,856	5,059,185
Planning			
Salaries and Benefits	1,585,403	1,388,087	197,316
Operating Services and Supplies	283,384	236,132	47,252
Capital Outlay	7,750	6,771	979
Capital Improvement Projects	1,072,530	1,148,989	(76,459)
Total Planning	2,949,067	2,779,979	169,088
Public Works			
Salaries and Benefits	6,459,955	5,716,029	743,926
Operating Services and Supplies	3,818,664	3,340,961	477,703
Capital Outlay	96,944	70,083	26,861
Capital Improvement Projects	36,880,917	19,211,974	17,668,943
Total Public Works	47,256,480	28,339,047	18,917,433
Environmental Utilities			
Salaries and Benefits	9,219,894	8,955,360	264,534
Operating Services and Supplies	13,252,732	12,609,888	642,844
Capital Outlay	703,419	604,251	99,168
Capital Improvement Projects	156,035,776	35,679,719	120,356,057
Total Environmental Utilities	179,211,821	57,849,218	121,362,603
Parks and Recreation			
Salaries and Benefits	8,139,762	7,521,144	618,618
Operating Services and Supplies	5,340,734	5,322,635	18,099
Capital Outlay	385,314	312,214	73,100
Capital Improvement Projects	7,353,360	3,159,752	4,193,608
Debt Service	10,068	10,076	(8)
Total Parks and Recreation	21,229,238	16,325,821	4,903,417

(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, 2001

Department/Category	Appropriations	Actual Expenditures	Variance Favorable (Unfavorable)
Electric			
Salaries and Benefits	7,610,550	7,076,336	534,214
Operating Services and Supplies	63,841,597	49,583,506	14,258,091
Capital Outlay	586,750	85,448	501,302
Capital Improvement Projects	14,073,588	9,678,625	4,394,963
Total Electric	86,112,485	66,423,915	19,688,570
Transit			
Salaries and Benefits	230,340	188,781	41,559
Operating Services and Supplies	2,401,735	1,766,103	635,632
Capital Improvement Projects	1,141,416	109,186	1,032,230
Total Transit	3,773,491	2,064,070	1,709,421
Debt Service			
Debt Service	7,360,510	9,751,830	(2,391,320)
Other Expenditures	44,524	159,754	(115,230)
Total Debt Service	7,405,034	9,911,584	(2,506,550)
Community Grants			
Operating Services and Supplies	639,649	482,450	157,199
Total Community Grants	639,649	482,450	157,199
Automotive Replacement			
Operating Services and Supplies		16	(16)
Capital Outlay	5,211,139	4,577,454	633,685
Total Automotive Replacement	5,211,139	4,577,470	633,669
Non-departmental			
Salaries and Benefits		493,629	(493,629)
Operating Services and Supplies	1,322,790	1,004,616	318,174
Capital Improvement Projects	28,097,238	25,954,452	2,142,786
Payments under developer agreement		1,603,838	(1,603,838)
Other Expenditures	2,224,278	1,378,392	845,886
Total Community Grants	31,644,306	30,434,927	1,209,379

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Roseville was incorporated on April 10, 1909 under provisions of Act 279, P.A. 1909, as amended (Home Rule City). The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, water, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The California Joint Powers Risk Management Authority, the Local Agency Workers' Compensation Excess Joint Powers Authority, the Roseville-Placer County Civic Center Improvement Authority, the Highway 65 Joint Powers Authority, the Disaster Recovery Joint Powers Authority, and the South Placer Wastewater Authority are not included in the accompanying 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.

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).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, certain charges for services and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. In addition, contributions to proprietary funds from state and federal agencies, developers and others are recorded as revenue.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax

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

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

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

G. Compensated Absences

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

H. Postemployment Heath Care Benefits

The City provides health care benefits for 225 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, 2001, those costs totaled $805,368.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. New Funds

The Trench Cut Recovery Fund Special Revenue Fund was established to account for revenues collected under the ordinance for trench cut fees paid by developers or utility companies for future pavement management.

The Traffic Congestion Relief Special Revenue Fund was established to account for revenues received from State of California under AB2928. AB2928 is to fund local streets and roads maintenance, rehabilitation and reconstruction projects according to the State's Traffic Congestion Relief Plan.

The Post Retirement Internal Service Fund was established to account for the payment of future post-retirement medical insurance and retiree accumulated compensated absence payments.

The Stoneridge West Community Facilities District #1 Agency Fund was established to account for special assessment collections and debt service payments.

The South Placer Wastewater Authority Agency Fund was established to account for the activities of the Authority.

K. Closed, Consolidated and Restated Funds

The Law Enforcement Services Special Revenue Fund and Local Law Enforcement Block Grant Special Revenue Fund were closed and combined to from the Law Enforcement Block Grant Special Revenue Fund. The beginning fund balance in the Law Enforcement Block Grant Special Revenue Fund represents the totals of these funds as of June 30, 2000.

The Native Oak Tree Propagation Special Revenue Fund and Non-native Oak Tree Propagation Special Revenue Fund were closed and combined to form the Tree Propagation Special Revenue Fund. The beginning fund balance in the Tree Propagation Special Revenue Fund represents the totals of these funds as of June 30, 2000.

The Community Development Block Grant Special Revenue Fund and HOME Investment Partnership Program Special Revenue Fund were closed and combined to form the Community Development Block Grant/HOME Special Revenue Fund. The beginning fund balance in the Community Development Block Grant/HOME Special Revenue Fund represents the totals of these funds as of June 30, 2000.

The SERSP Lighting and Landscaping Agency Fund, Olympus Point Lighting and Landscaping Fund, North Roseville Service District Agency Fund were closed and combined to form the Lighting and Landscape and Service Districts Special Revenue Fund. This new fund also includes balances which were previously reported in the Other Agency Fund. Total residual equity transfers in to the Lighting and Landscape and Service Districts Special Revenue Fund from these funds were $258,332 as of June 30, 2001.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also closed and combined the following Capital Projects Funds to form the Community Facilities Districts Capital Projects Fund. The closure of the following funds resulted in total residual equity transfers in to and out of the Community Facilities Districts Capital Projects Fund of $32,732,808 and $30,459, respectively, as of June 30, 2001:

- Foothills Boulevard
- Foothills Boulevard Extension
- Northwest Roseville Community Facilities District No. 1
- North Central Roseville Community Facilities District No. 1
- North Roseville Community Facilities District No. 1
- Woodcreek West Community Facilities District No. 1
- Crocker Ranch Community Facilities District No. 1
- Highland Reserve North Community Facilities District No. 1
- Stoneridge Parcel 1 Community Facilities District No. 1

L. Classification Changes

For the year ended June 30, 2001, certain account classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the 2000-2001 presentation.

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

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

6. Formal budgetary integration is employed as a management control device during the year in all the funds listed below at B.

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	$66,718,819	$6,239,188	$72,958,007
Special Revenue Funds:			
Lighting and Landscape and Service Districts	438,073	1,042,322	1,480,395
State Gasoline Tax	2,944,000	5,840,568	8,784,568
Home Improvement	25,000	5,000	30,000
Construction Surcharge		58,024	58,024
California Library Services	189,000	365	189,365
Fire Facilities	334,174	431,540	765,714
Traffic Mitigation	9,105,480	8,430,749	17,536,229
Park Development	2,941,270	2,543,500	5,484,770
Tree Propagation	252,940		252,940
Community Development Block Grant/HOME	1,116,577	495,432	1,612,009
Citizens Benefit	815,000		815,000
Housing Authority Section 8	1,960,857		1,960,857
Redevelopment Agency of the City of Roseville	3,527,877	1,054,338	4,582,215
Debt Service Fund:			
Roseville Finance Authority	1,575,100		1,575,100
Capital Projects Funds:			
Community Facilities Districts	21,872,747	3,773,766	25,646,513
Building	10,875,000	15,504,450	26,379,450
Enterprise Funds:			
Electric	65,378,082	21,572,206	86,950,288
Water	11,601,193	23,697,106	35,298,299
Sewer	103,057,245	30,430,123	133,487,368
Refuse	9,051,748	1,374,405	10,426,153
Golf Course	2,812,308	(277,680)	2,534,628
Local Transportation	2,934,585	6,693,317	9,627,902
School-Age Child Care	2,965,103	70,900	3,036,003
Internal Service Funds:			
Automotive Services	2,761,163	174,918	2,936,081
Automotive Replacement	2,335,606	2,875,533	5,211,139
Self Insurance Funds:			
Workers' Compensation	1,601,000	208,029	1,809,029
General Liability	1,250,000		1,250,000
Unemployment Reserve	60,000		60,000
Vision	75,000	5,000	80,000
Dental	768,000		768,000
Section 125	250,000		250,000
Post-Retirement	207,200	107,130	314,330

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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.

D. Excess of Expenditures or Expenses over Appropriations

The Housing Authority Section 8 Special Revenue Fund had expenditures in excess of budget in the amount of $71,563; the Roseville Finance Authority Debt Service Fund had expenditures in excess of budget of $596; the Community Facilities District Capital Projects Fund had expenditures in excess of budget in the amount of $1,024,777; the School-age Child Care Enterprise Fund had expenses in excess of budget in the amount of $676; and the Automotive Services and Post Retirement Internal Service Funds had expenses in excess of budget of $34,504 and $87,270, respectively, during the fiscal year. Sufficient revenues were available to cover these expenditures and expenses.

NOTE 3 - CASH AND INVESTMENTS

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

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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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.

Investments are carried at fair value and are categorized as follows at June 30:

	2001	2000
Category 2 Investments:		
U.S. Government Securities	$148,727,840	$284,302,779
Commercial Paper	21,818,076	
Forward delivery agreement	56,270,838	
Pooled Investments (non Categorized):		
Guaranteed Investment Contracts	112,313,892	
Mutual Funds and Money Market Funds (U.S. Securities)	36,022,607	11,213,222
State of California Local Agency Investment Fund	60,125,899	29,768,514
California Arbitrage Management Program	55,943,321	26,788,947
Total Investments	491,222,473	352,073,462
Cash Deposits with Banks	35,111,039	7,467,761
Total Cash and Investments	$526,333,512	$359,541,223

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.

	2001	2000
Cash and investments in City Treasury	$352,690,186	$289,497,196
Restricted cash and investments with fiscal agent	173,643,326	70,044,027
Total Cash and Investments	$526,333,512	$359,541,223

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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. *Cash Deposits*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is 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 $35,111,039 at June 30, 2001. Bank balances before reconciling items were $37,706,838 of which $486,490 was insured (Category 1), and $37,220,348 was collateralized as discussed above (Category 2) at June 30, 2001.

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's 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 and guaranteed investment contracts. South Placer Wastewater Authority's investment policy allows for the investment in Forward Delivery Agreements.

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

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which at June 30, 2001 was $134,233 more than the City's cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

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.

Operating transfers between funds during the fiscal year ended June 30, 2001 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	State Gasoline Tax Special Revenue Fund	$1,024,763
	Home Improvement Special Revenue Fund	630
	Construction Surcharge Special Revenue Fund	4,600
	California Library Services Special Revenue Fund	3,400
	Traffic Safety Special Revenue Fund	398,339
	FEMA Special Revenue Fund	2,371,799
	Law Enforcement Block Grants Special Revenue Fund	148,914
	Fire Facilities Special Revenue Fund	450,913
	Traffic Mitigation Special Revenue Fund	26,580
	Public Facilities Special Revenue Fund	1,260
	Traffic Congestion Relief Special Revenue Fund	529,125
	Park Development Special Revenue Fund	45,033
	Pleasant Grove Drain Basin Special Revenue Fund	19,400
	Tree Propagation Special Revenue Fund	1,540
	Housing Authority Section 8 Special Revenue Fund	32,660
	Redevelopment Agency of the City of Roseville Special Revenue Fund	39,510
	General Capital Improvement Projects Rehabilitation Capital Projects Fund	227,549
	Electric Enterprise Fund	5,582,517
	Water Enterprise Fund	1,421,615
	Sewer Enterprise Fund	1,618,071
	Refuse Enterprise Fund	1,082,958
	Golf Course Enterprise Fund	271,610
	Local Transportation Enterprise Fund	93,910
	School-Age Child Care Enterprise Fund	286,690
	Automotive Services Internal Service Fund	475,858
	Automotive Replacement Internal Service Fund	250,651
	Worker's Compensation Internal Service Fund	4,970
	General Liability Internal Service Fund	4,970
	Unemployment Reserve Internal Service Fund	4,970
	Vision Internal Service Fund	4,970
	Dental Internal Service Fund	4,970
	Section 125 Internal Service Fund	4,970

(Continued)

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
Special Revenue Funds:		
State Gasoline Tax	General Fund	5,520,000
	Water Enterprise Fund	300,000
	Sewer Enterprise Fund	200,000
Construction Surcharge	Traffic Mitigation Special Revenue Fund	210
Traffic Mitigation	Local Transportation Enterprise Fund	16,680
Public Facilities	General Fund	7,000,000
Park Development	Lighting and Landscape and Service District Special Revenue Fund	183,470
	Community Development Block Grant/HOME Special Revenue Fund	3,997
	General Capital Improvement Projects Rehabilitation Capital Projects Fund	480,399
Community Development Block Grant/HOME	General Capital Improvement Projects Rehabilitation Capital Projects Fund	7,828
Roseville Finance Authority Debt Service Fund	General Fund	1,517,433
Capital Projects Funds:		
Building	Fire Facilities Special Revenue Fund	582,882
	Public Facilities Special Revenue Fund	2,927,338
	Park Development Special Revenue Fund	558,376
	Citizens Benefit Special Revenue Fund	239,865
	Electric Enterprise Fund	89,258
General Capital Improvement Projects Rehabilitation	General Fund	3,057,000
Enterprise Funds:		
Electric	Water Enterprise Fund	83,330
	Sewer Enterprise Fund	83,340
	Refuse Enterprise Fund	83,330
Water	Sewer Enterprise Fund	519,273
	Refuse Enterprise Fund	329,820
Sewer	Water Enterprise Fund	6,073
Refuse	General Fund	666,604
Local Transportation	General Fund	7,732
	Community Facilities Districts Capital Projects Fund	266
Internal Service Funds:		
Automotive Replacement	General Fund	523,389
	Fire Facilities Special Revenue Fund	330,391
	Electric Enterprise Fund	77,515
	Water Enterprise Fund	206,631
	Sewer Enterprise Fund	2,584
	Refuse Enterprise Fund	357,589
	School-Age Child Care Enterprise Fund	18,403
Post Retirement	General Fund	242,200
	Electric Enterprise Fund	73,283
	Sewer Enterprise Fund	9,640
	Local Transportation Enterprise Fund	9,672
	Automotive Services Internal Service Fund	4,518
Total Interfund Transfers		$42,760,034

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, 2001 interfund balances comprised the following:

Fund with Due From	Fund with Due To	Amount
General Fund	State Gasoline Tax Special Revenue Fund	$33,447
	Traffic Safety Special Revenue Fund	65,172
	Fire Facilities Special Revenue Fund	223
	Redevelopment Agency Special Revenue Fund	150,000
	General Capital Improvement Projects Rehabilitation Capital Projects Fund	42,774
	Electric Enterprise Fund	223
	Water Enterprise Fund	167
	Sewer Enterprise Fund	168
	Automotive Replacement Internal Service Fund	25,496
	Other Agency Fund	13
Special Revenue Funds:		
Home Improvement	Redevelopment Agency Special Revenue Fund	50,000
Park Development	General Capital Improvement Projects Rehabilitation Capital Projects Fund	180,526
Capital Projects Funds:		
Community Facilities Districts Capital Projects Fund	Lighting and Landscape and Service Districts Special Revenue Fund	50,000
Building	Fire Facilities Special Revenue Fund	7,431
	Public Facilities Special Revenue Fund	7,732
	Park Development Special Revenue Fund	20,641
	Electric Enterprise Fund	7,940
Enterprise Funds:		
Water	Construction Surcharge Special Revenue Fund	2,657
	Community Development Block Grant/HOME Special Revenue Fund	410,280
	Community Facilities Districts Capital Projects Fund	30,459
	Sewer Enterprise Fund	19,965
	Refuse Enterprise Fund	12,562
	Other Agency Fund	697
Refuse	General Fund	31,996
Internal Service Fund:		
Automotive Replacement	Refuse Enterprise Fund	310,000
	Golf Course Enterprise Fund	95,244
		$1,555,813

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. *Long-Term Interfund Advances*

At June 30, 2001 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
Special Revenue Funds:		
Lighting and Landscape and Service Districts	Community Facilities Districts Capital Projects Fund	$703,970
Park Development	General Fund	6,600,000
Redevelopment Agency of the City of Roseville	General Fund	1,987,888
	Affordable Housing Special Revenue Fund	400,000
	Roseville Finance Authority Capital Projects Fund	165,000
	Automotive Replacement Internal Service Fund	938,901
Enterprise Funds:		
Refuse	Automotive Replacement Internal Service Fund	863,128
Golf Course	Automotive Replacement Internal Service Fund	3,220,000
		$14,878,887

NOTE 5 - NOTES RECEIVABLE AND DEFERRED REVENUE

The City and Agency engage in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these notes are expected to be repaid in full, their balance has been offset by deferred revenue or a reservation of fund balance as they are not expected to be repaid during fiscal year 2002. These notes receivable were comprised of the following at June 30, 2001:

	June 30	
	2001	2000
Notes	$238,986	$282,482
Employee Notes	118,113	118,649
Housing Rehabilitation and Affordable Housing	2,029,775	1,607,201
First Time Home-Buyer	2,030,876	1,754,625
Housing Elevation	83,978	83,006
Total	$4,501,728	$3,845,963

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, 2001 was $42,137.

NOTE 5 - NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

In fiscal year 2000, the City sold an air compressor to Western Placer County JPA. The City will receive ten annual payments of $4,518 toward the purchase of this equipment. At June 30, 2001 the balance due was $40,665.

In fiscal year 1989, the City made a loan to a property owner in the amount of $7,719, secured by a first deed of trust. The note does not bear interest and payment is deferred until July 2, 2007 unless the property is transferred or sold. The balance of this note has been offset by a reservation of fund balance.

The Agency engages in a commercial rehabilitation program designed to aid small business owners in renovating and rehabilitating commercial property in need of repair. These notes will be forgiven at the end of the Owner Participation Agreement term, which is five to fifteen years, if the property has not been sold. If the property is sold prior to the completion of the agreement term, a proportionate amount of the note will be forgiven. The notes are secured by a deed of trust on the property. At June 30, 2001, $148,465 in notes had been issued to twelve property owners.

B. Employee Notes Receivable

All full-time and part-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to $2,500 to purchase a computer. All requests for loans are subject to review by the 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 on their loans upon ending employment with the City. As of June 30, 2001, 116 employees had $118,113 in notes due to the City.

C. Housing Rehabilitation and Affordable Housing Notes Receivable

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset with the liability, Due to Other Governments, as they are not expected to be repaid during fiscal year 2002 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the notes receivable arising from these programs at June 30, 2001 was $2,029,775.

D. First Time Home-Buyer Notes Receivable

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 2002 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the notes receivable arising from this program at June 30, 2001 was $2,030,876.

NOTE 5 - NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

E. ***Housing Elevation Notes Receivable***

In fiscal 1997, the Federal Emergency Management Agency (FEMA) approved Hazard Mitigation Grant Program funds to be used for residential home elevation projects in the City at a maximum of $33,934 per household, with the total federal share not to exceed $1,493,096. The City provides matching funds to each eligible household at a maximum of $5,000 in the form of a zero percent, deferred loan payable upon sale, change of title or change of use (See A. above). As of June 30, 2001, twenty-four loans, funded through the FEMA Hazard Mitigation Grant Program, were outstanding with a total balance of $83,978.

NOTE 6 - DEFERRED RECEIVABLES AND DEFERRED REVENUE

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, 2001 was $11,351,605.

NOTE 7 – DEVELOPMENT AGREEMENT

The City may enter into development agreements in an effort to provide incentives to develop new businesses and new tax revenues. The substance of these agreements is that developers will be paid a portion of future sales tax revenues produced by their developments. These payments are conditioned on the generation of sales tax revenues by these developments and the City is not required to use any other resources to pay these amounts.

A. ***Galleria at Roseville***

In fiscal 2001 the City agreed to share a portion of future sales tax revenues generated from the Galleria at Roseville regional mall. The Developer agreed to construct the mall along with water and storm sewer mains, a bike trail, pedestrian walks, landscaping, parking areas and infrastructure improvements to surrounding streets. The mall opened for business in August 2000 and the term of the sales tax sharing agreement commenced on that date. The remaining portion of sales tax revenues to be refunded approximated $26.1 million at June 30, 2001. The agreement terminates in 2017, regardless of whether this amount has been returned; after that date all future sales tax revenues remain with the City. During fiscal year 2001 payments made to the developer under the agreement totaled $1,603,838.

NOTE 8 - 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 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 8 - FIXED ASSETS (Continued)

D. Fixed Asset Additions and Retirements

Fixed assets at June 30 comprise:

	2000	Additions	Retirements	Transfers	2001
General Fixed Assets:					
Land and Improvements	$14,050,977	$2,149,109			$16,200,086
Buildings and Improvements	85,310,642	13,011,886			98,322,528
Machinery and Equipment	8,650,949	2,069,810	$1,255,412		9,465,347
Capital Leases:					
Buildings and Improvements	3,023,291				3,023,291
Machinery and Equipment	2,978,131	287,509			3,265,640
Total General Fixed Assets	$114,013,990	$17,518,314	$1,255,412		$130,276,892
Enterprise Fixed Assets:					
Land and Improvements	$10,283,217	$164,481			$10,447,698
Buildings and Improvements	362,612,967	22,949,771	$302,691	$12,077,454	397,337,501
Machinery and Equipment	7,898,864	4,247,080	1,640,816		10,505,128
Construction in Progress	41,218,119	62,548,506		(12,077,454)	91,689,171
Subtotal	422,013,167	$89,909,838	$1,943,507		509,979,498
Less Accumulated Depreciation	(84,392,134)	($10,272,581)	($1,396,665)		(93,268,050)
Total Enterprise Fixed Assets	$337,621,033				$416,711,448
Internal Service Fixed Assets:					
Machinery and Equipment	$23,327,086	$4,666,959	$1,694,457		$26,299,588
Less Accumulated Depreciation	(14,373,012)	($2,472,087)	($1,692,244)		(15,152,855)
Total Internal Service Fixed Assets	$8,954,074				$11,146,733

NOTE 9 - LONG-TERM DEBT

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

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.

A. *Current Year Transactions and Balances*

	Original Issue Amount	Balance June 30, 2000	Additions	Retirements		Balance June 30, 2001
General Long Term Debt:						
Certificates of Participation:						
1993 Public Facilities Bond, 2.8%-5.1%, due 8/1/20	$23,970,000	$20,625,000		$600,000		$20,025,000
Installment Purchase Obligations:						
Public Safety Building, 6.1%-6.3%, due 1/15/01	2,130,449	163,434		163,434	(1)	
Equipment	875,540	363,583	$271,598	209,683		425,498
Motorola Radio Equipment, 5.6%, due 8/1/04	1,955,734	1,408,954		251,948		1,157,006
Total Installment Purchase Obligations	4,961,723	1,935,971	271,598	625,065		1,582,504
Other Long Term Obligations						
Foothill Blvd. Extension, due 4/1/07	114,423	88,632		9,853		78,779
TOTAL GENERAL LONG TERM DEBT	$29,046,146	$22,649,603	$271,598	$1,234,918		$21,686,283
Enterprise Long Term Debt:						
Certificates of Participation:						
1997 Electric System Revenue, 3.6%-5.25%, due 2/1/17	$11,880,000	$7,545,000		$1,510,000		$6,035,000
1999 Electric System Revenue, 4.0%-5.5%, due 2/1/24	21,630,000	21,630,000				21,630,000
1993 Golf Course Project, 4.6%-6.0%, due 8/1/23	9,325,000	8,755,000		180,000		8,575,000
1997 Water Utility Revenue, 3.9%-5.2%, due 12/1/18	33,000,000	31,960,000		1,085,000		30,875,000
Total Certificates of Participation	75,835,000	69,890,000		2,775,000		67,115,000
Revenue Bonds						
2000 Wastewater Revenue Bonds, Series A, 3.8%-5.5%, due 11/1/27	59,465,118		$59,465,118			59,465,118
2000 Variable Rate Demand Wastewater Revenue Bonds, Series B, variable rate, due 11/1/35	37,919,000		37,919,000			37,919,000
Total Revenue Bonds	97,384,118		97,384,118			97,384,118
Other Long Term Obligations:						
Notes, 5%, due 10/1/17	333,108	226,924		8,067		218,857
TOTAL ENTERPRISE LONG TERM DEBT	$173,552,226	$70,116,924	$97,384,118	$2,783,067		$164,717,975

(1) During fiscal year 2001 the outstanding balance of the public safety building obligation was forgiven.

NOTE 9 - LONG-TERM DEBT (Continued)

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 and is repayable from the General Fund. 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. Foothill Blvd. Extension

The City acquired several parcels of land, in August of 1989, within the Foothill Blvd. Extension Assessment District to build the Corporation Yard. Upon acquisition, the City took over the assessment debt in the amount of $114,423, due on these parcels. Principal and interest payments are payable annually on April 1, through April 1, 2007.

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 its' 1985 COP's and is repayable from net revenue of the Electric Utility System. Principal payments are payable annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2017.

E. 1999 Electric System Revenue Certificates of Participation

On August 3, 1999, the City issued $21,630,000 of Certificates of Participation to finance a portion of the cost of capital improvements and is repayable from net revenue of the Electric Utility System. The Certificates bear interest at 4.0% - 5.5% and are due semi-annually on February 1 and August 1. Principal payments are due annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2024.

F. 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 and is repayable from the General Fund. 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.

G. 1997 Water Utility Revenue Certificates of Participation

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

NOTE 9 - LONG-TERM DEBT (Continued)

H. 2000 South Placer Wastewater Authority Wastewater Revenue Bonds, Series A; and 2000 South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B

In November 2000, the South Placer Wastewater Authority issued Revenue Bonds Series A and Series B in the original principal amounts of $109,775,000 and $70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. Upon completion, this Plant will benefit the City of Roseville, the South Placer Municipal Utility District, and the County of Placer. These three entities in return share the obligation of the Revenue Bonds. The City's share of this obligation was determined to be 54.17%. As a result, this portion of the debt was recorded on the City's financial statements.

The South Placer Wastewater Authority Wastewater Revenue Bonds, Series A were issued as fixed rate bonds. Principal payments are payable annually on November 1 and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027.

The South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B were issued as variable rate bonds, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. The average monthly interest paid in fiscal year 2000-01 was $170,326. Beginning in fiscal year 2028-29, principal payments as shown below will be made in addition to the variable interest payments.

Year Ending June 30	Principal Repayment
2029	$4,114,212
2030	4,279,430
2031	4,450,066
2032	4,628,827
2033	4,815,713
Thereafter	15,630,752
	$37,919,000

I. Notes Payable

The City borrowed $333,108 original principal amount, on November 9, 1977, from the U. S. Department of Commerce to aid in financing drought emergency projects. The debt is repayable from the surplus revenue account of the Water Revenue Bonds. Principal and interest payments are payable annually on October 1, through October 1, 2017.

NOTE 9 - LONG-TERM DEBT (Continued)

J. *Debt Service Requirements*

Annual debt service requirements are shown below for all long-term debt except installment purchase obligations, as discussed in Note 9K, and variable rate demand bonds, as discussed in Note 9H:

For the Year Ending June 30	1993 Public Facilities Certificates of Participation	Foothill Blvd. Debt	Enterprise Certificates of Participation	Enterprise Revenue Bonds	Notes Payable	Totals
2002	$1,569,470	$16,379	$5,403,145	$3,995,426	$19,413	$11,003,833
2003	1,572,158	16,552	5,408,398	4,106,861	19,413	11,123,382
2004	1,568,001	16,653	5,407,760	4,104,912	19,413	11,116,739
2005	1,566,768	16,696	5,401,043	4,103,178	19,413	11,107,098
2006	1,568,163	16,668	5,408,014	4,101,313	19,413	11,113,571
Thereafter	23,367,610	16,575	84,132,400	89,496,204	232,943	197,245,732
	31,212,170	99,523	111,160,760	109,907,894	330,008	252,710,355
Less amount representing interest	11,187,170	20,744	44,045,760	50,442,776	111,151	105,807,601
Principal amount due	$20,025,000	$78,779	$67,115,000	$59,465,118	$218,857	$146,902,754

K. *Installment Purchase Obligations*

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

Year Ending June 30	General Long-Term Debt
2002	$529,634
2003	470,049
2004	410,707
2005	393,672
Total payments duc	1,804,062
Less amount representing interest	221,558
Principal payments due	$1,582,504

NOTE 10 - DEBT WITHOUT CITY COMMITMENT

A. *Special Assessment Districts*

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, 2001 is as follows:

NOTE 10 - DEBT WITHOUT CITY COMMITMENT (Continued)

Rocky Ridge/Harding Refunding District	$1,515,000
Taylor Road Sewer Assessment District	27,000
North Roseville-Rocklin Sewer Refunding District	1,495,000
Foothills Boulevard Extension Assessment District	3,105,000
Northeast Roseville Community Facilities District #1 & #2	28,885,000
North Roseville Community Facilities District #1	19,285,000
North Central Roseville Community Facilities District #1	56,595,000
Northwest Roseville Community Facilities District #1	30,310,000
Highland Reserve North Community Facilities District #1	33,470,000
Woodcreek West Community Facilities District #1	16,945,000
Woodcreek East Community Facilities District #1	5,465,000
Stoneridge Parcel 1 Community Facilities District #1	2,000,000
Total	$199,097,000

NOTE 11 - 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, 2001, 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.

NOTE 11 - FUND BALANCES AND RETAINED EARNINGS (Continued)

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.

Unreserved fund balance in the General Fund represents the resources available at June 30, 2001 to meet the financial needs of the City through approximately December 10, 2001 when the next property tax payment is due from the County. The amount available at June 30 is equivalent to approximately 12.6 % of fiscal 2001 expenditures or less than the average expenditures for seven weeks. Unreserved fund balance in the Special Revenue and Capital Projects funds are not available for general expenditures as they are reserved for the particular purposes of the funds they reside in.

B. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action.

Designated for economic reserve is the portion of fund balance which represents 10% of the original adopted operating expenditure budget to be used in the event of fiscal need.

Designated for carryover of capital improvement projects is the portion of fund balance to be used for approved capital projects.

C. Fund Balance and Retained Earnings Deficits

The following funds had a deficit fund balance at June 30, 2001: the Construction Surcharge Special Revenue Fund \$2,867 and the Redevelopment Agency of the City of Roseville Special Revenue Fund \$946,351. Future revenues are expected to offset these fund equity deficits.

D. Fund Balance Restatement

During fiscal year 2001 the City implemented Governmental Accounting Standards Board's Statement 33 which addresses the timing of revenue recognition for non-exchange transactions. As a result of implementing GASB Statement 33 the City restated and increased prior year's due from other governments, taxes revenue and therefore fund balance in the General Fund in the amount of \$3,027,862.

NOTE 12 - 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, 2001 follows:

	Electric	Water	Sewer	Refuse	Golf Course	Local Transportation	School-Age Child Care
Operating revenue	$77,576,053	$17,221,336	$22,584,700	$11,733,849	$2,628,137	$4,287,357	$3,596,941
Depreciation & amortization	4,523,355	1,930,893	3,259,472	94,474	363,077	396,302	20,265
Operating income	15,857,191	8,278,540	12,148,697	2,386,516	632,311	1,731,998	820,206
Nonoperating revenues (expenses) net	4,790,358	1,594,004	446,400	31,495	(379,058)	161,652	47,415
Net income	31,377,056	10,655,066	31,657,491	1,230,918	(18,357)	1,781,386	562,528
Total fund equity (Deficit)	215,437,012	96,311,024	202,089,887	886,493	6,496,426	6,597,316	1,215,726
Changes in contributed capital:							
Beginning balances	43,933,716	20,485,359	29,639,170		5,306,950	1,203,061	
Accumulated depreciation	(1,424,507)	(698,220)	(810,820)			(165,471)	
Ending balances	42,509,209	19,787,139	28,828,350		5,306,950	1,037,590	
Net working capital	92,745,298	33,885,235	6,333,291	1,272,727	795,216	2,490,220	888,408
Fixed asset net additions and (retirements):							
Land & Improvements		103,340	61,141	396,188			
Buildings and improvements	17,460,449	12,543,696	3,902,071		710,918		107,400
Machinery and equipment	(20,449)	27,266	184,113		(24,868)	2,035,292	8,722
Construction in progress	2,265,751	6,919,448	41,101,964		(148,438)		164,088
Net fixed asset additions	19,705,751	19,593,750	45,249,289	396,188	537,612	2,035,292	280,210
Total assets	253,947,763	130,399,635	301,423,620	3,595,799	18,754,387	7,063,731	1,478,559
1997 Electric System Project Certificates of Participation payable from operating revenues	6,035,000						
1999 Electric System Project Certificates of Participation payable from operating revenues	21,630,000						
1993 Golf Course Project Certificates of Participation payable from operating revenues					8,575,000		
1998 Water Utility Revenue Certificates of Participation payable from operating revenues		30,875,000					
2000 Wastewater Revenue Bonds, payable from operating revenues			97,384,118				
Notes payable from operating revenues		218,857					

NOTE 13 - 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, 2001, 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	2.00%-2.70%	1.426%-2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	8.872%	0%
Actuarially required contributions	$1,731,957	$2,292,694

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 actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 8.25% is assumed, including inflation at 3.5%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

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

NOTE 13 - PENSION PLAN (Continued)

Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
1997	$30,655,870	$33,916,076	($3,260,206)	110.6%	$6,798,860	(47.952%)
1998	37,626,159	41,242,411	(3,616,252)	109.6%	7,720,300	(46.841%)
1999	41,288,321	47,958,769	(6,670,448)	116.2%	7,864,442	(84.818%)

Miscellaneous Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
1997	$57,652,842	$61,131,420	($3,478,578)	106.0%	$22,925,369	(15.173%)
1998	64,025,283	75,248,926	(11,223,643)	117.5%	24,853,604	(45.159%)
1999	72,237,960	88,364,377	(16,126,417)	122.3%	26,875,060	(60.005%)

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

PERS has reported that the value of the net assets in the Plan held for pension benefits changed as follows during the year ended June 30, 1999:

	Safety	Miscellaneous
Beginning Balance 6/30/98	$41,242,411	$75,248,926
Contributions received	1,924,695	4,271,519
Benefits and Refunds Paid	(1,063,686)	(1,997,593)
Transfers and Miscellaneous Adjustments Paid	(119)	8,397
Expected Investment Earnings Credited	3,437,307	6,300,317
Expected Actuarial Value of Assets 6/30/99	$45,540,608	$83,831,566
Market Value of Assets 6/30/99	$52,795,090	$97,429,999
Actuarial Value of Assets 6/30/99	$47,958,769	$88,364,377

Actuarially required contributions for fiscal years 2001, 2000, and 1999 were $4,024,651, $4,725,535, and $6,196,214, respectively.

NOTE 14 - 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.

NOTE 14 - RISK MANAGEMENT (Continued)

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 $15,000,000, 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, 2001, the City contributed $386,647 for coverage during the current year and received a refund of $162,249 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 $350,000 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, 2001, the City contributed $106,929 for current year coverage.

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

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	$15,000,000
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.

NOTE 14 - RISK MANAGEMENT (Continued)

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:

	2001	2000
Claims liability, beginning of year	$3,085,000	$3,284,000
Current year claims	1,300,000	1,500,000
Change in prior year claims	(952,000)	(737,000)
Claims paid, current year claims	(169,000)	(269,000)
Claims paid, prior year claims	(222,000)	(693,000)
Claims liability, end of year	$3,042,000	$3,085,000

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

	2001	2000
Claims liability, beginning of year	$1,422,000	$2,073,000
Current year claims	700,000	775,000
Change in prior year claims	(227,000)	(1,261,000)
Claims paid, current year claims	(86,000)	(120,000)
Claims paid, prior year claims	(230,000)	(45,000)
Claims liability, end of year	$1,579,000	$1,422,000

The Unemployment Reserve and Vision Internal Service Funds had no outstanding claims liability at June 30, 2001.

NOTE 15 - PREPAID PURCHASED ELECTRICITY

During fiscal 1999 the City paid $6,138,335 to the Northern California Power Agency (NCPA) (see Note 16) as a capital contribution for the Geothermal and Hydroelectric Projects debt refinancing. This contribution has been capitalized on the City's balance sheet and will be amortized in conjunction with the related debt service savings. During fiscal 2001 the City paid an additional $149,357 to the (NCPA). The amount amortized for fiscal year 2001 was $220,632.

NOTE 16 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. General

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

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

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among 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, 2001, the City incurred expenses totaling $27,231,264 for purchased power and assessments and prepaid assets paid to 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.

NOTE 16 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

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

	June 30, 2001
General Operating Reserve (including advances)	$1,500,000
Associated Member Services (including advances)	263,395
Undivided equity interest, at cost, in certain NCPA Power Projects:	
Geothermal Projects	97,014
Calaveras Hydroelectric Project	732,508
Combustion Turbine Project No. 1	(60,999)
Geothermal Public Power Line	NIL
Combustion Turbine Project No. 2	21,297
Graeagle Hydroelectric Project	NIL
Northwest Power Purchase Contract	199,015
	$2,752,230

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

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

B. Projects

Geothermal Projects

A purchased power agreement with NCPA obligates the City for 6.1741% 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.

NOTE 16 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

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. In August 1998, NCPA remarketed $121,590,000 (1996 Refunding Series A) of revenue bonds changing the interest rate from a weekly interest rate to a long term rate. The City is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2001, the book value of this Project's plant, equipment and other assets was $385,128,064, while its long-term debt totaled $300,192,676 and other liabilities totaled $84,935,388. The City's share of the Project's long-term debt amounted to $18,534,196 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. 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. At June 30, 2001, the book value of this Project's plant, equipment and other assets was $537,468,866, while its long-term debt totaled $503,481,150 and other liabilities totaled $33,987,716. The City's share of the Project's long-term debt amounted to $60,417,738 at that date.

NOTE 16 - 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 13.5840% of this Project's debt service and operating costs. At June 30, 2001, the book value of this Project's plant, equipment and other assets was $34,859,402, while its long-term debt totaled $31,454,119 and other liabilities totaled $3,405,283. The City's share of the Project's long-term debt amounted to $4,272,728 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, 2001, the book value of this Project's plant, equipment and other assets was $7,923,681, while its long-term debt totaled $6,756,320 and other liabilities totaled $1,167,361. The City's share of the Project's long-term debt amounted to $957,749 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%.

NOTE 16 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

At June 30, 2001, the book value of this Project's plant, equipment and other assets was $148,734,503, while its long-term debt totaled $144,285,657 and other liabilities totaled $4,448,846. The City's share of the Project's long-term debt amounted to $52,664,265 at that date.

Graeagle Hydroelectric Project

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

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 was obligated to pay 22.8940% of this debt service. At June 30, 2001 the book value of this Project's total assets was $10,874,134, while its other liabilities totaled $10,874,134.

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 other 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.

NOTE 16 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

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's Generation Operations and Power Management Business Units work in tandem to optimize system operations and identify market power sales/purchase opportunities. NCPA is working to expand membership and services to other public sector organizations.

NCPA Financial Information

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

NOTE 17 – SOUTH PLACER WASTEWATER AUTHORITY

The City is a member of the South Placer Wastewater Authority (SPWA), a joint powers agency which operates under a joint powers agreement among three public agencies, the City of Roseville, South Placer Municipal Utility District and Placer County. The purpose of SPWA is to provide for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities.

Under the terms of a funding agreement, the City will own and operate the Regional Wastewater Facilities. Under the terms of this agreement the member agencies will share the operating costs of the Facilities after construction is complete. The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant. In November 2000, the SPWA issued Revenue Bonds Series A and Series B in the original principal amounts of $109,775,000 and $70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. The three agencies are responsible for the repayment of the Revenue Bonds. The City's share of this obligation was determined to be 54.17%. As a result, this portion of the debt was recorded on the City's financial statements, as discussed in Note 9.

During the year ended June 30, 2001, the City paid $4,726,068 to SPWA based on connection fees collected during the fiscal year.

Prior to the establishment of SPWA the City held connection fees on behalf of the member agencies. During fiscal year 2001 the City transferred cumulative fees collected by the member agencies, including accounts receivable, due from other government agencies, and deferred receivables to SPWA through a residual equity transfer in the amount of $77,980,303 and a net cash transfer of $52,733,766, net of fixed assets constructed by the City of $15,944,680. These assets and others, totaling $42,612,170, were then subsequently contributed to the City by SPWA.

The City records its share of income and expenses from SPWA in the Sewer Enterprise Fund and these changes are reflected in the Statement of Revenues, Expenses and Changes in Retained Earnings. The City's Interest in SPWA Reserves at June 30, 2001 was $131,405,267. The City's equity in SPWA was $54,775,380 at June 30, 2001.

SPWA's financial statements can be obtained from the City of Roseville, 311 Vernon Street, Suite 206, Roseville, California, 95678.

NOTE 18 - 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 19 – COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 16. The City's estimated share of such debt outstanding at June 30, 2001 was $136,846,675. 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. The Court granted plaintiff's motion for summary judgment, and denied the City's motion. On August 9, 2000 the City filed the City's Notice of Appeal with the Third District Court of Appeal. The hearing date has been scheduled for February 19, 2002. However, per the City Attorney, the City expects to continue to vigorously defend this action and believe the chances of prevailing are good.

The City was served with a lawsuit December 11, 2000, alleging that the City's utility user taxes collected as five percent of charges made for water, telephone, sewer, refuse, gas, electricity, and cable services violates the provisions of Proposition 218. On the plaintiff's motion for summary judgment, the trial court declared the taxes invalid. The City has filed the Notice of Appeal with the Third District Court of Appeal. However, per the City Attorney, the City expects to continue to vigorously defend this action and believes the chances of prevailing are good.

The City is in the process of expanding its wastewater treatment capacity through the construction of a new wastewater treatment plant known as the Pleasant Grove Wastewater Treatment Plant through the South Placer Wastewater Authority, as discussed in Note 17. Certain environmental organizations have also filed an administrative appeal of the permit for the Pleasant Grove facility. The outcome of those proceedings could significantly affect the availability of the City to provide wastewater service or the cost of providing such service. The City believes it is likely it will prevail.

NOTE 19 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The City participates in Federal and State grant programs. These programs have been audited through the fiscal year ended June 30, 2001 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.

The City has committed approximately $7,393,412 for the City's Civic Center construction, phase II.

NOTE 20 - SUBSEQUENT EVENTS

In August, 2001 the City issued $16,000,000 of Special Tax Bonds through its Stoneridge East Community Facilities District Number 1 to acquire and construct certain public infrastructure improvements. The improvements consist generally of water, wastewater, drainage, roadway and other improvements necessary for development of property within the District.

In September, 2001 the City issued $12,995,000 of Special Tax Bonds through its Stoneridge West Community Facilities District Number 1 to acquire and construct certain public infrastructure improvements, necessary for development of property within the District.

The City is the collecting and paying agent for the debt issued by the above Districts, but has no direct or contingent liability or moral obligation for the payment of this debt.

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, 2001 AND 2000

	2001	2000
ASSETS		
Cash and investments in City Treasury	$17,590,729	$11,006,565
Receivables:		
Taxes	1,777,741	1,454,490
Accounts	1,551,894	1,373,841
Accrued interest	220,051	120,575
Due from other government agencies	5,347,653	4,866,176
Due from other funds	317,683	183,086
Advances to other funds	8,587,888	15,737,888
Prepaid expenses	2,032	17,990
Notes receivable	167,969	184,385
Inventories	402,930	494,769
Total Assets and other debits	$35,966,570	$35,439,765
LIABILITIES		
Accounts payable	$3,061,191	$2,171,653
Accrued liabilities	1,605,509	1,443,200
Due to other funds	31,996	9,472
Due to other government agencies	25,125	6,088
Advances from other funds		1,656,917
Deposits	1,199,044	1,266,373
Deferred revenue	454,311	40,741
Total Liabilities	6,377,176	6,594,444
FUND BALANCES		
Reserved for advances	8,587,888	15,737,888
Reserved for inventories	402,930	494,769
Reserved for encumbrances	1,526,180	1,313,564
Reserved for notes receivable	167,969	184,385
Reserved for prepaid expenses	2,032	17,990
Unreserved:		
Designated for economic reserve	6,119,700	5,533,700
Designated for carryover of capital improvement projects	3,241,484	
Undesignated	9,541,211	5,563,025
Total Fund Balances	29,589,394	28,845,321
Total Liabilities and Fund Balances	$35,966,570	$35,439,765

CITY OF ROSEVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	2001			2000
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Taxes	$46,034,100	$51,092,405	$5,058,305	$46,278,431
Licenses and permits	2,116,370	2,431,091	314,721	2,210,596
Charges for services	6,187,469	8,202,129	2,014,660	6,947,679
Subventions and grants	5,076,022	5,180,262	104,240	4,161,416
Use of money and property	895,880	1,156,756	260,876	1,052,817
Fines, forfeitures and penalties	73,000	66,900	(6,100)	72,853
Miscellaneous revenues	386,900	272,626	(114,274)	301,142
Total Revenues	60,769,741	68,402,169	7,632,428	61,024,934
EXPENDITURES				
Current:				
General government	14,241,338	14,210,158	31,180	11,431,752
Community development and planning	5,779,084	4,321,936	1,457,148	3,812,030
Public works	13,317,417	10,873,585	2,443,832	16,652,261
Public safety:				
Police	14,307,189	13,868,406	438,783	11,798,987
Fire	9,527,896	9,197,433	330,463	8,752,263
Library	2,485,936	2,169,391	316,545	2,014,063
Parks and recreation	9,558,291	8,781,180	777,111	6,963,057
Capital Outlay	3,128,792	254,655	2,874,137	323,206
Payments under developer agreement		1,603,838	(1,603,838)	
Debt service				
Principal	547,783	481,040	66,743	2,067,740
Interest and fiscal charges	64,281	128,969	(64,688)	164,752
Total Expenditures	72,958,007	65,890,591	7,067,416	63,980,111
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,188,266)	2,511,578	14,699,844	(2,955,177)
OTHER FINANCING SOURCES (USES)				
Contributions from developers	2,074,317	55,540	(2,018,777)	301,263
Proceeds from capital lease		271,598	271,598	78,368
Operating transfers in	16,988,888	16,439,715	(549,173)	17,329,901
Operating transfers (out)	(13,527,415)	(18,534,358)	(5,006,943)	(3,419,016)
Total Other Financing Sources (Uses)	5,535,790	(1,767,505)	(7,303,295)	14,290,516
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($6,652,476)	744,073	$7,396,549	11,335,339
Fund balance at beginning of year, as restated		28,845,321		17,509,982
Fund balance at end of year		$29,589,394		$28,845,321

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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, 2001
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2000

	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	Construction Surcharge	California Library Services	Traffic Safety
ASSETS						
Cash and investments in City Treasury	$1,349,689	$7,226,322	$458,249		$111,646	
Restricted cash and investments with fiscal agents						
Receivables:						
Accounts	69,536		5,000			$13,722
Accrued interest	7,344	34,598	70,963		589	
Due from other government agencies					105	51,450
Due from other funds			50,000			
Prepaid expenses						
Advances to other funds						
Deferred receivables						
Notes receivables			136,127			
Total Assets	$1,426,569	$7,260,920	$720,339		$112,340	$65,172
LIABILITIES						
Accounts payable	$64,490	$24,268		$210	$1,136	
Accrued liabilities						
Due to other funds	50,000	33,447		2,657		$65,172
Due to other government agencies						
Advances from other funds	703,970					
Deferred revenue			$78,978			
Total Liabilities	818,460	57,715	78,978	2,867	1,136	65,172
FUND BALANCES						
Reserved for:						
Advances						
Encumbrances	4,083	507,660		2,005		
Low and moderate income housing						
Deferred receivables and notes receivable			57,149			
Unreserved	604,026	6,695,545	584,212	(4,872)	111,204	
Total Fund Balances (Deficit)	608,109	7,203,205	641,361	(2,867)	111,204	
Total Liabilities and Fund Balances	$1,426,569	$7,260,920	$720,339		$112,340	$65,172

FEMA	Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Traffic Mitigation	Public Facilities	Traffic Congestion Relief	Park Development	Pleasant Grove Drain Basin
	$2,233	$436,761	$6,653,420	$6,594,733	$2,365,361	$5,377	$18,601,899	$9,919,551
				4,499				
	10	2,167	32,870	31,247	11,047	26	90,289	47,739
$1,973,447				642,000				
							180,526	
			289,929	4,954,498	375,271			247,273
			40,665					
$1,973,447	$2,243	$438,928	$7,016,884	$12,226,977	$2,751,679	$5,403	$18,872,714	$10,214,563
			$1,324	$2,164,471	$1,638		$776,327	$741
			7,654		7,732		20,641	
							6,600,000	
$1,973,447		$101,116	330,594	5,027,559	374,721			247,273
1,973,447		101,116	339,572	7,192,030	384,091		7,396,968	248,014
			453,716	13,011			109,460	
					550			
	$2,243	337,812	6,223,596	5,021,936	2,367,038	$5,403	11,366,286	9,966,549
	2,243	337,812	6,677,312	5,034,947	2,367,588	5,403	11,475,746	9,966,549
$1,973,447	$2,243	$438,928	$7,016,884	$12,226,977	$2,751,679	$5,403	$18,872,714	$10,214,563

(Continued)

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2000

	Tree Propagation	Community Development Block Grant/HOME	Citizens Benefit	Housing Authority Section 8	Affordable Housing	Redevelopment Agency of the City of Roseville
ASSETS						
Cash and investments in City Treasury	$3,073,313	$160,495	$14,912,774	$455,730	$85,062	$3,634,850
Restricted cash and investments with fiscal agents			594,898	45,379		
Receivables:						
Accounts			28,770	2,451		8,011
Accrued interest	14,654		392,188		2,278	15,303
Due from other government agencies		522,092		4,000		86,819
Due from other funds						
Prepaid expenses						8,488
Advances to other funds					400,000	
Deferred receivables						
Notes receivables		3,817,755				339,212
Total Assets	$3,087,967	$4,500,342	$15,928,630	$507,560	$487,340	$4,092,683
LIABILITIES						
Accounts payable	$11,679	$936		$71,789		$38,113
Accrued liabilities				76,631		969,920
Due to other funds		410,280				200,000
Due to other government agencies		3,817,755				
Advances from other funds						3,491,789
Deferred revenue				214,618		339,212
Total Liabilities	11,679	4,228,971		363,038		5,039,034
FUND BALANCES						
Reserved for:						
Advances					$400,000	
Encumbrances	226,000					65,000
Low and moderate income housing						361,832
Deferred receivables and notes receivable						
Unreserved	2,850,288	271,371	$15,928,630	144,522	87,340	(1,373,183)
Total Fund Balances (Deficit)	3,076,288	271,371	15,928,630	144,522	487,340	(946,351)
Total Liabilities and Fund Balances	$3,087,967	$4,500,342	$15,928,630	$507,560	$487,340	$4,092,683

TOTALS	
2001	2000
$76,047,465	$57,337,113
640,277	554,068
131,989	26,375
753,312	824,890
3,279,913	1,021,038
230,526	93,508
8,488	
400,000	9,183
5,866,971	6,120,025
4,333,759	3,661,578
$91,692,700	$69,647,778
$3,157,122	$3,824,746
1,046,551	1,034,843
797,583	1,479,602
3,817,755	3,179,499
10,795,759	16,850,972
8,687,518	6,922,402
28,302,288	33,292,064
400,000	9,183
1,380,935	422,621
361,832	56,614
57,699	57,149
61,189,946	35,810,147
63,390,412	36,355,714
$91,692,700	$69,647,778

CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	Construction Surcharge	California Library Services	Traffic Safety
REVENUES						
Taxes	$1,390,975					
Charges for services					$97,272	
Subventions and grants		$1,533,685			122,964	
Use of money and property	16,837	194,680	$29,297	$754	4,792	
Fines, forfeitures and penalties						$398,339
Miscellaneous revenues	24,145	720	19,028		275	
Total Revenues	1,431,957	1,729,085	48,325	754	225,303	398,339
EXPENDITURES						
Current						
General government			10,000			
Community development and planning						
Library					176,463	
Parks and recreation	898,710					
Housing assistance payments						
Capital outlay		489,081		32,327		
Debt service						
Interest and fiscal charges						
Total Expenditures	898,710	489,081	10,000	32,327	176,463	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	533,247	1,240,004	38,325	(31,573)	48,840	398,339
OTHER FINANCING SOURCES (USES)						
Contributions from property owners						
Contributions from developers						
Proceeds from sale of property						
Operating transfers in		6,020,000		210		
Operating transfers out	(183,470)	(1,024,763)	(630)	(4,600)	(3,400)	(398,339)
Total Other Financing Sources (Uses)	(183,470)	4,995,237	(630)	(4,390)	(3,400)	(398,339)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	349,777	6,235,241	37,695	(35,963)	45,440	
Fund balances (deficits) at beginning of year		967,964	603,666	33,096	65,764	
Residual equity transfer in	258,332					
Fund balances (deficits) at end of year	$608,109	$7,203,205	$641,361	($2,867)	$111,204	

FEMA	Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Traffic Mitigation	Public Facilities	Traffic Congestion Relief	Park Development	Pleasant Grove Drain Basin
			$2,411,498					
				$9,748,264	$2,329,122		$5,831,313	$1,143,023
$2,371,799		$268,706		2,448,167		$529,125	54,280	
	$64	28,512	417,514	343,645	153,251	5,403	1,016,802	603,807
	2,179		34,518	173,609			16,650	
2,371,799	2,243	297,218	2,863,530	12,713,685	2,482,373	534,528	6,919,045	1,746,830
			404,889	12,047,556			2,091,245	
			404,889	12,047,556			2,091,245	
2,371,799	2,243	297,218	2,458,641	666,129	2,482,373	534,528	4,827,800	1,746,830
				1,729,463			300,000	
							1,200,000	
				16,680	7,000,000		667,866	
(2,371,799)		(148,914)	(1,364,186)	(26,790)	(2,928,598)	(529,125)	(603,409)	(19,400)
(2,371,799)		(148,914)	(1,364,186)	1,719,353	4,071,402	(529,125)	1,564,457	(19,400)
	2,243	148,304	1,094,455	2,385,482	6,553,775	5,403	6,392,257	1,727,430
		189,508	5,582,857	2,649,465	(4,186,187)		5,083,489	8,239,119
	$2,243	$337,812	$6,677,312	$5,034,947	$2,367,588	$5,403	$11,475,746	$9,966,549

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CITY OF ROSEVILLE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Tree Propagation	Community Development Block Grant/HOME	Citizens Benefit	Housing Authority Section 8	Affordable Housing	Redevelopment Agency of the City of Roseville
REVENUES						
Taxes						$1,726,888
Charges for services	$464,400					
Subventions and grants		$895,186		$2,074,382		39,728
Use of money and property	181,542		$1,428,338	6,995	$30,842	197,148
Fines, forfeitures and penalties						
Miscellaneous revenues		228,790		3,290		6,307
Total Revenues	645,942	1,123,976	1,428,338	2,084,667	30,842	1,970,071
EXPENDITURES						
Current						
General government			773,802			1,191,297
Community development and planning		1,006,782		294,879		
Library						
Parks and recreation						
Housing assistance payments				1,737,541		
Capital outlay	25,863	9,850				2,418
Debt service						
Interest and fiscal charges						190,787
Total Expenditures	25,863	1,016,632	773,802	2,032,420		1,384,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	620,079	107,344	654,536	52,247	30,842	585,569
OTHER FINANCING SOURCES (USES)						
Contributions from property owners						
Contributions from developers						93,954
Proceeds from sale of property						
Operating transfers in		7,828				
Operating transfers out	(1,540)	(3,997)	(239,865)	(32,660)		(39,510)
Total Other Financing Sources (Uses)	(1,540)	3,831	(239,865)	(32,660)		54,444
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	618,539	111,175	414,671	19,587	30,842	640,013
Fund balances (deficits) at beginning of year	2,457,749	160,196	15,513,959	124,935	456,498	(1,586,364)
Residual equity transfer in						
Fund balances (deficits) at end of year	$3,076,288	$271,371	$15,928,630	$144,522	$487,340	($946,351)

TOTALS	
2001	2000
$5,529,361	$3,163,459
19,613,394	18,909,951
10,338,022	12,624,323
4,660,223	2,998,577
398,339	282,131
509,511	122,093
41,048,850	38,100,534
1,975,099	1,457,473
1,301,661	1,935,471
176,463	192,699
898,710	
1,737,541	1,496,176
15,103,229	28,933,841
190,787	98,241
21,383,490	34,113,901
19,665,360	3,986,633
	180,000
2,123,417	1,508,752
1,200,000	
13,712,584	1,081,782
(9,924,995)	(16,737,907)
7,111,006	(13,967,373)
26,776,366	(9,980,740)
36,355,714	46,336,454
258,332	46,336,454
$63,390,412	$36,355,714

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, 2001

	LIGHTING AND LANDSCAPE AND SERVICE DISTRICTS			STATE GASOLINE TAX		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	$1,529,317	$1,390,975	($138,342)			
Charges for current services						
Subventions and grants				$2,566,835	$1,533,685	($1,033,150)
Use of money and property		16,837	16,837	70,210	194,680	124,470
Fines, forfeitures and penalties						
Miscellaneous revenues		24,145	24,145	500	720	220
Total Revenues	1,529,317	1,431,957	(97,360)	2,637,545	1,729,085	(908,460)
EXPENDITURES						
Current						
General government						
Community development and planning						
Library						
Parks and recreation	1,480,395	898,710	581,685			
Housing assistance payments						
Capital outlay				8,784,568	489,081	8,295,487
Debt service						
Interest and fiscal charges						
Total Expenditures	1,480,395	898,710	581,685	8,784,568	489,081	8,295,487
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,922	533,247	484,325	(6,147,023)	1,240,004	7,387,027
OTHER FINANCING SOURCES (USES)						
Contributions from developers						
Proceeds from sale of property						
Operating transfers in				6,020,000	6,020,000	
Operating transfers out	(183,470)	(183,470)		(926,885)	(1,024,763)	(97,878)
Total Other Financing Sources (Uses)	(183,470)	(183,470)		5,093,115	4,995,237	(97,878)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($134,548)	349,777	$484,325	($1,053,908)	6,235,241	$7,289,149
Fund balances (deficits) at beginning of year					967,964	
Residual equity transfer in		258,332				
Funds not budgeted:						
Trench Cut Recovery						
Affordable Housing						
Fund balances (deficits) at end of year		$608,109			$7,203,205	

HOME IMPROVEMENT			CONSTRUCTION SURCHARGE			CALIFORNIA LIBRARY SERVICES		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						$80,000	$97,272	$17,272
						80,000	122,964	42,964
$19,630	$29,297	$9,667	$10,000	$754	($9,246)	2,830	4,792	1,962
	19,028	19,028				200	275	75
19,630	48,325	28,695	10,000	754	(9,246)	163,030	225,303	62,273
30,000	10,000	20,000						
						189,365	176,463	12,902
			58,024	32,327	25,697			
30,000	10,000	20,000	58,024	32,327	25,697	189,365	176,463	12,902
(10,370)	38,325	48,695	(48,024)	(31,573)	16,451	(26,335)	48,840	75,175
			25,809	210	(25,599)			
(630)	(630)		(4,600)	(4,600)		(3,400)	(3,400)	
(630)	(630)		21,209	(4,390)	(25,599)	(3,400)	(3,400)	
($11,000)	37,695	$48,695	($26,815)	(35,963)	($9,148)	($29,735)	45,440	$75,175
	603,666			33,096			65,764	
	$641,361			($2,867)			$111,204	

(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, 2001

	TRAFFIC SAFETY			FEMA		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes						
Charges for current services						
Subventions and grants				$2,701,950	$2,371,799	($330,151)
Use of money and property						
Fines, forfeitures and penalties	$200,000	$398,339	$198,339			
Miscellaneous revenues						
Total Revenues	200,000	398,339	198,339	2,701,950	2,371,799	(330,151)
EXPENDITURES						
Current						
General government						
Community development and planning						
Library						
Parks and recreation						
Housing assistance payments						
Capital outlay						
Debt service						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	200,000	398,339	198,339	2,701,950	2,371,799	(330,151)
OTHER FINANCING SOURCES (USES)						
Contributions from developers						
Proceeds from sale of property						
Operating transfers in						
Operating transfers out	(200,000)	(398,339)	(198,339)	(2,701,950)	(2,371,799)	330,151
Total Other Financing Sources (Uses)	(200,000)	(398,339)	(198,339)	(2,701,950)	(2,371,799)	330,151
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES						
Fund balances (deficits) at beginning of year						
Residual equity transfer in						
Funds not budgeted:						
Trench Cut Recovery						
Affordable Housing						
Fund balances (deficits) at end of year						

LAW ENFORCEMENT BLOCK GRANTS			FIRE FACILITIES			TRAFFIC MITIGATION		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			$1,850,000	$2,411,498	$561,498			
						$9,500,000	$9,748,264	$248,264
$73,675	$268,706	$195,031				3,385,000	2,448,167	(936,833)
4,000	28,512	24,512	265,300	417,514	152,214	504,000	343,645	(160,355)
				34,518	34,518	533,500	173,609	(359,891)
77,675	297,218	219,543	2,115,300	2,863,530	748,230	13,922,500	12,713,685	(1,208,815)
			765,714	404,889	360,825	17,536,229	12,047,556	5,488,673
			765,714	404,889	360,825	17,536,229	12,047,556	5,488,673
77,675	297,218	219,543	1,349,586	2,458,641	1,109,055	(3,613,729)	666,129	4,279,858
						1,500,000	1,729,463	229,463
						15,969	16,680	711
(148,914)	(148,914)		(3,983,759)	(1,364,186)	2,619,573	(51,678)	(26,790)	24,888
(148,914)	(148,914)		(3,983,759)	(1,364,186)	2,619,573	1,464,291	1,719,353	255,062
($71,239)	148,304	$219,543	($2,634,173)	1,094,455	$3,728,628	($2,149,438)	2,385,482	$4,534,920
	189,508			5,582,857			2,649,465	
	$337,812			$6,677,312			$5,034,947	

(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, 2001

	PUBLIC FACILITIES			TRAFFIC CONGESTION RELIEF		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes						
Charges for current services	$1,900,000	$2,329,122	$429,122			
Subventions and grants				$529,125	$529,125	
Use of money and property	131,160	153,251	22,091		5,403	$5,403
Fines, forfeitures and penalties						
Miscellaneous revenues						
Total Revenues	2,031,160	2,482,373	451,213	529,125	534,528	5,403
EXPENDITURES						
Current						
General government						
Community development and planning						
Library						
Parks and recreation						
Housing assistance payments						
Capital outlay						
Debt service						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,031,160	2,482,373	451,213	529,125	534,528	5,403
OTHER FINANCING SOURCES (USES)						
Contributions from developers						
Proceeds from sale of property						
Operating transfers in		7,000,000	7,000,000			
Operating transfers out	(3,110,289)	(2,928,598)	181,691	(529,125)	(529,125)	
Total Other Financing Sources (Uses)	(3,110,289)	4,071,402	7,181,691	(529,125)	(529,125)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($1,079,129)	6,553,775	$7,632,904		5,403	$5,403
Fund balances (deficits) at beginning of year		(4,186,187)				
Residual equity transfer in						
Funds not budgeted:						
Trench Cut Recovery						
Affordable Housing						
Fund balances (deficits) at end of year		$2,367,588			$5,403	

PARK DEVELOPMENT			PLEASANT GROVE DRAIN BASIN			TREE PROPAGATION		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$4,605,330	$5,831,313	$1,225,983	$1,300,000	$1,143,023	($156,977)	$385,000	$464,400	$79,400
	54,280	54,280						
321,960	1,016,802	694,842	388,300	603,807	215,507	69,190	181,542	112,352
	16,650	16,650						
4,927,290	6,919,045	1,991,755	1,688,300	1,746,830	58,530	454,190	645,942	191,752
5,484,770	2,091,245	3,393,525				252,940	25,863	227,077
5,484,770	2,091,245	3,393,525				252,940	25,863	227,077
(557,480)	4,827,800	5,385,280	1,688,300	1,746,830	58,530	201,250	620,079	418,829
	300,000	300,000						
	1,200,000	1,200,000						
1,839,994	667,866	(1,172,128)						
(7,591,879)	(603,409)	6,988,470	(19,400)	(19,400)		(1,540)	(1,540)	
(5,751,885)	1,564,457	7,316,342	(19,400)	(19,400)		(1,540)	(1,540)	
($6,309,365)	6,392,257	$12,701,622	$1,668,900	1,727,430	$58,530	$199,710	618,539	$418,829
	5,083,489			8,239,119			2,457,749	
	$11,475,746			$9,966,549			$3,076,288	

(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, 2001

	COMMUNITY DEVELOPMENT BLOCK GRANT/HOME			CITIZENS BENEFIT		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes						
Charges for current services						
Subventions and grants	$1,266,877	$895,186	($371,691)			
Use of money and property				$967,150	$1,428,338	$461,188
Fines, forfeitures and penalties						
Miscellaneous revenues		228,790	228,790			
Total Revenues	1,266,877	1,123,976	(142,901)	967,150	1,428,338	461,188
EXPENDITURES						
Current						
General government				815,000	773,802	41,198
Community development and planning	1,266,877	1,006,782	260,095			
Library						
Parks and recreation						
Housing assistance payments						
Capital outlay	345,132	9,850	335,282			
Debt service						
Interest and fiscal charges						
Total Expenditures	1,612,009	1,016,632	595,377	815,000	773,802	41,198
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(345,132)	107,344	452,476	152,150	654,536	502,386
OTHER FINANCING SOURCES (USES)						
Contributions from developers						
Proceeds from sale of property						
Operating transfers in	41,474	7,828	(33,646)			
Operating transfers out	(171,061)	(3,997)	167,064	(239,865)	(239,865)	
Total Other Financing Sources (Uses)	(129,587)	3,831	133,418	(239,865)	(239,865)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($474,719)	111,175	$585,894	($87,715)	414,671	$502,386
Fund balances (deficits) at beginning of year		160,196			15,513,959	
Residual equity transfer in						
Funds not budgeted:						
Trench Cut Recovery						
Affordable Housing						
Fund balances (deficits) at end of year		$271,371			$15,928,630	

	HOUSING AUTHORITY SECTION 8			CITY OF ROSEVILLE REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE			TOTALS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
				$1,033,200	$1,726,888	$693,688	$4,412,517	$5,529,361	$1,116,844
							17,770,330	19,613,394	1,843,064
	$2,054,160	$2,074,382	$20,222	17,980	39,728	21,748	12,675,602	10,338,022	(2,337,580)
		6,995	6,995	51,460	197,148	145,688	2,805,190	4,629,317	1,824,127
							200,000	398,339	198,339
	5,400	3,290	(2,110)		6,307	6,307	539,600	507,332	(32,268)
	2,059,560	2,084,667	25,107	1,102,640	1,970,071	867,431	38,403,239	41,015,765	2,612,526
							845,000	783,802	61,198
	255,327	294,879	(39,552)	4,579,715	1,191,297	3,388,418	6,101,919	2,492,958	3,608,961
							189,365	176,463	12,902
							1,480,395	898,710	581,685
	1,705,530	1,737,541	(32,011)				1,705,530	1,737,541	(32,011)
				2,500	2,418	82	33,229,877	15,103,229	18,126,648
					190,787	(190,787)		190,787	(190,787)
	1,960,857	2,032,420	(71,563)	4,582,215	1,384,502	3,197,713	43,552,086	21,383,490	22,168,596
	98,703	52,247	(46,456)	(3,479,575)	585,569	4,065,144	(5,148,847)	19,632,275	24,781,122
					93,954	93,954	1,500,000	2,123,417	623,417
								1,200,000	1,200,000
				30,000		(30,000)	7,973,246	13,712,584	5,739,338
	(42,820)	(32,660)	10,160	(39,510)	(39,510)		(19,950,775)	(9,924,995)	10,025,780
	(42,820)	(32,660)	10,160	(9,510)	54,444	63,954	(10,477,529)	7,111,006	17,588,535
	$55,883	19,587	($36,296)	($3,489,085)	640,013	$4,129,098	($15,626,376)	26,743,281	$42,369,657
		124,935			(1,586,364)			35,899,216	
								258,332	
								2,243	
								487,340	
		$144,522			($946,351)			$63,390,412	

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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, 2001 AND 2000

	2001	2000
ASSETS		
Restricted cash and investments with fiscal agents	$1,664,345	$1,603,009
Total Assets	$1,664,345	$1,603,009
FUND BALANCES		
Reserved for debt service	$1,664,345	$1,603,009
Total Fund Balances	$1,664,345	$1,603,009

CITY OF ROSEVILLE
ROSEVILLE FINANCE AUTHORITY DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
REVENUES		
Use of money and property	$119,599	$88,504
Total Revenues	119,599	88,504
EXPENDITURES		
Debt service		
Principal retirement	600,000	575,000
Interest and fiscal charges	975,696	999,045
Total Expenditures	1,575,696	1,574,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,456,097)	(1,485,541)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	1,517,433	1,355,806
Total Other Financing Sources (Uses)	1,517,433	1,355,806
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	61,336	(129,735)
Fund balances at beginning of year	1,603,009	1,732,744
Fund balances at end of year	$1,664,345	$1,603,009

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, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Use of money and property	$88,000	$119,599	$31,599
Total Revenues	88,000	119,599	31,599
EXPENDITURES			
Debt Service			
Principal retirement	600,000	600,000	
Interest and fiscal charges	975,100	975,696	(596)
Total Expenditures	1,575,100	1,575,696	(596)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,487,100)	(1,456,097)	31,003
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,575,100	1,517,433	(57,667)
Total Other Financing Sources (Uses)	1,575,100	1,517,433	(57,667)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$88,000	61,336	($26,664)
Fund balance at beginning of year		1,603,009	
Fund balance at end of year		$1,664,345	

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, 2001
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2000

	Community Facilities Districts	Building	General Capital Improvement Projects Rehabilitation	Foothills Boulevard	Foothills Boulevard Extension	Northwest Roseville Community Facilities District No. 1
ASSETS						
Cash and investments in City Treasury		$8,370,234	$4,734,387			
Restricted cash and investments with fiscal agents	$17,789,300					
Receivables:						
Accounts	6,906	326				
Accrued interest	31,303	40,802	22,917			
Due from other funds	50,000	43,744				
Advances to other funds	703,970					
Total Assets	$18,581,479	$8,455,106	$4,757,304			
LIABILITIES						
Accounts payable	$1,610,967	$868,492				
Deposits	9,815					
Due to other funds	30,459		$223,300			
Total Liabilities	1,651,241	868,492	223,300			
FUND BALANCES						
Fund Balances:						
Reserved for advances	703,970					
Reserved for encumbrances		110,832				
Unreserved:						
Designated for carryover of capital improvement projects	16,226,268	7,475,782	4,534,004			
Total Fund Balances (Deficit)	16,930,238	7,586,614	4,534,004			
Total Liabilities and Fund Balances	$18,581,479	$8,455,106	$4,757,304			

North Central Roseville Community Facilities District No. 1	North Roseville Community Facilities District No. 1	Woodcreek West Community Facilities District No. 1	Crocker Ranch Community Facilities District No. 1	Highland Reserve North Community Facilities District No. 1	Stoneridge Parcel 1 Community Facilities District No. 1	Roseville Finance Authority	TOTALS	
							2001	2000
						$285.501	$13,390,122	$23,092,998
							17,789,300	30,127,531
							7,232	299,516
						39.493	134,515	354,199
							93,744	958,645
						165.000	868,970	918,970
						$489,994	$32,283,883	$55,751,859
							$2,479,459	$7,299,507
							9,815	11,166
							253,759	69,199
							2,743,033	7,379,872
						$165,000	868,970	918,970
							110,832	622,723
						324,994	28,561,048	46,830,294
						489,994	29,540,850	48,371,987
						$489,994	$32,283,883	$55,751,859

CITY OF ROSEVILLE
CAPITAL PROJECT FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Community Facilities Districts	Building	General Capital Improvement Projects Rehabilitation	Foothills Boulevard	Foothills Boulevard Extension	Northwest Roseville Community Facilities District No. 1
REVENUES:						
Taxes						
Charges for services	$25,634					
Use of money and property	2,133,789	$721,416	$231,924			
Miscellaneous revenue	507,959	12,781				
Total Revenues	2,667,382	734,197	231,924			
EXPENDITURES:						
Capital outlay	26,671,290	10,805,361				
Total Expenditures	26,671,290	10,805,361				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,003,908)	(10,071,164)	231,924			
OTHER FINANCING SOURCES (USES)						
Contributions from property owners	8,224,249					
Contributions from developers	7,814					
Operating transfers in		4,397,719	3,057,000			
Operating transfers (out)	(266)		(715,776)			
Total Other Financing Sources (Uses)	8,231,797	4,397,719	2,341,224			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(15,772,111)	(5,673,445)	2,573,148			
Fund balance (deficit) at beginning of year		13,260,059	1,960,856	$186,173	($30,459)	$940,334
Residual equity transfer in	32,732,808				30,459	
Residual equity transfer (out)	(30,459)			(186,173)		(940,334)
Fund balance (deficit) at end of year	$16,930,238	$7,586,614	$4,534,004			

North Central Roseville Community Facilities District No. 1	North Roseville Community Facilities District No. 1	Woodcreek West Community Facilities District No. 1	Crocker Ranch Community Facilities District No. 1	Highland Reserve North Community Facilities District No. 1	Stoneridge Parcel 1 Community Facilities District No. 1	Roseville Finance Authority	TOTALS 2001	TOTALS 2000
							$25,634	$20,734
						$41,271	3,128,400	2,639,408
							520,740	10,937
						41,271	3,674,774	2,671,079
							37,476,651	33,940,604
							37,476,651	33,940,604
						41,271	(33,801,877)	(31,269,525)
							8,224,249	44,982,789
							7,814	1,516,042
							7,454,719	9,589,080
							(716,042)	(364,748)
							14,970,740	55,723,163
						41,271	(18,831,137)	24,453,638
$3,980,866	$683,492	$13,121,900	$33	$12,078,804	$1,741,206	448,723	48,371,987	23,918,349
							32,763,267	
(3,980,866)	(683,492)	(13,121,900)	(33)	(12,078,804)	(1,741,206)		(32,763,267)	
						$489,994	$29,540,850	$48,371,987

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, 2001

	COMMUNITY FACILITIES DISTRICTS			BUILDING		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Charges for services		$25,634	$25,634			
Use of money and property	$1,287,870	2,133,789	845,919	$462,930	$721,416	$258,486
Miscellaneous revenues		507,959	507,959		12,781	12,781
Total Revenues	1,287,870	2,667,382	1,379,512	462,930	734,197	271,267
EXPENDITURES						
Capital outlay	25,646,513	26,671,290	(1,024,777)	26,379,450	10,805,361	15,574,089
Total Expenditures	25,646,513	26,671,290	(1,024,777)	26,379,450	10,805,361	15,574,089
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,358,643)	(24,003,908)	354,735	(25,916,520)	(10,071,164)	15,845,356
OTHER FINANCING SOURCES (USES)						
Contributions from property owners	3,655,936	8,224,249	4,568,313			
Contributions from developers	15,000	7,814	(7,186)	150,000		(150,000)
Operating transfers in				15,244,328	4,397,719	(10,846,609)
Operating transfers (out)	(30,000)	(266)	29,734			
Total Other Financing Sources (Uses)	3,640,936	8,231,797	4,590,861	15,394,328	4,397,719	(10,996,609)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($20,717,707)	(15,772,111)	$4,945,596	($10,522,192)	(5,673,445)	$4,848,747
Fund balance at beginning of year					13,260,059	
Residual equity transfer in		32,732,808				
Residual equity transfer (out)		(30,459)				
Fund not budgeted:						
Roseville Finance Authority						
Fund balance at end of year		$16,930,238			$7,586,614	

GENERAL CAPITAL IMPROVEMENT PROJECTS REHABILITATION			TOTALS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
				$25,634	$25,634
$86,590	$231,924	$145,334	$1,837,390	3,087,129	1,249,739
				520,740	520,740
86,590	231,924	145,334	1,837,390	3,633,503	1,796,113
			52,025,963	37,476,651	14,549,312
			52,025,963	37,476,651	14,549,312
86,590	231,924	145,334	(50,188,573)	(33,843,148)	16,345,425
			3,655,936	8,224,249	4,568,313
			165,000	7,814	(157,186)
3,057,000	3,057,000		18,301,328	7,454,719	(10,846,609)
(2,126,470)	(715,776)	1,410,694	(2,156,470)	(716,042)	1,440,428
930,530	2,341,224	1,410,694	19,965,794	14,970,740	(4,995,054)
$1,017,120	2,573,148	$1,556,028	($30,222,779)	(18,872,408)	$11,350,371
	1,960,856			15,220,915	
				32,732,808	
				(30,459)	
				489,994	
	$4,534,004			$29,540,850	

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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, 2001
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2000

	Electric	Water	Sewer	Refuse	Golf Course	Local Transportation
ASSETS						
Current Assets:						
Cash and investments in City Treasury	$59,160,219	$32,342,686	$6,811,052	$551,334	$636,900	$2,481,403
Restricted cash and investments with fiscal agents	7,642,070	2,692,290			755,395	
Receivables						
Taxes	22,975					
Accounts	18,823,016	1,302,561	1,099,711	1,490,417	48,212	5,214
Accrued interest	737,515	164,452	32,880	3,204	7,670	12,397
Due from other government agencies	2,004	6,029	671,397			409,132
Due from other funds		476,620		31,996		
Prepaid expenses	11,224,495					
Inventories	5,072,660	354,470	55,369	105,336		
Total Current Assets	102,684,954	37,339,108	8,670,409	2,182,287	1,448,177	2,908,146
Deferred receivables	619,171	1,080,881	327,179			
Prepaid purchased electricity	5,822,188					
Unamortized bond origination costs	782,180	761,796			142,806	
Investment in NCPA reserves	2,752,230					
Investment in SPWA reserves			131,405,267			
Fixed assets, net of accumulated depreciation	141,287,040	91,217,850	161,020,765	1,413,512	17,163,404	4,155,585
Total Assets	$253,947,763	$130,399,635	$301,423,620	$3,595,799	$18,754,387	$7,063,731
LIABILITIES						
Current Liabilities						
Accounts payable	$4,178,162	$2,002,645	$407,688	$530,543	$145,633	$408,777
Accrued liabilities	917,099	278,171	141,179	56,455	209,232	9,149
Due to other governments			607,584			
Due to other funds	8,163	167	20,133	322,562	95,244	
Current portion of long-term debt	685,000	1,133,470	1,037,356		190,000	
Deposits	349,829	39,420	123,178			
Deferred revenue	3,801,403				12,852	
Total Current Liabilities	9,939,656	3,453,873	2,337,118	909,560	652,961	417,926
Long-Term Liabilities						
Advances from other funds				863,128	3,220,000	
Notes		210,387				
Certificates of participation	26,980,000	29,750,000			8,385,000	
Revenue bonds			96,346,762			
Landfill closure and post closure liability				706,003		
Compensated absences	1,591,095	674,351	649,853	230,615		48,489
Total Long-Term Liabilities	28,571,095	30,634,738	96,996,615	1,799,746	11,605,000	48,489
Total Liabilities	38,510,751	34,088,611	99,333,733	2,709,306	12,257,961	466,415
FUND EQUITY						
Contributed capital:						
From subdividers	42,497,664	18,700,747	18,959,442		5,306,950	
From other government agencies	11,545	1,086,392	9,868,908			1,037,590
Net contributed capital	42,509,209	19,787,139	28,828,350		5,306,950	1,037,590
Equity in joint venture	2,752,230		54,775,380			
Retained earnings						
Reserved for debt service	2,696,763	2,612,320			690,713	
Unreserved	167,478,810	73,911,565	118,486,157	886,493	498,763	5,559,726
Total Retained Earnings (Deficit)	170,175,573	76,523,885	118,486,157	886,493	1,189,476	5,559,726
Total Fund Equity	215,437,012	96,311,024	202,089,887	886,493	6,496,426	6,597,316
Total Liabilities and Fund Equity	$253,947,763	$130,399,635	$301,423,620	$3,595,799	$18,754,387	$7,063,731

School-Age Child Care	TOTALS 2001	TOTALS 2000
$705,579	$102,689,173	$165,029,800
	11,089,755	19,560,539
	22,975	27,834
316,353	23,085,484	15,724,185
3,335	961,453	2,168,996
	1,088,562	3,456,432
	508,616	436,031
	11,224,495	8,332
	5,587,835	5,420,845
1,025,267	156,258,348	211,832,994
	2,027,231	7,820,340
	5,822,188	5,893,463
	1,686,782	1,781,407
	2,752,230	2,287,352
	131,405,267	
453,292	416,711,448	337,621,033
$1,478,559	$716,663,494	$567,236,589
$47,679	$7,721,127	$8,000,791
89,180	1,700,465	1,695,261
	607,584	
	446,269	509,393
	3,045,826	2,783,066
	512,427	457,402
	3,814,255	3,689,225
136,859	17,847,953	17,135,138
	4,083,128	4,488,372
	210,387	218,858
	65,115,000	67,115,000
	96,346,762	
	706,003	911,558
125,974	3,320,377	2,839,822
125,974	169,781,657	75,573,610
262,833	187,629,610	92,708,748
	85,464,803	88,180,601
	12,004,435	12,387,655
	97,469,238	100,568,256
	57,527,610	2,287,352
	5,999,796	5,999,796
1,215,726	368,037,240	365,672,437
1,215,726	374,037,036	371,672,233
1,215,726	529,033,884	474,527,841
$1,478,559	$716,663,494	$567,236,589

CITY OF ROSEVILLE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Electric	Water	Sewer	Refuse
OPERATING REVENUES				
Charges for services	$70,953,317	$17,175,790	$22,548,125	$11,585,587
Subventions and grants	8,682	17,463		20,929
Sale of wholesale power	6,186,595			
Other	427,459	28,083	36,575	127,333
Total Operating Revenues	77,576,053	17,221,336	22,584,700	11,733,849
OPERATING EXPENSES				
Purchased power	44,974,174			
Distribution:				
Operations	11,550,763	5,229,721	6,912,080	8,931,242
Administration	670,570	1,782,182	264,451	321,617
Depreciation and amortization	4,523,355	1,930,893	3,259,472	94,474
Total Operating Expenses	61,718,862	8,942,796	10,436,003	9,347,333
Operating Income	15,857,191	8,278,540	12,148,697	2,386,516
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	6,119,918	2,738,269	2,843,686	31,495
Interest and fiscal charges (expense)	(1,329,560)	(1,144,265)	(2,397,286)	
Net Nonoperating Revenues (Expenses)	4,790,358	1,594,004	446,400	31,495
Income (Loss) Before Contributions and Operating Transfers	20,647,549	9,872,544	12,595,097	2,418,011
Contribution in aid of construction	6,328,425			
Capital contributions from developers	9,973,655	1,951,078	1,960,072	
Capital contributions from SPWA member agencies			19,529,157	
Operating transfers in	250,000	849,093	6,073	666,604
Operating transfers (out)	(5,822,573)	(2,017,649)	(2,432,908)	(1,853,697)
Net Income (Loss)	31,377,056	10,655,066	31,657,491	1,230,918
ITEMS AFFECTING CONTRIBUTED CAPITAL				
Add depreciation on fixed assets	1,424,507	698,220	810,820	
Retained earnings (deficit) at beginning of year	137,374,010	65,170,599	163,998,149	(344,425)
Residual equity transfer (out)			(77,980,303)	
Retained earnings (deficit) at end of year	$170,175,573	$76,523,885	$118,486,157	$886,493

	Golf Course	Local Transportation	School-Age Child Care	TOTALS 2001	TOTALS 2000
	$2,628,137	$436,417	$3,364,023	$128,691,396	$127,269,549
		3,739,384	192,549	3,979,007	3,215,077
				6,186,595	
		111,556	40,369	771,375	423,496
	2,628,137	4,287,357	3,596,941	139,628,373	130,908,122
				44,974,174	42,231,342
	1,632,399	1,835,428	2,755,433	38,847,066	33,035,200
	350	323,629	1,037	3,363,836	3,933,592
	363,077	396,302	20,265	10,587,838	9,774,753
	1,995,826	2,555,359	2,776,735	97,772,914	88,974,887
	632,311	1,731,998	820,206	41,855,459	41,933,235
	127,637	161,652	47,415	12,070,072	9,627,368
	(506,695)			(5,377,806)	(2,826,973)
	(379,058)	161,652	47,415	6,692,266	6,800,395
	253,253	1,893,650	867,621	48,547,725	48,733,630
				6,328,425	
				13,884,805	
				19,529,157	
		7,998		1,779,768	1,386,710
	(271,610)	(120,262)	(305,093)	(12,823,792)	(11,216,826)
	(18,357)	1,781,386	562,528	77,246,088	38,903,514
		165,471		3,099,018	2,994,234
	1,207,833	3,612,869	653,198	371,672,233	329,774,485
				(77,980,303)	
	$1,189,476	$5,559,726	$1,215,726	$374,037,036	$371,672,233

CITY OF ROSEVILLE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Electric	Water	Sewer	Refuse	Golf Course	Local Transportation
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	$15,857,191	$8,278,540	$12,148,697	$2,386,516	$632,311	$1,731,998
Adjustments to reconcile operating income (loss) to cash flows from operating activities:						
Depreciation and amortization	4,523,355	1,930,893	3,259,472	94,474	363,077	396,302
Net change in:						
Accounts receivable	(7,996,607)	(40,747)	221,609	110,391	12,941	(4,993)
Accrued interest	235,067	280,493	669,097	(1,251)	(6,984)	26,628
Due from other government agencies	(2,004)	(6,029)	(375,271)			(164,577)
Prepaid expenses	(11,224,495)	8,332				
Deferred receivables		10,647	53,675			
Inventories	(56,126)	(5,705)	177	(105,336)		
Prepaid purchased electricity	(149,357)					
Accounts payable	815,498	(344,128)	(1,126,963)	42,792	107,783	264,080
Accrued liabilities	(18,026)	1,966	14,480	974	(3,825)	1,695
Due to other government agencies			607,584			
Deposits	36,999	8,770	9,256			
Deferred revenue	125,030					
Landfill closure and post closure liability				(205,555)		
Compensated absences	230,878	157,489	30,109	52,823		(340)
Net Cash Provided by Operating Activities	2,377,403	10,280,521	15,511,922	2,375,828	1,105,303	2,250,793
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Net borrowings of amounts due from/to other funds	(25,042)	(52,858)	(21,733)	(41,320)	5,244	
Net borrowings (repayments) of advances from/ to other funds				(310,000)	(95,244)	
Operating transfers in	250,000	849,093	6,073	666,604		7,998
Operating transfers (out)	(5,822,573)	(2,017,649)	(2,432,908)	(1,853,697)	(271,610)	(120,262)
Residual equity transfer (out)			(52,733,766)			
Net Cash Used by Noncapital Financing Activities	(5,597,615)	(1,221,414)	(55,182,334)	(1,538,413)	(361,610)	(112,264)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	6,119,918	2,738,269	2,843,686	31,495	127,637	161,652
Net change in restricted investments	8,358,720	(54,526)			131,590	
Cash Flows used by Investing Activities	14,478,638	2,683,743	2,843,686	31,495	259,227	161,652
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of fixed assets	(19,850,470)	(19,734,395)	(18,563,207)	(396,188)	(560,827)	(3,275,209)
Transfer of connection fees to SPWA			(4,726,068)			
Principal paid on debt, bond maturities, special assessments, and equipment contracts	(1,510,000)	(1,093,067)			(180,000)	
Proceeds from long term debt						
Interest and fiscal charges paid	(1,329,560)	(1,144,265)			(506,695)	
Contribution in aid of construction	6,328,425					
Capital contributions from developers	9,973,655	1,951,078	1,960,072			
Contributed capital						
Cash Flows used by Capital Financing Activities	(6,387,950)	(20,020,649)	(21,329,203)	(396,188)	(1,247,522)	(3,275,209)
Net Cash Flows	4,870,476	(8,277,799)	(58,155,929)	472,722	(244,602)	(975,028)
Cash and investments at beginning of year	54,289,743	40,620,485	64,966,981	78,612	881,502	3,456,431
Cash and investments at end of year	$59,160,219	$32,342,686	$6,811,052	$551,334	$636,900	$2,481,403
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Transfer of SPWA fixed assets to City			$42,612,170			
Transfer of accounts receivable to SPWA			(657,319)			
Transfer of due from other government agencies to SPWA			(2,915,751)			
Transfer of deferred receivables to SPWA			(5,728,787)			
Interest on SPWA Revenue Bonds			2,397,286			

School-Age Child Care	TOTALS	
	2001	2000
$820,206	$41,855,459	$41,933,235
20,265	10,587,838	9,774,753
(316,353)	(8,013,759)	(2,310,984)
4,493	1,207,543	(568,685)
	(547,881)	(247,756)
	(11,216,163)	(8,332)
	64,322	(138,803)
	(166,990)	(970,721)
	(149,357)	397,934
(38,726)	(279,664)	1,489,596
7.940	5,204	725,699
	607,584	
	55,025	42,057
	125,030	722,909
	(205,555)	(210,505)
9,596	480,555	488,815
507,421	34,409,191	51,119,212
	(135,709)	560,556
	(405,244)	1,083,128
	1,779,768	1,386,710
(305,093)	(12,823,792)	(11,216,826)
	(52,733,766)	
(305,093)	(64,318,743)	(8,186,432)
47,415	12,070,072	9,627,368
	8,435,784	7,252,565
47,415	20,505,856	16,879,933
(280,210)	(62,660,506)	(51,829,533)
	(4,726,068)	
	(2,783,067)	(2,672,683)
		21,630,000
	(2,980,520)	(2,826,973)
	6,328,425	
	13,884,805	
		8,269,829
(280,210)	(52,936,931)	(27,429,360)
(30,467)	(62,340,627)	32,383,353
736,046	165,029,800	132,646,447
$705,579	$102,689,173	$165,029,800
	$42,612,170	
	(657,319)	
	(2,915,751)	
	(5,728,787)	
	2,397,286	

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, 2001

	ELECTRIC			WATER		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$69,274,410	$70,953,317	$1,678,907	$14,950,400	$17,175,790	$2,225,390
Subventions and grants		8,682	8,682		17,463	17,463
Sale of wholesale power	6,100,000	6,186,595	86,595			
Other	56,700	427,459	370,759	219,563	28,083	(191,480)
Total Operating Revenues	75,431,110	77,576,053	2,144,943	15,169,963	17,221,336	2,051,373
OPERATING EXPENSES						
Purchased power	59,400,000	44,974,174	14,425,826			
Distribution:						
Operations	26,303,397	21,283,300	5,020,097	33,353,931	22,618,393	10,735,538
Administration	1,246,891	670,570	576,321	1,944,368	1,782,182	162,186
Total Operating Expenses	86,950,288	66,928,044	20,022,244	35,298,299	24,400,575	10,897,724
Operating Income (Loss)	(11,519,178)	10,648,009	22,167,187	(20,128,336)	(7,179,239)	12,949,097
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	3,942,490	6,119,918	2,177,428	1,535,550	2,738,269	1,202,719
Interest and fiscal charges (expense)	(943,180)	(1,329,560)	(386,380)	(1,537,740)	(1,144,265)	393,475
Proceeds from bond issuance						
Debt service - principal	(1,510,000)	(1,510,000)		(1,093,070)	(1,093,067)	3
Net Nonoperating Revenues (Expenses)	1,489,310	3,280,358	1,791,048	(1,095,260)	500,937	1,596,197
Income (Loss) Before Operating Transfers	(10,029,868)	13,928,367	23,958,235	(21,223,596)	(6,678,302)	14,545,294
Contribution in aid of construction	4,352,000	6,328,425	1,976,425			
Capital contributions from developers		9,973,655	9,973,655		1,951,078	1,951,078
Capital contributions from SPWA member agencies						
Operating Transfers In	9,950,000	250,000	(9,700,000)	868,420	849,093	(19,327)
Operating Transfers (Out)	(17,397,738)	(5,822,573)	11,575,165	(1,913,331)	(2,017,649)	(104,318)
Net Income (Loss)	($13,125,606)	24,657,874	$37,783,480	($22,268,507)	(5,895,780)	$16,372,727
ITEMS AFFECTING CONTRIBUTED CAPITAL						
Depreciation on fixed assets		1,424,507			698,220	
Adjustment to budgetary basis:						
Depreciation and amortization		(4,523,355)			(1,930,893)	
Capital outlay		9,732,537			17,388,672	
Debt service-principal		1,510,000			1,093,067	
Retained earnings (deficit) at beginning of year		137,374,010			65,170,599	
Residual equity transfer (out)						
Retained earnings (deficit) at end of year		$170,175,573			$76,523,885	

SEWER			REFUSE			GOLF COURSE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$20,142,500	$22,548,125	$2,405,625	$10,672,470	$11,585,587	$913,117	$2,849,000	$2,628,137	($220,863)
			20,929	20,929				
	36,575	36,575	100,000	127,333	27,333			
20,142,500	22,584,700	2,442,200	10,793,399	11,733,849	940,450	2,849,000	2,628,137	(220,863)
133,138,190	23,515,216	109,622,974	10,088,829	9,327,429	761,400	2,534,628	2,193,225	341,403
349,178	264,451	84,727	337,324	321,617	15,707		350	(350)
133,487,368	23,779,667	109,707,701	10,426,153	9,649,046	777,107	2,534,628	2,193,575	341,053
(113,344,868)	(1,194,967)	112,149,901	367,246	2,084,803	1,717,557	314,372	434,562	120,190
2,201,216	2,843,686	642,470	2,200	31,495	29,295	3,330	127,637	124,307
	(2,397,286)	(2,397,286)				(510,248)	(506,695)	3,553
90,000,000		(90,000,000)						
						(180,000)	(180,000)	
92,201,216	446,400	(91,754,816)	2,200	31,495	29,295	(686,918)	(559,058)	127,860
(21,143,652)	(748,567)	20,395,085	369,446	2,116,298	1,746,852	(372,546)	(124,496)	248,050
	1,960,072	1,960,072						
	19,529,157	19,529,157						
574,440	6,073	(568,367)	810,130	666,604	(143,526)	27,400		(27,400)
(3,191,878)	(2,432,908)	758,970	(1,585,250)	(1,853,697)	(268,447)	(271,610)	(271,610)	
($23,761,090)	18,313,827	$42,074,917	($405,674)	929,205	$1,334,879	($616,756)	(396,106)	$220,650
	810,820							
	(3,259,472)			(94,474)			(363,077)	
	16,603,136			396,187			560,826	
							180,000	
	163,998,149			(344,425)			1,207,833	
	(77,980,303)							
	$118,486,157			$886,493			$1,189,476	

(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, 2001

	LOCAL TRANSPORTATION			SCHOOL-AGE CHILD CARE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$315,000	$436,417	$121,417	$2,916,666	$3,364,023	$447,357
Subventions and grants	4,388,414	3,739,384	(649,030)	210,000	192,549	(17,451)
Sale of wholesale power						
Other	56,400	111,556	55,156	1,000	40,369	39,369
Total Operating Revenues	4,759,814	4,287,357	(472,457)	3,127,666	3,596,941	469,275
OPERATING EXPENSES						
Purchased power						
Distribution:						
Operations	9,235,237	5,250,908	3,984,329	3,036,003	3,035,642	361
Administration	392,665	323,629	69,036		1,037	(1,037)
Total Operating Expenses	9,627,902	5,574,537	4,053,365	3,036,003	3,036,679	(676)
Operating Income (Loss)	(4,868,088)	(1,287,180)	3,580,908	91,663	560,262	468,599
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	70,200	161,652	91,452	23,100	47,415	24,315
Interest and fiscal charges (expense)						
Proceeds from bond issuance						
Debt service - principal						
Net Nonoperating Revenues (Expenses)	70,200	161,652	91,452	23,100	47,415	24,315
Income (Loss) Before Operating Transfers	(4,797,888)	(1,125,528)	3,672,360	114,763	607,677	492,914
Contribution in aid of construction						
Capital contributions from developers						
Capital contributions from SPWA member agencies						
Operating Transfers In	37,732	7,998	(29,734)			
Operating Transfers (Out)	(110,590)	(120,262)	(9,672)	(308,640)	(305,093)	3,547
Net Income (Loss)	($4,870,746)	(1,237,792)	$3,632,954	($193,877)	302,584	$496,461
ITEMS AFFECTING CONTRIBUTED CAPITAL						
Depreciation on fixed assets		165,471				
Adjustment to budgetary basis:						
Depreciation and amortization		(396,302)			(20,265)	
Capital outlay		3,415,480			280,209	
Debt service-principal						
Retained earnings (deficit) at beginning of year		3,612,869			653,198	
Residual equity transfer (out)						
Retained earnings (deficit) at end of year		$5,559,726			$1,215,726	

TOTALS		
Budget	Actual	Variance Favorable (Unfavorable)
$121,120,446	$128,691,396	$7,570,950
4,619,343	3,979,007	(640,336)
6,100,000	6,186,595	86,595
433,663	771,375	337,712
132,273,452	139,628,373	7,354,921
59,400,000	44,974,174	14,425,826
217,690,215	87,224,113	130,466,102
4,270,426	3,363,836	906,590
281,360,641	135,562,123	145,798,518
(149,087,189)	4,066,250	153,153,439
7,778,086	12,070,072	4,291,986
(2,991,168)	(5,377,806)	(2,386,638)
90,000,000		(90,000,000)
(2,783,070)	(2,783,067)	3
92,003,848	3,909,199	(88,094,649)
(57,083,341)	7,975,449	65,058,790
4,352,000	6,328,425	1,976,425
	13,884,805	13,884,805
	19,529,157	19,529,157
12,268,122	1,779,768	(10,488,354)
(24,779,037)	(12,823,792)	11,955,245
($65,242,256)	36,673,812	$101,916,068
	3,099,018	
	(10,587,838)	
	48,377,047	
	2,783,067	
	371,672,233	
	(77,980,303)	
	$374,037,036	

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INTERNAL SERVICE FUNDS

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

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2000

	Automotive Services	Automotive Replacement	Self Insurance Funds: Worker's Compensation	Self Insurance Funds: General Liability	Self Insurance Funds: Unemployment Reserve
ASSETS					
Current Assets					
Cash and investments in City Treasury	$12,474	$5,914,897	$5,024,459	$4,962,426	$70,908
Restricted cash and investments with fiscal agents			18,685	24,120	
Receivables:					
Accounts	19,981	106,914		43	
Accrued interest		666,573	24,132	23,750	331
Due from other government agencies	7,296				
Due from other funds		405,244			
Inventories	315,128				
Total Current Assets	354,879	7,093,628	5,067,276	5,010,339	71,239
Other Assets					
Advances to other funds		5,022,029			
Fixed Assets (net of accumulated depreciation)	40,469	11,024,506	73,785	7,973	
Total Other Assets	40,469	16,046,535	73,785	7,973	
Total Assets	$395,348	$23,140,163	$5,141,061	$5,018,312	$71,239
LIABILITIES					
Current Liabilities					
Accounts payable	$72,641	$14,414	$21,083	$12,581	
Accrued liabilities	40,564				
Due to other funds		25,496			
Self-insurance claims payable			3,042,000	1,579,000	
Total Current Liabilities	113,205	39,910	3,063,083	1,591,581	
Long-term Liabilities					
Compensated absences	210,582				
Total Liabilities	323,787	39,910	3,063,083	1,591,581	
FUND EQUITY					
Retained earnings					
Unreserved	71,561	23,100,253	2,077,978	3,426,731	$71,239
Total Retained Earnings	71,561	23,100,253	2,077,978	3,426,731	71,239
Total Fund Equity	71,561	23,100,253	2,077,978	3,426,731	71,239
Total Liabilities and Fund Equity	$395,348	$23,140,163	$5,141,061	$5,018,312	$71,239

Self Insurance Funds					TOTALS	
Vision	Dental	Section 125	Post Retirement	Central Stores	2001	2000
$195,189	$310,907	$28,244	$1,419,680	$91,194	$18,030,378	$12,369,880
					42,805	
23	249				127,210	22,127
933	1,611	151	6,605		724,086	720,759
					7,296	
					405,244	450,000
					315,128	293,228
196,145	312,767	28,395	1,426,285	91,194	19,652,147	13,855,994
					5,022,029	7,084,190
					11,146,733	8,954,074
					16,168,762	16,038,264
$196,145	$312,767	$28,395	$1,426,285	$91,194	$35,820,909	$29,894,258
				$59,105	$179,824	$383,599
			$5,424		45,988	36,828
					25,496	
					4,621,000	4,507,000
			5,424	59,105	4,872,308	4,927,427
					210,582	197,508
			5,424	59,105	5,082,890	5,124,935
$196,145	$312,767	$28,395	1,420,861	32,089	30,738,019	24,769,323
196,145	312,767	28,395	1,420,861	32,089	30,738,019	24,769.323
196,145	312,767	28,395	1,420,861	32,089	30,738,019	24,769.323
$196,145	$312,767	$28,395	$1,426,285	$91,194	$35,820,909	$29,894,258

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Automotive Services	Automotive Replacement	Self Insurance Funds: Worker's Compensation	Self Insurance Funds: General Liability	Self Insurance Funds: Unemployment Reserve
OPERATING REVENUES					
Charges for services	$3,289,251	$3,261,078	$1,583,720	$1,325,744	$60,137
Other	104,789		5,019	210,799	
Total Operating Revenue	3,394,040	3,261,078	1,588,739	1,536,543	60,137
OPERATING EXPENSES					
Operations	2,967,719	830	987,217	690,942	
Depreciation and amortization	12,936	2,450,417	8,199	535	
Claims expense			471,997	342,508	21,929
Total Operating Expenses	2,980,655	2,451,247	1,467,413	1,033,985	21,929
Total Operating Income (Loss)	413,385	809,831	121,326	502,558	38,208
NONOPERATING REVENUES					
Interest revenue	354	954,154	313,512	284,547	3,648
Other		176,870			
Total Nonoperating Revenues (Expenses)	354	1,131,024	313,512	284,547	3,648
INCOME (LOSS) BEFORE OPERATING TRANSFERS	413,739	1,940,855	434,838	787,105	41,856
Operating transfers in		1,516,502			
Operating transfers out	(480,376)	(250,651)	(4,970)	(4,970)	(4,970)
Net Income (loss)	(66,637)	3,206,706	429,868	782,135	36,886
Retained earnings (deficit) at beginning of year	138,198	19,893,547	1,648,110	2,644,596	34,353
Retained earnings (deficit) at end of year	$71,561	$23,100,253	$2,077,978	$3,426,731	$71,239

Self Insurance Funds					TOTALS	
Vision	Dental	Section 125	Post Retirement	Central Stores	2001	2000
$93,320	$848,153	$231,709	$1,434,822		$12,127,934	$9,958,855
				$32,089	352,696	417,861
93,320	848,153	231,709	1,434,822	32,089	12,480,630	10,376,716
7,568	87,001		401,600		5,142,877	5,695,442
					2,472,087	1,879,972
71,063	671,726	227,850			1,807,073	368,771
78,631	758,727	227,850	401,600		9,422,037	7,944,185
14,689	89,426	3,859	1,033,222	32,089	3,058,593	2,432,531
12,150	19,084	2,490	48,326		1,638,265	501,624
					176,870	111,109
12,150	19,084	2,490	48,326		1,815,135	612,733
26,839	108,510	6,349	1,081,548		4,841,639	3,045,264
			339,313		1,855,815	1,531,578
(4,970)	(4,970)	(4,970)			(760,847)	(536,360)
21,869	103,540	1,379	1,420,861	32,089	5,968,696	4,040,482
174,276	209,227	27,016			24,769,323	20,728,841
$196,145	$312,767	$28,395	$1,420,861	$32,089	$30,738,019	$24,769,323

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE AMOUNTS FISCAL YEAR ENDED JUNE 30, 2000

			Self Insurance Funds		
	Automotive Services	Automotive Replacement	Worker's Compensation	General Liability	Unemployment Reserve
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	$413,385	$809,831	$121,326	$502,558	$38,208
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation and amortization	12,936	2,450,417	8,199	535	
Net change in:					
Accounts receivable	(17,169)	(97,879)		(43)	
Accrued interest		(43,647)	25,759	19,046	13
Due from other government agencies	(7,296)				
Inventories	(21,900)				
Accounts payable	24,299	(174,266)	6,924	6,043	
Accrued liabilities	3,736				
Self insurance claims payable			(43,000)	157,000	
Compensated absences	13,074				
Cash Flows from Operating Activities	421,065	2,944,456	119,208	685,139	38,221
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net repayments of amounts due from/to other funds		70,252			
Net borrowings of advances from/to other funds		2,062,161			
Operating transfers in		1,516,502			
Operating transfers (out)	(480,376)	(250,651)	(4,970)	(4,970)	(4,970)
Net Cash Provided by Noncapital Financing Activities	(480,376)	3,398,264	(4,970)	(4,970)	(4,970)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	354	954,154	313,512	284,547	3,648
Net Cash Provided from Investing Activities	354	954,154	313,512	284,547	3,648
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Acquisition and construction of fixed assets	(2,867)	(4,600,645)	(54,656)	(6,578)	
Proceeds from sale of fixed assets		176,870			
Cash Flows from Capital Financing Activities	(2,867)	(4,423,775)	(54,656)	(6,578)	
Net Cash Flows	(61,824)	2,873,099	373,094	958,138	36,899
Cash and investments at beginning of year	74,298	3,041,798	4,670,050	4,028,408	34,009
Cash and investments at end of year	$12,474	$5,914,897	$5,043,144	$4,986,546	$70,908

Self Insurance Funds					TOTALS	
Vision	Dental	Section 125	Post Retirement	Central Stores	2001	2000
$14,689	$89,426	$3,859	$1,033,222	$32,089	$3,058,593	$2,432,531
					2,472,087	1,879,972
(12)	(93)			10.113	(105,083)	530,786
927	998	182	(6,605)		(3,327)	(614,434)
					(7,296)	15,164
					(21,900)	(53,991)
				(66.775)	(203,775)	71,405
			5,424		9,160	8,368
					114,000	(850,000)
					13,074	26,015
15,604	90,331	4,041	1,032,041	(24,573)	5,325,533	3,445,816
					70,252	(310,000)
					2,062,161	(1,033,128)
			339,313		1,855,815	1,531,578
(4,970)	(4,970)	(4,970)			(760,847)	(536,360)
(4,970)	(4,970)	(4,970)	339,313		3,227,381	(347,910)
12,150	19,084	2,490	48,326		1,638,265	501,624
12,150	19,084	2,490	48,326		1,638,265	501,624
					(4,664,746)	(4,185,091)
					176,870	111,109
					(4,487,876)	(4,073,982)
22,784	104,445	1,561	1,419,680	(24,573)	5,703,303	(474,452)
172,405	206,462	26,683		115,767	12,369,880	12,844,332
$195,189	$310,907	$28,244	$1,419,680	$91,194	$18,073,183	$12,369,880

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, 2001

	AUTOMOTIVE SERVICES			AUTOMOTIVE REPLACEMENT		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$3,179,000	$3,289,251	$110,251	$2,860,000	$3,261,078	$401,078
Other	50,000	104,789	54,789			
Total Operating Revenue	3,229,000	3,394,040	165,040	2,860,000	3,261,078	401,078
OPERATING EXPENSES						
Operations	2,936,081	2,970,585	(34,504)	5,211,139	4,577,470	633,669
Claims expense						
Total Operating Expenses	2,936,081	2,970,585	(34,504)	5,211,139	4,577,470	633,669
Total Operating Income (Loss)	292,919	423,455	130,536	(2,351,139)	(1,316,392)	1,034,747
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	1,000	354	(646)	707,503	954,154	246,651
Other					176,870	176,870
Total Nonoperating Revenues	1,000	354	(646)	707,503	1,131,024	423,521
INCOME (LOSS) BEFORE OPERATING TRANSFERS	293,919	423,809	129,890	(1,643,636)	(185,368)	1,458,268
Operating transfers in				2,398,170	1,516,502	(881,668)
Operating transfers out	(550,670)	(480,376)	70,294	(28,430)	(250,651)	(222,221)
Net income (loss)	($256,751)	(56,567)	$200,184	$726,104	1,080,483	$354,379
Adjustment to budgetary basis:						
Capital outlay		2,866			4,576,640	
Depreciation and amortization		(12,936)			(2,450,417)	
Retained earnings at beginning of year		138,198			19,893,547	
Retained earnings at end of year		$71,561			$23,100,253	

SELF INSURANCE FUNDS

WORKER'S COMPENSATION			GENERAL LIABILITY			UNEMPLOYMENT RESERVE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$1,500,000	$1,583,720	$83,720	$1,312,000	$1,325,744	$13,744	$48,100	$60,137	$12,037
	5,019	5,019		210,799	210,799			
1,500,000	1,588,739	88,739	1,312,000	1,536,543	224,543	48,100	60,137	12,037
1,218,029	1,041,872	176,157	900,000	697,520	202,480			
591,000	471,997	119,003	350,000	342,508	7,492	60,000	21,929	38,071
1,809,029	1,513,869	295,160	1,250,000	1,040,028	209,972	60,000	21,929	38,071
(309,029)	74,870	383,899	62,000	496,515	434,515	(11,900)	38,208	50,108
223,650	313,512	89,862	190,580	284,547	93,967	500	3,648	3,148
223,650	313,512	89,862	190,580	284,547	93,967	500	3,648	3,148
(85,379)	388,382	473,761	252,580	781,062	528,482	(11,400)	41,856	53,256
(4,970)	(4,970)		(4,970)	(4,970)		(4,970)	(4,970)	
($90,349)	383,412	$473,761	$247,610	776,092	$528,482	($16,370)	36,886	$53,256
	54,655			6,578				
	(8,199)			(535)				
	1,648,110			2,644,596			34,353	
	$2,077,978			$3,426,731			$71,239	

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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, 2001

	SELF INSURANCE FUNDS					
	VISION			DENTAL		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Charges for services	$90,000	$93,320	$3,320	$800,000	$848,153	$48,153
Other						
Total Operating Revenue	90,000	93,320	3,320	800,000	848,153	48,153
OPERATING EXPENSES						
Operations	10,000	7,568	2,432	60,000	87,001	(27,001)
Claims expense	70,000	71,063	(1,063)	708,000	671,726	36,274
Total Operating Expenses	80,000	78,631	1,369	768,000	758,727	9,273
Total Operating Income (Loss)	10,000	14,689	4,689	32,000	89,426	57,426
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	8,000	12,150	4,150	6,710	19,084	12,374
Other						
Total Nonoperating Revenues	8,000	12,150	4,150	6,710	19,084	12,374
INCOME (LOSS) BEFORE OPERATING TRANSFERS	18,000	26,839	8,839	38,710	108,510	69,800
Operating transfers in						
Operating transfers out	(4,970)	(4,970)		(4,970)	(4,970)	
Net income (loss)	$13,030	21,869	$8,839	$33,740	103,540	$69,800
Adjustment to budgetary basis:						
Capital outlay						
Depreciation and amortization						
Retained earnings at beginning of year		174,276			209,227	
Retained earnings at end of year		$196,145			$312,767	

SECTION 125			POST RETIREMENT			TOTALS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$250,000	$231,709	($18,291)	$1,804,650	$1,434,822	($369,828)	$11,843,750	$12,127,934	$284,184
						50,000	320,607	270,607
250,000	231,709	(18,291)	1,804,650	1,434,822	(369,828)	11,893,750	12,448,541	554,791
			314,330	401,600	(87,270)	10,649,579	9,783,616	865,963
250,000	227,850	22,150				2,029,000	1,807,073	221,927
250,000	227,850	22,150	314,330	401,600	(87,270)	12,678,579	11,590,689	1,087,890
	3,859	3,859	1,490,320	1,033,222	(457,098)	(784,829)	857,852	1,642,681
1,000	2,490	1,490		48,326	48,326	1,138,943	1,638,265	499,322
							176,870	176,870
1,000	2,490	1,490		48,326	48,326	1,138,943	1,815,135	676,192
1,000	6,349	5,349	1,490,320	1,081,548	(408,772)	354,114	2,672,987	2,318,873
			314,330	339,313	24,983	2,712,500	1,855,815	(856,685)
(4,970)	(4,970)					(608,920)	(760,847)	(151,927)
($3,970)	1,379	$5,349	$1,804,650	1,420,861	($383,789)	$2,457,694	$3,767,955	$1,310,261
							4,640,739	
							(2,472,087)	
	27,016						24,769,323	
	$28,395			$1,420,861			$30,705,930	

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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.

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
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	$89,404	$58		$89,462
Due to bondholders	$89,404	$58		$89,462
Hilltop				
Cash and investments in City Treasury	$32,286	$1,644		$33,930
Accrued interest receivable	239	115	$239	115
Total Assets	$32,525	$1,759	$239	$34,045
Due to bondholders	$32,525	$1,759	$239	$34,045
North Roseville/Rocklin Sewer				
Cash and investments in City Treasury	$527,416	$42,917	$188,154	$382,179
Accrued interest receivable	2,409	1,158	2,409	1,158
Total Assets	$529,825	$44,075	$190,563	$383,337
Accounts payable				
Due to bondholders	$529,825	$44,075	$190,563	$383,337
Total Liabilities	$529,825	$44,075	$190,563	$383,337
Rocky Ridge/Harding				
Cash and investments in City Treasury	$537,219	$158,530	$242,672	$453,077
Accrued interest receivable	2,058	990	2,058	990
Total Assets	$539,277	$159,520	$244,730	$454,067
Due to bondholders	$539,277	$159,520	$244,730	$454,067

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
Champion Oaks				
Cash and investments in City Treasury	$21,138			$21,138
Due to bondholders	$21,138			$21,138
Foothills Boulevard Extension				
Cash and investments in City Treasury	$956,709	$310,041	$284,271	$982,479
Accrued interest receivable	6,389	3,072	6,389	3,072
Total Assets	$963,098	$313,113	$290,660	$985,551
Accounts payable				
Due to bondholders	$963,098	$313,113	290,660	$985,551
Total Liabilities	$963,098	$313,113	$290,660	$985,551
Olympus Point Children's Art				
Cash and investments in City Treasury	$62,191	$3,493	$3,788	$61,896
Accrued interest receivable	677	302	677	302
Total Assets	$62,868	$3,795	$4,465	$62,198
Accounts payable	$1,172	$189	$1,172	$189
Due to others	61,696	3,606	3,293	62,009
Total Liabilities	$62,868	$3,795	$4,465	$62,198
Northeast Roseville Community Facilities District #1				
Cash and investments in City Treasury	$2,019,217	$1,120,338	$797,633	$2,341,922
Restricted cash and investments with fiscal agents	1,492,766	91,422	144,415	1,439,773
Accrued interest receivable	57,372	11,590	57,372	11,590
Total Assets	$3,569,355	$1,223,350	$999,420	$3,793,285
Accounts payable	$1,395	$1,495	$1,395	$1,495
Due to bondholders	3,567,960	1,221,855	998,025	3,791,790
Total Liabilities	$3,569,355	$1,223,350	$999,420	$3,793,285

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
Northwest Roseville Community Facilities District #1				
Cash and investments in City Treasury	$1,702,230	$1,591,487	$1,525,799	$1,767,918
Restricted cash and investments with fiscal agents	2,297,957	122,981		2,420,938
Accrued interest receivable	66,530	57,392	66,530	57,392
Total Assets	$4,066,717	$1,771,860	$1,592,329	$4,246,248
Accounts payable	$4,032	$3,982	$4,032	$3,982
Due to bondholders	4,062,685	1,767,878	1,588,297	4,242,266
Total Liabilities	$4,066,717	$1,771,860	$1,592,329	$4,246,248
SERSP Lighting & Landscaping				
Cash and investments in City Treasury	$60,625		$60,625	
Accounts payable	$789		$789	
Due to bondholders	59,836		59,836	
Total Liabilities	$60,625		$60,625	
Olympus Point Lighting and Landscaping				
Cash and investments in City Treasury	$231,854		$231,854	
Accounts payable	$5,210		$5,210	
Due to bondholders	226,644		226,644	
Total Liabilities	$231,854		$231,854	
Payroll Revolving				
Cash and investments in City Treasury	$506,496	$594,124	$506,496	$594,124
Accounts payable	$506,496	$594,124	$506,496	$594,124

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
Highway 65 JPA				
Cash and investments in City Treasury	$1,540,600	$1,638,043	$239,041	$2,939,602
Accrued interest receivable	16,591	14,174	16,591	14,174
Due from other government agencies	265,295	159,835	265,295	159,835
Deferred receivable	141		141	
Total Assets	$1,822,627	$1,812,052	$521,068	$3,113,611
Accounts payable	$466	$52,913	$466	$52,913
Due to member agencies	1,822,161	1,759,139	520,602	3,060,698
Total Liabilities	$1,822,627	$1,812,052	$521,068	$3,113,611
Northeast Roseville Community Facilities District #2				
Cash and investments in City Treasury	$715,748	$728,652	$671,412	$772,988
Restricted cash and investments with fiscal agents	1,076,980	65,957	38,637	1,104,300
Accrued interest receivable	33,509	3,839	33,509	3,839
Total Assets	$1,826,237	$798,448	$743,558	$1,881,127
Accounts payable	$1,388	$1,484	$1,388	$1,484
Due to bondholders	1,824,849	796,964	742,170	1,879,643
Total Liabilities	$1,826,237	$798,448	$743,558	$1,881,127
North Central Roseville Community Facilities District #1				
Cash and investments in City Treasury	$6,040,145	$7,380,955	$6,412,073	$7,009,027
Restricted cash and investments with fiscal agents	5,452,387	75,725		5,528,112
Accrued interest receivable	188,296	76,281	188,296	76,281
Total Assets	$11,680,828	$7,532,961	$6,600,369	$12,613,420
Accounts payable	$2,312	$2,576	$2,312	$2,576
Accrued liabilities	31,684		31,684	
Due to bondholders	11,646,832	7,530,385	6,566,373	12,610,844
Total Liabilities	$11,680,828	$7,532,961	$6,600,369	$12,613,420

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
Dry Creek Drainage Basin				
Cash and investments in City Treasury	$51,407	$78,580		$129,987
Accounts receivable	27		$27	
Accrued interest receivable	491	540	491	540
Deferred receivable	7,046		2,172	4,874
Total Assets	$58,971	$79,120	$2,690	$135,401
Accounts Payable	$19,389	$79,373	$19,389	$79,373
Accrued liabilities	39,679	55,014	39,679	55,014
Due to bondholders	(97)	(55,267)	(56,378)	1,014
Total Liabilities	$58,971	$79,120	$2,690	$135,401
North Roseville Community Facilities District #1				
Cash and investments in City Treasury	$1,702,697	$1,969,030	$1,792,253	$1,879,474
Restricted cash and investments with fiscal agents	1,564,632	48,697	28,679	1,584,650
Accrued interest receivable	27,899	9,310	27,899	9,310
Total Assets	$3,295,228	$2,027,037	$1,848,831	$3,473,434
Accounts payable	$753	$792	$753	$792
Due to bondholders	3,294,475	2,026,245	$1,848,078	3,472,642
Total Liabilities	$3,295,228	$2,027,037	$1,848,831	$3,473,434
North Roseville Service District				
Cash and investments in City Treasury	$243,314		$243,314	
Total Assets	$243,314		$243,314	
Accounts payable	$754		$754	
Due to other funds				
Due to bondholders	242,560		242,560	
Total Liabilities	$243,314		$243,314	

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
Disaster Recovery JPA				
Cash and investments in City Treasury	$99,352	$1,917		$101,269
Accrued interest receivable	1,071	492	$1,071	492
Due from other government agencies	2,956	3,000	2,956	3,000
Total Assets	$103,379	$5,409	$4,027	$104,761
Accounts payable		$14,200		$14,200
Due to member agencies	$103,379	(8,791)	$4,027	90,561
Total Liabilities	$103,379	$5,409	$4,027	$104,761
Woodcreek West Community Facilities District #1				
Cash and investments in City Treasury	$614,716	$1,794,753	$1,210,076	$1,199,393
Restricted cash and investments with fiscal agents	1,415,331	96,084	20,754	1,490,661
Accrued interest receivable	33,172	37,270	33,172	37,270
Total Assets	$2,063,219	$1,928,107	$1,264,002	$2,727,324
Accounts payable		$1,455		$1,455
Due to bondholders	$2,063,219	1,926,652	1,264,002	2,725,869
Total Liabilities	$2,063,219	$1,928,107	$1,264,002	$2,727,324
Highland Reserve North Community Facilities District #1				
Cash and investments in City Treasury	$162,298	$2,435,940	$467,449	$2,130,789
Restricted cash and investments with fiscal agents	4,647,319		1,755,927	2,891,392
Accrued interest receivable	110,608	70,589	110,608	70,589
Total Assets	$4,920,225	$2,506,529	$2,333,984	$5,092,770
Accounts payable		$1,547		$1,547
Due to bondholders	$4,920,225	2,504,982	$2,333,984	5,091,223
Total Liabilities	$4,920,225	$2,506,529	$2,333,984	$5,092,770

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
Stoneridge Parcel 1 Community Facilities District #1				
Cash and investments in City Treasury	$78,804	$364,259	$267,190	$175,873
Restricted cash and investments with fiscal agents	251,508		54,229	197,279
Accrued interest receivable	874	861	874	861
Total Assets	$331,186	$365,120	$322,293	$374,013
Accounts payable		$995		$995
Due to bondholders	$331,186	364,125	$322,293	373,018
Total Liabilities	$331,186	$365,120	$322,293	$374,013
Woodcreek East Community Facilities District #1				
Cash and investments in City Treasury		$382,777	$382,777	
Restricted cash and investments with fiscal agents		807,455		$807,455
Accrued interest receivable		871		871
Total Assets		$1,191,103	$382,777	$808,326
Due to bondholders		$1,191,103	$382,777	$808,326
Stoneridge West Community Facilities District #1				
Cash and investments in City Treasury		$27,209	$420	$26,789
Accrued interest receivable		130		130
Total Assets		$27,339	$420	$26,919
Due to bondholders		$27,339	$420	$26,919
County Capital Facilities Fee				
Cash and investments in City Treasury	$51,817	$550,277		$602,094
Accrued interest receivable	190	3,994	$190	3,994
Total Assets	$52,007	$554,271	$190	$606,088
Accounts payable		$1,380		$1,380
Due to others	$52,007	552,891	$190	604,708
Total Liabilities	$52,007	$554,271	$190	$606,088

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
South Placer Wastewater Authority				
Cash and investments in City Treasury		$98,238,301		$98,238,301
Restricted cash and investments with fiscal agents		124,952,284		124,952,284
Accounts receivable		2,019,703		2,019,703
Accrued interest receivable		483,737		483,737
Due from other government agencies		1,523,433		1,523,433
Deferred receivables		3,452,529		3,452,529
Total Assets		$230,669,987		$230,669,987
Accounts payable		$5,825,538		$5,825,538
Accrued liabilities		1,063,088		1,063,088
Due to member agencies		223,781,361		223,781,361
Total Liabilities		$230,669,987		$230,669,987
Other				
Cash and investments in City Treasury	$2,567,033	$775,305	$379,854	$2,962,484
Accrued interest receivable	24,732	17,668	24,732	17,668
Total Assets	$2,591,765	$792,973	$404,586	$2,980,152
Accounts payable	$175,461	$995,104	$175,461	$995,104
Accrued liabilities	86,988		86,988	
Due to other government agencies	18,074	20		18,094
Due to other funds	53,604	710	53,604	710
Advance from other funds	753,970		753,970	
Deposits payable	613,843	13,083		626,926
Due to others	889,825	(215,944)	(665,437)	1,339,318
Total Liabilities	$2,591,765	$792,973	$404,586	$2,980,152

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Total Agency Funds	Balance June 30, 2000	Additions	Reductions	Balance June 30, 2001
Cash and investments in City Treasury	$20,660,840	$120,188,630	$15,907,151	$124,942,319
Restricted cash and investments with fiscal agents	18,198,880	126,260,605	2,042,641	142,416,844
Accounts receivable	27	2,019,703	27	2,019,703
Accrued interest receivable	573,107	794,375	573,107	794,375
Due from other government agencies	268,251	1,686,268	268,251	1,686,268
Deferred receivable	7,187	3,452,529	2,313	3,457,403
Total Assets	$39,708,292	$254,402,110	$18,793,490	$275,316,912
Accounts payable	$719,617	$7,577,147	$719,617	$7,577,147
Accrued liabilities	158,351	1,118,102	158,351	1,118,102
Due to other government agencies	18,074	20		18,094
Due to other funds	53,604	710	53,604	710
Advance from other funds	753,970		753,970	
Deposits payable	613,843	13,083		626,926
Due to member agencies	1,925,540	225,531,709	524,629	226,932,620
Due to bondholders	34,461,765	19,820,786	17,245,273	37,037,278
Due to others	1,003,528	340,553	(661,954)	2,006,035
Total Liabilities	$39,708,292	$254,402,110	$18,793,490	$275,316,912

APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement and the Master Installment Purchase Contract which are not described elsewhere in this Official Statement. These summaries do not purport to be complete or definitive and reference should be made to such documents for a full and complete statement of their provisions. All capitalized terms not defined in the Official Statement have the meanings set forth in the Trust Agreement and the Master Agreement.

DEFINITIONS

Trust Agreement Definitions

The following are definitions of certain terms used in the Official Statement that are defined in the Trust Agreement.

"1997 Certificates" means the Electric System Revenue Certificates of Participation, Series 1997 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 City and BNY Western Trust Company, as successor trustee to First Trust of California, National Association, as original trustee thereunder with respect to the 1997 Certificates.

"1999 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 1999 Supplemental Contract.

"1999 Supplemental Contract" means that certain 1997 Supplemental Installment Purchase Contract, dated as of August 1, 1999, by and between the City and the Authority.

"1999 Trust Agreement" means that certain Trust Agreement, dated as of August 1, 1999, by and between the City and BNY Western Trust Company, as successor trustee to U.S. Trust Company, National Association, as original trustee thereunder with respect to the 1999 Certificates.

"2002 Certificate Insurance Policy" shall mean the municipal bond insurance policy issued by the 2002 Certificate Insurer insuring the payment when due of the principal and interest evidenced and represented by the Certificates as provided therein.

"2002 Certificate Insurer" shall mean Financial Security Assurance Inc., or any successor thereto or assignee thereof, as issuer of the 2002 Certificate Insurance Policy.

"2002 Debt Service Fund" means the fund by that name established pursuant to the Trust Agreement.

"2002 Parity Reserve Account" means the 2002 Parity Reserve Account established under the Trust Agreement.

"2002 Payments" means the installment payments of interest, principal and prepayment premiums, if any, payable by the City under and pursuant to the 2002 Supplemental Contract.

"2002 Supplemental Contract" means that certain 2002 Supplemental Installment Purchase Contract, dated as of December 1, 2002, by and between the City and the Authority.

"2002 Trust Agreement" or "Trust Agreement" means that certain Trust Agreement, dated as of December 1, 2002, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

"Authorized Denomination" means (i) during any Daily Mode or Weekly Mode, $100,000 or any integral multiple of $5,000 in excess of $100,000; (iii) during any Term Mode or for Certificates evidencing interest at a Fixed Rate, $5,000 or any integral multiple thereof.

"Alternate Rate" means, (i) with respect to the Weekly Mode, the lesser of the Maximum Rate or BMA Index rate as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor, or as otherwise determined by The Bond Market Association; or (ii) with respect to the Daily Mode, the lesser of the Maximum Rate or BMA Index rate as of the most recent date for which such index was published or such other daily, high-grade index comprised of daily, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor, or as otherwise determined by The Bond Market Association; provided for both (i) and (ii), however, that if such relevant index is no longer produced by Municipal Market Data, Inc. or its successor, then the rate of a reasonably comparable index selected by the City.

"Bank" means Dexia Credit Local, acting through its New York Agency.

"Bank Certificates" means Certificates purchased with amounts drawn under the Liquidity Facility pursuant to the Trust Agreement and owned by the Liquidity Provider or its transferees.

"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 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 2002 Payment evidenced and represented thereby shall 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 shall be deemed to be a reference to any successor to any such section.

"Contract" means the Master Installment Purchase Contract, as supplemented by the 1997 Supplemental Contract, the 1999 Supplemental Contract and the 2002 Supplemental Contract and as otherwise amended or supplemented from time to time.

"Corporate Trust Office" means the corporate trust office of the Trustee at San Francisco, California, or such other office designated by the Trustee from time to time.

"Daily Interest Rate" means a variable interest rate on the Certificates established on each Business Day in accordance with the Trust Agreement.

"Daily Mode" means the period during which Daily Interest Rates are in effect.

"Escrow Agent" means BNY Western Trust Company, a state banking corporation organized and existing by virtue of the laws of the State of California.

"Escrow Agreement" means the Escrow Agreement, dated as of December 1, 2002, by and between the Escrow Agent and the Authority relating to defeasance of the Refunded Certificates.

"Escrow Fund" means that certain fund or funds held by the Escrow Agent for the purpose of payment and defeasance of the Refunded Certificates.

"Federal Securities" means direct obligations of, or obligations the interest on and principal of which are 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).

"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 Authority as its Fiscal Year.

"Fixed Rate" means the fixed interest rate on the Bonds determined pursuant to the Trust Agreement.

"Fixed Rate Bonds" means the Bonds after conversion to the Fixed Rate.

"Information Services" means Financial Information, Incorporated's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services, "Called Bond 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 Bonds Department; and Standard & Poor's Corporation's "Called Bond 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 (1) with respect to Certificates in a Term Mode with a Term Interest Rate Period of 12 months or less, the Business Day next succeeding the last day of the Term Interest Rate Period; (2) with respect to Certificates in a Term Mode with an Interest Rate Period of greater than 12 months each February 1 and August 1 and the Business Day next succeeding the last day of the Term Interest Rate Period, (3) with respect to Certificates in a Weekly Mode or a Daily Mode, the first Business Day of each month; (4) with respect to Certificates evidencing interest at a Fixed Rate, each February 1 and August 1; (5) any Mode Change Date; (6) the maturity date of the Certificates; and (7) with respect to Bank Certificates, the dates set forth in the Liquidity Facility.

"Interest Period" shall mean the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, except that the first Interest Period shall be the period from and including the Date of Delivery or initial Mode Change Date, as appropriate, to and including the day immediately preceding the first Interest Payment Date.

"Liquidity Facility" means initially the Standby Purchase Agreement, or any Alternate Liquidity Facility.

"Liquidity Provider" means the Bank, in its capacity as issuer of the Liquidity Facility, or the issuer of any Alternate Liquidity Facility then in effect.

"Master Installment Purchase Contract" means that certain Master Installment Purchase Contract, dated as of November 7, 1997, by and between the City and the Authority.

"Maximum Rate" means, for Certificates, 12% per annum, except that the Maximum Rate for Bank Certificates shall be as provided in the Liquidity Facility.

"Mode" means, as the context may require, the Term Mode, the Daily Mode, the Weekly Mode or the Fixed Rate.

"Mode Change Date" means with respect to any Certificate, the day on which a new Mode begins following the last day of a different Mode.

"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 Authority.

"Outstanding," when used as of any particular time with reference to Certificates, means (subject to certain 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 shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means any person who shall be the registered owner of any Certificate. The term Owner also includes the Liquidity Provider as the Owner of Bank Certificates.

"Parity Reserve Fund" means the fund by that name established pursuant to the 1997 Trust Agreement.

"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 shall 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-I" 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 registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAm" or "AAm-G," or better, including funds for which the Trustee and its affiliates provide investment advisory or other management services.

8. "State Obligations", which means:

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

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

   c) Special Revenue 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 construction draws, as appropriate;

    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 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 2002 Certificate 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, and

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.

"Purchase Date" shall mean the date on which any Certificate is required to be purchased pursuant to the Trust Agreement.

"Purchase Price" shall mean that amount equal to 100% of the principal amount of any Certificate purchased pursuant to the Trust Agreement, plus accrued and unpaid interest thereon to but not including the Purchase Date or the date on which such Certificate is deemed purchased in accordance the Trust Agreement.

"Rate Determination Date" means the date on which the interest rate(s) with respect to the Certificates shall be determined, which (i) in the case of the Daily Mode, shall be each Business Day by 7:30 a.m. California time; (ii) in the case of the Weekly Mode, shall be each Wednesday or, if Wednesday is not a Business Day, the next following Business Day, or in the case of a conversion to the Weekly Mode shall be at least one Business Day prior to the Mode Change Date; (iii) in the case of the Term Mode, shall be at least one Business Day prior to the first day of a Term Interest Rate Period; and (iv) in the case of conversion to the Fixed Rate, shall be a date determined by the Remarketing Agent which shall be a least one Business Day prior to the Mode Change Date.

"Record Date" shall mean (i) the Business Day immediately preceding the applicable Interest Payment Date during the Daily Mode or the Weekly Mode and (ii) the fifteenth day of the month prior to an Interest Payment Date during a Term Mode or for Certificates evidencing interest at a Fixed Rate.

"Refunded Certificates" means certain portions of the 1997 Certificates and 1999 Certificates.

"Remarketing Agent" means Morgan Stanley & Co. Incorporated, and its successors and assigns.

"Required Stated Amount" means, with respect to the Liquidity Facility, at any time of calculation, an amount equal to the aggregate principal amount of all Certificates in the Daily Mode, Weekly Mode or Term Mode then Outstanding, together with interest accruing thereon, which, with respect to the Liquidity Facility, shall be calculated based on an annual rate of interest equal to the Maximum Interest Rate for a period equal to (i) 34 days with respect to Certificates in a Daily Mode or a Weekly Mode and, (ii) the number of days required by each Rating Agency at the time rating the Certificates with respect to any Certificates which are converted to a Term Mode or a Daily Mode.

"Reserve Fund Requirement" shall have the meaning ascribed thereto in the Master Installment Purchase Contract.

"Securities Depository" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories, or no such depositories, as the Authority may indicate in a certificate of the Authority delivered to the Trustee.

"Special Record Date" means the date established by the Trustee pursuant to the Trust Agreement as a record date for the payment of defaulted interest on Certificates.

"Sinking Fund Payments" means the payments required under the Trust Agreement to be deposited in the 2002 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 shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then "S&P" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

"Standby Purchase Agreement" means the Standby Certificate Purchase Agreement, dated December 18, 2002, among the City, the Trustee and the Bank providing liquidity for the purchase of the Certificates.

"State" means the State of California.

"Tax Agreement" means the Tax Regulatory Agreement concerning certain matters pertaining to the use and investment of proceeds of the Certificates, executed and delivered by the City on the Date of Delivery of the Certificates, including any and all exhibits attached thereto.

"Term Interest Rate" means a non-variable interest rate on the Certificates established in accordance with the Trust Agreement.

"Term Interest Rate Period" means a period of one month or more during which a particular Term Interest Rate is in effect as provided in the Trust Agreement.

"Term Mode" means the period during which a Term Interest Rate is in effect.

"Trustee" means BNY Western Trust Company, a state banking corporation organized and existing under and by virtue of the laws of the State of California, or any other association or corporation having an office for servicing the Certificates in New York, New York which may at any time be substituted in its place as provided in the Trust Agreement. If at any time the Trustee is unable to carry out the tender agent functions provided in the Trust Agreement, the term "Trustee" shall mean a financial institution having an office for servicing the Certificates in New York, New York appointed to act as tender agent by the Authority which is qualified to carry out such functions and satisfies the requirements of the Trust Agreement.

"Weekly Interest Rate" means a variable interest rate on the Certificates established weekly in accordance with the Trust Agreement.

"Weekly Interest Rate Period" means each period a Weekly Interest Rate is in effect for the Certificates commencing on Thursday and ending on the next Wednesday; provided that the first Weekly Interest Rate Period shall begin on the Date of Delivery and the first Weekly Interest Rate Period after any change from a different Mode to a Weekly Interest Mode shall begin on the Mode Change Date to the Weekly Interest Mode.

"Weekly Mode" means the period during which Weekly Interest Rates are in effect.

"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.

Master Installment Purchase Contract Definitions

The following are certain definitions used in the Official Statement that are defined in the Master Installment Purchase Contract:

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

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

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

(C) Interest on Parity Obligations with respect to which a Payment Agreement is in force. The amount of interest deemed to be payable on any Parity Obligations with respect to which a Payment Agreement is in force shall, 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 shall 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 shall 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 shall, 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 shall be made:

(1) Counterparty Obligated 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 Counterpart), based on a fixed rate, payments by the City to the Qualified Counterparty shall be assumed to be made at the fixed rate specified by the Payment Agreement and payments by the Qualified Counterparty to the City shall 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 shall 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 Component. 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 shall 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 Components. If a Payment Agreement obligates either the City or the Qualified Counterpart), 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 shall be assumed:

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

(b) City Obligated to Make Payments 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 shall not be required to (but may at its option) take into account as set forth in subparagraph (C) of this definition (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(D) Debt Service on Parity Payment Agreements. No interest shall 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 shall 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 Counterpart), 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 Counterpart), 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 shall 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;

(E) Balloon Parity Obligations. For purposes of calculating Annual Debt Service on any Balloon Parity Obligations, it shall 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.

"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.

"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, options on such payments, or any combination thereof or any similar device.

"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 shall be as specified in the applicable Parity Obligation, which Parity Obligation shall 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 shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall 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 shall 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 shall 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 Installment Purchase Contract.

TRUST AGREEMENT

The Trust Agreement sets forth the terms of the 2002 Certificates, the nature and extent of the security, various rights of the Bondholders, rights duties and immunities of the Trustee and the rights and obligations of the Authority. Although 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.

Tax Covenants

The Authority covenants with the Owners of the Certificates that, notwithstanding any other provisions of the Trust Agreement, it shall 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 shall 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 shall 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, shall 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 shall 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 shall 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 shall 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 shall 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 Agreement, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. These covenants shall survive payment in full or defeasance of the Certificates.

Amendments to Contract

Except for any Supplemental Contract delivered in accordance with the terms of the Contract, the Authority shall not supplement, amend, modify or terminate any of the terms of the Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent shall 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 hereby 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 shall reduce the amount of 2002 Payments to be made to the Authority or the Trustee by the City pursuant to the Contract, or extend the time for making such 2002 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with the Trust Agreement.

Amendment of the Trust Agreement

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 shall 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 so long as the 2002 Certificate Insurance Policy and the Liquidity Facility are outstanding and the 2002 Certificate Insurer and the Liquidity Provider are not dishonoring any properly presented drawings, no amendments may be made without the written consent of the 2002 Certificate Insurer and the Liquidity Provider (and under such circumstances amendments may be made with the written consent of the 2002 Certificate Insurer and the Liquidity Provider alone and without the consent of the Owners). 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 shall (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 shall 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 or the Liquidity Provider, 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.

In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Trust Agreement would adversely affect the security for the Certificates or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no 2002 Certificate Insurance Policy.

Events of Default; Acceleration, Waiver of Default

(a) If an Event of Default (as that term is defined in the Contract) shall happen under the Contract, then such event of default shall constitute an Event of Default under the Trust Agreement. Further, if default shall be made by the Authority in the performance of any of the agreements or covenants in the Trust Agreement, and such default shall have continued for a period of ninety (90) days after the Authority shall have been given notice in writing of such default, then such event of default shall constitute an Event of Default under the Trust Agreement. 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 in the Contract and in Trust Agreement; provided, that nothing contained in the Trust Agreement shall 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.

(b) If an Event of Default shall occur and be continuing, all 2002 Payments or other funds held or thereafter received by the Trustee under any provisions of the Trust Agreement shall first be applied by the Trustee to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Certificates and payment of reasonable expenses and charges of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its power and duties under the Trust Agreement. After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to payment of expenses of the Authority or rebate only after the payment of debt service due and past due on the Certificates, together with replenishment of the 2002 Parity Reserve Account.

Defeasance - Discharge of Trust Agreement

When the obligations of the City under the Contract shall cease pursuant to the 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 shall 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 in the Trust Agreement and the right of the Trustee to collect any fees or expenses due under the Trust Agreement and the Trustee shall turn over to the City, as an overpayment of 2002 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 shall continue to be held by the Trustee in trust for the benefit of the Owners and shall 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 shall become void, except for the Authority's obligation to indemnify the Trustee pursuant to the Trust Agreement. Certificates in the Daily Mode or the Weekly Mode may not be defeased or discharged in advance of maturity.

Defeasance - Deposit of Money or Securities with Trustee

Whenever in the Trust Agreement or the Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities (certified to be sufficient by a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or prepayment date) 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 shall 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 shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount 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 that, in the case of Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Trust Agreement and the Contract or by Written Request of the City) to apply such money to the payment of such principal plus prepayment premium, if any, plus interest represented by such 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 2002 Certificate Insurer pursuant to the 2002 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 2002 Certificate Insurer, and the 2002 Certificate Insurer shall be subrogated to the rights of such Owners.

MASTER INSTALLMENT PURCHASE CONTRACT

Although certain provisions of the Master Installment Purchase 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 Installment Purchase Contract.

Covenants of the City

Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms of the Master Installment Purchase Contract, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Installment Purchase 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 an,, 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.

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 shall 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 satisfy the requirements of the Master Installment Purchase 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 Installment Purchase Contract in its annual budget; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget shall 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 shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall 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 Installment Purchase Contract shall provide that the Authority shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided 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 shall 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 shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and contesting such validity or application will not materially impair operation of the Electric System.

Collection of Rates 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 and charges applicable to the Electric Service provided 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 of California and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing in the Master Installment Purchase Contract shall 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 shall not relieve the City of its obligations under the Master Installment Purchase Contract.

Eminent Domain and Insurance Proceeds. If all or any part of the Electric System shall 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, shall be applied either to the proportional prepayment of Outstanding Parity Obligations or shall 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 Acceleration of Principal

If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made in the due and punctual payment of any payment on any Parity Obligation when and as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any of the agreements or covenants contained in the Master Installment Purchase Contract or in any Parity Obligation required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority: or

(3) if the City shall 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 shall 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 shall 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 shall, 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 shall become immediately due and payable, anything contained in the Master Installment Purchase Contract to the contrary notwithstanding. This subsection is subject to the condition however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the City shall 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 (1) 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) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall 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 shall extend to or shall affect any subsequent default or shall 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 Installment Purchase Contract and all Net Revenues thereafter received shall 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 Installment Purchase Contract, 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 shall 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 shall 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.

APPENDIX D

DTC AND THE BOOK ENTRY SYSTEM

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Certificates called for redemption or of any other action premised on such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of Certificates held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Certificates held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Certificates for the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Trust Agreement and will not be conducted by the City or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF CERTIFICATES FOR REDEMPTION.

Neither the City nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest with respect to the Certificates paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificate certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and none of the City or the Trustee take any responsibility for the accuracy thereof.

Neither the City nor the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Certificates paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the City nor the Underwriter are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

APPENDIX E

FORM OF OPINION OF SPECIAL COUNSEL

December __, 2002

City of Roseville
311 Vernon Street
Roseville, California 95678

$40,385,000
City of Roseville
Variable Rate Demand
Electric System Revenue Certificates of Participation
Series 2002

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the execution and delivery of $40,385,000 aggregate principal amount of City of Roseville Variable Rate Demand Electric System Revenue Certificates of Particpation (the "Certificates"). In such connection, we have reviewed: a 2002 Supplemental Installment Purchase Contract, dated as of December 1, 2002 (the "Supplemental Contract"), by and between the Authority and the City; a Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract" and collectively with the Supplemental Contract, the "Contracts") by and between the Authority and the City; a Trust Agreement, dated as of December 1, 2002 (the "Trust Agreement"), by and between the Authority and BNY Western Trust Company, as trustee (the "Trustee"); a Tax Certificate of the City, dated as of the date hereof (the "Tax Certificate"); an Escrow Agreement, dated as of December 1, 2002 (the "Escrow Agreement"), by and between the City and BNY Western Trust Company, as escrow agent; opinions of counsel to the City and the Authority; an opinion of counsel to the Trustee with respect to the Trustee; and certifications of the City, the Trustee, the Authority and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City and the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Contracts, the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest portion of the 2002 Payments to be included in gross income for federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Certificates, the Contracts, the Trust Agreement and the Tax Certificate, and their enforceability are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Supplemental Contract and the Trust Agreement have been duly authorized, executed and delivered by the City and the Authority and constitute valid and binding obligations of the City and the Authority.

2. The obligation of the City to make the 2002 Payments during the term of the Supplemental Contract constitutes a valid and binding obligation of the City, payable solely from the Electric System Net Revenue and certain funds held under the Trust Agreement.

3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

4. Under existing statutes and court decisions, the portion of 2002 Payments due under the Contracts designated as and comprising interest with respect to the Certificates is not included for Federal income tax purposes in gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as a preference item in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. Under the Code, however, such interest is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations.

5. Under existing statutes, the portion of 2002 Payments due under the Contracts designated as and comprising interest with respect to the Certificates is exempt from present State of California personal income taxes.

6. In rendering the opinions in paragraphs 4 and 5 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the portion of 2002 Payments due under the Contracts designated as and comprising interest with respect to the Certificates, and continuing compliance with and enforcement by City of the procedures and covenants set forth in the Tax Certificate as to such tax matters.

Special Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Certificates. Special Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Special Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest with respect to the Certificates.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

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APPENDIX F

FORM OF THE 2002 CERTIFICATE INSURANCE POLICY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: 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.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________________ By ______________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
350 Park Avenue, New York, N.Y. 10022-6022

FINANCIAL SECURITY ASSURANCE®

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER:

BONDS:

Policy No.:

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 560NY (CA 1/91)

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AVAILABILITY OF DOCUMENTS

Copies of this Official Statement, the Trust Agreement, the Contract 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., 50 California Street, Suite 2130, 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 2002 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 2002 Certificates and the Authority or the City.

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

CITY OF ROSEVILLE

By: ______________________
Finance Director